

ARIES

Assistance to
Resource Institutions
for Enterprise Support

PDWAJ451

PROGRESS REPORT YEAR TWO

OCTOBER 1987

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In Collaboration With • Appropriate Technology International • Control Data Corporation • Harvard Institute for International Development

AGENCY FOR INTERNATIONAL DEVELOPMENT CONTRACT DAN-1090-C-00-5124-00

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ARIES PROJECT PROGRESS REPORT: YEAR TWO

I. WHAT WAS DONE

During its second year, ARIES proceeded as scheduled on a number of fronts. Research and training materials were produced to give direction to the remaining years of the Project, and a considerable proportion of the research was completed.

Mission buy-ins for technical assistance ran somewhat behind projections, but still reflected considerable field enthusiasm for the Project, and the technical assistance activity was fed back into the research and training activities.

Research Summary

Applied Research in Support of Resource Institutions

A principal objective of the ARIES Project is to assist resource institutions to develop their own capacity to design and implement more effective small and micro enterprise development programs. The applied research component of the ARIES Project consists of three major interrelated activities and a process of integration through which the resource

institutions build a sense of ownership of these activities and their associated products: The first research product was the "Strategic Overview Paper," (SOP) completed in Year One and revised in Year Two based upon comments and suggestions from collaborating resource institutions and the ARIES Technical Review Board. The second product is a database to organize knowledge gleaned from the literature on small and micro enterprise development, organized according to the framework presented in the SOP. The third applied research output is a series of management teaching cases responding to the organizing framework presented in the SOP. The content of the SOP was covered at some length in last year's Progress Report and will not be repeated here.

Strategic Overview Paper

To make sure that the research products would be responsive to the needs of the resource institution community, the SOP has been circulated widely and comments and suggestions encouraged. Demand for the paper proved stronger than anticipated, requiring frequent reprinting of the document. In all, over 300 copies have been provided, mostly in response to specific requests. The SOP has served as a major vehicle not only to inform interested institutions and individuals of the ARIES research program, but also to solicit their criticism, suggestions, and proposals for revision and refocus. A number of useful suggestions have been incorporated into the document based on the feedback received. Reactions were almost universally positive, especially about the merit of making specific the concept of "capacity building." People found the paper's disaggregation of this concept useful in organizing their own efforts to improve program effectiveness within their own institutions, particularly with regard to their

training programs. They liked the "recurrent problem" framework as reflecting a pragmatic, as opposed to an "academic," approach to the subject. The SOP has been revised to incorporate suggestions received and is now being prepared for printing by means of a "desktop publishing" system. Eventually it will be embodied in the final commercially published version of the Project's research output.

AskARIES Database

A major activity of Year Two has been the further development of the AskARIES database. Originally, this was conceived as a sort of "souped-up" annotated bibliography, providing a foundation for the SOP and a convenient source of information for interested resource institutions. However, as ARIES staff and potential users accumulated experience in using it and discover the power of the software, combined with the SOP's "recurrent problem" framework, its potential seems far greater than originally imagined. In contrast to the traditional annotated bibliography which provides only an overview of each publication indexed, AskARIES contains what various experts have to say about specific problems facing managers of small enterprise development programs, organized by these problem categories. Moreover, each entry contains a well-trained analyst's independent comments, judgments, and cross references.

To explore and exploit further the potential of AskARIES, it is useful to think of it not as a super annotated bibliography, but as a rather primitive expert system. Such a conceptualization opens a fruitful range of new possibilities for enhancing the usefulness of the database beyond expectations. Easily and inexpensively replicable and transportable

by anyone with an MS-DOS computer, AskARIES can be widely shared. Organized within the intellectual framework of the SOP, AskARIES represents a way of organizing knowledge which has been widely vetted with potential users and found generally responsive to their needs. It could serve not only to "distribute" knowledge embodied by entries made by ARIES staff, but also could serve as a vehicle by which users could organize and share with others the knowledge they are accumulating from their own programs.

As noted, thinking of AskARIES as a potential expert system opens new horizons in regard to further developments. The literature of expert systems distinguishes between a database which contains masses of facts and a knowledgebase which contains expert knowledge. Not only is AskARIES moving more toward becoming a knowledgebase, it has the potential to become a shared knowledgebase to which users add the lessons of their own experience, organized within a commonly agreed upon framework. One of the most significant developments in Year Two has been to conceptualize AskARIES in this way.

In terms of numbers of entries, as of July 20, 1987, the AskARIES database had 247 analytical entries, which represented information extracted from 134 publications. The ARIES bibliography itself contains 1,065 citations, many of which are not scheduled for complete analysis and AskARIES write-up, but which are included as part of the relevant literature. In a review of the complete contents of AskARIES in May 1987, project staff decided that a major effort should be made to locate and add the largely "fugitive literature" of project evaluation reports.



Reflecting a concrete example of a link between the research and technical assistance aspects of the project, HIID ARIES staff developed several packages of materials to meet specific information needs which arose on ARIES field missions. Materials were express mailed to the field within 24 hours of receipt of the request for information. Including these ARIES requests for information, in Year Two to date, HIID ARIES performed nine information searches, compiled relevant materials, and sent these to the requesting organization.

In light of the interest in evaluation within the small enterprise development community, one of the HIID ARIES research staff (Heidi Heinrich) produced a short working paper presenting an overview of approaches represented by various "how-to" works on the subject. This working paper is based upon and supplements the AskARIES entries which also are included in the document. The paper also contains a chart comparing the publications with respect to nine characteristics.

Teaching Cases

The other major applied research products are the teaching cases, designed both to serve as training materials within management training workshops and also to generate new knowledge about small enterprise development. The original plan contemplated subcontracting with regional management training institutions for case research and writing. While there has been enthusiasm at such institutions for collaborating with ARIES, the staffs generally have been already overcommitted and prefer that ARIES provide the case writer/researchers.

Using the recurrent problem framework of the SOP, and aided by visits to various resource institutions and consultation with others, the cases to be developed have been selected. The rationale and problem focus of each is set out in the Case Study Plan, Revision 2 (May 1987). Most of the case writing has been contracted for and several are already in draft form. The cases and contracted writers are:

UNO (Brazil): Case Writer -- Meg Bowman

1. "Becoming Cost-Effective"

PRODEME: Program for the Development of Microenterprises of the Dominican Development Foundation (Dominican Republic): Case Writer -- Meg Bowman

2. "To Change The Old or Begin Anew?"

ADEMI (Dominican Republic): Case Writer -- Meg Bowman

3. (Exact focus to be determined, but will follow from PRODEME case.)

FUCODES (The Costa Rica Development Foundation): Case Writer -- Meg Bowman

4. "Working with Solidarity Groups Versus Individual Clients"

The Carvajal Foundation "Micros" Program (Colombia): Case Writer -- Meg Bowman

5. Part A. "Reorienting and Choosing a Model"

6. Part B. "Considering Feasibility -- Developing Outside Support"

7. Part C. "The International Donor Perspective"

BRAC (Bangladesh Rural Advancement Committee): Case Writer -- Catherine Lovell

8. Part A. "Making Credit Programs Economically Self-Sufficient"

9. Part B. "Management Development Program"
10. Part C. "Market Outlet"
CARE Philippines: Case Writer -- Frank Roman
11. "Selection of an Indigenous Partner Organization"
International Institute for Rural Reconstruction (IIRR Philippines): Case Writer -- Frank Roman
12. "Reorientation of an Organization towards Enterprise Development"
The Grameen Bank (Bangladesh): Case Writers -- Kay Calavan and Professor Latifée
13. Part A. "Assessing the Need"
14. Part B. "Generalizing the Model"
15. Part C. "Building a National Institution"
The Community and Enterprise Development Project in Senegal (KAOLACK): Defending and Achieving Viability: Case Writer -- Lael Brainard
16. Part A. "Goals and Approach"
17. Part B. "Operational Issues"

In the course of vetting case ideas with the U.S. PVO community, several individuals asked if HIID could organize a case teaching and writing workshop for PVO trainers to equip them to develop and teach cases based upon their own program experiences. A steering group was formed which served as an excellent vehicle for "customizing" a workshop to the needs and concerns of this group, as well as training ARIES case writers.

The workshop was held at the Kennedy School of Government at Harvard, May 31-June 4, 1987. Professor James Austin of the Harvard Business School and his associates served as the developers and workshop faculty. The emphasis was upon methods appropriate to the field conditions under which much of the PVO training takes place. In addition to developing the skills of the participants, a major benefit of the workshop was in creating a cadre of individuals who understand and can use effectively the ARIES cases now under development. Of great significance for the future was the stated intent of the PVO participants to collaborate in both case development and teaching. Case research by the PVOs themselves could become an important source of new knowledge generation. A cadre of skilled case discussion leaders within the PVO community will be a major asset in improving training in support of small and micro enterprise development.

Training and Curriculum Development

Packages for Resource Institutions

CARE

In Year Two, the development of training packages got underway with a request from CARE to develop a workshop for them to train CARE staff in micro enterprise project design and development. In October, a training needs assessment was conducted with CARE headquarters and field staff to determine what the exact training needs were and what the workshop should cover. Based on that needs assessment, a design was developed in collaboration with CARE for a five-day workshop targeted for Country Directors. Upon further discussion of that design in May 1987 with CARE regional technical advisors

for small enterprise, CARE decided to do further needs assessment by sending a questionnaire to all country Mission directors, anticipating that the workshop should have a more strategic focus than was originally anticipated. The results were received in August, and development began soon after that, with the view of completing the workshop in early 1988.

Output

- . Small Enterprise Development Training Needs Analysis for CARE, October 1986
- . CARE Small Enterprise Development Regional Training Workshop, Design Document, April 1987
- . Partial development of CARE workshop

Credit Management

A second package was begun in Year Two covering the management of credit programs. Prompted by a request from AID, ARIES conducted a training needs assessment of U.S. PVO headquarters staff to determine what should be covered in a workshop on credit management. Results of that needs assessment were presented to a group of U.S. PVOs interested in enterprise promotion under the auspices of PACT (Private Agencies Collaborating Together), followed by plans for joint development of a workshop (ARIES, AID, PACT).

Output

- . Credit Management Training Needs Analysis, July 1987

Catholic Relief Services

Discussions with Catholic Relief Services led to a request from CRS for ARIES to adapt what had been developed thus far for CARE into a workshop for CRS. While CARE seemed to be moving toward a more strategic, issue-oriented workshop, CRS expressed a need for an overall orientation to small enterprise development, including skills and knowledge related to project design and evaluation. Since this conformed closely to what had been developed already for other purposes, ARIES agreed to complete a workshop for CRS that could be replicated elsewhere. An abbreviated needs analysis was conducted at CRS headquarters in June, followed by design and development of the workshop in July. The workshop was delivered at CRS in September 1987. Because this was developed as a fairly generic workshop, ARIES will be able to field test it elsewhere without new development except to replace CRS-specific information with information with broader application.

Output

- . CRS Small Enterprise Training Needs Analysis, June 1987
- . CRS Small Enterprise Development Workshop, Design Document and Revised Design Document, July 1987
- . CRS Small Enterprise Development Workshop Facilitator's Guide and Workshop Materials, September 1987

Swanirbar

In Year Two, the first opportunity to collaborate on training development with an indigenous resource institution

presented itself with Swanirbar in Bangladesh. Swanirbar has a large number of workers in its credit program that need to be trained on an ongoing basis, and they requested assistance in performing a training needs assessment. In November 1987, an ARIES team will prepare Swanirbar to conduct a training needs assessment of its credit workers. Follow-on work may involve collaborating on design and development of training programs.

Packages for Micro Entrepreneurs

An initiative to develop a curriculum guide for Philippine micro entrepreneurs was begun in Year Two, resulting in tentative agreement to collaborate with the Institute of Small-Scale Industries at the University of the Philippines. This project will involve a training needs assessment of a selected target group of micro entrepreneurs and the development of the training standard, or curriculum guide, for that group.

Training Materials Evaluations

During Year Two, the ARIES training component also included the continuing collection and evaluation of training materials for micro enterprise development. An additional 24 training packages were evaluated and will be issued as Phase II of the ARIES Training Materials Evaluation Report.

Technical Assistance Overview

Thirteen assignments covering 11 projects in 11 countries were conducted during ARIES' second year. Documentation for these assignments, described in brief below, is available, and listed in Appendix B.

1. A joint evaluation team composed of Mr. Russell Webster, ARIES Project Coordinator as team leader, Ms. Linda Markey-McCabe, RRNA Managing Associate resident in Manila, and Mr. Bachrun Nawawi, Foster Parent Plan Field Project Manager and SME expert, assessed several of Foster Parents Plan's (FPP) income generating projects (IGPs) in over 30 project sites in the Philippines and Indonesia. The evaluation's purpose was to measure the viability of FPP's (selected) IGPs and the impact of these IGPs on income and employment opportunities for their beneficiaries. A second purpose of the evaluation was to assess FPP's effectiveness in resource management aimed at SME expansion and development.

2. At the request of the USAID Mission in Honduras, a team composed of Mr. Robert Blayney, team leader, Ms. Heather Clark, social and institutional analysis specialist, and Mr. John Anderson, training and technical assistance specialist, conducted a SME sectoral assessment to assist the Mission in developing a viable small business subsector strategy. The objective was to determine the relative importance of the SME sector as a means of generating new employment, to assess the constraints of the existing policy and regulatory framework on the SSE sector, and to profile the sector as a whole.

To this end, a working definition of the SME sector in the Honduran context was developed, to serve as a basis for the small business sector strategy and a strategy was recommended with alternate paths for implementation.

3. Again at the request of USAID/Honduras, an evaluation of the Mission's Small Business Development (SBD) project was conducted by Mr. Robert Blayney, institutional analysis and training specialist, and Ms. Heather Clark, credit and

financial analysis specialist. The purpose was to assist the Mission in determining the future direction of this project and to assess its impact on the project's goals of income and employment generation. The ARIES team identified problems in project design and implementation, and provided specific recommendations to determine future courses of action for the SBD Project. The submitted report was well received by the Mission.

4. In Jordan, a study was undertaken in collaboration with the USAID Mission in Amman and the Government of Jordan's (GOJ) Ministry of Industry and Planning, with Dr. Wesley Weidemann, ARIES Project Coordinator, as team leader, Mr. George Pulver, financial analyst, Dr. Diana deTreville, social and institutional expert, and Ms. Laurene Graig, RRNA Associate and WID specialist, composing the ARIES team.

The purpose of the study was to provide USAID/Jordan with an assessment of the SME sector in Jordan, identify the financial, technical, regulatory, and policy constraints hindering entrepreneurial development, and recommend specific SME support activities to maximize the beneficial impact of a new Small Business Development (SBD) project.

This study culminated in a project identification document (PID), and was the first phase of a two-phase effort to design a SSE sector development strategy that capitalizes on the high degree of liquidity found in the Jordanian banking system.

The team's recommendations included the possible establishment of an independent organization comprised of representatives from the GOJ, USAID/Amman, and other parties involved

to coordinate the proposed project components of credit, training, and research. The project design also recommended mainstreaming women into the small business development effort to ensure women equal access to project sources.

5. Dr. Thomas Timberg, ARIES Project Director, assisted in the design of a study of informal financial markets (IFMs) in Bangladesh beginning last September. This year, in a follow-up visit, Dr. Timberg monitored the contractors' activities in the field, offered mid-term corrections, and made specific recommendations to USAID, the Asian Development Bank (ADB), and the academic institutions involved. Another follow-up visit has been scheduled for him, to take place in Year Three of ARIES.

6. At the request of USAID/Ecuador, Dr. Jennifer Bremer-Fox, RRNA staff member, and Mr. Walter Bender, forestry expert, conducted a review of a forestry private enterprise initiative stemming from the USAID/S&T/FENR ongoing Forest Resources Management Project in Ecuador.

The Forestry Private Enterprise Initiative consists of demonstration and applied research work to guide and inform future AID project activities dealing with private forest and wood-based enterprises. This particular review's objective was to assess the status and progress of the demonstrative work, labelled INFORDE, that was begun under the initiative. The team provided recommendations for strengthening ongoing efforts and for pursuing other opportunities being identified or stimulated by INFORDE. Already, several of these recommendations have been implemented with positive outcomes.

7. An assessment of the Freedom From Hunger Foundation's (FFH) inter-program credit systems was conducted by Mr. Jeffrey Ashe, SME expert, and Mr. Russell Webster, ARIES Project Coordinator. Three of the credit programs at various stages of development were reviewed -- a fledgling program in Nepal, and more advanced ones in Thailand and Sierra Leone.

This assessment was an inter-program review of the management and organization of FFH's credit systems in its Applied Nutrition Program (ANP) and made recommendations on standardizing credit system policies and procedures, suggested alternative strategies for institutionalizing locally-managed credit programs initiated and supported by FFH, and developed draft guidelines to assist FFH in the identification, planning, management, and evaluation of appropriate credit delivery mechanisms and procedures.

8. A project initiated by the Somali Women's Democratic Organization (SWDO), an agency of the Government of the Somali Democratic Republic, was reviewed by Ms. Deborah Lindsay, SME specialist and team leader, Dr. Anita Spring, anthropologist, and Dr. Virginia DeLancey, agriculturalist, at the request of USAID/Somalia. The project aims to improve the institutional and management capacities of SWDO and to identify activities which would improve the social and economic conditions of rural women in the Lower Shabelle region of Somalia.

The ARIES team members examined SWDO's organizational structure, assessed its strengths and weaknesses, and proposed viable alternatives for strengthening the organization's institutional capability. In addition, income-generating activities of rural women in the Lower Shabelle were identified, and project activities were recommended to support

them. These recommended activities were proposed within the local social, economic, and institutional context, and were designed to require minimum technical and management assistance. Centrally funded mechanisms were identified as sources for implementing these recommended activities.

9. A major component of USAID/South Africa's plans to launch a five-year Black Private Enterprise Development Project aimed at facilitating the expansion of black private enterprise in South Africa, is to allocate funding to non-government black business support groups active in the SME sector, to enable them to expand the quality and quantity of services they provide to SMEs.

At the Mission's request, a review was conducted to evaluate and assess the institutional capacities, credit, technical assistance, and training programs of the two proposed grantees for this funding -- the Get Ahead Foundation (GAF) and the African Council of Nyangas and Hawkers (ACNHA).

The team, comprised of Mr. Henry Jackelen, as the ARIES member and credit and SME specialist, Dr. Michael Farbman, Director of the USAID/S&T/EED Division, and a South African consultant contracted by the Mission, produced draft grant agreements and an implementation plan for the Mission's use in achieving specified goals.

10. Ms. Deborah Lindsay, SME specialist, was a team member for a mid-term evaluation of the three-year Friends of Women World Banking in Thailand (FWWBT) Project funded by USAID. The evaluation's purpose was to review the work undertaken in the first half of the project's life, and to examine the need for a shift in emphasis during the remaining half.

The FWWBT received a USAID grant to conduct this project, whose purpose is to bring women into the formal financial system through a loan guaranty program implemented in cooperation with the Bangkok Bank and NGOs, and to strengthen women entrepreneurs by providing business development services.

11. On the basis of the first Jordan mission's work, a team composed of Dr. Weidemann as Team Leader, Diana deTreville, Institutional Expert, C. Jean Weidemann, Social Soundness and WID Specialist, and John Schroy, Financial Expert, returned to Amman for Phase II of the Jordan Project.

The second phase of the project involved the formulation of the design of the SBD Project conceived of in Phase I, and the drafting of a concept paper which addresses the establishment of a credit guarantee fund for SMEs, summarizes a proposed supplier credit scheme, analyzes the results of a survey conducted of small business entrepreneurs in Amman, outlines strategies for assisting start-up businesses, and included recommendations for future programming strategies. This concept paper will provide the basis for the eventual implementation of the SBD Project.

Women in Enterprise Development

In the fall of 1986, RRNA launched a promotional program detailing its capacity under the ARIES Project to provide technical assistance to increase the participation of women within the small-scale enterprise sector. WID activities under ARIES to date have included project work in three countries (Jordan, Somalia, and Thailand).

In an upcoming project in Ecuador, in cooperation with the International Center for Research on Women (ICRW), it is proposed that ARIES coordinate the monitoring of a multi-faceted SSE project -- both generally and from a gender-specific angle.

Although not contracted through the ARIES FSA mechanism, the Office of Women in Development requested assistance from RRNA in the revision of a guidebook on women and small-scale enterprise development. The guidebook is part of the Gender Manual Series published by the Office of Women in Development and will be circulated to AID Missions worldwide.

Future Technical Assistance

In addition, there are several assignments underway or scheduled to occur in the near future. One such project involves conducting a survey of strategic alternatives to assist the SME sector in Zambia. We will be conducting an assignment in The Yemen Arab Republic, surveying the SSE sector, and recommending an appropriate strategy for the development of this sector. A third activity involves continuing advisory assistance to the Small Enterprise Assistance (SEA) Project in Barbados (covered in last year's Progress Report).

ARIES RRNA staff members continue to write and speak in public on SME development and remain actively at the forefront of research, developments, and innovations in the field. The Project Director has written several papers on topics such as targeted credit, Grameen Bank, small loan funds and micro enterprise, informal credit markets, a critique of Judith Tendler's report on the alleviation of poverty, a critique of

I.M.D. Little's article "Small Manufacturing Enterprise in Developing Countries, and a review of the VITA/Chad evaluation. He also lectured at the Tribhuvan University in Nepal, in Malawi, the IMF, and at the University of Ghana. He was a member of the panel of presentors at the workshop on Financial Sector Development, organized by USAID.

Russ Webster, ARIES Project Coordinator, attended a PACT/SEEP-sponsored conference on evaluation and monitoring of SSE programs, at which he presented a paper.

Project Administration and Development

There are two aspects of ARIES administration that are of concern here -- project coordination and the provision of technical assistance. Central coordination has been accomplished by setting up a central reporting and information handling system to: (1) keep all members of the Project informed of each others' activities, including marketing; (2) create ties with outside groups interested in SME promotion; (3) maintain oversight of financial flows so that means are appropriately matched to ends; and (4) ensure that all project activity is geared towards expanding our ability to assist SMEs. Bi-monthly reports were sent out summarizing project activities.

Integration of Project Elements

Care has been taken to tie the provision of technical assistance into the research and training elements of the Project. Returning team leaders have debriefed CDC and HIID, as well as groups at USAID. A vigorous circulation of materials has been maintained and two meetings of the Project

Board held. Written reports have been circulated on all technical assistance assignments. Extensive contacts have been kept up as well with a variety of voluntary organizations, donors, and LDC organizations involved in SME development.

One meeting of the outside Technical Review Board, and a connected one of the Project Board, were held.

Development of Core Staff and Technical Expertise

There has been a systematic development of a cadre of consultants who can undertake short-term assignments and still remain integrated with other aspects of the Project. The cadre consists of Project core personnel and RRNA staff members (Timberg, Webster, Weidemann, Rourk, Gomez, Graig, Lang, Bremer-Fox, and Markey). Another group has been developed from expertise outside of the firm, namely, consultants who have participated in more than one ARIES assignment.

On the home office side, RRNA has been ably served by Cynthia Moron, Paola Lang, and Mohini Malhotra, who have managed much of the information flow and day to day administration.

The FSA Contracting Mechanism for Technical Assistance

One of the administrative aspects that the ARIES Project shares with its predecessor, the SBCD Project, is the Field Service Agreement contracting mechanism. Though the FSA shares important characteristics with the IQC Work Order and the Contract Amendment Procedure used under the S&T

Agricultural Policy Analysis Project, it differs in certain ways. For instance, the Mission sends a scope of work, a budget, and funding citations to the ARIES Technical Officer, who in turn drafts the FSA and sends it to the ARIES Contracting Officer for review, negotiation, and approval. In this way, the contracting and technical personnel of both the Mission and AID/Washington preserve control over all aspects of the transaction. Furthermore, new FSAs then become an amendment to the Project contract approximately once each quarter.

An important difficulty with the FSA experience under ARIES is that OFM has refused to pay for work performed until the FSA is embodied in a contract amendment. This adds up to 150 days to the normal 45-60 days required to obtain payment for USAID work, and thus proportionately increases the working capital requirements for the Project and the cost of the ARIES services. Negotiations are afoot to see if this difficulty can be resolved or minimized.

II. LESSONS LEARNED

The lessons learned from this second year are presented in somewhat different fashion from those of the first year and from the fashion to be used in following years. In the first year, a major research output (the SOP) and the defining documents for the training materials component were produced, as well as a number of consultancy reports of various kinds -- sectoral assessments, institutional evaluations, etc. A rather large number of hypotheses and conclusions were naturally forthcoming.

By contrast, the second year for the research and training material components was devoted to preparing outputs -- cases, training needs assessments and indicated training programs -- the outputs of which will generally not be ready until early next year. The lessons of this year are those learned from the individual technical assistance assignments.

1. Assessment of Somali Women's Democratic Organization: Reorientation from Political Mobilization to Enterprise Development

Overview

As the women's branch of the Somali Revolutionary Socialist Party, SWDO was created in 1977 to raise the political awareness of women and to mobilize them to fulfill the party's political and social policy objectives. Supported in part by a government grant, the SWDO National Council in Mogadishu works through a network of voluntary regional, district, town, and village committees, reaching an estimated 60,000 members. These members are usually the most active women in their communities and SWDO uses them to reach even deeper into Somali society, visiting house-to-house when needed.

This means that as a development institution, SWDO offers a committed group of workers, known and active in their communities, and in some cases, innovative and able to promote projects of many types, including enterprise development. The issue is how to work with this human ability separately from the political baggage it carries. Thus far, no donors have tried to integrate the existing structure with new project staff when implementing their projects.

Historically, SWDO has broadcast the government's broad policy statements, and drummed up support from the people. However, it has little internal capacity to conceive of and plan projects to operationalize these policies. The SWDO Executive Council is influential, but the member Executive Secretaries do not have staff to identify areas for action for the Council to consider. In addition, the Council does not encourage the field level committees to develop their own projects, ignoring a pool of talent and ability.

SWDO has already implemented several social welfare projects and wants to do more projects, of any type, as long as they bring in donor funding. This turn to projects has also been inspired by donors looking for an indigenous group, able and willing to act as the conduit for development projects. Unfortunately, the consultants found that institutionally, SWDO has not and is not developing the capacity to continue projects without donor input, be it financial or technical. Typically, a separate project management office is established, staffed by project funds and isolated from the rest of the organization. At the end of the project, SWDO is left with some office furniture but no residual staff ability to carry on. For social as well as commercial projects, this is a problem since continuity over time is necessary to institutionalize the changes desired.

After achieving success in the political sphere, SWDO has increasingly focussed on social and economic objectives. In the past, it has promoted compliance with the new, non-traditional Islamic family law and worked for women's rights within the more general policy context. Recently, supported by donors, SWDO has implemented a family life education and health project and a tie dye project. The SWDO local

committees often have informal contact with ad hoc groups of traditional handicraft producers, but lack of resources hinders formal project activity.

Findings and Lessons

The Uses of Decentralization. SWDO's greatest institutional asset is its extensive network of committees and party members all over Somalia, linked by established chains of communications and control. This organization was developed and has been maintained by the Somali government, to ensure that women are brought into the political process. In Somalia's Muslim society, it is necessary to provide a direct communication link to women by women, so that official policy can be promoted. This history of government/political linkage and patronage is simultaneously a strength and a weakness from the perspective of using SWDO to promote enterprise development, especially when official policy has only recently favored the private sector. Due to the vagaries of its government grant, SWDO has had to generate much of its own funding, mostly by rental income.

SWDO tends to attract women who want to work within the party, and who bring a strong local awareness to their role as spokesperson for the Organization. At each level of the hierarchy, the executive committee is composed of the most active and influential SWDO members, right up to the presidential suite. In many cases, these women are entrepreneurially inclined, and have sought one of the few available outlets through which to exercise it.

To take full advantage of SWDO's existing low cost network will require a fundamental integration of the project

activity and the membership and committees in the field. Since members are motivated by personal commitment, the SWDO network operates at practically no cost outside Mogadishu. The question is whether this commitment would carry through into projects like enterprise development and, if so, how to design projects that use this commitment.

The consultants recommended that SWDO try to use its network to gather and disseminate information to link beneficiaries with donors and other implementing agencies rather than to try to implement projects alone. This would allow SWDO to use its expertise as a mobilizer to fulfill its desire to implement development projects. From the ARIES perspective, an equally important issue is how to prepare the institution to deal with commercial enterprise development projects. SWDO has experience generating income through rent of a donated office building and has formed an entity to do trading on its own account (still inoperative). However, the management of these commercial activities exhibits the same shortcomings as regular profitmaking businesses in developing countries. This exemplifies the problems to be encountered by any development institution going into commercial development projects.

If economic development in the form of commercial and income generating projects is the purpose, SWDO then needs to learn many of the same lessons that private Somali businessmen need to learn. Its weakest areas are personnel management, financial control, and marketing. The basic concepts of management are lacking. In this regard, SWDO is not very different from development agencies in Thailand, or America for that matter. The skills needed to manage a business are different from those needed to run a social (or political)

program. And, if social agencies want to get into commercial projects, they need to learn or have access to these new skills to succeed in the commercial sense.

2. Jordan Small Enterprise
Development Project -
The Importance of
Joining the Mainstream

In Jordan, an ARIES team found a substantial amount of surplus liquidity in the banking system, and that the amount of loans extended to small businesses was minimal. A previous effort to set up a loan fund for small businesses reached only a small proportion of the small businesses in the country and the special fund had suspended operations because of default rates of 25 percent. The amount of money which was spent in attempting to set up a separate institution would most likely have yielded more loans for small businesses if it had been spent in removing the particular barriers to small businesses participating in the mainstream financial institutions. Removal of these barriers could include measures designed to acquaint potential small business borrowers with banking requirements and thus facilitate successful entry into mainstream financial institutions, eliminate institutional constraints such as interest rate control which work to the detriment of small businesses, and other similar measures.

From this the team concluded that whenever possible the attempt should be made to identify methods of preparing small businesses to make use of the established business systems and organizations rather than attempting to create new institutions to cater to the specific needs and characteristics of small businesses. The converse of this is that ways should be sought to strengthen established mainstream businesses and

service organizations and provide incentives for them to work with small businesses as part of their regular commercial trade.

Small business suffers specifically from an undeveloped retail banking sector.

An ARIES team in Jordan found that only three of the banks in the country had a retail operation equipped to deal with large numbers of small loans such as consumer loans or small business loans. None of the banks had used their retail banking capability to tap into the small business loan market. The cost of processing small loans is proportionately higher than for large loans. Commercial banks which use unit lending practices do not normally extend their services to small businesses because of high transactions costs on small loans. This is not because of any higher inherent risk associated with small business. In order for an institution to handle large numbers of small loans, it must be structured as a retail bank which is quite distinct from a commercial bank in terms of operations. If an institution does not use a retail banking approach, the only way to avoid the high cost of credit evaluation is to demand excessive collateral. A strategy for increasing the availability of credit to small business involves taking steps to encourage and develop the retail banking sector.

Small businesses are often unsophisticated in finance and this prevents them from getting access to commercial bank lending.

The ARIES team in Jordan found that a large number of small business owners were returning from jobs in the Gulf,

where they had accumulated some money, to start a business and were often quite skilled in some technical area. However, these small business owners often did not have the financial skills to gain access to bank financing. Training business owners in record keeping, writing a business plan, making cash flow projections, and other related skills will help them to run their business more efficiently and will also give them better access to financial institutions. If small business owners are unable to grasp banking techniques even with training, they can approach lenders through intermediaries such as cooperatives or trade associations that have the necessary skills.

Small businesses usually do not have access to financing through financial institutions and suppliers step in to fill the gap by providing terms on materials, parts, and supplies.

The ARIES Jordan team found that suppliers were the main source of unsecured business finance for small businesses. Suppliers know the business, they know their client, they know market possibilities, and they know the outlook for small businesses in the particular trade. These are all desirable characteristics of a good banker and suppliers actually fill the role of a banker. A program designed to assist small businesses should take advantage of these already established supplier business relationships. The ARIES Jordan team designed a scheme to channel funds through suppliers credits -- described in more detail in the report of the ARIES team.

3. Ecuador: Applicability of the INFORDE Model of Focussed Technical Assistance for Forestry in Ecuador to Other Country Situations and Other Sectors

Uses of the Private Sector - Seeing where it Pinches.

INFORDE, the Private Initiative for Forestry Development in Ecuador, is a pilot field activity designed to test and develop techniques for promoting private forestry development. INFORDE, implemented by USDA, North Carolina State University, and the Southeastern Center for Forest Economics Research (SCFER). It is part of AID's Forestry Support Program, a project of the Office of Forestry, Environment, and Natural Resources in the Bureau for Science and Technology (S&T/FENR). The Initiative fielded a wood products market development specialist in Ecuador for a two-year period, backed up with limited funds for research and technical support to the Ecuadorian forestry sector, technical support from SCFER, and administrative backstopping in the United States.

INFORDE's primary aim is to promote private sector wood-based activities in Ecuador. But it also constitutes an experiment in private sector approaches to development. INFORDE's focus on the forestry sector, where donor assistance has traditionally emphasized public sector approaches, has provided an opportunity to test an alternative approach to small enterprise development with potential applicability to a wide range of sectors and country situations.

The INFORDE initiative has also generated significant experience with particular research and technical assistance activities designed to support private enterprise activities in the forestry sector. Many of these individual activities

could clearly be incorporated into a wide range of private enterprise development programs, whether or not these followed the overall INFORDE model.

This section is therefore organized into two parts. The first summarizes the key elements of the INFORDE strategy, and the second section discusses the conditions under which the INFORDE model as a whole might best be applied.

Key Elements in the INFORDE Strategy

Abstracting the INFORDE program from the specifics of the Ecuador situation, the strategy can be divided into two parts: forestry strategy and a private sector strategy.

INFORDE's Forestry Strategy. INFORDE's forestry strategy is based on improving resource management and resource productivity by increasing the value of the product, in this case, wood. As a corollary, INFORDE seeks to increase the market for, as well as the value of, products made with wood, in order to support the market for wood itself.

INFORDE has also sought to identify and encourage investments that are profitable in themselves and that will directly increase the supply of wood over time. In the case of Ecuadorian forestry, INFORDE's evaluation of private plantations of species with high in-country demand indicates a potential return that is quite attractive in comparison with other agricultural activities. This finding contradicts the widespread assumption that private sector replanting must be subsidized, although its applicability to other countries or lower-value species depends on local circumstances.

INFORDE's forestry strategy is strongly market-based, that is, it places a high value on careful analysis of the market for trees. This approach is in marked contrast to that of simply assuming that trees grown will find a market, or, worse, ignoring the final sales value altogether. The needs and location of potential customers such as plywood plants have as much importance as soil types and other silvicultural considerations in selecting sites for plantations. The management program is designed to maximize the values sought by the specific customer, e.g., the plywood plants, which may be quite different from those appropriate for other uses, such as pulping, where bulk and fiber characteristics are more important than the diameter or shape of the tree. Small farmer programs consistent with this strategy aim to integrate the farmer into a profitable industry with potential for growth by producing a product beneficial to both growers and industries.

INFORDE's strategy to build demand for wood has been equally long-range in orientation. The ultimate aim is to establish a market for higher-value wood construction products as the basis for expanded and more efficient use of the wood resource. INFORDE has worked primarily at the demand end of the system, promoting wood construction through a variety of means. While concrete results have been limited, INFORDE has set an excellent example for the Ecuadorian private sector to follow, and there is evidence that they are doing so. As argued above, this program could be strengthened by involving organizations on the demand side, both public and private, and strengthening their linkages to supply-side organizations in the wood sector.

INFORDE has had less success in tackling the supply end of the system, that is, in expanding the production of dried,

dimensioned lumber attractive to the modern Ecuadorian construction industry and competitive with alternatives such as reinforced concrete. It has been argued above that INFORDE has not given sufficient attention to the role of the intermediaries in creating a dynamic market for improved wood products, particularly the lumber yards. This situation underscores the need to take a systems approach to analysis of complex markets, with a high degree of diversity and fragmentation on both the supply and demand sides.

INFORDE's assistance to the furniture industry has been partially justified as another means of increasing the demand for wood, but this argument is weakened by the very small proportion of sawn wood going into the furniture industry (perhaps one-sixteenth of the total, estimating very roughly). The furniture industry would be a major beneficiary of better quality wood, however, and INFORDE's attention to that industry is justified on employment and export-generation grounds in any case.

INFORDE's Private Sector Strategy. INFORDE's strategy for strengthening the private sector has been based on close collaboration with local private sector organizations, supporting existing programs and attempting to promote new programs responsive to the needs of the wood industries sector. The strategy has also included attention to the potential for public-private sector cooperation, in particular through mobilization of donor resources in support of private sector approaches.

INFORDE's limited resources have been a source of strength as well as weakness. INFORDE has been responsive to

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the needs of its clientele by necessity, as well as by preference, since its own resources are too few to undertake programs on its own. This limitation has prevented INFORDE from falling into the tempting trap of independent action.

In a significant departure from the traditional AID project strategy, INFORDE is not attached to any specific Ecuadorian counterpart agency, public or private. While INFORDE has established strong ties to two organizations and weaker ties to several others, it is not under anyone's jurisdiction. This has given INFORDE greater freedom of action, but has also given rise to resentment in some instances.

Furniture Export Promotion. INFORDE's experience in export promotion contains both encouraging and discouraging aspects. The hallmark of the program has been its focus on specific firms and specific technical needs, rather than general promotional activity. A second strength of the program has been the success in bringing Ecuadorian exporters into contact with organizations and individuals in the U.S. market that can provide specific marketing assistance to the Ecuadorian firms. Nonetheless, the overall results of the program in terms of expansion in exports have been meager; only the largest of the Ecuadorian furniture consortium's members has succeeded in increasing its exports. This is instructive, because it indicates the difficulty LDC firms experience in breaking into a complex and competitive market, even where the firms are as sophisticated and well-managed as the Ecuadorian firms. The modest aims of the program -- helping the Ecuadorians to understand the U.S. market and assisting them to identify sources of technical and market support -- will not lead to a sudden explosion upward in Ecuadorian furniture exports, but the firms themselves are not

ready to move to this stage in any case. As AID and other donors move to promote exports in a wide variety of markets, the Ecuadorian experience offers a useful lesson in humility.

Applicability of the
INFORDE Model

The INFORDE experience offers a model with a high potential for replication in private sector forestry and in enterprise development programs generally. INFORDE demonstrates that a great deal can be accomplished with very limited resources if they are focused on specific problem areas where the private sector is ready and willing to take action.

INFORDE's experience underscores a major potential drawback to private sector forestry programs, that is, the tendency of wood industries towards dualism. The large economies of scale in logging and industrial processes, such as plywood, reinforce an industrial structure that is dominated by a few large firms, in the United States as elsewhere. At the same time, furniture, construction, and many other wood-using industries tend to be highly fragmented, with a very large number of small firms. In Ecuador, the situation is complicated by the existence of a significant informal logging subsector and an important small sawmill sector, which compete with each other in addition to competing with and complementing the activities of the large mills. A similar situation exists in the United States as well.

The wood products industry is by no means unique in exhibiting a tendency toward dualism. It may be hypothesized that such a dualistic structure is likely to arise in any sector where there are strong comparative advantages to capital-intensive activities for certain operations and to

labor-intensive activities for others. A similar situation can easily arise in the textiles sector, for example, where the large capital investment required for weaving and spinning operations leads to control of these activities by large ventures, while the labor- and management-intensive nature of clothing production tends to domination by small firms. As in the wood products industry, the interdependence of capital- and labor-intensive firms in the textile industry is an important feature of the sector's development.

AID and other donor agencies wishing to emphasize the development of small enterprises in strongly dualistic sectors must take into consideration the role of the larger enterprises in the development of the sector as well as the mutual dependence of firms at different stages in the production process. A wholly private development strategy may imply working closely with large firms as well as small to create new market opportunities, facilitate export expansion, and develop strong private institutions.

Forestry is also an area where government involvement tends to be relatively heavy, given the definition of the forest as a natural resource and the dominance of government control over large areas of forestland in many countries.

These two factors -- dualism and government involvement -- make it almost inevitable that private sector involvement in forestry will be heavily politicized. This politicization may take the form, as it has in Ecuador, of institutional conflict and enmity between large and small firms, making it difficult to build on the very real opportunities for cooperation and symbiosis. These benefits are too important to

set aside lightly, and private sector forestry is undoubtedly worth the effort, despite the difficulties.

Experience with public sector forestry programs indicates, moreover, that the donors are deluding themselves if they hope to avoid this politicization by working exclusively with the local government. In an ideal world, public sector institutions would be neutral in their dealings with the private sector, neither favoring nor ignoring any particular group of firms. In practice, this is rarely if ever the case; government regulatory and promotional activities frequently display an implicit bias toward specific firms. As in the United States, this bias is reinforced by personal and professional ties between government officials and individual entrepreneurs. In Ecuador, for example, two of the most senior officials in the Ministry of Agriculture dealing with forestry are, respectively, an owner of one of the largest balsa firms and a former executive of the only firm producing treated wood. Even excluding any potential for personal gain implied by the government's regulatory power, it is reasonable to assume that the experience and background of senior officials will color their perceptions of the sector.

At the same time, we hesitate to recommend that the INFORDE approach be adopted as a paradigm for private sector assistance organizations. As argued above, INFORDE's temporary, informal structure and the strong business expertise of its staff were major factors underlying its success. Both of these advantages would be difficult to preserve if INFORDE were transformed into a permanent organization.

The INFORDE experience does, however, highlight the potential advantages of placing technical assistance resources in an informal, free-standing, and temporary unit with few

resources (and, therefore, few administrative requirements) and a built-in self-destruct mechanism. The possibility of lasting impact from such a structure depends entirely on its ability to affect the firms and organizations with which the unit works, not on the programs and activities of the unit itself. Although it is, of course, too early to draw a conclusion regarding the permanence of the changes brought about in the institutions with which INFORDE has worked, it seems at least likely that these impacts -- better coordination between private institutions and between public and private groups, as well as stronger programs in each institution -- will be more permanent because INFORDE's role has been limited to facilitating and supporting these activities rather than actually carrying them out itself.

4. Honduras: SME Development
Strategy: Respond to
Opportunities; Use Resources

The ARIES mission to Honduras, which eventually developed the basis for a small-scale enterprise strategy for the Mission in that country, represented two sorts of learning for the project. Procedurally, the ARIES mission was able to involve a large number of people both from the Mission and the PVO community in the data gathering for the strategy and in a workshop where various alternatives were discussed. Substantively, they were able to make out the rationale for a small-scale enterprise approach in the Honduran case on what are the usual bases (employment creation, sustainability, effect on women, etc.), and define a wide number of alternative interventions which would relax the constraints against the sector.

Three objectives were defined:

- . To build the capacity of local support institutions for SME
- . To strengthen existing SME
- . To create new SME

Under each objective, interventions were explored; for the last two objectives, these were primarily of the research and experimental project sort. For the first objective, institution building initiatives were explored to expand assistance to existing support institutions, particularly in what was identified as the country's "growth belt." At the same time, the support institutions were to be upgraded through (1) defining standards -- "uniform standards in design, monitoring and evaluation systems," "uniform measures of size and activity for the economic viability of firms," "performance standards," "a system to determine institutional selection criteria"; (2) coordination -- "inter-institutional program linkages," "take the lead in donor dialogue," and "promote collaborative efforts" between support and training agencies; and (3) assistance, particularly in staff and chief executive officer development, computer and financial systems development, and achieving self-sufficiency.

Among the more controversial recommendations were to concentrate assistance on specialized support institutions and in the country's growth belt because these have demonstrated performance. We should note that this is not necessarily a conclusion supported by all ARIES teams. PISCES came to the opposite conclusion about specialization and argued that enterprise promotion worked best as part of the broad social development activities of an organization. The FPP, Somalia,

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and FFH missions perhaps indicate how the generalist development efforts can be reconciled with commercial success.

The ARIES mission proceeded to outline three alternative administrative strategies for carrying through these interventions:

- . By creating an "apex" second story organization
- . By creating a new operating organization
- . By creating an executive to serve a consortium of existing operating organizations

The advantages and disadvantages were outlined for each.

This substantive administrative strategy is probably of most general interest since it, in fact, describes the dilemma that many AID Missions face in dealing with the small-scale sector -- especially if the Mission wishes to work through private and voluntary agencies. Our sector report on Costa Rica last year represented a report to a Mission which had opted for a consortia, at the same time that the El Salvador Mission seems to be leaning toward using the leading private enterprise promotion organization directly. The Kenya Mission has been using a new apex organization. The approaches are all too new for much to be said about the ultimate experience with them, but other Missions should be interested in the connected discussion.

Other Missions as well may be interested in pages 37-46 of the Honduras report in which the actual characteristics of different programs in place in Honduras are studied (this is reprinted as Appendix D to this report). It is noted that all Honduran programs together cover less than 10 percent of the

small-scale units in the country. Only four organizations serve more than 100 clients.

A short section in the ARIES team report reviewing policy may be of some interest since the policy problems are similar to those elsewhere, but this is more extensively dealt with in the ARIES Jordan work.

5. Evaluation of the Small Business Development Project, Honduras: Stretching the Private Sector, but Not Too Far

In the evaluation of the Small Business Development Project in Honduras, the evaluators discovered that despite the fact that the original design was not followed, two good projects emerged.

The financing mechanism, FIA (Financiera Industrial y Agropecuaria), a consortium of private, for-profit banks with a small AID participation, started making project loans to firms somewhat smaller and riskier than those usually served by commercial banks. This is a task to which many private sector programs have turned their attention, and Honduras has shown it can be done. The extension mechanism, PYME (Pequena y Mediana Empresa) funded and assisted a variety of enterprises serving small and micro clientele too small to be FIA clients. The envisioned relationship between the two did not jell, despite initial intentions. The experience highlights the difficulty of handling small and micro enterprises in the same program. The PYME effort was successfully located in and run by ANDI (Asociacion Nacional de Industriales), the Honduran equivalent of the American NAM, indicating the

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potential of programs involving large and micro industry. Here again, however, the PYME program was not integrated with other ANDI activities, nor did it lead to subcontracting relationships.

6. WID Strategies for SMEs:
Jordan, Thailand, and
Somalia

Experience under the ARIES Project has shown that if small-scale enterprise projects are to successfully reach women, they must be implemented through organizations that have personnel with strong business, financial, and managerial backgrounds able to cope with the mainstream economy. In Jordan, for example, it was clear that although women's organizations were interested in small business development, they did not have the capacity to implement such programs. As a result, the programs tended to have a "social welfare" perspective which stresses goals which are not necessarily consistent with business development.

RRNA will continue to focus under the ARIES Project on women in development programs and issues. The policy assessment technique which was developed under RRNA's Agricultural Policy Analysis Project has been adapted to the small-scale enterprise sector, particularly as concerns the policy, legal, and regulatory environment which affects female entrepreneurs. This policy assessment can be applied to WID/SSE efforts worldwide, and will be useful in the development of PIDs, PPs, and CDSS.

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7. Organizational Development in
Year Two under ARIES: SEEP-
PACT, FPP, FFH, and SEAP
Barbados

The issue of organizational development arises in nearly every ARIES technical assistance assignment, not only those in which it is the explicit focus.

There are many subject areas within the broad category of organizational development; these include, among others, management structure, staff development, planning strategies, and monitoring (including accounting) and evaluation techniques. Related to these is the question of cost-effectiveness, an area that has gained increasing attention recently. These are dealt with not only the the technical assistance assignments, but in the HIID and CDC outputs as well.

Of the various types of ARIES field assignments, program evaluations typically address organizational development issues most directly. The donor agency wants to know how the recipient agency stands in terms of the areas described above, and whether there are organizational constraints or inconsistencies that keep the agency from realizing its objectives. These evaluations must be based on a broad understanding of several areas: policies, procedures, staff development programs, planning and monitoring systems, management techniques, linkages with the community, etc.

Organizational analysis, unfortunately, does not lend itself to clear definitions and descriptions. The analyst must rely heavily on the interpretations of people within and around the agency, and on whatever written information he finds suitable: this could include statements of policy, job

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descriptions, accounting statements, financial credit portfolios, annual work plans, progress reports, etc. Some of this information is quantitative in nature, but most of the analysis must be based on a synthesis of perspectives offered by many different sources, and on a factual description of what constitutes a success within the organization's operations, what a failure, and hopefully the reasons in both cases.

In Year Two, ARIES carried out three field assignments which dealt primarily with organizational development. Two of these were evaluations of SSE programs conducted for the AID/PVC Office, one of Foster Parents Plan (PLAN International), and the other of the Freedom From Hunger Foundation. The third assignment was a continuation of earlier work done for the AID Regional Development Office in Barbados to strengthen implementation and monitoring of the Small Enterprise Assistance Project in the Eastern Caribbean Region.

There were notable lessons learned from the PLAN and Freedom From Hunger exercises. Both agencies share some characteristics, the foremost one being that the SSE program is being folded into an ongoing, primarily social welfare oriented, program. This fact has raised policy issues at the highest levels in the organizations. One of the common recommendations was, in fact, to adopt a clear policy in support of income generation and employment creation in order to rationalize the goals and objectives of SSE development.

Another issue faced by both agencies was that of target group selection. Coming from a social welfare organization, they naturally wanted to offer help to everyone meeting certain poverty requirements. With SSEs, however, it is not the case that the same prescription works for everyone; some people, in fact, may not be ready for income generating

projects. Encouraging them to adopt such a project, when it may be beyond their means, financially and technically, leads to complications and further dependency on the intermediary agency.

Both of these issues are critical for PVOs because they are linked with the institutional image they have of themselves and their private donor constituency. Some field staff even expressed reservations about helping people make more money for fear they might become exploiters of the poor.

Other organizational issues identified were more straightforward. There seems to be a tendency to try and train up existing community development staff to be SSE extension agents or credit specialists instead of hiring business or financial specialists. PLAN, however, is beginning to explore ways to link up with village business men and women on a consulting basis to help their programs in the Philippines.

Although there exists some need to strengthen accounting, monitoring, and evaluation systems, most PVOs have taken these tasks to heart and are making progress; the issue, in fact, is how to streamline data collection and analysis so that it is useful and not burdensome. A frequent recommendation was to keep monitoring tools simple so that they serve management objectives. Impact evaluation should be a separate exercise, building on the information provided, but the organization should not make gathering such information a major part of its activities. Monitoring needs to be used as a management tool, not only for evaluations.

III. SUMMARY OF LESSONS LEARNED

Importance of a Commercial Orientation

To be effective, a SME promotion effort needs to face the real commercial situation of its clients in the market. It will be helped if it can integrate them with sources of credit, raw materials, sales outlet, etc. It must help the clients think commercially.

Organizations that were created for welfare or political purposes need a thorough re-orientation to promote successful businesses -- in their staffs, organization, and record keeping, as well as their orientation.

Integration with the Mainstream

Most of all, they need to integrate their efforts with the existing market institutions -- banks, suppliers, various agents and brokers, large and small enterprises already in the field, etc. Sometimes this integration will require the creation of new institutions, but often existing ones can be made more functional.

Entrepreneurial Energies

In most societies, there exist enormous grassroots entrepreneurial energies which can be used, if they are given full access to markets. The challenge is to let these energies be used. Too many promotional programs try to over-direct their clients, rather than let them take the prime initiative in determining the form and the conduct of their

enterprises. How much guidance is needed obviously varies from case to case.

General Lessons

We will not use two individual working papers issued in the name of individual project members as the basis for Project Lessons, but refer readers directly to the "state-of-the-art" papers (1) by the Project Director (Appendix A) on micro enterprise programs, done in response to questions connected with proposed legislation, and (2) by a HIID staffer, Heidi Heinrich, on project evaluation methodologies, shortly to be released by HIID.