

FIELD FACILITATION WORKING GROUP WORKING PAPER

CYCLE 4: Interventions with Lead Firms

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About this Document

This technical brief is the fourth in a series being produced by the FIELD Facilitation Working Group, an initiative to capture and share the knowledge of [FIELD LWA](#) consortium members on effective facilitation in enterprise development, particular in the context of dealing with lead firms. The report presents the collective response of working group members to the questions outlined within. It has been made public both to inform the work of others and to provide an opportunity for open feedback. Over the coming year the Working Group, with support from USAID and AED through the FIELD Support Leader with Associates, will periodically review and refine this resource before publishing a final version in November 2009. If you have comments, please direct them to facilitationwg@actionforenterprise.org.

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List of Acronyms

DO	Development Organization
FIELD	Financial Integration, Economic Leveraging, Broad-Based Dissemination Project
IB	Intervention Brief
LF	Lead Firm
MIS	Management Information Systems
MOU	Memorandum of Understanding
MSME	Micro, small and medium-scale enterprise
QA	Quality Assurance
QC	Quality Control
TA	Technical Assistance
USAID	United States Agency for International Development
VC	Value Chain
WG	Policy Working Group

I. INTRODUCTION

This document presents the results of the fourth “cycle” of discussions of the FIELD Facilitation working group. The objective of this working group (see Appendix A for list of participating organizations) is to share experiences and identify best practices for facilitating value chain development projects – and more specifically how projects can best work with “lead firms” (LFs) to accomplish their goals.¹ In an effort to structure the work, a series of six “discussion cycles” has been developed that are taking place over a one-year time period (see Appendix B for a list of these cycles). Each cycle takes place over a 2-3 month period and consists of preliminary tasks, working group discussions, and a synthesis of results.

This fourth cycle is titled “Interventions with Lead Firms”. It begins with a “typology” of common interventions that development organizations (DOs) undertake in collaboration with LFs in order to increase the competitiveness of these firms and the value chains they participate in, and to generate sustainable impact for the many MSME producers that the LFs buy from or sell to. Following a discussion of the typology, examples of “intervention briefs” (IBs) based on the actual experiences of working group member organizations are presented. Each IB contains a description of the initiative, an outline of the activities, potential cost share opportunities, and a section detailing the lessons learned and challenges faced by DOs. While there are not IBs for each topic listed in the typology, the ones presented provide good examples of different strategies and methodologies that reflect the principles of working with Lead Firms described in WG Cycle 1.

II. INTERVENTION TYPOLOGY

This section describes a typology of interventions commonly undertaken by DOs in support of LFs. The components of this typology include:

1. Access to LF markets
2. LF Provision of stand-alone / commercial products or services needed by MSMEs
3. LF Procurement from MSMEs
4. Access to finance (for LF)
5. Technology / operations / product development
6. Management and organization
7. Resolution of policy and regulatory issues

A description of each of these components is presented below, along with examples of specific activities that LF’s can conduct to build their competitiveness and generate positive impact for the MSMEs they buy from or sell to. A DO can organize interventions around each of these activities to assist, support, and build the capacity of LFs to undertake them in a sustainable manner.

When designing and implementing interventions / capacity building activities, the DO must keep in mind that the LF should take as much responsibility as possible for the specific tasks. Ideally the LF should take full responsibility; however, in some cases this may not be feasible, and the DO will need to play a supporting role to help the LF accomplish the tasks. By promoting the responsibility of the LF, the DO will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

¹ Lead firms are defined as: 1) small, medium, and large firms that have forward or backward commercial linkages with targeted micro, small, and medium scale enterprises (MSMEs); 2) dynamic market actors that can promote greater integration of MSMEs into value chains and provide them with important products and support. By promoting relationships between LFs and targeted MSMEs DOs can promote industry competitiveness and achieve leveraged and sustainable impact for targeted MSMEs.

2.1 Access to LF markets

Assisting LFs to break into new markets, or expand sales in existing markets can lead to greater sales and benefits for the MSMEs that supply to them. The interventions below reflect some of the many ways that market access can be promoted including finding new buyers, learning to meet end market standards, gaining greater information on end markets, etc.

Interventions that assist, support, or build the capacity of LFs to:

- Participate in trade shows or exhibitions
- Visit potential buyers
- Receive visits from potential buyers
- Gain certifications (organic, ISO, HACCP, etc.)
- Review / develop business processes of the marketing team
- Develop websites / build an online marketing presence
- Conduct market assessments
 - conduct market research
 - identify markets and market strategies
 - conduct end market assessments to identify key criteria of competitiveness, how end markets view the lead firm and the broader industry in that region/country

2.2 LF provision of stand-alone / commercial products or services needed by MSMEs

LFs often provide important stand-alone, commercial products and services to MSMEs that contribute to the ability of those MSMEs to compete successfully in their value chains. DO interventions can assist such LFs to adapt their products/services to the specific needs and purchasing capacity of MSMEs and/or to expand their outreach to a greater number of MSMEs (especially in more remote areas). This in turn can assist MSMEs to access needed products/services, upgrade their activities, and expand their productivity, sales, and market access.

Interventions that assist, support, or build the capacity of LFs to:

- Develop demand for their products or services for MSMEs
- Conduct market research for MSME markets
- Adapting their products or services to the specific needs of targeted MSMEs
- Develop/improve their distribution networks
 - develop distribution networks for their products
 - develop network of service providers
 - carry out training / extension activities for their network of suppliers / retailers
- Develop alternative financing or payment mechanisms that would promote MSME access to their products/services

2.3 LF procurement from MSMEs

Activities with LFs to develop or expand their ability to procure from MSMEs can: 1) help LFs to improve the quality and quantity of products they source from MSMEs, and; 2) result in increased learning, benefits, and value chain integration for MSMEs. These interventions include assisting LFs to establish or strengthen their relationships with MSME suppliers, offer different kinds of embedded products and services to the MSMEs they source from, helping MSMEs to increase their productivity, etc.

Interventions that assist, support, or build the capacity of LFs to:

- Identify MSME suppliers
- Develop outgrowing operations
- Build the capacity of their MSME suppliers
 - deliver effective training / technical assistance (TA) / extension services to producers they buy from

- organize demonstration plots / field days (used by LF to demonstrate good practice to producers)
- promote good administration, management and accounting
- promote environmental practices, etc.
- Develop aggregation models / procurement models (for purchasing economies of scale)
- Develop input credit programs for producers they work with
- Develop seed multiplication programs & introduction of higher yielding varieties (seeds can then be provided / sold to LF's MSME suppliers)

2.4 Access to finance

Finance can be used by LFs for on-lending or procurement activities with the MSMEs they source from, or to invest in capital development (equipment, infrastructure, etc.) that will make them more competitive. DO interventions can facilitate LF access to finance from financial institutions as well as through vendor financing, leasing arrangements, etc. DO interventions can also support LFs to develop tripartite arrangements with financial institutions and the MSMEs they source from. Improved access to finance can increase LFs capacity to invest in their supply chains, operations, or infrastructure and can result in positive benefits for the MSMEs they transact with.

Interventions that assist, support, or build the capacity of LFs to:

- Access finance for on-lending or procurement with MSME producers
 - commercial loans
 - finance from their buyers
- Access finance for LF capital investment
 - commercial loans
 - equity investments
 - soft loans from donor programs
- Promote finance for their MSME suppliers through tripartite arrangements
- Access leasing products or vendor financing for fixed assets

2.5 Technology / operations / product development

Improvements in LF products, technology, and/or operations can lead to greater competitiveness and market access for the LF, which in turn can result in positive benefits for the MSMEs they transact with. Interventions here include assisting LFs to access specialists, conduct learning visits, develop R&D capacity, develop new products, etc.

Interventions that assist, support, or build the capacity of LFs to:

- Access technical specialists (depending on industry):
 - product design
 - processing
 - storage
- Develop improved IT skills
- Optimize product development processes
- Conduct strategic review of product portfolios
- Develop R&D capacity
- Conduct joint purchasing to lower procurement costs (e.g. for imported products)
- Identify sources of finance for new equipment and materials
- Conduct learning / exploration visits
 - participate in conferences on operation and product technologies
 - participate in professional exchanges and learning trips (for LF to upgrade)
 - identify / link with suppliers of inputs or equipment

2.6 Management and Organization

Improvements in management and organization can help LFs to increase efficiencies and overcome value chain bottlenecks which can in turn result in increased benefits for the MSMEs they transact with. Interventions include supporting LFs to develop or improve management systems, business plans, staff skills/capacity, quality management, etc.

Interventions that assist, support, or build the capacity of LFs to:

- Develop management information systems
- Develop business plans
 - develop business plans for new investments
 - update business plans to more clearly reflect competitive factors of the value chain, specific upgrades or expansions pursued, and the anticipated results (for LF and its suppliers) of those specific changes
- Develop management systems (financial, inventory, HR, administration etc.)
- Develop quality control / quality assurance / traceability systems
- Build capacity of staff
 - conduct or access training courses
 - develop mentorship programs for senior managers

2.7 Resolution of policy and regulatory issues

This section presents interventions commonly undertaken with LFs to address and resolve policy and regulatory issues and improve the enabling environments they operate in, which can increase opportunities for LFs and the MSMEs affected by the enabling environment. Interventions include supporting LFs to create coalitions, improve inter-relationships, conduct advocacy and lobbying, establish industry standards, carry out industry-wide investments, etc.

Interventions that assist, support, or build the capacity of LFs to:

- Establish or revise industry standards for products or services
- Establish or revise industry codes of conduct
- Create or strengthen coalitions or associations for the purposes of :
 - lobbying for specific changes in policy or regulation
 - macro issues
 - micro, issue-specific, or situation specific issues
 - conducting research and analysis to support advocacy positions
 - carry out industry-wide investments
 - training
 - certifications
 - strategy formulation and implementation
 - infrastructure investment
 - dissemination of price information, etc.

III. ILLUSTRATIVE INTERVENTION BRIEFS

This section provides concrete and practical examples of how development organizations have carried out some of the interventions described in the previous section. These examples take the form of “intervention briefs” (IBs) which are based on the actual experiences of working group member organizations in building the capacity of LFs and creating impact for the MSMEs the LFs buy from or sell to. Each IB presented below includes:

- A description of company initiative the DO is supporting (and how it impacts MSMEs)
- An outline of tasks the LF needs to address with which the DO may be able to assist
- Cost-share options: financial support to help mitigate risks and build capacity of LFs
- Lessons learned and DO challenges

The following IBs are presented:

Assisting/Supporting/Building Capacity of LFs to:

1. Participate in trade shows or exhibitions
2. Build the capacity of MSMEs to supply LFs with needed products / services
3. Procure from MSMEs
4. Promote finance for MSME producers through tripartite arrangements
5. Access technical specialists
6. Conduct learning / exploration visits
7. Develop or update business plans
8. Develop quality assurance systems
9. Provide stand-alone / commercial products or services needed by MSMEs
10. Develop demand for LF product or services with MSMEs
11. Develop / improve LF distribution networks using voucher schemes
12. Promote industry standards from a market forces perspective
13. Create or strengthen coalitions or associations to conduct advocacy activities

INTERVENTION BRIEF #1

Assisting/Supporting/Building Capacity of LFs to: **PARTICIPATE IN TRADE SHOWS OR EXHIBITIONS**

Description of LF initiative that DO is supporting (and impact on MSMEs):

This initiative involves LF preparation for, and participation in trade shows or exhibitions that will enable them to increase their sales and market access. This in turn will result in additional purchases from the MSMEs they source from.

Outline of DO activities to support the LF:

It is important to note that the LF should take as much responsibility as possible for the tasks listed below (and in many of the tasks must take full responsibility), while the DO will play a supporting role in helping the LF accomplish these tasks. This will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

Assist / support / build capacity of LFs to:

- Conduct research into potential shows
- Develop objectives and strategy for the show
- Meet and discuss with buyers
- Develop pricing and shipping information
- Develop presentation materials (catalogues, websites, banners, etc.)
- Develop good design for the stand
- Promote their participation with show attendees before the show (mailings, emails, etc.)
- Understand the critical success factors that buyers consider when sourcing products
- Conduct post show follow-up with potential buyers

Cost share options include: (many variations might exist)

- DO pays airline ticket and booth cost for exporter (exporter pays to ship samples to the show, hotel/meals, shelves/decorations for the stand, and any other local expenses)
- DO can limit the number of participating export companies (and increase chances of ownership/sustainability) by limiting the cost share they offer

Lessons learned and DO challenges:

- Make sure all details are mentioned in the memorandum of understanding (MOU) (including details such as who will pay the costs of shipping back unsold goods)
- Make sure the exporter has the capacity to respond to potential orders before supporting them. Promoting export firms that are not yet ready can harm the reputation of the firm and the country
- Make sure that export companies have their own stands, or if they are sharing a stand make sure that the booth is divided into sections (per exporter) and that there are no competing products in the same stand
- If associations are involved make sure that the leaders do not take unfair advantage of the trade show opportunity / or organize themselves as the broker for others' products (unless this is organized in a very transparent process)

INTERVENTION BRIEF #2

Assisting/Supporting/Building Capacity of LFs to:

BUILD THE CAPACITY OF MSMEs TO SUPPLY THEM WITH NEEDED PRODUCTS / SERVICES

Description of LF initiative that DO is supporting (and impact on MSMEs):

Many LF buyers must manage a complex supply chain of both products and services. In developing countries, this supply chain is commonly constituted largely by MSMEs. This represents both a challenge for the LF and a developmental opportunity. It is a challenge because: 1) managing a supply chain dominated by MSMEs requires high-level management skills of the LF, due to the sheer number and variety of MSMEs, and 2) very often MSMEs struggle to attain the level of professionalism, reliability and quality that a LF requires. It is a developmental opportunity because working with LFs to build the capacity of high-potential MSMEs involved in the supply chain, to empower them to reliably deliver better products/services and at a greater scale, is advantageous both for the LF, which would simplify and streamline its supply chain, and for the domestic economy, as more effective MSMEs will lead to value and job creation.

Outline of DO activities to support the LF:

The DO's role is to assist the LF to create / strengthen its commitment and ability to source from MSMEs. It does this by 1) working with the LF in building MSME capacity to be reliable suppliers of goods and services that meet LF needs, and 2) helping the LF optimize its systems and abilities to cultivate and support its MSME suppliers.

The LF should bear lead responsibility for the tasks listed below (and for many it should take full responsibility). The DO should limit itself to supporting roles in helping the LF accomplish these tasks. This will help ensure LF buy-in and ownership, and increase the sustainability of the results.

Assist / support / build capacity of LFs to:

- Analyze their current supply chain
- Conduct interviews with existing (and prospective) MSMEs involved in the supply chain
- Analyze their MIS, and define key performance indicators (KPIs) they can use to monitor the performance of MSMEs they source from, and invest in (KPIs might include increased production of high grade products, greater yields, etc.)
- Define the desired profile of high-potential MSMEs to be included in capacity building activities
- Define and design MSME selection methods and materials, such as questionnaires, group discussions, 1-to-1 interviews, product sampling/testing, etc.
- Select high-potential MSMEs (often, these may be relatively few, as a pilot effort, then scaled up)
- Identify skill gaps / training modules (on the basis of interviews with both MSMEs and its staff). These gaps will likely include specific skills and knowledge that the MSMEs need to meet LF requirements, management skills needed for their operations, etc.
- Prepare materials for training modules; define follow-up procedures
- Deliver training to participating MSMEs
- Deliver follow-up to participating MSMEs
- Gather feedback from MSMEs
- Assess results and plan for adjustments and/or further rollout (this will be facilitated by collecting information on the KPIs mentioned above)

Cost share options include: (many variations might exist)

- The DO can consider cost-sharing to mitigate LF risks and promote LF participation by subsidizing their initial investments in the design and testing of systems/procedures to: screen/select MSMEs, prepare materials for training modules, etc. The intent must be to build a commercially viable, subsidy-free supply chain.
- The DO can also consider ways to support needed investments by participating MSMEs, e.g. working with the LF and/or financial intermediaries to identify affordable commercial financing options for MSMEs to upgrade their capacity to comply with LF supply requirements. This might take the form, for instance of a partial loan guarantee fund available to MSMEs with LF supply contracts for a relatively small one-time investment to upgrade their systems.

Lessons learned and DO challenges:

The following are key success factors in integrating MSMEs into LF supply chains:

- *Commitment of the LF:* all relevant departments of the LF, including, for instance, CSR and procurement, must be fully committed to the activities of upgrading their MSME suppliers; this can be ensured by getting their input in all aspects of the intervention design, and by quantitatively demonstrating to each relevant department what tangible benefits the interventions can deliver to them
- *Selection of the MSME suppliers:* the MSMEs must be both relevant to the LF's supply chain and with high potential to benefit from the training, e.g., in terms of commitment and growth potential
- *Relevance of the capacity-building:* the capacity-building modules must mirror both the needs of the LF and those of the MSMEs, as determined at the outset of the training program (see above)
- *Follow-up: formal 'classroom' training* must be reinforced by ad hoc on-site follow-up
- It is important for the LF to have an information system that will enable it to monitor the impact of the support they provide to the MSMEs they source from. Impact results can help them to justify their current levels of support, expand support to other MSMEs, restructure support, etc.

INTERVENTION BRIEF #3

Assisting/Supporting/Building Capacity to:
PROCURE FROM MSMEs

Description of LF initiative that DO is supporting (and impact on MSMEs):

This initiative involves the DO supporting MSMEs to increase production, develop quality control (QC) protocols, and improve access to inputs and services by linking them to LFs in an efficient and cost-effective manner as well as improving overall transparency of the MSME – LF transaction.

Outline of DO activities to support the LF:

It is important to note that the LF should take as much responsibility as possible for the tasks listed below (and in many of the tasks must take full responsibility), while the DO will play a supporting role in helping the LF accomplish these tasks. This will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

Assist / support / build capacity of LFs to:

- Organize MSMEs so as to enable information dissemination and effective communication with LF
- Build partnerships with input suppliers who can provide inputs to MSMEs on credit – LF then deducts cost of inputs from the product supplied to them by the MSMEs
- Undertake value chain strengthening and upgrading and make upstream investments such as: a) providing inputs on credit and deducting this from produce later b) improving communication and information flow with MSMEs, and c) improving transparency of transactions
- Aggregate and bulk produce of MSMEs they source from and organize delivery
- Develop QC protocols at MSME level as well as transporter level
- Develop more detailed MIS processes at LF level so that individual MSME production can be better tracked
- invest in digital equipment to improve transparency of transactions and implement price / quality table

Cost share options include: (many variations might exist)

- Cost share the QC training and supply chain improvement led and organized by LF
- DO cost shares meetings, field visits and group discussions to help LF understand MSME constraints; LF then works on developing backward linkages to address some constraints
- DO cost-shares pilot models with LF to stimulate MSME production

Lessons learned and DO challenges:

- Make sure all details are mentioned in the MOU such as role of the DO, LF, the contribution from each, exit clauses, duration of MOU, general principles of the engagement, etc.
- Make sure the LF is convinced of need for developing backward linkages and taking upstream investment more seriously.
- LF headquarters and field staff are sometimes not in sync and so agreements and buy-in has to be at both levels simultaneously
- If LF thinks that it is DO's job to build their supply chain they will be less willing to invest
- Need to address issue of side-selling as LF is not guaranteed return on investment for developing capacity of producers if other firms buy the product
- Need to find ways to ensure that contracts are honored by both MSMEs and LF

INTERVENTION BRIEF #4

Assisting/Supporting/Building Capacity of LFs to: **PROMOTE FINANCE FOR MSME PRODUCERS THROUGH TRIPARTITE ARRANGEMENTS**

Description of LF initiative that DO is supporting (and impact on MSMEs):

Companies frequently need to provide credit to the MSME producers (farmers, artisans, etc.) they buy from; however, companies often are unable to finance this credit themselves due to a variety of potential issues including lack of available cash flow, high cost faced by the company in borrowing, and the risk of losses due to default. One mechanism to address these issues is through developing tripartite arrangements with financial institutions.

In tripartite arrangements, the company works out an agreement with a financial institution to provide financing directly to suppliers. When it purchases product from MSME producers, the company sends the proceeds to the bank, which then deducts the loan and interest from the amount and deposits the balance in each supplier's account. This type of arrangement relieves the company of risks associated with providing credit to MSME producers and positively impacts its cash flow. Though the company does not provide a financial guarantee, the bank feels more secure in the fact that the supplier is producing for a reputable company and the company must send the sales proceeds to them first. The advantage for financial institutions is the opportunity to reach large numbers of producers with mitigated risk and administrative burdens. As with all transactions, information and transparency are essential to maintain mutual trust.

Outline of DO activities to support the LF

It is important to note that the LF should take as much responsibility as possible for the tasks listed below (and in many of the tasks must take full responsibility), while the DO will play a supporting role in helping the LF accomplish these tasks. This will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

Assist / support / build capacity of LFs to:

DO can take a lead and responsibility for these activities: (though preference to is always to do them in a supportive role to the Company)

- Determine the credit needs and/or capital short-falls of existing and potential MSME producers
- Collect information (e.g. loan products, lending practices, location of branches, etc.) on different financial institutions and prepare a short-list of potential institutions for further exploration with the Company as to forming tripartite arrangements (or facilitating direct financing between financial institution and Company)
- Visit other Companies and/or financial institutions currently engaged in tripartite arrangements to learn how they are organized
- Identify and short-list interested commercial banks, serious microfinance institutions or others and engage in discussions and negotiations to develop a model and financial product that meets everyone's needs

LF must take the lead and responsibility for these activities: (though preference to is always to do them in a supportive role to the Company)

- Prepare and present proposal to select financial institutions about establishing a tripartite arrangement
- Assist MSME producers to complete documents and forms of financial institutions (forms to open an account, apply for a loan, etc.)
- Design of a management information system for the credit program
- Develop and package proposals for funding to specific donor programs that provide soft loans and/or other types of assistance establishing relations with local financial institutions

DO could also work directly with Financial Institutions to:

- Develop lending products that correspond to the production and payment cycles of MSME producers working with the LF
- Develop procedures for streamlining the opening of individual accounts for MSME producers
- Develop internal procedures for institutionalizing arrangements with the Company and MSME producers

Cost share options include: (many variations might exist)

- Share costs of visits to other companies and/or financial institutions involved in tripartite arrangements
- Technical consultant to design a management information system for the credit program

Lessons learned and DO challenges:

- MSME producers must have an individual account with the participating financial institution. This can be a challenge for MFIs that do not take deposits or have individual accounts
- After purchasing MSME producers' products, the company sends the payments to the bank, which deducts the loan amount and interest and deposits the difference in each MSME producer's account
- The company can make a similar arrangement with input suppliers, sending a list of suppliers and their input needs to an agreed upon supplier who then sends an invoice for these inputs to the bank. The bank pays the input supplier and adds the amount to each MSME producer's loan and the supplier distributes the inputs to the MSME producers
- Companies may be able to negotiate reduced interest rates, collateral obligations, etc. for producers due to the economies of scale financial institutions often enjoy through engaging in tripartite arrangement
 - The company helps reduce bank administrative costs by helping producers with paperwork and establishing loan amounts based on easily verifiable characteristics (for instance acreage under cultivation), which determines a producer's production capacity
 - Intermediaries (such as lead suppliers) can help disseminate information and perform specific functions so the bank need not work with individual suppliers on every transaction
- When available, insurance for producers (such as crop insurance) can help reduce risk for all parties in such arrangements
- Close collaboration between banks, the company, input suppliers, insurance agencies, MSME producers, etc. can make the entire process run smoothly

INTERVENTION BRIEF #5

Assisting/Supporting/Building Capacity of LFs to:
ACCESS TECHNICAL SPECIALISTS

Description of LF initiative that DO is supporting (and impact on MSMEs):

In instances where LFs do not possess the internal know-how for certain technical tasks and hiring a full-time employee for the work is not necessary or feasible, technical specialists can be hired for temporary consultancies. These technical specialists can provide the required expertise to improve the LF and/or their suppliers (MSMEs).

Outline of DO activities to support the LF

It is important to note that the LF should take as much responsibility as possible for the tasks listed below (and in many of the tasks must take full responsibility), while the DO will play a supporting role in helping the LF accomplish these tasks. This will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

Assist / support / build capacity of LFs to:

- Draft the terms of reference/scope of work for the technical specialist sought
- Research and identify potential technical specialists
- Review CVs and/or proposals from the specialist
- Select the appropriate technical specialist and draft a contract
- Oversee the implementation of the technical specialist's work and ensure transfer of knowledge from the technical specialist to the LF
- Evaluate the work of the technical specialist

Cost share options include: (many variations might exist)

- DO may share in the costs of the consultant including transportation, meals, accommodations, and fees

Lessons learned and DO challenges:

- While the MOU is between the DO and the LF, make sure the contract is between the LF and the technical specialist. Although tri-party agreements could be possible, preferred is the established direct relationship between the LF and the technical specialist.
- Make sure all details are mentioned in the MOU (including the LFs promise to pay the technical specialist the full amount in the contract and not just the amount cost-shared by the DO).
- Make sure the LF has the appropriate staff to work with and learn from the technical specialist, ideally staff who will transfer the knowledge to others.
- Local technical specialists that can be more easily accessible in the future are preferable to international or long-distance technical experts. Local experts also often have the know-how of local issues and challenges to be wary of and can better relate to the LFs and MSMEs.

INTERVENTION BRIEF #6

Assisting/Supporting/Building Capacity of LFs to: **CONDUCT LEARNING / EXPLORATION VISITS**

Description of LF initiative that DO is supporting (and impact on MSMEs):

Learning and exploration visits with LFs are conducted for various reasons. Broadly, the purpose is to expose LFs to new and/or alternative ideas and methods of working. Often these concepts or ideas are best learned by LFs by seeing the new concepts / products / methods at work first-hand. Changes LFs make following the learning / exploration visits impact various areas and aspects of their businesses and supply chain, making operations more efficient and more cost-effective.

Outline of project activities to support the LF

It is important to note that the LF should take as much responsibility as possible for the tasks listed below (and in many of the tasks must take full responsibility), while the DO will play a supporting role in helping the LF accomplish these tasks. This will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

Assist / support / build capacity of LFs to:

- Define the purpose and objectives of the study visit
- Conduct research into potential study / learning sites and companies
- Contact potential study sites and companies to arrange visit / exchange
- Determine an appropriate itinerary that is both educational and cost effective
- Draft contract (if necessary) with hosting agents
- Coordinate the logistics of travel
- Ask pertinent questions during the study tour to ensure objectives are being met
- Evaluate the exposure visit and establish a follow-up work plan to implement new ideas gained from the visit

Cost share options include: (many variations might exist)

- DO shares the costs of travel and, if any, consultancy fees to hosting agents. Cost-share of the LFs should be significant enough to reflect the LF's commitment to learning (rather than going because it's paid for). Cost-share of the DO should be significant enough to encourage participation by those who may not have participated at this time due to the expenses involved.
- DO should consider paying for (or contributing to) costs such as airfare, local transportation, and accommodations—the bulk of expenses and where receipts are more readily available. LFs could be responsible for visa applications, meals and incidentals, personal items/souvenirs, purchase of samples, etc.
- DO can limit the number of participants per company to a level appropriate for the desired learning. Suggested is cost-sharing the expenses of at least the company's decision-maker (General Manager, Executive Director, Owner, etc.) to ensure participation of this key person and implementation of ideas learned during the visit.

Lessons learned and DO challenges:

- Make sure all details are mentioned in the MOU (including details such as who will pay the costs initially and what will be reimbursed upon return)
- Many people would love to participate in a free trip! Be sure exposure visit participants are participating for the right reasons.

INTERVENTION BRIEF #7

Assisting/Supporting/Building Capacity of LFs to:
DEVELOP OR UPDATE BUSINESS PLANS

Description of LF initiative that DO is supporting (and impact on MSMEs):

This initiative involves support to LFs' to develop or update business plans for investments that would improve their competitiveness and create positive impact for the MSMEs they buy from or sell to.

Outline of project activities to support the LF

This intervention includes technical and/or cost share support to assist lead firm to compile a business plan for strategic investments (as described above). The DO plays a key role in developing important questions (related to the LF's proposed investment and that correspond to the components of a business plan) and then facilitating a participatory process of having the LF respond to those questions and elaborate a business plan that can be used for planning, managing and financing of the investment. The key is to facilitate the development of the business plan using a participatory approach that simplifies the process and promotes ownership on behalf of the LF.

It is important to note that the LF should take as much responsibility as possible for the tasks listed below (and in many of the tasks must take full responsibility), while the DO will play a supporting role in helping the LF accomplish these tasks. This will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

Assist / support / build capacity of LFs to:

- Identify and respond to key questions or activities required for the investment. This includes collecting information from primary and secondary sources to develop assumptions and plans
- Develop costing / pricing, and sales or revenue projections (DO can assist by developing planning materials such as question guides, generic spreadsheets for budgets, and costing calculations that can be used by the LF)
- Compile information and assumptions into a coherent plan that facilitates planning, management and implementation of the business activity
- (optional) Pilot test business activity to assess actual operations and gauge market demand

Cost share options include: (many variations might exist)

- DO to support LF to conduct field trips to collect data
- DO can provide a staff person or consultant to assist the LF (making sure that the LF responds to questions themselves and carries out information gathering for market projections, pricing, etc.)
- DO can also provide cost share support to pilot test the new business activity if warranted

Lessons learned and DO challenges:

- Make sure that *ALL* business planning is done (and all questions answered) by the LF; compilation of business plan can be done jointly with LF (where the DO transcribes the LF answers)
- Make sure that LF sees the business plan as their document and the value of it to their operations; should not be seen as being a DO deliverable or activity, or done just to satisfy a DO requirement
- Make sure the business plan is simple and not overly complicated and theoretical – include sections that are critical to success of the investment. Should not contain issues related to development objectives (this is a business planning tool not a DO M&E tool)

Links to further information: Below is an illustrative business plan Q&A for a seaweed nursery. Specific questions would differ depending on the investment but broad sections could be the same.

Generic Business Plan Outline [Seaweed Seedling Nursery]

1.0 COMPANY/ORGANIZATION PROFILE

- description of existing company and business operations
- why are you interested in a nursery?
- how does a nursery fit within your overall seaweed trading business?

2.0 PRODUCTS/SERVICES DESCRIPTION

2.1 Service/product description

- what varieties of seedlings will you offer?
- when (and how often) will the seedlings be sold?
- what are the competitive advantages of the nursery seedlings compared to seedlings from other existing sources?

2.2 Competitive comparison

- where do farmers currently get their seedlings?
- who would you be competing with in terms of offering seedlings to farmers?
- What makes your seedlings more attractive / beneficial to the target farmers?
- what is / will be unique in your seedlings? what are the "plus factors"?
- how feasible is it for seaweed farmers to purchase/access your seedlings?

3.0 MARKETING PLAN

3.1 Market Study/ Analysis

- what geographic area(s) are you targeting for the sale of your seedlings?
- what is the profile of the farmers buying seedlings from you? (i.e., number of lines? actual production area? production volume (total kgs./month)? etc.)
- how many farmers are in the target area? how many of those are actually purchase seedlings?
- how many of those farmers would realistically buy from the nursery (projected market share – 1st year, 2nd year, etc.)?
- what is the cycle of seaweed production in the target area? how long is a typical seaweed production cycle in the targeted area?

3.2 Marketing Strategy

- what strategies or tactics will you use to get farmers to buy your seedlings?
- where will you sell your seedlings from?
- how will the seedlings be sold (credit, cash, both)?
- what is your pricing strategy for the seedlings?
- what will you do with seedlings not sold?

4.0 PRODUCTION / TECHNICAL PLAN

- how will you organize seedling production (how will you ensure production year-round and during lean seasons)?
- what is your strategy for cultivating different varieties? how much of each variety will you produce?
- what production methods will you use for the seedlings? (fixed bottom, floating methods, etc.)? how will the plants be attached to the lines (use of tie-ties? modified loop?)
- what infrastructure or equipment is required for the proposed seedling nursery?
- what kind of training or technical support will you need?
- how large an area is planned for the nursery?
- what are the production assumptions for the nursery (by year)?
- where will the production materials come from (ropes, floats, seedlings)?

- where will the seedling cultivars for the nursery be sourced?

5.0 ORGANIZATION & MANAGEMENT PLAN

5.1 Operations Management

- what are the proposed staffing arrangements for the nursery? (who will be responsible for day-to-day management? who will be responsible for the overall nursery? how many labourers will be hired?, on what basis will the staff be hired – seasonal, full-time, part-time?)
- describe the qualifications of the staff to administer the nursery
- how will staff be paid (salary, daily, commission, etc.)?
- will the nursery production area be registered under your name? if not, why not?
- who will handle sales transactions with farmers? how will the cash be managed?
- what recordkeeping is proposed for the nursery transactions?
- what are the major risks the nursery may face (e.g. control of production area, security of the area, plant diseases, natural disaster, low demand)? how do you plan to mitigate or manage these risks?

6.0 FINANCIAL PLAN

6.1 Projected Income Statement (file format to be provided separately)

6.1.1 Sales Forecast

- on what basis will the seedlings be sold? (per line? per kg?)
- how many lines do you expect to sell? (per quarter? production cycle? season?)
- what is the estimated amount of seedling sales (per quarter? production cycle? season?)
- breakout the rationale for the projected sales forecasts (e.g. what % out of total seedling demand will be met by seedlings from the nursery?)
- What is the projected increase in sales and market share over time?

** estimates for sales should start small and be conservative

6.1.2 Cost Assumptions

- detailed list of all cost elements:
 - salaries and staff costs
 - production supplies (lines, materials, ropes, stakes, concrete blocks, floats, goggles, iron bars, etc.)
 - seedlings / cultivars
 - marketing and promotion activities
 - capital equipment (platforms, banca, motors) ²
 - utilities (e.g. electricity, water)
 - rent
 - transportation
 - etc.

6.2 Break-even point

- how many lines of seedlings need to be sold for operations to breakeven?

² depreciated amount

INTERVENTION BRIEF #8

Assisting/Supporting/Building Capacity of LFs to:
DEVELOP QUALITY ASSURANCE SYSTEMS

Description of LF initiative that DO is supporting (and impact on MSMEs):

This activity involves helping LFs to implement systems that improve their capacity to consistently and competitively produce goods and services that meet all quality needs of their intended markets. Improved LF competitiveness will open new and expanded market opportunities for them and likely increase their purchase of raw and intermediary goods and services from MSMEs. There are a number of different quality framework systems available that are applicable to a wide range of sectors / industries, e.g.:

- ISO 22000 – specifies the requirements for food safety management systems
- HACCP – a flexible system for preventing contamination of food products
- GLOBALGAP – establishes voluntary standards and certifications for on-farm activities
- BRC – standards for food processes/products, packaging, consumer products, and storage and distribution activities.
- Codex Alimentarius – collection of internationally recognized standards, codes of practice, guidelines and other recommendations relating to foods, food production and food safety

The challenge of the LF (with support from the DO) is to design, install and operate quality systems that enable greater MSME participation in the value chain.

Outline of project activities to support the LF

It is important to note that the LF should take as much responsibility as possible for the tasks listed below (and in many of the tasks must take full responsibility), while the DO will play a supporting role in helping the LF accomplish these tasks. This will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

Assist / support / build capacity of LFs to:

- Identify (if needed) local or international consulting firm(s) specializing in desired form of quality assurance (QA) system that can provide needed technical expertise. Ensure that these firms have the requisite experience in the LF's products, or can adapt their current services to those products.
- Plan for development of QA Systems:
 - Define how to deliver products to meet customer quality expectations / standards
 - Determine framework system (see examples above) to use based on reference standards that need to be met
 - Gain commitment of management and other key stakeholders
 - Risk assessment -- determine what needs to be changed
 - Plan the process – determine how changes are going to be made
 - Get all necessary approvals – plans will have financial and other costs; licenses may be required, etc.
 - Secure necessary funding
 - Determine leadership / organization and teams / sub-teams for implementation of the initiative, and provide necessary training
- Implement QA Systems (or identify consulting firm to assist them with implementing) -- to be guided by the selected framework system
- Develop documentation and record keeping – an essential element of any quality system
- Develop quality control operation – systematic procedures for preventive and remedial actions
- Conduct process monitoring – of the functioning of the installed processes
- Carry out auditing process – to verify the effectiveness of the installed processes / activities
- Produce and present audit reports
- Carry out corrective actions – Assign responsibilities for implementing recommendations of the audit report
- Follow-up – To make sure desired results are achieved
- Develop systems for continuous improvement – based on maintaining the installed quality system
- Communicate throughout all activities

Cost share options include: (many variations might exist)

- DO may directly provide / support TA for technical aspects of QA system planning and initial system installation/training (cost share percentages could vary) – the LF, at a minimum, will be making substantial investments of staff time; it may possibly incur significant capital costs as well.

Lessons learned and DO challenges:

- It is critical for LF owners and/or management to understand and commit to the goals and the process, and be open to change
- The process of change should not negatively affect key staff income (e.g. by reduced production during transition, training, etc,)
- It is important to assess the ability of the LF to finance and maintain necessary changes
- Changes in management or key staff positions can derail the process
- Do not underestimate the time needed to train staff in new skills

Links to further information:

<http://www.iso.org/iso/store.htm> – ISO Store

<http://www.cfsan.fda.gov/~comm/nacmcfp.html#guide> – Guidelines for application of HACCP Principles

http://www.globalgap.org/cms/front_content.php?idcat=2 – GLOBALGAP home page

<http://www.brc.org.uk/standards/default.asp> – BRC Global Standards home page

http://www.codexalimentarius.net/web/index_en.jsp – CODEX Alimentarius home page

INTERVENTION BRIEF #9

Assisting/Supporting/Building Capacity of LFs to:
PROVIDE STAND-ALONE / COMMERCIAL PRODUCTS OR SERVICES NEEDED BY MSMEs

Description of LF initiative that DO is supporting (and impact on MSMEs):

This initiative involves the DO creating / stimulating demand for LF products such as seeds, fertilizers and chemicals at the MSME consumer level (farmers) and developing the marketing / distribution channels through intermediary retail distributors. This integrated initiative includes addressing the financing needs of the retail distributors so they can carry larger inventory from the LF as well as service the MSME consumers more efficiently and effectively.

Outline of project activities to support the LF:

It is important to note that the LF should take as much responsibility as possible for the tasks listed below (and in many of the tasks must take full responsibility), while the DO will play a supporting role in helping the LF accomplish these tasks. This will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

Assist / support / build capacity of LFs to:

- Conduct farmer-level (MSME consumer) demonstrations of products and technologies
- Address the capacity constraints of retail distributors that act as intermediaries between the LF and MSME Consumer
- Develop a credit guarantee scheme between the LF and the retail distributors with a sequenced, staged exit process for the DO
- Undertake demand assessment for their products and technologies
- Meet and communicate regularly with retail distributors as well as MSME consumers so that the LF can develop more appropriate responsive packaging / pack sizes
- Develop efficient and cost-effective transactional mechanisms for use with retail distributors

Cost share options include: (many variations might exist)

- DO supports part of the cost of the initial round of demos for market priming; LF then undertakes subsequent demos at their own cost.
- DO supports general market scoping with the LF who then undertakes more product-specific and detailed market assessment at its own cost.
- DO supports part of the cost for product research with MSME clients; LF undertakes product redesign at own cost
- DO introduces potential MSME retail distributors to LF and shares the cost of capacity building of these distributors with LF and distributors; LF then undertakes technical training of MSMEs at own cost.

Lessons learned and DO challenges:

- Make sure all details are mentioned in the MOU
- Make sure LF is convinced of market opportunity and there is senior management support and buy-in
- LF may begin to develop their own outlets as market opportunities become apparent and begin to displace the existing retail distributors
- LF may come to expect facilitative role of DO to continue with MSME consumers and retail distributors
- Risk of the LF not accepting higher risk as the DO steps out in a sequenced manner
- Risk of LF not taking on full responsibility for relationships with market actors increases if DO plays too active a role (as intermediary or in relating with producers and/or retail distributors) during initial stages

INTERVENTION BRIEF #10

Assisting/Supporting/Building Capacity of LFs to: **DEVELOP DEMAND FOR THEIR PRODUCTS OR SERVICES WITH MSMEs**

Description of LF initiative that DO is supporting (and impact on MSMEs):

This initiative involves supporting LFs to market and develop demand for products or services they sell to MSMEs (and that are needed by the MSMEs to improve their operations). Increased access to these products / services can result in improved productivity and sales for MSMEs. It can also lead to increased sales for the LF who can then continue to provide the products and services using private sector driven models for sustainability. Examples of products that are provided by LFs include seeds and treadle pumps.

Outline of DO activities to support the LF:

It is important to note that the LF should take as much responsibility as possible for the tasks listed below (and in many of the tasks must take full responsibility), while the DO will play a supporting role in helping the LF accomplish these tasks. This will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

Assist / support / build capacity of LFs to:

- Conduct research into the potential market for their product
- Understand how to analyze market research to identify customer preferences and salient product / service features
- Design / implement different promotion strategies (including the short-term use of discounts and vouchers)
- Understand critical design elements for a voucher or promotional discount program including fraud mitigation factors and use of appropriate discount level.
- Develop, implement, and evaluate marketing strategies
- Initiate marketing activities for MSMEs via agricultural fairs and technology / product demonstrations
- Be proactive in direct marketing and sales; raise awareness of importance of marketing
- Take responsibility and 'ownership' of marketing and promotional schemes to permit direct seller-buyer transactions and information flow
- Understand importance of customer service strategies

Cost-share options include: (many variations might exist)

- DO co-organizes / co-funds initial agricultural and technology fairs to encourage subsequent LF-led demonstrations
- DO manages and partly covers cost of marketing capacity building and training program for LF (LF pays fee for participation)
- DO provides matching grant for LF to test innovative marketing strategies
- DO partially subsidizes a short-term voucher scheme based on a market-appropriate discount rate

Lessons learned and DO challenges:

- If a voucher scheme is used make sure it is a one-time temporary incentive for MSMEs with a realistic discount and subsequent sales are based on real price
- Marketing activities and demonstrations by LFs (not the DO) are vital to increase awareness, sales and inventory investment
- Cost-shares must have appropriate exit strategy to ensure LF assumes full cost over long-term
- DO must ensure invisibility in voucher schemes and marketing activities (e.g. no DO logos on vouchers). Experience shows that once voucher recipients know the source of funds is a development organization, they are likely to request additional discounts thereby reducing prospects for a sustainable market
- LFs should handle the logistics of product / service distribution, marketing, storing, transporting and selling the product / services

- DO must understand importance of avoiding direct involvement in VC activities to ensure LF responsibility, leadership and sustainability
- Work with a number of LFs to ensure that there are a range of players in the marketplace to ensure MSMEs have choices in product and encourage competition amongst LFs which may eventually lead to a decrease in market prices for MSMEs. When working with multiple LFs however it is paramount that DO respects confidentiality of the LFs and maintains trust.

INTERVENTION BRIEF #11

Assisting/Supporting/Building Capacity of LFs to: **DEVELOP / IMPROVE DISTRIBUTION NETWORKS USING VOUCHER SCHEMES**

Description of LF initiative that DO is supporting (and impact on MSMEs):

This initiative involves LF participation in a short-term subsidized voucher scheme to improve their distribution network and expand reach which will in turn result in greater access to products and/or services such as insecticide treated mosquito nets³ or irrigation pumps for MSMEs.

Outline of DO activities to support the LF:

It is important to note that the LF should take as much responsibility as possible for the tasks listed below (and in many of the tasks must take full responsibility), while the DO will play a supporting role in helping the LF accomplish these tasks. This will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

Assist / support / build capacity of LF to:

- Identify bottlenecks in distribution of products
- Understand importance of expanding their distribution network beyond urban centers, where appropriate
- Identify and select agents in rural areas, where appropriate
- Negotiate agreements and contracts with agents, distributors and/or retailers
- Introduce mechanisms to provide inventory on credit to agents and distributors
- Provide complementary support services to agents and distributors in areas such as: marketing, logistics of distribution, storing, transporting and delivery of product
- Conduct research into the potential of a successful voucher strategy in given context. Customized vouchers can introduce incentives for update of the technology
- Design and implement systems to ensure effective and efficient transfer of vouchers
- Identify, train, and monitor selected retail outlets (agents and distributors) eligible to receive vouchers
- Design and implement risk management systems (record keeping) to minimize misuse and fraud

Cost-share options include: (many variations might exist)

- DO subsidizes the voucher scheme based on a market-appropriate discount rate on a short term basis and phases out activities with an exit strategy
- Loan guarantee fund or other temporary credit facility to encourage investment in distribution networks

Lessons learned and DO challenges:

- LF must train and re-train its agents and distributors to ensure continued quality of distribution activities. DO is responsible for initial, short term training of LF to promote understanding and capacity in voucher logistics
- Conduct MSME surveys and analysis that monitor receipt and success of voucher distribution
- DO must conduct regular stub voucher audits, including LF redemption process audits, to prevent fraud and mismanagement. Ideally, it is expected that the LF is transparent and fully cooperates in audit activities
- Maximize the geographic reach of the LF to permit access to the largest possible number of MSME's.

³ While mosquito nets are not a product that is sold to MSMEs (in the way that agricultural inputs, equipment, etc. are) the mechanisms that DOs use to support lead firms to better market and distribute the nets can be equally applied to products sold to MSMEs

INTERVENTION BRIEF #12

Assisting/Supporting/Building Capacity of LFs to: **PROMOTE INDUSTRY STANDARDS FROM A MARKET FORCES PERSPECTIVE**

Description of LF initiative that DO is supporting (and impact on MSMEs):

Fostering industry-wide standards can be done from either a market forces or regulatory enforcement perspective. Regulatory based standards are defined and enforced as part of public goods services and typically take a stick only perspective (e.g., penalties for not adhering) on standards compliance. Often donor programs assume that regulatory based standards are the only real way to foster standards in an industry. Certainly in some cases legal infrastructure to ensure compliance is important, but it is not the only way standards can form and may not be the best way to really ensure compliance. Especially when enforcement practices and capacity are weak in a country, adding more regulatory confusion may only result in increasing the opportunity for rent seeking behavior by government officials. Fire safety standards and environmental controls standards are two examples of standards often used by government officials in their rent seeking efforts with MSMEs in many urban areas.

The process of fostering industry-wide standards leveraging market forces can be a more nuanced facilitation process as preconditions often have to be in place regarding market value. For example, firms have to see the value of the standards from a business perspective (threats and/or opportunities that would reduce or enhance the market value through the establishment of standards).

Outline of project activities to support the LF

It is important to note that the LF should take as much responsibility as possible for the tasks listed below (and in many of the tasks must take full responsibility), while the DO will play a supporting role in helping the LF accomplish these tasks. This will help ensure LF buy-in, ownership, and increase the sustainability of the initiative.

Assist / support / build capacity of LFs to:

- Ensure appropriate market conditions exist to foster market based standards, including that LFs have sufficient outreach
- Develop business rationale for organizing and implementing industry standards
- Develop and implement an industry certification program
 - organizing unified standards
 - organizing processes for achieving and maintaining the certification, including enforcement and cost coverage for the certification program
 - organizing training by, for example, international trade association, to train LF's in applying standards
- Develop industry and firm level marketing / branding and public education campaigns

Cost share options include: (many variations might exist)

- Cost share meetings to negotiate and agree upon standards
- Cost share training to develop standard curriculum
- Costs share master trainer training
- Cost share some of the initial trainings for certifiers
- Cost share some of the initial industry level marketing/branding/public education campaign costs

Lessons learned and DO challenges:

- The more intense a project is in terms of its roles (i.e. taking on direct value chain roles and relationships) and resource usage (i.e. covering normal costs of business) the harder it is to exit
- The firms have to perceive the effort as critical to their business – they have to own the reason for the change in behavior you are suggesting
- DO needs to ensure LFs invest or they will not value the effort (use of some form of self selection criteria is important)
- A robust knowledge management system is critical to seeing and reacting to the dynamics within the value chain system

- Knowledge transfer is more effective when it is in the context of sustainable commercial relationships, so using project resources (especially training resources) within the context of these relationships is important where possible
- Market forces can provide ample incentive to develop and implement industry or even firm level standards if understood and leveraged effectively

INTERVENTION BRIEF #13

Assisting/Supporting/Building Capacity of LFs to: **CREATE OR STRENGTHEN COALITIONS OR ASSOCIATIONS TO CONDUCT ADVOCACY ACTIVITIES**

Description of initiative that DO is supporting (and impact on MSMEs):

This initiative involves promoting “Policy Working Groups” (WGs) made up of LFs and other market actors facing similar policy constraints related to industrial development, trade/investment policy, financial sector development, privatization, etc. The strategy is based on a mechanism of regularly-scheduled, issue-based workgroup meetings that target specific policy / business environment issues and that are attended by representatives of LFs, chambers of commerce, supportive government or elected officials, academics, etc. These meetings are structured to foster an inter-organizational, collaborative, and participatory approach to the identification and resolution of key policy concerns.

Outline of DO activities to support the WG

It is important to note that the WG should take as much responsibility as possible for the tasks listed below (and in many of the tasks must take full responsibility), while the DO will play a supporting role in helping the WG accomplish these tasks. This will help ensure WG buy-in, ownership, and increase the sustainability of the initiative.

Assist / support / build capacity of WGs to:

- Form WG comprised of representatives of LFs, chambers of commerce, supportive government or elected officials, academics, etc.
- Prepare and hold well-planned meetings
- Produce and circulate detailed minutes
- Identification of key policy or member service issue to address
- Design a study or intervention to address the issue
- Develop appropriate SOWs to carry out the activity(s)
- Hold a competitive procurement process to secure necessary consulting services
- Provide monitoring and follow-up of commissioned activities
- Engage workgroup members in active advocacy campaigns once issues are well researched.

Cost share options include: (many variations might exist)

- DO can support the training of WG members in a number of different areas including the use of value chain analysis techniques to identify key policy or member service issues, study design, development of SOWs, conducting advocacy campaigns, etc.
- DO can cost share research or studies (commissioned by the WG) that will support the WG’s advocacy positions

Lessons learned and DO challenges:

- In many cases the problems being addressed are value chain specific. They are best addressed by those most concerned. By focusing advocacy on issues relative to specific industries (value chains) Facilitators can facilitate the resolution of specific problems and obstacles.
- The DO can play an important role in bringing actors to the table; however the DOs cost share should be limited because it is important that all members invest in the activity, otherwise they will not value the WG

APPENDICES

APPENDIX A: WORKING GROUP MEMBERSHIP AND STRUCTURE

The FIELD Facilitation Working Group draws on the collective experience of a number of leading organizations working in this area including: ACDI/VOCA, AED, Action for Enterprise (AFE), CARE, MEDA, Save the Children, TechnoServe, and WOCCU. The group is chaired and facilitated by AFE with support from AED through the USAID FIELD LWA.

Working Group members include:

- Frank Lusby, Action for Enterprise (Facilitator)
- Eric Derks of Action for Enterprise (Facilitator)
- Mike Field, ACDI/VOCA
- Bob Fries, ACDI/VOCA
- Tim Nourse, AED
- Farouk Jiwa, CARE
- Ann Gordon, MEDA
- Kristi Tabaj, Save the Children
- Steve Londner, TechnoServe
- Stephanie Grell, WOCCU

APPENDIX B: CYCLE TOPICS FOR FIELD FACILITATION WORKING GROUP Y1

CYCLE 1 (June '08)

- Definitions and terms
 - Key principles of Facilitation
 - Lead Firms
 - Sustainability

CYCLE 2 (Sept '08)

- Methods for identifying/selecting lead firms/market actors to work with
 - Identification within value chain context
 - Selection criteria / factors that lead to success
 - How many to work with

CYCLE 3 (Nov '08)

- Structuring and managing collaboration
 - Types of agreements / smart subsidies
 - Ensuring commitment
 - Establishing credibility and trust / balancing interests

CYCLE 4 (Aug '09)

- Types of interventions / capacity building activities
 - Access to LF markets
 - LF Provision of stand-alone / commercial products or services needed by MSMEs
 - LF Procurement from MSMEs
 - Access to finance (for LF)
 - Technology / operations / product development
 - Management and organization
 - Resolution of policy and regulatory issues

CYCLE 5 (Sept '09)

- Addressing weak/nonexistent functions in VC
 - Strategies for addressing weak/nonexistent functions in VC
 - Options/best practices (improve existing lead firms, create new, indigenous organizations, co-investments, etc.)

CYCLE 6 (Nov '09)

- Ensuring sustainability / exit strategies
 - Building exit strategies into project design
 - Factors/ principles for ensuring sustainability
 - What happens after project activities