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Summary of Findings
AMAP K&P Component B
Stocktaking Exercise

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Accelerated Microenterprise Advancement Project

Accelerated Microenterprise Advancement Project (AMAP) is a 4-year contracting facility that USAID/Washington and Missions can use to acquire technical services to design, implement, or evaluate microenterprise development, which is an important tool for economic growth and poverty alleviation.

For more information on AMAP and related publications, please visit <http://www.microlinks.org>

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Contents

Abbreviations	iv
1 Purpose of the Exercise.....	1
2 Summary of Interviews.....	2
2.1 How do missions design projects?.....	3
2.2 How do other donors design projects differently?.....	5
2.3 How do consulting firms and NGOs use market assessment tools to design projects?.....	6
3 Demand for Tools.....	7
3.1 What do donors struggle with?.....	7
3.2 What tools are used and are demand?.....	8
3.3 What would help?.....	10
3.4 How to move ahead?.....	11

Abbreviations

ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
AFE	Action for Enterprise
BDS	Business Development Services
DFID	Department for International Development
ECI	Ebony Consulting International
GTZ	German Agency for Technical Cooperation
ICT	Information and Communication Technology
ITDG	Intermediate Technology Development Group
K&P	Knowledge and Practice
MSI	Management Systems International
PSCs	Personal Service Contractors
RPFs	Request for Proposals
SDC	Swiss Agency for Development and Cooperation
SME	Small and Medium Enterprises
SOW	Scope of Work
USAID	United States Agency for International Development

Purpose of the Exercise

1 Purpose of the Exercise

BDS K&P Component B conducted a stocktaking exercise to inform decisions about the focus of research, activities and outputs for the component. Component B team members held discussions with ten USAID mission staff with a wide range of experience and expertise—a mix of career officers, personal service contractors (PSCs), local staff, and three USAID officers in Washington, DC—as well as seven contractors, five NGOs, and three other donors to understand how they design private sector development programs. We were interested in the analysis they contract out or do themselves that contributes to the design (the SOWs for RFPs); their demand for tools and guides to aid in the analysis and design process; and how they do or don't design projects to include micro and small enterprises. Our stocktaking focused on Missions, but the other interviewees provided valuable insights and points of comparison. Table 1 shows which USAID missions and offices, donors, contractors, and NGOs participated in the exercise. The stocktaking exercise was not a survey with interviewees selected at random, but was designed to provide guidance from interested parties.

Table 1*

Missions/USAID Washington		Donors	Contractors	NGOs
Armenia	Indonesia	DFID home office	ACDI/VOCA	AFE
Bangladesh	Malawi	DFID Kenya	DAI	IDE
Brazil	Namibia	GTZ	Deloitte & Touche	ITDG
Economic Growth	Peru	SDC (Swiss)	Louis Berger	Swisscontact
Europe/Eurasia	Senegal		MSI	World Education
India	South Africa		Nathan	
			SRI	

*Informal discussions with GTZ South Africa; the International Labour Organization, Springfield Centre for Business in Development; and the Egyptian consulting company, ECI, also informed our analysis.

The stocktaking exercise provided: information on the current design process; respondents' identified problems or challenges; a list of tools currently used; a list of tools that respondents want to know more about; a comparison among USAID, other donors, NGOs and contractors regarding their approaches to project design and use of analysis and tools; and feedback on what a guide should contain and how it could be presented. Subsequent outputs of this component will take into account our enhanced understanding of the demand for tools and guidance on the part of the respondents and the audiences they represent.

Summary of Interviews

2 Summary of Interviews

Those interviewed understand the importance of good project design, but admitted that the process and analysis could be improved significantly. They are interested in a way to make these improvements without making the process overly complicated, time-consuming or simply result in yet another study. Some experienced USAID staff are pleased that the design process for projects loosened up during the “reinventing government” era making the process faster and allowing for more creativity. Others consider current practices sloppy and too ad hoc: they miss the old system, which brought both a respect for analysis and a rigor to the process. Our interviews indicated, in fact, that those that had never worked under the old system had a much less rigorous approach to analysis and project design, although they were interested in tools and analytical methods that would shed light on issues of concern and help them design better projects. One Mission regretted not doing better, more rigorous, analysis upfront, particularly statistical analysis, which they believed would have provided a better focus, helped to select better sectors and approaches, and ultimately saved time. Open-ended questions about analytical tools used elicited vague responses. Stakeholder meetings were the only tool that everyone used and were comfortable discussing and, as such, were often the only tool mentioned used by missions and other donors in designing projects. Subsector analysis and value chain analyses were the next mostly frequently cited tools familiar to respondents, but most respondents could not discuss them in detail. USAID personnel had either heard of these tools or had contracted out analysis that incorporated their use, but few had used them (unlike stakeholder meetings). However, there was high interest in learning about new tools and using them, particularly value chain and competitiveness tools. **Respondents were very interested in a guide that could help them understand the basis of using the tools, but most importantly, what insights various tools could provide for project design.**

“We were missing statistical information that could have helped us select regions. Our approach was ‘try it and see if it works.’ And with this approach we wasted resources.”

Some USAID and other donor interviewees wanted to be able to do the analysis themselves. The majority, however, wanted to be able to: direct a contractor to do a certain type of analysis, evaluate the end-product when the contractor used one of the tools, and engage in a more educated discussion with contractors about the analysis and its insights. Some donor respondents felt that several analytical tools were so closely connected to a particular contractor that they had to use care in suggesting use of the tool in project design because of procurement rules. Indeed, almost all of the contractors and NGO implementers have developed proprietary tools or have modified existing tools, such as subsector analysis, to suit their needs.

At many missions, microenterprises are being left out of project design because people don't understand how they can contribute to a country's or industry's competitiveness. **Despite the interest in value chain, subsector, and competitiveness tools and analysis, few respondents realized that these tools could provide insights on how to incorporate more micro and small enterprises and farmers into value chains providing better access to markets.** This is not an issue for other donors, particularly DFID, because their focus is poverty alleviation.

Missions and other donors are interested in improving small firms' access to business development services (BDS), but there was a consensus that stand-alone BDS projects are too narrowly defined and it is better to incorporate a BDS element into broader projects. Interest in BDS tools (defined as tools that help understand the demand and supply of business services, such as supplier diagnostics, multi-service usage attitude image market study, market overviews and qualitative consumer analysis) was higher than their actual use. Several interviewees were unclear on what the tools were and how to use them. Those familiar with them indicated that although they believed in the BDS 'market development' approach, the tools and theory had become overly complicated. USAID, other donors, NGOs, and some of the contractors are still quite interested in designing projects that incorporate good BDS practices.

2.1 How Do Missions Design Projects?

Who does it? All but one person interviewed from USAID considers project design their responsibility although many missions contract out analysis used in project design. There are considerable differences in opinion among missions and other donors regarding how much design they should do—some RFPs are detailed and some are not; some Missions want the bidders to do the analysis and evaluate project design during the proposal process; others let implementers design the details of the project after they have been awarded the contract or cooperative agreement and some engage in the analysis with the implementer post-award.

Projects don't start with a blank slate. A number of respondents emphasized that project design does not start with a blank slate. There are existing projects, past projects, lessons learned, political considerations, host government requests, and earmarks that shape and constrain project design.

Stakeholder meetings widely used. Everyone interviewed uses stakeholder meetings (usually group, but also individual meetings) as a major source of input for designing projects. Some use these meetings only as source of information and caution against the practice of designing projects based on stakeholder design ideas since the stakeholders are often the beneficiaries. Others don't see this as an issue and **do** design projects based primarily on discussions/input from stakeholders to the exclusion of all other analysis and inputs.

Tools are popular, but why? There is a big interest in value chain analysis although many respondents had only a superficial understanding of what it is and what insights it provides. Similarly, competitiveness tools are popular, but about half of the respondents were unclear on what they are. Others recognized them as business strategy tools. Subsector analysis is also popular: more people have been trained on it, use it more often, and understand it better than the other analytical tools mentioned. It was clear that with more information, a guide, and training, other tools would be used just as often as subsector analysis.

“We are looking at the whole value chain from start of production to export. I don’t quite understand the goal of this. How does it help?”

Looking for market information. Most of those interviewed want to incorporate market information, but they don’t know exactly know where to find it, how to collect it, and then how to use it. Respondents indicated that they were searching for ways to: “analyze market opportunities”; “be guided by the marketplace”; “take a market development approach”; and “undertake a diagnostic survey that could recommend attractive export markets”. Interestingly, only one person from a USAID mission (recently trained on the ICT tools) indicated they would look at trade statistics to provide insights on market trends. Likewise, only one contractor made extensive use of trade data and tools that incorporated trade data into the analysis. And only one person interviewed at a Mission indicated that they or their contractors interviewed buyers.

Enough with the research. Many interviewees feel enough, even too much, research is being done to the detriment of action-focused projects. Everyone interviewed has access to secondary sources, including studies funded by other donors, and a number of respondents believe this information should be better used. They don’t want donors to waste time and money on duplicative research. There was an incorrect assumption by a number of respondents that the use of tools would require primary research and involve a lengthy process. The bottom line is that they don’t want new tools to only lead to more studies or delay the already time-consuming design and award process.

Data and indices left to the economists. Very few non-economists said that they examined data to get a first-hand look at economic, industrial or subsector performance, but the few economists interviewed did make good use of data. Non-economists also did not refer to comparison indices – but the economists did - such as the World Bank’s Investment Climate Assessments, the Global Competitiveness Report or the Economic Intelligence Unit’s assessments, to help them choose areas in need of improvement. Since, as mentioned above, everyone uses secondary sources: if these studies analyze data, then the insights from the data analysis can be incorporated as input to the design process.

Which sectors? The biggest demand for tools is in helping to choose sectors of focus.

“There was no analysis done before choosing the plastic subsector. It was chosen ‘because countries always need plastics.’”

Missions and other donors don't know how to choose which sectors have potential and aren't certain if contractors know how to do this. They complain that there are no guidelines and no tools. Some respondents said this is not and should not be a concern because choosing sectors means that missions are over-designing projects. However, most USAID staff, other donors, contractors and NGOs would welcome guidance and tools that would help them choose sectors.

Results and now. Some respondents mentioned that the demand for short-term results from the donor government or the host government can push the focus away from sustainable market development. Project design responds to this by becoming transaction focused, although project designers understand that this does not follow best practices for the development industry.

Tools can galvanize action. Several respondents indicated that tools and analysis should be done WITH stakeholders in order to help them improve their understanding of the situation and also galvanize action. Mission staff, other donors, consulting companies, and NGOs have all used participatory workshops to take small groups of stakeholders through a tool or type of analysis that helps develop insights to issues and strategies to deal with them.

2.2 Do Other Donors Design Projects Differently?

Other donors we interviewed, with the exception of DFID, have a more informal design process than USAID. They primarily rely on interviews and stakeholder meetings to guide their focus and project design. On occasion, they use tools that USAID has developed—subsector analysis, BDS, and microfinance tools were mentioned—and are happy to have USAID take the lead in adapting tools from the private sector to fit the development context. There was interest in strategy/competitiveness tools, especially value chain analysis. The interview with the DFID advisor indicated that DFID makes extensive use of subsector analysis as part of the design process.

The interviewees from other donor organizations appeared to be more aware of the negative impact that donor programs can have on local business services as well as the problem of sustainability. Therefore, it isn't surprising that they see BDS as an essential component to private sector, rural economic and SME development projects.

2.3 How Do Consulting Firms and NGOs Use Market Assessment Tools to Design Projects?

Tools are us. Consulting firms have a range of analytical tools at their disposal and, for some, this is their competitive advantage. As such, several of the consulting firms we interviewed are not interested in a broad distribution of information on what various tools are or how to use them. Others believe that more familiarity with the tools would increase the demand and appreciation of their use. In some cases, consulting firms team with other consulting firms known for the use of particular tools in order to take advantage of this. NGOs have often developed their own tools that reflect their approach to issues and problems in developing countries. They are more open to learning about new tools than the consulting companies.

Instincts are important. Despite the popularity of tools, consulting firms and NGOs indicated that they also use gut feelings, instincts, and informal information gathering to design projects. The design process and use of tools is not consistent within an organization. Often, whether or not tools are used in the design of the project depends on which specialists are assigned to do the project design.

Lack of data is problematic. Several consulting firms indicated that the usefulness of some tools is limited by the lack of data in developing countries. As a result, they don't always use some of the tools at their disposal.

3.1 What do Donors Struggle with?

Duplication/fit. USAID missions and other donors are most concerned with how the project they are designing fits in with ongoing projects and other donor initiatives. No one wants to design a project that duplicates another.

Budgets. The amount of money available for a project greatly influences not just the design of the project, but what can be done in general. Several examples were given of completely changing the focus of a private sector activity because the limited budget would not allow the mission to make a dent in the issue of most interest.

Lack of time. The thinking and analysis put into a project is often short-changed because missions believe this is time-consuming and they are anxious to get started. The use of analytical tools is also assumed to be time-consuming and it often is when the analysis is contracted out.

Choosing sectors. Although many missions argued against having the mission choose sectors to focus on, those that did this were almost desperate for tools that would help them make good choices. Those not comfortable in selecting sectors would rather see this done in either the proposal process with contractors using good analysis or in the course of implementation in partnership with the implementer.

Market demand. Mission staff are very interested in using market demand to help them guide and design their projects, but are at a loss on how to obtain this information except through market studies, and these are often found to be disappointing. They realized that a better understanding of market demand would aid in the selection of sectors of focus.

Fitting micros in. USAID respondents recognized that competitiveness projects had gained favor over microenterprise-focused projects. Several expressed regret given the large number of micro-enterprises in their country and their role in poverty alleviation. Others seemed pleased to be able to focus on larger companies. When queried specifically if they would be interested in a tool that would provide insights on how to better incorporate more micro and small enterprises into value chains, almost all of the respondents expressed interest.

Learning about tools. Keeping up with the latest trends and tools is a challenge for Mission staff and reactions to new tools can either be hostile or welcoming depending on the length of service with USAID. Several USAID personnel and several contractors pointed out that the competitiveness tools are simply repackaged strategy tools. Others pointed out similarities

between subsector analysis and value-chain analysis. Many agreed that the issue is not the development of new tools, but training on existing ones. Overall, the interest in learning about tools is high.

Linking impacts to project design. Missions and other donors wrestle with linking desired impacts—job creation, poverty alleviation, local or rural economic growth, increased exports—to project design and would welcome a tool or guide that could help connect the dots between the two. They want a tool that starts with the impact they are aiming for and leads them through a design process or analysis to arrive at appropriate intervention strategies.

Complicated frameworks. Almost no one wants to return to a complicated framework or process although there is demand for more rigor in project design. Complicated frameworks merely confuse the process, take too much time and are often altogether avoided when possible despite the value they might bring to the design process.

Assessing business regulations. Over half of the USAID respondents requested a tool that would help them assess business regulations in a country and decide what issues to focus on. When told about the new World Bank study, Doing Business in 2004, they wanted to know more and how to incorporate these findings into project design

Earmarks. Over one-third of respondents indicate that earmarks affect their project design. This ranges from the focus of the project to how it is implemented. Choices of activities and approaches can be constrained depending on the interest of a Congress person or staffer.

3.2 What Tools Are Used and Are in Demand?

Respondents were asked which tools they used and they were prompted by the interviewer with the names of tools. The demand for tools to help assess business regulations was not one mentioned by interviewers, but a number of respondents requested such tools, indicating quite strong demand.

Interviewers asked about tools in use and tools that respondents would like to learn more about and possibly use. As a result, respondents often did not cite a tool that they were already using as one “in demand” or for which they wanted training or a guide. This explains why, for example, subsector analysis is the most frequently used tool but only fourth on the list in terms of demand. BDS tools, however, are used less frequently now than private sector tools, but the demand is just as great for training and guidance about them as it is for new private sector tools (although more so for other donors and less so for USAID).

By USAID. From our small sample, **the tools most frequently used by USAID are subsector and value chain analysis.** This is followed closely by competitiveness tools, then investor roadmaps and finally policy tools. In order of interest, USAID interviewees were most interested in learning more about:

- new private sector tools;
- tools that could help assess business regulations;
- value chain, subsector, and competitiveness tools;
- tools to help choose sectors;
- BDS tools; and
- tools to identify market opportunities.

By other donors. The **other donors used BDS tools most frequently,** followed by subsector analysis and then by value chain analysis. They were most interested in learning more about competitiveness tools as well as new BDS tools. Of next highest interest were value chain tools, other private sector tools, tools to help choose sectors, and local economic development tools. Several donors stated that they were pleased to see USAID adapting private sector tools for the donor industry and were interested in learning more about them.

By implementers. Contractors and NGOs used subsector analysis, competitiveness tools, and proprietary tools (which were often versions of development or private sector tools) most often. The next most popular tools used were value chain analysis and BDS tools. If given the opportunity to receive training and information on tools, those of most interest were value chain and BDS tools, followed by competitiveness tools and tools to chose sectors, followed by other private sector tools and local economic development tools.

By all. Combining all of the responses, the tools most frequently used were (in order):

1. Subsector Analysis
2. Value Chain Analysis
3. Competitiveness Tools
4. BDS Tools
5. Proprietary Tools

Of most interest to all of the interviewees in order of demand were (in order):

1. Value Chain, Competitiveness Tools (equal ranking)
2. Other Private Sector Tools, BDS Tools (equal ranking)
3. Tools to Help Choose Sectors
4. Subsector Analysis
5. Tools to Help Assess Business Regulations

3.3 What Would Help?

A visual guide. Almost without exception, USAID personnel wanted to see a visual guide that shows graphically how tools could answer the big development questions, provide insights, which would then provide ideas for project design. Several people suggested presenting the guide as a web site. Others wanted a fold-out graphic.

Keep it simple and user-friendly. Whatever is done, it needs to be simple and user-friendly. If it is not, it will be ignored. Finding a way to combine different tools was suggested several times.

Explain tools. A number of respondent indicated they had only heard of a tool and wished they could find a good explanation of it. Although some of their contractors used particular tools, they weren't sure why or what benefits this would provide.

Incorporate case studies. There was a big demand for case studies. The more real we can make the use of tools in project design, the better.

Show what insights tools can provide. Most people struggled with “why” a tool should be used, what they would learn, what new insights they would gain from going through the exercise. If this were clear from the start, more people would be interested in using them as long as they knew how to use them.

Link design with impact. If our guide can link designs with types of impacts, this would be most helpful. Donors struggle with this issue.

Go beyond a checklist: show how tools, analysis, design, and impact are related. Missions are tired of checklists. They would like something more sophisticated that shows how tools inform analysis, which has implications for design, which is linked to types of impacts.

Don't promote cookie-cutter approaches. Everyone was in agreement that because the combination of issues that countries face as well as their political, economic and cultural contexts are unique, cookie-cutter approaches must be avoided. Thus, the interest in a guide, tools and case studies, rather than models or approaches that can simply be copied.

Disseminate and train on tools. To make this exercise worthwhile, the message was loud and clear that what we do should be widely disseminated in a variety of formats, including training.

Make training available to USAID local employees. As more local employees assume CTO responsibilities, it is even more critical that they are trained on the latest thinking, tools, and best practices for project design.

3.4 How to Move Ahead?

Based on interest and insights from the survey, we recommend producing a web-based and fold-out graphic visual guide that indicates which tools can answer what questions, a basic description of the tool, and the insights the tool can provide. We also recommend training be developed and offered to Mission staff on the types of analytical tools that can be used to guide project design for projects that include micro and small enterprises.

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