



**Accelerated Microenterprise Advancement Project
under Indefinite Quantity Contract
GEG-I-00-02-00016-00**

**Annual Performance Report No. 1
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A. Introduction

This document is an annual progress report to USAID/EGAT/PR/MD as required by contract **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 consortium partners work 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 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.

The AMAP BDS Consortium focused on four main activities during the year: 1) revising and negotiating proposed deliverables to be consistent with the November 2003 AMAP BDS vision, 2) improving relations with our subcontractors and expanding the pool of talent by adding subcontractors, 3) facilitating an unprecedented level of cooperation and information sharing between the three AMAP BDS consortia, and 4) strengthening relations among ACDI/VOCA management, USAID Office of Procurement and USAID/EGAT/PR/MD.

Under AMAP BDS, the **ACDI/VOCA Consortium** has been awarded two task orders. The first is **Knowledge and Practice (K&P)**, under which ACDI/VOCA has been awarded leadership of three BDS consortia's contributions to the research into factors and strategies to create wealth in poor communities, and the promotion of economic growth by sustainably linking large numbers of small firms into more profitable markets. The second task order was awarded through **USAID/Kenya**, and will entail providing short term technical assistance to the mission and implementing partners in monitoring and evaluation of BDS programs.

B. Annual work plan progress

ACDI/VOCA is required to provide annual work plans for the Knowledge and Practice task order (number 01) issued under contract number GEG-I-00-02-00016-00. As of December 31, 2003, work plans for Knowledge and Practice were not approved as submitted on November 22, 2003; however, ACDI/VOCA began discrete technical tasks as instructed by our USAID cognizant technical officer (CTO). Those tasks include the following:

- Providing short term technical assistance in support of research into component B. Market Assessment tools, ACDI/VOCA fielded two Level One Microenterprise experts, Richard Hatch (Strategic Planning specialist) and Christian Schoen

(Training Specialist) to lead a participatory appraisal for competitive advantage (PACA) pilot project in central Serbia in conjunction with USAID/Serbia's Community Revitalization through Democratic Action (CRDA) currently implemented by ACDI/VOCA.

- Providing leadership in the review and synthesis of background literature within and outside the microenterprise development field, findings of which make up the conceptual framework for the research agenda for AMAP BDS.
- Drafting of research plans for components A (Client and Markets) and C (Intervention Design and Implementation). These plans provide conceptual guidance for the overall K&P research that will be conducted over the next three years.
- Hosting and attending critical meetings and workshops. ACDI/VOCA hosted and attended workshops comprising staff from USAID/EGAT/PR/MD, DAI, and LBG, as part of the effort to collaborate while building the research agenda and prioritizing activities.
- Providing leadership in establishing a core team consisting of representatives of each AMAP BDS consortium and our CTO.
- Producing work plans for ACDI/VOCA consortium activities for each component of K&P¹
- Launching and expanding the ACDI/VOCA AMAP BDS e-Toolbox, an online platform for discussion, document posting, announcements, and other information that all members of the consortium and USAID can access through passwords. Currently, the e-Toolbox has 35 members.

C. Financial and technical resources expended by activity during the previous period

The ACDI/VOCA Consortium has provided 106.56 days of technical assistance to USAID through the Knowledge and Practice task order and 26.25 days of technical assistance through the Kenya STTA task order. As of December 31, 2004, ACDI/VOCA has billed USAID a total of \$128,768.22 under AMAP BDS. 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 this practice of cost control—attempting to keep every activity under budget and ahead of schedule.

¹ The annual work plan for Knowledge and Practice has subsequently been approved, in February 2004.

D. Accomplishments during the year implementing task orders

During the year, the ACDI/VOCA consortium members' accomplishments focused on responding to USAID requests for proposals, strengthening our subcontractor relations and improving the pool of subcontractor talent, and improving relations with the USAID Office of Procurement. We have also provided timely and cost effective technical assistance to USAID/EGAT/PR/MD and USAID/Kenya under the task orders awarded.

1. BDS STTA to USAID/Kenya

Action for Enterprise (AFE) was contracted by ACDI/VOCA (under USAID Contract GEG-I-800-02-00016-00, Order No. GEG-I-800-02-0016-00) to provide technical expertise in strategy development, work planning, quality control, research and development, and monitoring and evaluation services to the strategic objective (SO) 7 implementing partners undertaking subsector/BDS market development activities.

Based on discussions with USAID/Kenya and USAID/EGAT/PR/MD, and given the travel restrictions to Kenya limiting on-going support to the SO7 partners in the field, the scope of the original technical assistance order was revised. The task order is now primarily focused on the design and implementation of an impact assessment system for the Kenya BDS (K-BDS) and Kenya Horticultural Development (K-HDP) programs.

The rationale for this change in the Task Order was based on the following:

- The K-BDS and K-HDP programs are focusing on a variety of major subsectors and are (or will be) implementing a large variety of facilitation activities (interventions). This diversity should provide ample information upon which to design and implement an impact assessment exercise that can test the effectiveness of the business service approach to enterprise development.
- All of the K-BDS interventions are based on promoting the supply and demand of sustainable business services. They therefore provide an excellent basis upon which to test the causal model and premises behind the business service approach.
- There have been limited opportunities to provide technical assistance in the business service approach to the Maize and Dairy projects during the year due to travel restrictions.
- The Kenya Maize and Dairy projects are engaged in a variety of implementation activities using different methodologies and approaches, including those that fall outside the business development services paradigm. Determining which activities to focus on for the impact assessment is challenging.
- Focusing on one or two projects will provide greater focus and could strengthen the impact assessment design. It will also be easier logistically working with a

smaller number of programs (and program managers). This might result in savings that can be devoted to more qualitative analysis (the current budget for the impact assessment does not include qualitative analysis).

Pending USAID concurrence on the proposed impact assessment, AFE was prepared to begin the impact assessment activities during November and December past year. Formal concurrence from USAID Kenya was received on February 2004, however, a number of activities were completed during the reporting period:

- completion of a draft implementation plan (completed September 2003);
- recruitment and contracting of senior impact assessment specialists (Don Snodgrass and Jennefer Sebstad);
- identification and initial discussions with a local research firm (Research International);
- drafted causal “impact chain” to serve as the basis for the conceptual framework of the impact assessment; and
- reviewed reports and other relevant documentation of K-BDS and K-HDP programs;

2. Knowledge and Practice

The Knowledge and Practice task order was awarded in August 2003; work plans were submitted in November 2003. The objectives of the task order are to research into cost effective development of micro and small enterprises (MSEs) and to increase MSE participation in productive economic sectors at the local, regional, national, and/or global levels. The vision statement for the initiative is

AMAP BDS is about creating wealth in poor communities and promoting economic growth by sustainably linking large numbers of MSEs into productive value chains.

The development of the research agenda was a main activity of the task order as of December 31, 2003. The three AMAP BDS consortia led by ACDI/VOCA, DAI, and LBG collaborated to offer USAID/EGAT/PR/MD a multi-component research driven agenda for the task order, which comprise the following main components: Component A. Research into Clients and Markets; Component B. Research into Market Assessment Tools; Component C. Intervention Design and Implementation; Component D. Impact Assessment Tools; Component F. Training to Missions; and Component G. Short Term Technical Assistance to Missions. Each component was assigned a leader from among the consortia. ACDI/VOCA was requested to lead components A, C, and G while providing critical deliverables and input to B, D (led by DAI), and G (an LOE pool from which mission-demanded technical assistance may be drawn).

Component A focuses on MSE owners and their decisions to develop their businesses and/or link into broader markets. The component A research is concerned with MSE owners’ willingness and ability to enter new markets and value chains. It is also concerned with clients’ effective demand for business development services (BDS),

where effective demand encompasses both willingness and ability to pay. The component A research places primary emphasis on the decisions made by entrepreneurs and the factors that either promote or inhibit MSE business development. The guiding vision for component A is

to create a better understanding of the factors that promote or inhibit MSE business development, where business development is defined both in terms of entering new markets and value chains and business upgrading through BDS.

The purpose of this research is to address the real and pressing problems of economic development faced by governments, USAID missions, and other donors. This will be accomplished through a focused set of research activities that lead to the identification of promising strategies for promoting broad-based economic growth. Moreover, the research will be conducted within the specific contexts within which USAID operates, including post-conflict settings, HIV/AIDS-affected populations, and natural resource management programs.

The research will address several key implementation issues faced by USAID missions. The table below lists four of these implementation issues. Beside each issue is the solution offered by AMAP BDS Knowledge and Practice. The last column in each row indicates how the research outputs under component A will address the implementation issues and help USAID missions formulate strategies for reaching the solutions.

For *component B*, Market Assessment tools, ACDI/VOCA will carry out market assessments and evaluations of existing tools based on local economic development, participatory and value chain analysis methodologies. One evaluation of the participatory appraisal for competitive advantage (PACA) will take place in Serbia in conjunction with ACDI/VOCA's USAID/Serbia funded Community Revitalization through Democratic Action (CRDA) project. Value chain analysis and development of a condensed, user friendly tool will be conducted in Indonesia and Mozambique.

Component C continues the important work carried out in the BDS field by building on the principles of the market development paradigm for business service development and delivery. Research under K&P will help us understand how critical services contribute to micro and small enterprise (MSE) growth. The K&P research is also reframing USAID's BDS agenda based on a number of lessons learned over the last few years.

The first lesson is that the stimulation of BDS markets does not result in significant growth in demand for services, or more importantly in increased incomes for very small firms. Second, the services that appear to have the greatest impact on small firm incomes are information, skills development, and market access. Third, very small firms lack the liquidity or willingness to risk investing in acquiring BDS against an uncertain future pay-off. Conversely, MSE's appear willing to pay for some services after they realize an increase in incomes. As a result, the dominant form of BDS, at least initially for most small firms, are the services they acquire from their participation in market systems from other market participants. Fourth, is a recognition that markets are becoming

increasingly global and that most of the countries in which most of the poor work are increasingly effected by globalization. Finally, practitioners and USAID contractors have observed that many missions view Microenterprise Development (MED) as a stand-alone activity separate from and not relevant to a mission's overall economic growth, trade, or competitiveness strategies.

Recognizing the above, the AMAP K&P team seeks to identify effective strategies that enable small firms to acquire information, knowledge, skills and access to more lucrative markets from their participation in market systems. The most notable shift under AMAP BDS is a move away from the development of service markets towards increasing small firm participation in productive markets. While service markets are important, these markets are more likely to emerge as MSEs gain access to information, skills, knowledge and markets in which they earn more income. BDS in this context refers to the range of services required by small firms to effectively participate in productive markets, contribute to scale efficiencies, reduce transaction costs and benefit from external economies.

Under *Component D*, ACIDI/VOCA will provide input to the formulation of a conceptual framework under which to research impact assessment tools for BDS and MSE programs. ACIDI/VOCA will also conduct a review of AIMS materials.²

Component F. Training for Missions is largely a demand driven component which will aim to provide training to mission staff upon demand. Under this component, ACIDI/VOCA will also lead for the AMAP BDS consortia development of a training module in conjunction with EGAT/ED in enterprise development and incorporating very small firms into mission's economic growth strategies. ACIDI/VOCA will also provide training to the AMAP BDS consortia members in value chain analysis, a promising framework to analyze how and under what conditions very small firms can be incorporated into and benefit from participation in higher value markets.

E. Impact and Lessons Learned

During the reporting period two task orders were awarded: Knowledge and Practice and STTA to USAID/Kenya. Impact on the microenterprise development and BDS field under the AMAP BDS IQC was achieved through sharing knowledge in proposals, work plans, statements of work, and technical instructions; workshops with USAID/EGAT/PR/MD and the other consortia members; and discussion with our subcontractors. Specifically, the impact that the collaboration has helped to achieve are that all three BDS consortia have approved work plans, and shared priorities under the research agenda for the consortia. During the next year, we expect to advance work under

² The Assessing the Impact of Microenterprise Services (AIMS) Project, funded by USAID's Office of Microenterprise Development, was a multi-year project to improve the understanding of the impacts of microenterprise programs on microentrepreneurs, their households and enterprises, and to strengthen the ability of USAID and its partners to measure the results of microenterprise programs.

the two task orders by producing the planned deliverables that were presented and approved in the annual work plan.

Throughout the year, ACDI/VOCA project managers have worked towards the technical objectives of AMAP BDS, while also maintaining our commitments to our subcontractors, and a commitment to maintain cost effective and timely responsiveness to our client. We have also supported the free flow of information among other AMAP consortia, both with the BDS technical area, as well as with FS and EE consortia.

1. Kenya STTA

Under this technical assistance order, ACDI/VOCA through subcontractor Action for Enterprise (AFE) was responsible for the following results and/or milestones:

1. Support to USAID Kenya
2. Orientation and/or training of BDS program staff at start-up
3. The development of “state-of-the-art” strategies for BDS market development for all programs
4. High-quality short-term technical assistance to BDS programs in assessing their progress in implementing BDS market development in line with the Donor Guidelines
5. The development of work plans that clearly delineate how programs will work collaboratively and provide clear guidance regarding responsibilities and accountability
6. Development of impact assessment systems for all BDS programs that capture the impact of interventions on BDS market development and the impact of developing BDS markets on rural household income.
7. Facilitation of collaboration among BDS programs and with other donors

Over the year AFE focused its efforts primarily on the impact assessment initiatives. Progress on achievement of the other milestones is possible during the life of this Technical Assistance order but will depend on the status of travel restrictions to Kenya.

2. Knowledge and Practice through the implementation of Knowledge and Practice ACDI/VOCA has provided leadership in the overall conceptualization of USAID/MD’s BDS approach. Impact will be apparent over the year as we deliver critical products in each component category. This year we delivered the following products: a revised research agenda for components C and A; the agendas will define the activities of Knowledge and Practice over the project life.

F. Major problems encountered in program implementation and solutions applied

Contractual: ACDI/VOCA has had difficulty with contracting issues in year one. Exacerbating a series of problems has been a rapid turnover of CO staff responsible for our contract. Systems and procedures for addressing contract clarifications and requests were not initially clear. Communications between our CTO, acting CTO and contracts

office appeared strained. We have requested and received support from both our CTO, and the Contracts office in clarifying issues and procedures. ACDI/VOCA has hired an Senior Awards Specialist, who is developing internal systems and procedures to minimize confusion on our part. The contractual management has improved considerably, we appreciate the efforts by all parties to improve the contracting process, and we anticipate a more constructive and efficient relationship between our consortium, the contracts office and our CTO. We look forward to confirmation indicating who our CO is, now that Mike Gushue is no longer our CO.

Implementation problems were few and included having an unclear understanding of timing and expectations for work plans. Work plans have been approved and deliverables delineated with a clear schedule.

G. Information developed through the participation in program implementation

ACDI/VOCA has led efforts to share information among consortia both within the BDS IQC as well as with the other technical areas. Through the development of a online discussion platform, members of the consortia have shared documents, and responded to technical suggestions. ACDI/VOCA has also held workshops and meetings that aimed to help build consensus among the consortia members and USAID/EGAT/PR/MD. For these meetings, ACDI/VOCA hired experts in the field of small enterprise development to provide fresh perspective on strategies for building participation of small enterprise in higher value markets. Experts include Marshall Bear, Richard Hatch, Albert Berry, and Hubert Schmitz. They will participate throughout the life of the Knowledge and Practice task order to provide guidance and recommendations.

H. Management and Administrative Program Implementation

The AMAP BDS IQC is managed by a team at staff from various divisions at ACDI/VOCA. The administration of contractual issues are managed by staff in the ACDI/VOCA Global and Latin America operating division (GLAD) with support from the Awards Specialist in the Accounting and Finance department. Technical oversight and supervision is provided by Olaf Kula and his staff in the technical services unit.