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**Accelerated Microenterprise Advancement Project (AMAP)
Business Development Services (BDS)
under Indefinite Quantity Contract
GEG-I-00-02-00016-00**

**ACDI/VOCA CONSORTIUM
Annual Progress Report
January 1, 2005 to December 31, 2005**

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ACDI/VOCA**

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January 31, 2006



AMAP

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I. EXECUTIVE SUMMARY

This document serves as both a fourth quarter report, covering the period October 1, 2005 to December 31, 2005, and as an annual progress report, covering the period January 1, 2005 to December 31, 2005. This progress report to USAID/EGAT/PR/MD is required by contract No.: GEG-I-00-02-00016-00. **The Accelerated Microenterprise Advancement Project—Business Development Services** (AMAP BDS) is an indefinite-quantity contract (IQC) awarded by USAID to ACDI/VOCA and its partners, who form the AMAP BDS IQC consortium. Through AMAP BDS, the ACDI/VOCA consortium works with USAID, private and public sector partners and donors to develop business services that fuel micro- and small enterprise (MSE) growth. Our strategies focus on:

1) Increasing the opportunities for small firms to contribute to and benefit from their participation in local, national, regional, and global markets; and

2) Enhancing the competitiveness of markets in which small firms can or could participate.

Under AMAP BDS, the **ACDI/VOCA Consortium** conducted activities under three task orders during the reporting period. The first task order was awarded through **USAID/Kenya** and entails providing short term technical assistance to the Kenya Mission and implementing partners to ensure the quality of BDS program planning and strategy development, intervention design and impact assessments. The second task order is **Knowledge and Practice (K&P)** awarded on August 2003, under which ACDI/VOCA takes the lead in coordinating the contributions of the three BDS consortia to research on the factors and strategies necessary to create wealth in poor communities and coordinate the consortia's efforts to promote economic growth by sustainably linking large numbers of small firms into more profitable markets. The third task order, **“Growth Oriented Microenterprise Development Program,”** awarded through USAID/India on September 30, 2005, provides technical assistance to micro- and small enterprises to create sustainable growth in jobs and generate long-term impact on households and communities by integrating growth-oriented microenterprises into productive agriculture and urban services markets. A detailed report pertaining to this task order for this reporting period has been submitted to USAID/India.

II. ACTIVITIES AND ACCOMPLISHMENTS DURING THE FOURTH QUARTER OF 2005 (OCTOBER 1-DECEMBER 31, 2005)

Task Order 1: BDS STTA to USAID/Kenya (GEG-I-00-02-00016-00, Order No. GEG-I-800-02-0016-00)

During the fourth quarter of 2005, AFE completed final draft of the baseline impact assessment based on comments received from USAID/MD, ACDI/VOCA, and Kenya BDS. AFE also initiated discussions with Kenya BDS, ACDI/VOCA, and technical consultants to explore possible timing for the final round of the impact assessment in 2006/2007.

Task Order 2: Knowledge and Practice (GEG-I-00-02-00016-00, Order No. 1)

In addition to the detailed discussion below, please see the “AMAP BDS K&P Status Chart” (Attachment 2) for an overview of the current status for each deliverable.

Component A – Clients and Markets

1. Focused Field Research

In the fourth quarter of 2005, a final draft of the research report entitled “Weaving Micro and Small Enterprises into Global Value Chains: The Case of Guatemalan Textile Handicrafts” was submitted to USAID for approval.

2. Guatemala Country Study

Analysis and interpretation of the Guatemala survey data were completed during the fourth quarter of 2005. The first draft of the country study report was submitted to USAID/MD and the AMAP BDS team for review and comments. Based on the comments received, the report was revised and a second draft was submitted.

One byproduct of this study is the “Research Protocol,” which details the research methods used in the quantitative component. This paper has been formatted for posting on microLINKs and is being updated by the research team to reflect final adaptations made in the field.

Preliminary results on the horticulture value chain were presented to an international audience of 250 people at the VIII Interamerican Forum on Microenterprises.

3. Tanzania Country Study

The primary purpose of this activity is to develop a detailed understanding of the factors and conditions affecting MSEs within the context of the high-value horticultural vegetables value chain in Tanzania (snow peas, baby carrots, baby corn, French green beans, broccoli, etc.).

During the fourth quarter of 2005, the high-value horticultural vegetables value chain was selected based on a matrix of characteristics. The qualitative field work took place between November 29, 2005, and December 18, 2005, by a research team comprised of Elizabeth Dunn, Banu Akin (ACDI/VOCA), Gitau Mbure (ACDI/VOCA) and Shand Evans (Louis Berger Group). The team collected data in Dar Es Salaam, Arusha, Morogoro, and Lushoto.

The study team collected information through document review and qualitative field methods, including 1) individual interviews of value chain participants and experts; 2) group interviews of smallholder vegetable producers; and 3) direct observations of wet markets, supermarkets, packing houses, and smallholder farms. The team presented the findings to Thomas McAndrews (USAID/Tanzania) on December 16, 2005. (Attachment 1: Preliminary Report)

4. “Synthesis Paper: Lessons Learned on MSE Upgrading in Value Chains”

During the fourth quarter of 2005, data collection on nine value chains was completed. Elizabeth Dunn, Jennefer Sebstad and Lisa Batzdorff met October 19-20 to analyze the data from these nine case studies. A final, detailed outline was prepared and several sections of the paper were drafted in the fourth quarter. In December, writing was put on hold due to conflicting schedules of the authors. Writing is scheduled to resume in the first quarter of 2006.

5. “Barriers and Risks to Horizontal Coordination Between MSEs”

ACDI/VOCA is requesting an extension for the deliverable entitled “Barriers and Risks to Horizontal Coordination between MSEs” until August 2006.

6. “Trade-Offs with Alternative Linkage Strategies”

ACDI/VOCA is requesting an extension for the deliverable entitled “Trade-Offs with Alternative Linkage Strategies” until August 2006.

Component B – Market Assessment

1. Value Chain Analysis

In the fourth quarter of 2005, ACDI/VOCA continued to explore possible countries in which to conduct value chain analyses. ACDI/VOCA hopes to conduct a value chain study of the handicrafts industry in Haiti in 2006.

ACDI/VOCA is also exploring options for collaborating and leveraging resources with other organizations that use the value chain approach. ACDI/VOCA is currently exploring options for collaborating with IRG’s FRAME project for joint value chain analyses in Africa and Latin America. IRG’s *Nature, Wealth and Power* framework is highly complementary to the *Power, Learning, and Benefits* approach developed under AMAP BDS. IRG and ACDI/VOCA are currently discussing a possible joint value chain analysis with the Mission in Madagascar.

Additionally, ACDI/VOCA began exploring ways to collaborate with Development and Training Services (dTS) through the WID IQC. Through WID, dTS conducts value chain analyses with an added focus on the constraints and opportunities affecting women who participate – or, conversely, are prevented from participating – in value chains.

Finally, at the end of the fourth quarter, ACDI/VOCA began discussions with the West Africa Regional Program (WARP) regarding the feasibility of conducting a regional value chain assessment in West Africa. ACDI/VOCA is hopeful that this assessment will be conducted in 2006.

ACDI/VOCA's pursuit of a regional value chain assessment in the Europe and Eurasia region is on hold pending follow-up from the *Regional Competitiveness Initiative* project with regional Missions and continued expression of interest.

Component C – Intervention Design and Implementation

1. Conceptual Framework:

a) Strategy Paper

ACDI/VOCA continued work on the Conceptual Framework Strategy Paper for the AMAP BDS Knowledge and Practice research project. In the fourth quarter of 2005, the paper was submitted to Dina Towbin for professional editing. It is expected to be finalized and posted on microLINKS in the first quarter of 2006.

b) Literature Review

During the fourth quarter of 2005, the literature review entitled “Integrating Micro and Small Scale Enterprises into Productive Markets” was formatted, approved, and posted on microLINKS.

2. Thematic Paper: MSEs and Competitiveness

The outline for the competitiveness paper was finalized in October 2005. Mark Freeman is taking the lead in integrating the value chain framework and will work with CARANA Corp. in revising the paper. The final draft of the paper is expected to be submitted in the first quarter of 2006.

3. Case Study of Geographically Remote Communities—Mexico Coffee Case

Conservation International (CI), a member of ACDI/VOCA AMAP BDS Consortium, was selected to implement this activity. Robert Learmonth (ACDI/VOCA) and Olaf Kula (ACDI/VOCA) revised the draft to incorporate the aspects of the value chain framework. Final submission is expected in the first quarter of 2006.

4. Case Study: Indonesia Cocoa Value Chain

Henry Panlibuton (AFE) is incorporating the USAID/MD's comments into the final draft. ACDI/VOCA will ensure that the case study is built around the value chain framework and reflects key messages. The final version is expected to be submitted in the first quarter of 2006.

5. Case Studies: Implications for the Integration of MSEs into Productive Markets

In October, the case studies proposed in our Year 2 workplan were approved. A complete description of the approved case studies currently under development can be found as an attachment. Several of the case studies are expected to be completed by the end of the first quarter of 2006.

Component D- Impact Assessment and Other Post-Intervention Assessments

1. Field Impact Study – India

In the 4th quarter of 2005, Elizabeth Dunn and Joe Le Clair (ACDI/VOCA) submitted the final draft of the M&E Framework including the causal models for all of the sub-sectors of the GMED project (except for the broilers sub-sector) to Chief of Party, Don Taylor. Mr. Taylor provided additional input on the broilers sub-sector and sent a near final draft of the document to ACDI/VOCA on December 1st. A causal model is expected to be drafted for the broiler sub-sector in the first quarter of 2006 so that the longitudinal impact assessment can adequately measure impact in this sub-sector.

Also in the fourth quarter, Dr. Gary Woller (ACDI/VOCA) was selected, with the approval of CTO Jeanne Downing, to replace Elizabeth Dunn in leading the baseline of the mixed method longitudinal impact assessment of the GMED project. Dr. Woller and Joe Le Clair collaborated with the Component D team as well as from Frank Lusby and Henry Panlibuton (Action for Enterprise), Jennefer Sebstad, and Dr. Lucy Creevy to draft a Request for Proposal (RFP) for hire of a local research firm to assist in the longitudinal impact assessment.

The RFP will be finalized in the first quarter of 2006 and is expected to be sent to three previously identified Indian Research firms [Institute of Development Studies (IDS), Institute for Human Development (IHD), and National Council of Applied Economic Research (NCAER)] with a proposal deadline of February 17, 2006.

2. Methodology Paper

This is a DAI-led deliverable. Elizabeth Dunn and Joe Le Clair are providing input. No work was done by the ACDI/VOCA Consortium in the fourth quarter.

Component F- Training

1. Value Chain Workshop at Pre-AGM event, October 24-25, 2005 in Washington, DC

During the third and fourth quarters of 2005, Olaf Kula (ACDI/VOCA) and Banu Akin (ACDI/VOCA) worked with Margie Brand (QED) and Jeanne Downing (USAID/EGAT/MD) in developing the 2-day workshop agenda and content for the value chain training at the Pre-AGM event. Henry Panlibuton and Frank Lusby from Action for Enterprise also participated in the development and presentation of the sessions.

This two day workshop took place on October 24-25, 2005 at the SEEP pre-AGM in Washington, DC. Olaf Kula and Jeanne Downing co-facilitated this training with presentations from representatives from economic growth and market development projects in countries such as India, Mexico, Pakistan, and Mali. The facilitation team included practitioners and field partners involved with USAID's Accelerated Microenterprise Advancement Project (AMAP), Implementation Grant Program (IGP), and Practitioner Learning Program (PLP).

This 2-day elective utilized the Value Chain Approach as a framework to understand trends in global markets and the conditions under which MSEs can contribute to and benefit from the

increased competitiveness that globalization brings. Participants learned key concepts and principles used to guide research and program design based on information from Value Chain Analysis. The 2-day course provided illustrations on how organizations that only work with extremely poor MSEs and in weak markets, and, who cannot work at all levels of a value chain, can benefit from this approach.

Component H – Knowledge Management

In the fourth quarter of 2005, ACDI/VOCA began preparing summaries of AMAP deliverables for posting and finalizing the technological enhancements required for posting and managing AMAP deliverables.

III. ACTIVITIES AND ACCOMPLISHMENTS DURING 2005 - ANNUAL PROGRESS REPORT

During the year 2005, the ACDI/VOCA consortium members' accomplishments focused on implementing program activities under the task orders awarded.

Task Order 1: BDS STTA to USAID/Kenya (GEG-I-00-02-00016-00, Order No. GEG-I-800-02-0016-00)

ACDI/VOCA Consortium member *Action for Enterprise (AFE)* was contracted to work with the USAID Kenya Mission to incorporate BDS principles into current and future programs starting in June 2003. AFE also provides short-term technical expertise in strategy development, work plan development, quality control, research and development, and monitoring and evaluation services to the USAID Mission and to the implementing partners undertaking subsector/BDS market development activities in Kenya.

In 2005, Donald Snodgrass and Jennefer Sebstad completed the Baseline Impact Assessment. In the first quarter, they compiled field data for the baseline impact assessment and completed initial set of data tables, collaborating with RI Kenya and a data specialist to improve the format and further refine data tables. AFE sought and incorporated feedback from USAID/MD, ACDI/VOCA, and Kenya BDS and Kenya HDC projects. A completed final draft of the baseline impact assessment was submitted in the fourth quarter of 2005. The report will be posted on microLINKS in the first quarter of 2006.

AFE has initiated discussions with Kenya BDS, ACDI/VOCA, and technical consultants to explore possible timing for the final round of the impact assessment in 2006/2007.

Task Order 2: Knowledge and Practice (GEG-I-00-02-00016-00, Order No. 1)

The Knowledge and Practice task order was awarded in August 2003. The objectives of the task order are to conduct research into the development of micro and small enterprises (MSEs) and to develop a set of best practices to increase their participation in productive economic sectors at the local, regional, national, and/or global levels.

ACDI/VOCA submitted Year 2 Work Plan and Budget for Components A, B, C, D, F and H to USAID/EGAT/MD AMAP BDS CTO in the first quarter of 2005. The Year 2 work plan and budget were approved by Scott Kleinberg on May 18th, 2005.

Tasks performed under the Knowledge and Practice Task Order in 2005 include the following:

Component A: Clients and Markets

Activities under Component A addressed the following deliverables:

1) Conceptual Framework

The conceptual framework for the Clients and Markets research describes how MSEs link into productive value chains and how MSE owners make their business and upgrading decisions. It was first articulated in the Component A research plan. From this initial framework, the team collaborated to define research hypotheses in three related areas: 1) vertical linkages between MSEs and buyers in the value chain; 2) horizontal linkages between MSEs; and 3) MSE upgrading. These hypotheses guide the overall research agenda and are continually refined through the field and desk studies.

The hypotheses in the conceptual framework were explored using qualitative data collected in Guatemala. These hypotheses also served as the basis for finalization of the questionnaires for the Guatemalan country study.

Progress on the development of the conceptual framework continued during the third quarter in 2005 in several ways. First, the strengths and weaknesses of the hypotheses, and the feasibility of collecting empirical data on the variables in the hypotheses, became more evident as Elizabeth Dunn (ACDI/VOCA) worked with Cari Clark (Harvard University) to select the dependent and independent variables for the analysis of the Guatemala survey data. Second, the detailed outline for the synthesis paper on MSE upgrading included many of the topics for the Component A conceptual framework. Discussion of this outline provided an opportunity for Dunn to present her ideas on the conceptual framework and receive feedback from Jeanne Downing (USAID/EGAT/MD) and Olaf Kula (ACDI/VOCA). Third, Dunn developed and circulated for comment a PowerPoint on the conceptual framework entitled “Enhancing Value Chain Competitiveness and MSE Benefits through Better Relationships and Learning: A Framework.” This was presented to an audience of 250 people at the VIII Interamerican Forum on Microenterprises in Bolivia during the fourth quarter of 2005.

2) Focused Field Research (FFR)

ACDI/VOCA Consortium member *Microfinance Opportunities (MFO)* led the Focused Field Research task of Component A, which was carried out by Elizabeth Dunn and Lillian Villeda of the USAID Microenterprise Development office. The team conducted qualitative research of the textile handicraft industry in Guatemala during the period, July 18 - August 6, 2004. A draft of the report was circulated in the fourth quarter of 2004.

Through the course of 2005, working drafts of the FFR report were submitted and revised. The final report was submitted in the fourth quarter and will be posted on microLINKS in the first quarter of 2006.

3) Guatemala Country Study

In 2005, Elizabeth Dunn (ACDI/VOCA), in collaboration with the Louis Berger Group (LBG) AMAP BDS team, carried out the Guatemala Country Study. This study was the first of several empirical studies that are designed to test the Component A hypotheses and generate knowledge about how MSEs contribute to and benefit from participation in value chains. In Guatemala, the country study investigates two value chains that employ large numbers of MSEs: 1) textile handicrafts and 2) high-value horticulture.

The field approach includes both qualitative and quantitative components. The qualitative component provides background information on the firms in the value chain and how they are related. The quantitative field research for this study was carried out in April and May of 2005. The quantitative component in Guatemala provides survey data from over 700 MSE producers and 140 buyer firms. The country study report pulls both types of information together to improve our understanding of MSEs in value chains and lead to effective strategies for increasing both their benefits and their contributions. The first draft of the country study report was submitted in the fourth quarter of 2005 to USAID/MD and the AMAP BDS team for review and comments and, based on these comments, a second draft was submitted at the end of 2005.

One byproduct of this study is the “Research Protocol,” which details the research methods and approaches for quantitative data collection. This paper has been formatted for public distribution and is being reviewed by the research team. A second byproduct is a PowerPoint presentation on the preliminary results for horticulture, which was presented at the VIII Interamerican Forum on Microenterprises in Bolivia.

4) Tanzania Country Study, Qualitative Study

In the third quarter of 2005, Tanzania was identified as the location for the second country study. With input of USAID/MD and USAID/Tanzania, the horticulture value chain was selected for study.

The primary purpose of this activity is to develop a detailed understanding of the factors and conditions affecting smallholder producers within the context of the high value vegetables value chain in Tanzania. This initial qualitative assessment is one part of an approach that combines qualitative and quantitative analysis of smallholder participation in competitive and export-driven industries. During the field work, the following high value vegetables with similar agro-climatic requirements and known export potential were emphasized: snow Peas, baby carrots, patti pan squashes, zucchini, sugar snap peas, baby corn, French green beans, broccoli, baby leeks, cauliflower.

The qualitative portion of the country study was led by Elizabeth Dunn (ACDI/VOCA), with assistance from Banu Akin (ACDI/VOCA). This field work, conducted in four areas of Tanzania, was carried out from November 29 through December 18, 2005. The findings were presented to Thomas McAndrews (USAID/Tanzania) on December 16, 2005. The team also began drafting narrative descriptions of the value chain, governance and relationships, and SPS standards, which will be used in the Research Protocol for Tanzania and adapted for use in the Tanzania Country Study report. In the first quarter of 2006, the field team will meet with the rest of the country study team to present and discuss the findings and further plan for the quantitative component, scheduled to take place in the second quarter of 2006.

5) “Synthesis Paper: Lessons Learned on MSE Upgrading in Value Chains”

The deliverable entitled “Synthesis Paper: Lessons Learned on MSE Upgrading in Value Chains” examines how MSE owners’ responses to upgrading opportunities are influenced by value chain characteristics and the associated incentives, disincentives, and constraints to firm-level upgrading. It is based on the secondary data available from nine AMAP-related studies of value chains in agribusiness and handicrafts.

The research team for this deliverable is comprised of Elizabeth Dunn, Jennefer Sebstad, Holly Parsons, and Lisa Batzdorff from ACDI/VOCA. In 2005, the team drafted and circulated a detailed outline, completed data compilation, analyzed the data, and drafted several sections of the report. A full draft of the Synthesis Paper is expected to be completed in the first quarter of 2006.

6) “Barriers and Risks to Horizontal Coordination between MSEs”

The purpose of this study, tentatively titled “Barriers and Risks to Horizontal Coordination between MSEs,” will be to develop an in-depth understanding of the factors that promote or impede horizontal linkages between MSEs in different cultural contexts. The study will provide information about the conditions that must be met for successful cooperation between MSEs. It will be based on an extensive literature review from the fields of economics, sociology and political economy that covers theoretical considerations for group formation, collective behavior, and the barriers to both. Empirical studies from these fields as well as from practitioners will also be reviewed, with an emphasis on linking theoretical predictions to evidence. Consultations with experts in this field will be undertaken.

Microfinance Opportunities (MFO), member of ACDI/VOCA consortia was selected to work on this deliverable. After a series of staffing negotiations, MFO withdrew from the activity in the fourth quarter. ACDI/VOCA is requesting an extension for this deliverable until August 2006.

7) “Trade-Offs with Alternative Linkage Strategies”

This study will explore different strategies for increasing the horizontal coordination of MSEs’ activities or outputs in order to generate transaction cost savings, increase collective economic efficiencies, improve learning, and/or achieve economies of scale. The paper will examine strategies such as traders (middlemen) organizing the collection of outputs from multiple firms, self-organization by producer groups or producer cooperatives, or methods for sourcing from large numbers of MSEs that are organized directly by lead firms (e.g., an exporter). The working title for this deliverable is “Trade-Offs with Alternative Linkage Strategies.”

ACDI/VOCA is requesting an extension for this deliverable until August 2006.

8) Shared Lexicon of AMAP BDS K&P Concepts

In the first quarter of 2005, Elizabeth Dunn drew on team members’ expertise and leading publications in the field to prepare a lexicon of terms frequently used in AMAP BDS research activities. The draft lexicon served as the basis of a group revision process during the January knowledge sharing event. After the event, additional comments were sought from team members and incorporated into the final version of the lexicon, which was then circulated to team members and published on microLINKS. The purpose of the lexicon is to facilitate clear internal and external communication by the AMAP BDS team.

Component B: Market Assessment

1) Value Chain Analysis (Mission Buy-in)

In Year 2, ACDI/VOCA proposed to conduct up to four value chain studies using Mission Buy-in. Mission buy-in to AMAP BDS is crucial to achieving the goal of broad application of BDS best practices. One of the key tools in securing Mission buy-in is through the practical and direct use of the value chain analysis tool in helping Missions either evaluate existing programs or design new programs.

The studies will be conducted in countries that have previously utilized or are currently utilizing different types of value chain interventions, allowing ACDI/VOCA to test the conclusions reached during the January 2005 retreat (i.e. which interventions work, which do not).

Throughout 2005, ACDI/VOCA explored possible countries in which to conduct value chain analyses. The possible countries included Haiti, Senegal, Vietnam, Bangladesh, Madagascar and a Europe and Eurasia regional value chain analysis. ACDI/VOCA is currently exploring options with IRG and dTS for conducting joint value chain analyses that leverage their frameworks with the PLB framework developed under AMAP BDS. ACDI/VOCA is exploring the possibility of a regional value chain analysis in West Africa with the West Africa Regional Project (WARP).

Component C: Intervention Design and Implementation

Work under Component C focused on the following deliverables:

Year 1 Deliverables

1) Conceptual Framework:

a) Strategy Paper

ACDI/VOCA continued work on the Conceptual Framework Strategy Paper for the AMAP BDS Knowledge and Practice research project. In 2005, drafts of the paper were revised and submitted. In the fourth quarter, the deliverable was edited by a professional editor and the final version was submitted to USAID on December 30, 2005. The paper is expected to be posted on microLINKS in the first quarter of 2006.

b) Literature Review

ACDI/VOCA also revised and submitted the January 2004 literature review paper entitled “Integrating Micro-and Small Scale Enterprises into Productive Markets” to USAID/EGAT/MD. The deliverable was posted on microLINKS in December 2005.

2) Case Study of Geographically Remote Communities—Mexico Coffee Case

Conservation International (CI), a member of ACDI/VOCA AMAP BDS Consortium, was selected to implement this activity. The purpose of the case study is to provide practitioners and USAID Missions with practical illustrations of the factors, decisions, interventions, and actions that lead to the successful achievement of two key development objectives:

- ***Growth of the targeted subsector or value chain*** in which micro and small-scale enterprises (MSEs) work and earn their livelihoods; and

- **Improved incomes, profitability, productivity and sustainability of MSEs**, engaged in the targeted subsector or value chain, as a result of project interventions.

This study is focusing on the “critical success factors” (CSFs) that explain how and to what extent the *Conservation Coffee* project in Mexico achieved the key development objectives and how further strengthening or promotion of these CSFs could increase development achievements.

In 2005, the draft report submitted by CI in 2004 was revised by Edward Millard (CI) to incorporate the taxonomy matrix, and by Olaf Kula and Robert Learmonth (ACDI/VOCA) to incorporate aspects of the value chain framework. Final submission is expected in the first quarter of 2006.

3) Thematic Paper: MSEs and Competitiveness

CARANA Corporation, member of ACDI/VOCA AMAP BDS Consortium, was selected to study the perceived weakness in mission competitiveness programs that do not adequately address the role of inter-firm linkages in competitiveness strategies, particularly in those countries where MSEs constitute the largest number of firms in critical sectors. The paper, led by Santiago Sedaca at CARANA, will identify characteristics of industries in which MSEs can contribute to overall competitiveness and propose approaches for the successful integration of MSEs into these sectors and industries.

In the first quarter of 2005, Santiago Sedaca (CARANA) and Brett Johnson (CARANA) submitted the draft paper for review. In the second quarter, the AMAP BDS Team and USAID/EGAT/MD AMAP BDS acting CTO Jeanne Downing reviewed the report and provided comments. In the third quarter, ACDI/VOCA and USAID collaborated to revise the focus of the paper and tie it in more closely to the framework emerging from work on the strategy paper. The final revised outline was approved in October 2006. Mark Freeman (ACDI/VOCA) will revise the paper and resubmit it in the first quarter of 2006.

4) Case Study: Indonesia Cocoa Value Chain

During the second quarter of 2004, *Action for Enterprise (AFE)*, member of ACDI/VOCA Consortium, conducted the value chain analysis of the cocoa industry in Indonesia for USAID/Jakarta, with technical input from USAID/MD. Based on this assessment, Henry Panlibuton (AFE) prepared a case study to provide practitioners and USAID Missions with practical illustrations of the factors, decisions, interventions, and actions for improving incomes, profitability, productivity and sustainability of MSEs, engaged in the targeted subsector or value chain.

In 2005, AFE revised the case study by integrating the taxonomy matrix developed in the knowledge sharing event in January. ACDI/VOCA submitted the revised draft to USAID/EGAT/MD for review and comments, which Henry Panlibuton is now incorporating into the draft. ACDI/VOCA AMAP team will ensure that the case study is built around the value chain framework and reflects key messages. The final version is expected to be submitted in the first quarter of 2006.

5) Case Study: MSE participation in economic growth strategies, strategies for manufacturing, transformation and/or service sector industries- Ecuador Tourism

This deliverable under Year 1 work plan was cancelled with the concurrence of AMAP BDS CTO and BDS Technical Advisor Jeanne Downing.

Year 2 Deliverables

6) Portfolio Design Guide for Mission Economic Growth Projects

This deliverable was incorporated into the Strategy Paper.

7) Annual Management Conference

The success of AMAP BDS K&P relies on cooperation and teamwork across contractors and consortia, close collaboration around a set of shared research goals, responsiveness to USAID needs, and high research standards. Component C provides conceptual guidance for the direction of K&P. In conjunction with a conference on Component A, ACIDI/VOCA will host a 1-day workshop consisting of leaders of each of the AMAP BDS consortia and USAID to re-assess and update the current research plan. The purpose of this conference is to share, disseminate key findings and lessons learned from AMAP BDS Components B, C and D.

8) Case Studies: Implications for the Integration of MSEs into Productive Markets

Case studies provide practitioners and USAID Missions with practical illustrations of factors, decisions, interventions, and actions that lead to the successful achievement of two key development objectives:

- Growth of the targeted subsector or value chain in which micro and small-scale enterprises (MSEs) work and earn their livelihoods; and
- Improved incomes, profitability, productivity and sustainability of MSEs, engaged in the targeted subsector or value chain, as a result of project interventions.

The ACIDI/VOCA Consortium is developing five case studies. Each case study will be a desk study (i.e. no travel) of current USAID projects, unless additional buy-in resources are identified. Through the case studies, ACIDI/VOCA and our partners will investigate the behavioral patterns of small firm-lead firm linkages, the role of networks, and inter-firm cooperation, strategies and tactics that MSEs use to enter the particular subsector/market and to remain competitive “rent-gathering” players. The case studies will identify how MSEs participate in and contribute to the productivity of select markets, paying particular attention to how MSEs access information and acquire knowledge through participation in productive markets and assess (using qualitative tools) MSE contribution to the growth and robustness of markets. Each case study will reinforce the value chain analytical framework by emphasizing one or more specific elements of the framework as “key messages,” such as discussing the importance of governance structures, supporting markets, horizontal linkages, etc. The case studies will also reflect the heightened emphasis on relationships, particularly as they pertain to Power, Learning and Benefits. Each of the case studies will be posted on ACIDI/VOCA’s website, microLINKS, and, possibly, with SEEP.

In the second quarter, ACDI/VOCA consortium submitted proposals for five case studies that AFE, an ACDI/VOCA Consortium member, will conduct. In the third quarter of 2005, ACDI/VOCA consortium refined the list of proposed case studies and submitted an outline describing the key messages for each proposed study. ACDI/VOCA submitted a matrix to USAID summarizing the proposed studies and demonstrating how each addressed elements of the value chain framework. USAID subsequently approved the case studies in October 2005.

Component D: Impact and other Post Intervention Assessments

1) Field Impact Study – India

The primary purpose of this activity is to create a performance framework that will generate information about the effectiveness of the approach used in the Growth Oriented Micro-Enterprise (GMED) Program awarded to ACDI/VOCA by USAID/India under the AMAP BDS IQC. This performance framework consists of both a monitoring and evaluation component under the GMED task order and an impact assessment component under K&P.

In 2005, an evaluation team consisting of Elizabeth Dunn (ACDI/VOCA) and Joe Le Clair (ACDI/VOCA) traveled to Jaipur, Mumbai, and Delhi, India from June 24th to July 7th, 2005 to conduct an evaluability assessment to determine which types of interventions are the most effective in promoting opportunities for micro-enterprises in value chains. The assessment consisted of on-site interviews with USAID Cognizant Technical Officer (CTO) A.S. Dasgupta and other USAID staff, GMED Project Chief of Party; Don Taylor, GMED program staff, potential project partners, potential project clients, and local research firms. From this assessment, the research team created a Monitoring and Evaluation Framework for India GMED, which was completed on December 10th. Out of this Framework, a logical cause-and-effect model was created. This model is one of several steps that are needed to strengthen the case for attribution (i.e., the ability to attribute the measured changes to the project intervention).

In the fourth quarter of 2005, Gary Woller was selected to replace Elizabeth Dunn as a team leader for this deliverable. Joe Le Clair will continue to assist Mr. Woller in the assessment.

2) Methodology Paper

Following the completion of the conceptual framework of Component D, a paper will be prepared on the recommended methodologies for carrying out impact assessments of enterprise development programs. This paper will review available methodological approaches, both quantitative and qualitative, and evaluate them in terms of their scientific validity, applicability to enterprise development programs, practicality, and cost. The special methodological problems of doing impact assessments of enterprise development programs, such as how to assess impacts at the market level and how to allow for spillover of benefits for direct program participants to others in the same sub-sector or value chain, will also be addressed. The paper will build upon past experience with impact assessment of enterprise development programs and will be revised as warranted by continuing experience through the life of the AMAP project.

Elizabeth Dunn provided feedback to John Magill of DAI on the format for the methodology paper and has met with the Component D team to discuss the procedure for moving forward.

Elizabeth Dunn and Joe Le Clair will provide ongoing input into this deliverable managed by DAI.

Component F: Training

1) Development of Training Modules (Downloadables)

ACDIVOCA is developing training modules to be used to train USAID Missions and practitioners. The modules are based on current BDS knowledge and best practices, and will be expanded to incorporate future knowledge generated through AMAP BDS. Development of training modules is done through collaboration with all consortia members, QED and USAID/EGAT/MD.

In the second quarter of 2005, the ACDI/VOCA team (Banu Akin, Olaf Kula), in collaboration with QED (Margie Brand) and USAID/EGAT/MD (Jeanne Downing), designed and developed the curriculum for a 1½ days agriculture value chain training module, which was presented at the Springfield Center entitled “Making Markets Work for Business and Income.” In the third quarter of 2005, Olaf Kula of ACDI/VOCA delivered a slightly revised version of this training module at the “Making Markets Work for the Poor” seminar organized by the Springfield Center in July 2005 (see below).

2) Development of Rural and Agriculture Finance Four Day Training Curriculum

USAID’s Office of Agriculture, in coordination with the Microenterprise Development Team, provides guidance to missions on how best to address the constraints to rural and agricultural finance through an EGAT Rural and Agricultural Finance (RAF) Initiative. As part of this initiative, the USAID/EGAT/MD office asked Bob Fries (ACDI/VOCA) and Janis Sabetta (ACDI/VOCA) to participate in the Technical Curriculum Team to develop, in coordination with Chemonics, one day of a four-day training curriculum, specifically drawing upon our technical expertise in value chain finance and agribusiness. They performed the following activities:

- Provided input to the Technical Curriculum Team;
- Collaborated to create a draft agenda that reflects the critical and specific outcomes as well findings from the interviews;
- Worked collaboratively to develop substantive topics critical to rural and agricultural finance that will be woven through the agenda design;
- Identified appropriate content developers to develop specific agenda sessions;
- Developed content for the module on financial market analysis,
- Suggested appropriate supporting case studies; and
- Reviewed and commented on drafts of curriculum and facilitator guide.

3) Value Chain Workshop at Pre-AGM event, October 24-25, 2005 in Washington, DC

During the third and fourth quarters of 2005, Olaf Kula (ACDI/VOCA) and Banu Akin (ACDI/VOCA) worked with Margie Brand (QED) and Jeanne Downing (USAID/EGAT/MD) in developing the 2-day workshop agenda and content for the value chain training. Henry

Panlibuton and Frank Lusby from Action for Enterprise also participated in the development and presentation of the sessions.

This two day workshop took place on October 24-25, 2005 at the SEEP pre-AGM in Washington, DC. Olaf Kula (ACDI/VOCA) and Jeanne Downing co-facilitated this training with presentations from representatives from economic growth and market development projects in countries such India, Pakistan, and Mali. The facilitation team included practitioners and field partners involved with USAID's Accelerated Microenterprise Advancement Project (AMAP), Implementation Grant Program (IGP), and Practitioner Learning Program (PLP).

This 2-day elective utilized the Value Chain Approach as a framework to understand trends in global markets and the conditions under which MSEs can contribute to and benefit from increased competitiveness that globalization brings. Participants learned key concepts and principles used to guide research and program design based on information from Value Chain Analysis. The 2-day course provided illustrations on how organizations that only work with extremely poor MSEs and in weak markets, and, who cannot work at all levels of a value chain, can benefit from this approach.

Component G: Short Term Technical Assistance to Missions

There was no activity under Component G planned for 2005.

Component H: Knowledge Management

1) AMAP BDS Knowledge Sharing Event

During the first quarter of 2005, ACDI/VOCA hosted a two-day knowledge sharing event attended by key representatives from each of the three consortia working on AMAP BDS K&P. The outcomes of this event included group revision of the draft lexicon, development of knowledge taxonomy, and sharing of major lessons learned to date.

This 2-day workshop brought selected AMAP BDS Consortia members together to further discuss accomplishments to date. Discussions focused on how to build on previous lessons to reach a common approach to using/applying value chains and using a common language/lexicon. This helped the members to develop a common way of thinking for the future activities and to identify implementation strategies.

The lexicon and taxonomy discussed during the workshop were further refined and produced under Component A.

2) Increase User Access to BDS Information by Updating and Upgrading AMAP BDS E-Toolbox

The ACDI/VOCA Consortium's e-toolbox is a cost-effective mechanism for disseminating information on BDS and microenterprise development to Missions and practitioners, though it is currently underutilized. Posting Mission design tools and other AMAP BDS generated documents on-line will facilitate increased access by Missions to the information necessary to

formulate strategies incorporating BDS best practices as well as promote a broader dissemination of best practices among practitioners.

In 2005, ACDI/VOCA began working with their MIS department to restructure ACDI/VOCA's webpage to allow posting of AMAP deliverables to the public. In the fourth quarter, ACDI/VOCA began preparing summaries of AMAP deliverables for posting and to finalize the technological enhancements required for posting and managing AMAP deliverables.

3) AMAP BDS Breakfast Series

On September 15, 2005, Robert Fries (ACDI/VOCA) made a presentation entitled "The Value Chain Framework and Rural Finance" at the AMAP BDS Breakfast Series. In this presentation, Mr. Fries discussed the value chain framework, emphasizing that it is useful not only for enterprise development, but also for expanding financial services.

IV. FINANCIAL AND TECHNICAL RESOURCES DURING THE PERIOD & CONTRACT TO DATE

At the time of reporting, December 2005 invoices had not yet been processed. As of November 30, 2005, ACDI/VOCA Consortium provided 1,377.76 days of technical assistance to USAID through the Knowledge and Practice task order and 193.95 days of technical assistance through the Kenya STTA task order.

From inception to November 30, 2005, ACDI/VOCA billed USAID a total of \$1,362,846.88 under the Knowledge and Practice Task Order (No: 01) and \$251,784.81 under the Kenya STTA task order under the main AMAP BDS IQC. During the period of October 1 to November 30, 2005, ACDI/VOCA billed a total of \$82,910.34 under the AMAP BDS IQC (\$82,910.34 under the Knowledge and Practice Task Order and \$0 under the Kenya Task Order).

ACDI/VOCA is committed to providing technical assistance with cost control and value in mind. As we provide technical assistance we strive to also build our pool of qualified individuals in every labor category and level recognizing the value of engaging qualified junior level staff. We will continue its practice of cost control—attempting to keep every activity under budget and ahead of schedule.

V. IMPACT AND LESSONS LEARNED

Drawing upon the results of the deliverables in Year 1, several key lessons emerged on the constraints and opportunities for making industries or value chains, and the micro- and small enterprises (MSEs) who participate in them, more competitive.

- Globalization and liberalization trends are forcing enterprise development strategies to shift from an enterprise focus to an industry focus.
- Globalization and competitiveness increase the importance of interfirm cooperation for firms within or participating in an industry (or value chain).
- Competitive industries require

- Strong local, national and global regulatory and policy environments,
 - Efficient coordination and cooperation among industry participants,
 - The availability of critical support markets (financial, industry specific, business management and information communication technologies), and
 - Efficient and equitable distribution of increased skill levels and resulting financial benefits among all levels of industry participants.
- Constraints or bottlenecks at any point in the value chain affect participants at all levels of the value chain.
 - Local, national and global regulatory and policy environments are important.
 - Leadership and incentives are critical to getting firms to cooperate.

VI. MAJOR PROBLEMS ENCOUNTERED IN IMPLEMENTATION & SOLUTIONS APPLIED

AMAP BDS is advancing the field of research and methodologies for reducing poverty through equitable growth on a rapid, continual basis. The challenge facing the ACDI/VOCA Consortium is how best to incorporate the concepts and frameworks emerging from the research in a timely fashion into future products and revising those already developed; discussions on how to incorporate these concepts frequently slow down actual work on the deliverables.

ACDI/VOCA worked throughout 2005 on addressing these challenges by training our subcontractors and staff on the evolving value chain framework. Additionally, ACDI/VOCA broadened the technical input to AMAP BDS by dedicating additional staff to working on AMAP BDS and shifting additional technical responsibility and input to staffers Mark Freeman and Banu Akin.

VII. ACTIVITIES PLANNED FOR NEXT QUARTER

The following activities are planned for the first quarter of 2006:

Kenya Short Term Technical Assistance (STTA) Task Order

Impact Assessment

- Submit review findings of data specialist to RI Kenya for their response and submission of finalized data tables
- Begin planning for 2nd round of impact assessment (scheduled for 2006).
- Complete final impact assessment baseline report for AMAP dissemination
- Prepare and conduct brief update of impact assessment activities completed for USAID Kenya CTO (Pharesh Ratego) and new Team Leader (Allen Fleming)

STTA for Kenya BDS

- Review and finalize concurrence for proposed STTA activities to support Kenya BDS project in 2006

Knowledge & Practice (K&P)

- Submission of the first draft report of the Synthesis Paper on MSE Upgrading
- Submission of draft Guatemala Country Study report (LBG activity)
- Submission of Competitiveness Paper
- Submission of the Strategy Paper under Component C.
- Submission of the Indonesia Cocoa Value Chain Case Study
- Submission of the Mexico Coffee Case Study
- Preparation of value chain analysis in Haiti
- Preparation of a joint value chain analysis in Madagascar
- Prepare case studies outlined above in Section 8 of Component C
- Continue work on training materials
- Planning for regional value chain training in Kenya
- Selection of research firm for India Impact Assessment

Attachments

1. Tanzania Preliminary Report
2. ACDI/VOCA K&P Year 1 and Year 2 Tracker