

# PROGRAM DESIGN FOR VALUE CHAIN INITIATIVES

Information to Action: A Toolkit Series for  
Market Development Practitioners

Mary McVay and Alexandra Snelgrove



Series Editor: Linda Jones  
Co-Editor: Ben Fowler

**MEDA**



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December 2007



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# Editors' Foreword

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This toolkit is one of a series – *Information to Action: A Toolkit Series for Market Development Practitioners*. The series was conceived in response to the repeated requests from local and international organizations for capacity building in pro-poor enterprise development. In particular, managers and field staff have been asking for practical resources that assist them in the research, design, implementation, and monitoring and evaluation of sustainable market development programs that integrate disadvantaged communities into viable value chains. MEDA has been recognized as a learning organization with a strong focus on grassroots programming. In addition to designing and implementing market-driven programs, we develop curriculum, facilitate training, provide technical assistance and offer consultancy services to government, not-for-profit and private sector institutions worldwide. In response to the ongoing appeals for support, we decided to publish a toolkit series that would assist in the capacity building process. MEDA has sought out leading experts in the field of pro-poor enterprise development to co-author the toolkit series and contribute their outstanding experience and knowledge. The toolkit presented here – *Program Design for Value Chain Initiatives* – is co-authored by industry leader, Mary McVay, and MEDA staff person Alexandra Snelgrove. We have enjoyed working with Mary, and very much respect her insightful contribution and dedication to this project. We believe that the result is a useful resource for the enterprise development community, and look forward to comments from practitioners and colleagues.

Linda Jones, Editor  
Ben Fowler, Co-Editor  
MEDA

# Acknowledgements

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This toolkit addresses one of the most noticeable gaps in the capacity building literature for pro-poor enterprise development programming: documentation on the program design process. This guide is intended to serve as a reference handbook for practitioners to adapt according to their specific context and organizational requirements.

We have drawn upon previous work by practitioners in the program design field and would like to acknowledge their contributions to this toolkit.

The authors would like to thank Mennonite Economic Development Associates (MEDA) for funding this toolkit and Southern New Hampshire University Microenterprise Development Institute (MDI) at which the toolkit was pilot tested in a training setting.

The authors would like to acknowledge Gail Carter for her development of the proposal appendix. Thanks also to Helen Loftin for her excellent feedback and helpful comments.

Despite the important contributions to this toolkit, the authors must take responsibility for any errors or omissions.

This toolkit is dedicated to microentrepreneurs around the world, and the development practitioners who are striving to eliminate poverty through sustainable and fair market growth.

Mary McVay, Consultant, Enterprise and Market Development  
Alexandra Snelgrove, Senior Consultant / Project Manager, MEDA  
December 2007



# Table of Contents

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|  |     |
|--|-----|
| <b>Introduction</b>                                      | 1   |
| Overview to the Program Design Toolkit                   | 2   |
| Pro-Poor Value Chain Development Approach and Principles | 5   |
| The Toolkit Case   | 8   |
| <b>Getting Ready for Program Design</b>                  | 11  |
| Implementing Agency Characteristics                      | 12  |
| Program Parameters                                       | 13  |
| Target Group Description                                 | 14  |
| Program Context  | 14  |
| Multiple Value Chains                                    | 15  |
| Checklist of Required Information                        | 15  |
| <b>Goal and Purpose Articulator</b>                      | 17  |
| Principles   | 18  |
| Market Research and Other Information Needed             | 19  |
| Step-By-Step Guide                                       | 19  |
| <b>Strengths and Constraints Analyzer</b>                | 25  |
| Principles   | 27  |
| Market Research and Other Information Needed             | 27  |
| Step-By-Step Guide                                       | 30  |
| <b>Sustainable Solutions Finder:</b>                     | 39  |
| Principles   | 41  |
| Market Research and Other Information Needed             | 41  |
| Step-By-Step Guide                                       | 45  |
| <b>Interventions Table</b>                               | 53  |
| Principles   | 54  |
| Market Research and Other Information Needed             | 55  |
| Step-By-Step Guide                                       | 57  |
| <b>Risk Manager</b>                                      | 63  |
| Principles   | 64  |
| Market Research and Other Information Needed             | 65  |
| Step-By-Step Guide                                       | 65  |
| <b>Logical Framework</b>                                 | 73  |
| Principles   | 74  |
| Market Research and Other Information Needed             | 75  |
| Step-By-Step Guide                                       | 75  |
| <b>Implementation Planner</b>                            | 83  |
| Principles   | 84  |
| Market Research and Other Information Needed             | 85  |
| Step-By-Step Guide                                       | 85  |
| <b>Budget Guide</b>                                      | 99  |
| Principles   | 100 |
| Market Research and Other Information Needed             | 101 |
| Step-By-Step Guide                                       | 101 |
| <b>Conclusion</b>  | 105 |

# Table of Contents *(Continued)*

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## TABLES

|  |       |
|--|-------|
| Table I: Generic Value Chain Constraints                 | 29    |
| Table II: Generic Sustainable Solutions Table            | 42-43 |
| Table III: Generic Support Service Business Models Table | 44    |
| Table IV: Generic Interventions Table                    | 56    |

## ANNEXES

|  |     |
|--|-----|
| ANNEX A: List of Acronyms  | 108 |
| ANNEX B: Glossary of Terms   | 109 |
| ANNEX C: Suggested Additional Resources  | 114 |
| ANNEX D: The Project Proposal: Assembling the Information into a Request for Funds | 119 |
| ANNEX E: References Cited  | 123 |

## FIGURES

|   |    |
|---|----|
| Figure I: Program Design Tools and Decisions                  | 4  |
| Figure II: Generic Value Chain Diagram                        | 7  |
| Figure III: Embroidery Sector Value Chain Map, 2005, Pakistan | 9  |
| Figure IV: How Assumptions Affect Solutions                   | 66 |
| Figure V: Risk Decision Tree                                  | 68 |

## WORKSHEETS

|                                    |       |
|------------------------------------|-------|
| Goal and Purpose Articulator       | 22    |
| Sample                             | 23    |
| Strengths and Constraints Analyser | 34-35 |
| Sample                             | 36-37 |
| Sustainable Solutions Finder       | 49-50 |
| Sample                             | 51-52 |
| Interventions Table                | 60    |
| Sample                             | 61-62 |
| Risk Manager                       | 70    |
| Sample                             | 71    |
| Logical Framework                  | 79    |
| Sample                             | 80-81 |
| Implementation Plan                | 87-92 |
| Sample                             | 93-97 |
| Budget Guide                       | 104   |



# Introduction

# Introduction

This toolkit is a reference for value chain development practitioners that want to design sustainable, effective development programs. Program design is fundamentally about making critical decisions, and thus this toolkit has been structured around the key choices involved in the design of a value chain development program<sup>1</sup>.

This chapter provides an overview of the toolkit and presents the “pro-poor” value chain development approach, principles and vocabulary. Mennonite Economic Development Associates (MEDA)<sup>2</sup> and Entrepreneurship and Career Development Institute (ECDI)’s project in Pakistan, which is used as an example throughout the toolkit series, is also presented in some detail.

This toolkit is meant to be used with its companion toolkit in the series *Information to Action: A Toolkit Series for Market Development Practitioners*.

**Value Chain:** A network of enterprises that buy from and sell to one another in order to supply a particular set of products or services to a particular group of final consumers.

## Overview to the Program Design Toolkit

### Who Should Use This Toolkit?

This toolkit has been prepared for practitioners who have familiarity with value chain development, either through training or practical experience. If you are new to the approach, it is advised that this toolkit be used with someone who has previous experience in value chain development. For additional resources on these analytical methods, see Annex C.

The program design process is often approached as a team. With this in mind, the enclosed tools are adaptable to group settings.

### What is the Focus of the Toolkit?

This toolkit is used to make key program design decisions, in conjunction with market research and stakeholder consultations. The tools can also be used to present information to stakeholders in order to seek their input on key design decisions.

Program design is an iterative, ongoing process that typically takes place in several phases:

- **Subsector and Value Chain Selection:** Identification and selection of growing subsectors and value chains.
- **Market Research:** Initially, forming the broad picture of the value chain and its dynamics to conceptualize a program, then continuing with research during program design and implementation. Refer to the *Market Research for Value Chain Initiatives Toolkit* for tools that assist in this process<sup>3</sup>.
- **Program Design:** Development of a design for funding or for preliminary planning, including analysis of constraints the program will address and how. Often, the design is flexible and somewhat broad to allow for market responsiveness during implementation.
- **Program Implementation:** The execution of the planned program of activities in line with the program goal, design and plan. Throughout this process, new market information is collected and opportunities arise that contribute to project adjustments and the design of new program initiatives.

**Subsector:** The network of small enterprises involved in the production of a particular product or service. The term includes the broader market systems involved in the creation of a product or service, beyond a single value chain.

<sup>1</sup>This toolkit grew out of a course designed and delivered by Linda Jones for MDI, South Africa in 2006, which was then developed further by Alexandra Snelgrove in 2006-2007 for MDI New Hampshire and South Africa.

<sup>2</sup>A list of all acronyms used in this toolkit is compiled in Annex A.

<sup>3</sup>Miehlbradt and Jones, 2007

- Evaluation / Lessons Learned: Measurement of the impact of program activities and drawing out the factors of success for inclusion in future program design.

The toolkit assumes that promising value chains have been selected, and focuses on the rest of the design process – with a major emphasis on the up-front design. As specific program design decisions are often made during implementation, the toolkit provides advice on making these choices.

*Definitions and Tips:* Throughout the toolkit, tips and definitions are presented in boxes, such as this one.

## What is in the Toolkit?

The *Getting Ready to Use the Toolkit* chapter describes the linkages between program design and market research. It outlines the up-front information required by practitioners before starting the design process. The following eight chapters are comprised of the tools that help designers make critical decisions to form the basic framework of a value chain development program.

- The *Goal and Purpose Articulator* defines the target client group – micro and small enterprises or SEs – with a clear intended impact and market opportunity.
- The *Strengths and Constraints Analyser* identifies strengths and constraints in the value chain and investigates underlying causes that prevent target SEs from reaching viable markets.
- The *Sustainable Solutions Finder* pinpoints viable solutions to the identified constraints, and explores the development of sustainable business models for delivering support products and services to target SEs.
- The *Interventions Table* outlines program activities that will facilitate sustainable changes in the value chain and its support markets.
- The *Risk Manager* identifies potential threats to program success, and supports the development of risk mitigation strategies to lessen the negative impact of external conditions on the program and its target clients.
- The *Logical Framework* summarizes the program model in one page, and enumerates clear, measurable indicators.
- The *Implementation Planner* states who will do what and when.
- The *Budget Guide* provides a general framework for practitioners to estimate costs for the project and calculate cost-effectiveness of planned activities.

*Small Enterprises (SEs):* micro or small enterprises, or small-scale farming activities, as defined by local context.

The following is covered for each tool:

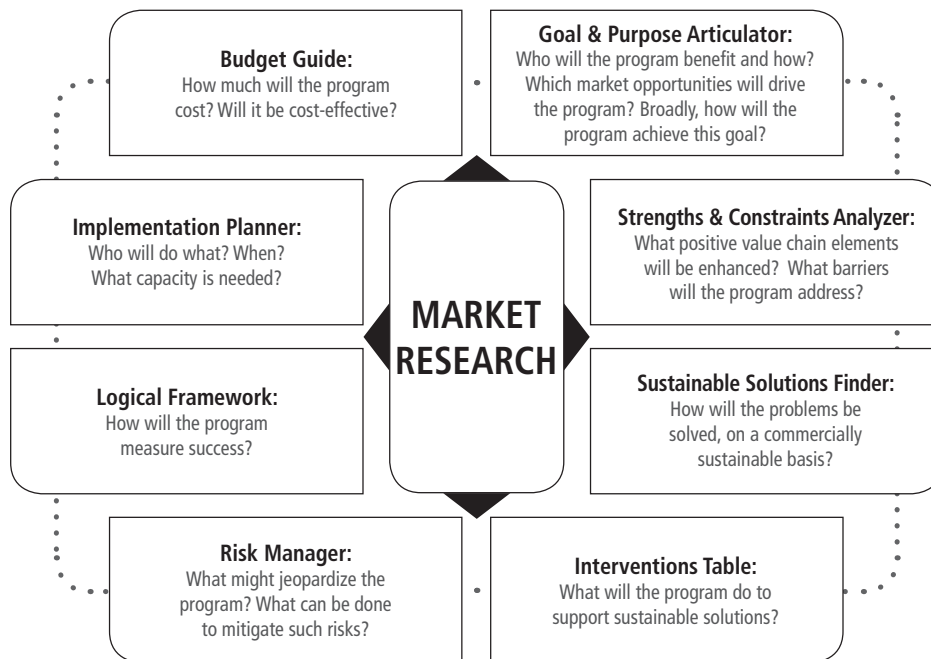
- *Introduction:* How does the tool function in the program design process?
- *Principles:* Which program design principles are important to keep in mind when working with this tool?
- *Market Research and Other Information Needed:* What information do you need before proceeding? What market research should be conducted before completing the tool?
- *Step-By-Step Guide:* Detailed guide on how to work through the tool.
- *Worksheets:* Charts to help plan and implement the tool. All of the worksheets in the toolkit are also available on the MEDA website [www.meda.org](http://www.meda.org). The print copies presented here may not provide sufficient space for completion of each tool, and you are encouraged to adapt the worksheets to suit your needs.
- *Example:* An example of a completed worksheet using the “Behind the Veil” project, implemented by MEDA and ECDI in Pakistan.

The toolkit conclusion provides some final advice before embarking on the program design process. The annexes include:

- A. A list of acronyms
- B. A glossary of terms
- C. An annotated list of resources on program design, and value chain and market development
- D. A guideline for assembling information into a formal project proposal
- E. References cited

The following figure illustrates how the individual tools in the toolkit combine to support decision-making throughout the program design process and highlights how these decisions rely on market research. Designers typically gather research that informs many choices at the same time and revisit each decision as they make others to ensure the design as a whole is logical. Nevertheless, we suggest you start with the Goal and Purpose Articulator as this determines the overall hypothesis that guides the rest of the program design.

Figure I: Program Design Tools and Decisions



After these tools have been used – beginning with the Goal Articulator and moving in a clockwise direction – practitioners will have analyzed the market situation, identified a high-impact development strategy, established an implementation plan, and recognized how success and achievement of program goals will be measured. An end result of the process is the information required to present a clear, concise proposal to request donor funds. Alternatively, the result may be a project design that provides the basis for detailed planning of implementation activities in new or on-going value chain development initiatives. Ultimately, the use of this toolkit is designed to enhance the design of quality value chain development programs.

# Pro-Poor Value Chain Development Approach and Principles

This following section, which presents the pro-poor value chain development approach applied in this series of toolkits, is adapted by the series authors from many sources and from practical experience<sup>4</sup>.

## Underlying Assumptions

The value chain development approach contains a set of underlying assumptions, including the following:

*Pro-Poor Value Chain Development: An approach that specifically seeks to benefit disadvantaged enterprises.*

- People living in poverty can benefit from integration into higher value markets, but these markets are often out of reach for them given various barriers to their participation.
- Many low-income people engage in market activities through their micro or small enterprises, small-scale farming activities, and as employees of these businesses. Such businesses – SEs – are the main target client of pro-poor value chain development programs.
- Proactive development initiatives can enhance market participation of disadvantaged people, helping them stabilize and increase their income.
- Well-designed value chain development initiatives strengthen marketplace systems, and do not negatively distort or displace private sector investment flows.
- Market failures such as lack of access to information exist within weak markets, and prevent or discourage beneficial engagement by SEs.
- Programs do not have to engage directly with SEs in order to reduce poverty. Rather, they can work with businesses at different levels in a value chain or support service providers for the benefit of SE owners and employees, as long as the direct link to SEs is well understood and does not assume ‘trickle down’.
- Value chain development is practiced with a wide range of goals in mind, but in this toolkit, the focus is on poverty reduction through micro and small enterprise (SE) development.

## Value Chain Development: Guiding Principles

Through value chain development programs, practitioners empower small businesses to sell to more stable, higher volume or higher value markets. Generally, this does not occur by linking SEs directly with customers, but by working with the range of businesses in the value chain – for example, input suppliers, processors, traders, associations, cooperatives, wholesalers, exporters and retailers – and with support service providers and other stakeholders to increase the competitiveness of the industry and increase benefits for low-income SEs. Five core principles guide pro-poor value chain development<sup>5</sup>:

1. *Significant, Pro-Poor Impact:* Value chain development is fundamentally a poverty reduction tool. Value chain development programs should seek to link target SE clients with viable growing markets to ensure that low-income or otherwise marginalized enterprise owners and employees reap significant benefits from enhanced market participation. To be pro-poor, programs need to be explicit about which marginalized populations are being served, how these people will reach specific markets, and how the barriers they face will be overcome.
2. *Tailored, Demand-Driven Programs:* Value chain programs are highly customized to the target SEs, their context, and an identified market opportunity. Solutions need to reflect the practical reality of the market so that critical problems in the value chain can be addressed in a meaningful way. They need to address the range of specific challenges faced by diverse target

<sup>4</sup>Adhikary and McVay, 2006; Lusby, 2006; Albu and Griffith, 2006; Committee of Donor Agencies for Small Enterprise Development, 2001; DFID, 2005; Downing, 2005; Hitchins, 2004; Jones and Shaikh, 2005; Jones, 2006; Jones and Snelgrove, 2006; Kaplinsky and Morris, 2003; Meyer-Stahmer and Waltring, 2006; McVay and Miehlebradt, 2002-2007; McVay and Rannekliev, 2006; The SEEP Network, 2006; Springfield Centre, 2005 and 2006; Swiss Agency for Development and Cooperation, 2006; Waltring, 2006.

<sup>5</sup>Adapted from McVay, 2000-2004.

populations, including women, disadvantaged ethnic groups, and people affected by HIV and AIDS or other crises<sup>6</sup>.

3. *Sustainability*: Improvements in the value chain should be offered by commercial businesses on a profitable basis to build a dynamic, efficient value chain that endures once the program is finished. Market initiatives should also be environmentally and socially sustainable. Sustainability goals and timeframes need to take into account the intended target population.
4. *Develop Market Systems*: To reach scale, value chain development initiatives need to focus their work beyond targeted businesses, beyond a few buyers, and beyond a handful of service providers. Initiatives should strengthen the whole market system or industry, working within and considering the wider context. This includes value chain businesses, commercial support markets, institutions, the business environment, and where possible, the social, political, cultural and environmental context. Usually this entails supporting new, more inclusive market relationships<sup>7</sup>.
5. *Stimulate Demonstration Effects & Market Take-Up*: Value chain development can support scale-up and sustainability through building learning systems in a value chain or industry. Learning systems include trade association activities, commercial business service markets, informal knowledge transfer and formal training institutes. When these work well, innovations in the value chain are easily transferred and creativity occurs, resulting in a more resilient and competitive value chain with ongoing impact well beyond the life of the project.

These principles have evolved over the last 15 years through synthesis and analysis of better-performing small enterprise development initiatives that reduce poverty<sup>8</sup>.

## Market Research for Program Design

The main purpose of market research is to identify market opportunities, hone in on a specific SE client population, identify barriers for the SEs to reach the target market, determine viable solutions, and collect other information for the program design process. Some critical questions that market research addresses include:

- What are the markets for a particular final product or service?
- What does the structure of the value chain look like? Who is selling to which markets and how? What is the position of SEs in the market, and what are business relationships like?
- What opportunities are there in the value chain that would help SEs reach the identified markets? What are the target group's strengths and constraints in reaching a particular market opportunity? What are the constraints of other businesses in the market?
- In general terms, what are some needed and/or promising solutions to these problems? What are businesses doing to try to address these issues?
- What is the potential for some program activities to improve the value chain?

Methodologies for conducting market research are presented in a companion Toolkit, *Market Research for Value Chain Initiatives*.

There are two key components to market research:

1. *Value Chain Dynamics*: An analysis of the components of a value chain, how the value chain has been changing over time, and how it may change in the future.
2. *Value Chain Mapping*: The picture of the current market opportunities and market structure, and where target SEs fit into the market.

<sup>6</sup>See for example Jones and McVay, 2006 or Nourse, Gerstle, Snelgrove, Rinck, and McVay, 2007.

<sup>7</sup>See for example Jones and Shaikh, 2005.

<sup>8</sup>McVay and Miehlsbradt, 2002-2007

### *Value Chain Dynamics*

A written analysis of the value chain captures the dynamics of the market and identifies market opportunities relevant for the target population. Issues to consider can be organized into the following framework:

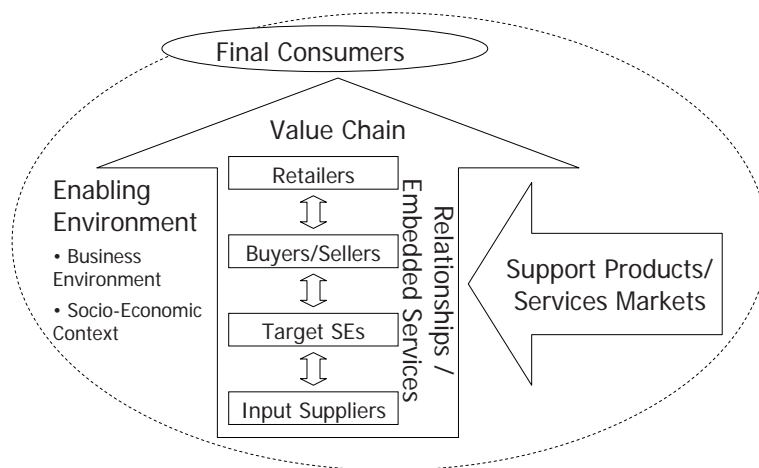
- The End Market: The consumer trends and market opportunities in final markets, together with product competitiveness along a range of factors including quality and price.
- Enabling Environment:
  - The Business Environment: The policies, institutions and operating context for businesses in that industry.
  - Socio-Economic Context: The broader context of the program including socio-economic, political, gender, physical or environmental issues.
- Value Chain Relationships: The structure, business relationships and linkages in the value chain, including transfer of information, product designs, credit, technology or other support products and services, through value chain relationships.
- Support Product and Service Markets: The critical support products and services purchased by the businesses in the value chain.
- Businesses Performance: How the various businesses upgrade at the enterprise level.

It is important to look at these dynamics both in terms of the competitiveness of the value chain as a whole, as well as from the vantage point of SEs trying to participate in and gain more from the value chain.

### *Value Chain Mapping*

The main purpose of mapping the value chain is to summarize, in a clear pictorial format, the value chain structure. There are many different ways to diagram value chains – horizontal, vertical, and circular. The drawing schematic below presents a simplified view of a value chain incorporating the critical elements of the chain and reflects the value chain dynamics presented above<sup>9</sup>.

Figure II: Generic Value Chain Diagram



At the end of the design process, the diagram can be revised to detail the future vision of the market that the program will support.

<sup>9</sup>This figure has evolved and been adapted from various sources including KATALYST, the Springfield Centre for Business in Development, Alexandra Miehlbradt and Mary McVay, Linda Jones, Action for Enterprise and the Small Enterprise Education and Promotion Network.



### *Potential Constraints, Solutions, and Interventions*

When scanning the value chain, program designers typically start to think about what the program might do. It can be useful to consider potential constraints, solutions, support products and services, and program activities. Tables I, II, III and IV present lists of potential items to consider<sup>10</sup>. They are organized into the framework presented above, and provide a range of common examples. However, value chain development is highly customized with new and innovative strategies emerging around the globe and thus this list should be recognized as representing only a portion of the possible options.

## The Toolkit Case

The Program Design Toolkit uses the example of “Behind the Veil”, MEDA and ECDI’s value chain development program for the integration of homebound rural producers into the embroidered garment sub-sector in Pakistan, to illustrate how market research can be analyzed and applied for the development of a comprehensive program design.

MEDA, with its partner, ECDI, undertook market research on women microentrepreneurs across regions and industries in Pakistan between 2002 and 2004. The timeframe was lengthy because MEDA were participating in a SEEP Network PLP that spanned two years<sup>11</sup>.

Following the market research phase, MEDA launched a market development project under the USAID IGP (Implementation Grant Program) mechanism. This three-year program (2004 – 2007) enabled MEDA and ECDI to effectively develop a value chain that integrates homebound rural producers into high value urban markets via several market channels. Over 8,000 rural embroiderers were connected to high-value markets through approximately 200 Sales Agents. Original estimates projected incomes to double to Rps780 per month. Since program implementation, project clients almost tripled, on average, their monthly income. The program was also extremely cost-effective with a cost of \$100 per direct project client over three years (a few dollars per year per direct and indirect beneficiary)<sup>12</sup>.

Building on this success, MEDA is implementing a large multiple-subsector women’s economic empowerment program funded by CIDA (over \$7 million, 2007-2011). This program involves the development of dynamic learning structures for local organizations to ensure sustainable capacity in value chain research, program design, and planning and implementation.

An award-winning program, the designers and implementers base its success on upfront as well as ongoing market research. In fact, all of the authors in the toolkit series have had some involvement with the program’s evolution and have contributed to its positive outcomes<sup>13</sup>. The following describes the program design process:

### **MEDA and ECDI – Pakistan**

#### **Strengths and Constraints**

Mapping the value chain demonstrated that the majority of rural embroiderers were unable to reach identified growth opportunities or interact with potential buyers and market intermediaries due to a reliance on male family members for trading activities. While the target clients had excellent technical expertise, the products produced tended to be of inferior quality with outdated designs. The inability of these clients to interact with markets hindered both delivery of critical support services to clients, the creation of suitable products, and the development of stronger market links.

<sup>10</sup>These tables are integrated into the tools.

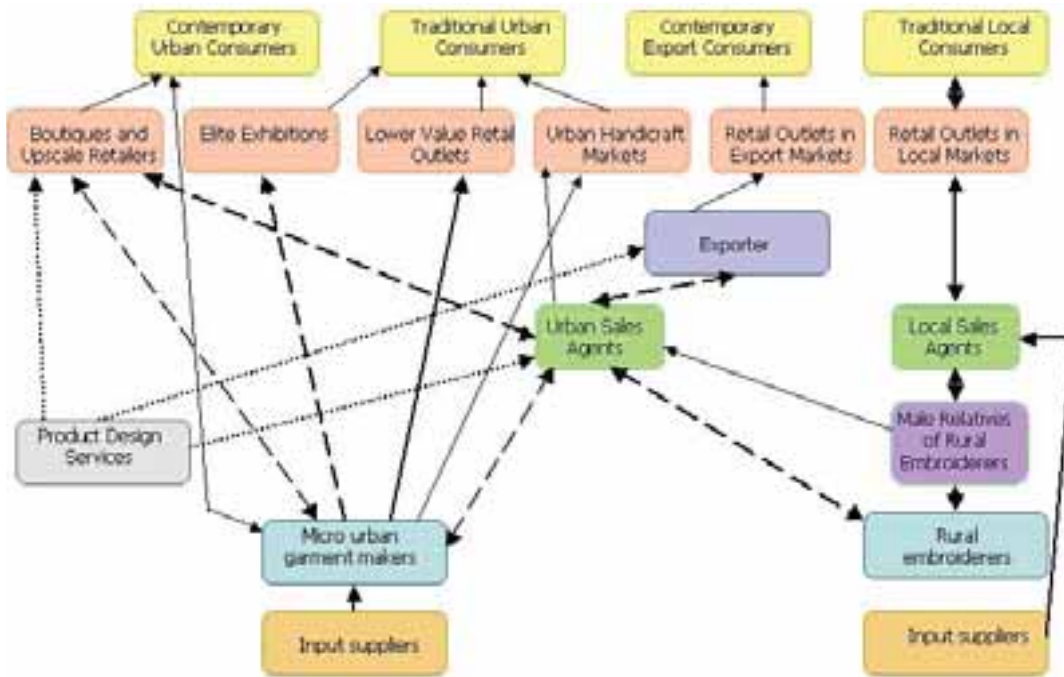
<sup>11</sup>The Small Enterprise Education and Promotion Network’s Participatory Learning Program, funded by USAID and involving an extensive peer learning agenda. For more information, see [www.seepnetwork.org](http://www.seepnetwork.org).

<sup>12</sup>Jones and Snelgrove, 2006 and Jones and Shaikh, 2005.

<sup>13</sup>Linda Jones led the design process for both the USAID and CIDA funded programs, Alexandra Miehlsbradt provided support during market assessment as well as ongoing troubleshooting and support, Mary McVay was technical advisor for the IGP program design, Alexandra Snelgrove provided monitoring and evaluation support to the IGP and is the value chain advisor for the CIDA-funded program.



Figure III: Embroidery Sector Value Chain Map, Pakistan



### Sustainable Solutions

Market research uncovered a fledgling business model for replication which had excellent potential to help the two organizations achieve their goal of increased incomes for rural women. Under this model, homebound women were able to sell their products to retailers through female sales agents in a socially appropriate manner. Male family members would generally not object to women buyers coming to their homes to do business with the women in their households. At the same time, the model solved the isolation issue by providing producers with a link to the market, through which critical support services, such as information, modern designs, and inputs, could be channelled.

### Interventions

Before program activities could be developed to foster this model, greater market research had to be undertaken to ensure that it could be feasibly scaled. Demand from potential program clients for the services offered through this model was assessed. Capacity and interest of female intermediaries were also determined through a series of provider diagnostics. Brainstorming sessions with key stakeholders in the sector, including retailers, wholesalers, and producers validated the appropriateness of the selected model and identified potential intervention strategies. Based on this stakeholder input, MEDA developed a strategy to facilitate the following three service packages<sup>14</sup>:

<sup>14</sup>Jones and Snelgrove, 2006

1. *Embedded package of market access, product development and input supplies to rural embroiderers (REs) provided by women sales agents (SAs):* On a temporary basis, the project introduced mobile female sales agents directly to rural embroiderers, creating the market link and developing an avenue for information flow from markets to producers. Key activities included identifying women who already acted or were willing to act as sales agents to rural women embroiderers. In order to work against the development of monopolies, multiple introductions were made, affording rural embroiderers with a choice of intermediaries. A training program was also developed to build the capacity of new and existing sales agents in areas such as community outreach, sales and marketing, and business development. To develop the necessary links with buyers, sales agents were assisted with establishing contacts and fostering relationships with retailers, exporters and exhibition organizers.
2. *Market linkage services for urban garment makers, provided by other women sales agents:* Replicating the model in the first intervention, the project successfully trained a second set of sales agents to strengthen market linkages between urban garment makers and high-value, urban retailers and exporters. Through workshops, meetings with buyers and sales agents, mini exhibitions, and other relationship building activities, the sales agents facilitated information sharing and introductions among the businesses in the market.
3. *Product development and design services to rural embroiderers, provided by mobile women sales agents:* By introducing a new range of customers, the project attempted to demonstrate to designers that there is demand from rural women for their services. At the start of implementation, it became apparent that SAs were unable to access these formal design services. However, an additional value chain actor was identified: the tracer designer. These individuals, mostly men, design the embroidery stencils and imprint the designs on the fabric; mobile SAs were able to interact with these men and could afford their services. Helping improve the quality and innovativeness of these trace designs has proven to be a successful way to introduce contemporary designs into the market.

During project implementation, various challenges arose that required modifications to the project model. For example, it was envisioned that the REs would reach male wholesalers and retailers through direct links with female sales agents. However, the level of segregation was deeply entrenched; mobile SAs from urban areas were able to interact with the market but had difficulty gaining trust in the community. A two-tiered sales agent model [with Community Sales Agents (CSAs) purchasing from REs and selling to urban-based Local Sales Agents (LSAs)] developed; over time CSAs were able to expand their business and started to compete with LSAs. Other developments, such as producer groups and buying houses have added richness to the value chain and provided greater choice for remote, isolated women entrepreneurs. These evolutions, and other examples of the project's ability to respond to market signals, have been integral factors in the program's success.

# Getting Ready for Program Design

# Getting Ready for Program Design

Before you start the program design process, you will need to gather background information on the implementing organization, program parameters, your target group, the program context, and the target value chain. Some of this information will be collected from the implementing agency and some from the market research process. At the end of this section is a checklist of the up-front information required. Each of these categories is described below.

## Implementing Agency Characteristics

A range of organizations conduct pro-poor value chain development programs, including:

- International private voluntary organization or non-governmental organizations
- National non-governmental organizations
- Contracting and consulting firms
- Business associations or trade groups representing business in a particular sector
- Regional and local governments

Some critical factors about the implementing agency heavily influence program design. These include: mission and values, priorities, capacity, and institutional costs.

### *Mission and Values:*

The agency's mission and values will help determine the program goal, its target population, and the context in which it works. It is important that a value chain development initiative be well-aligned with the implementing agency mission and values in order for the agency to fully support the program. Some aspects of the "mission and values" are hidden in institutional culture and tradition, rather than in mission statements. It is important to understand up-front how some of these open institutional beliefs will guide the program. The information you will need includes:

- Mission Statement and informal ways the mission is applied
- Values Statement and informal values as practiced by the agency
- Descriptions of the agency, showcase programs, strategy documents and programs related to enterprise development
- A vision articulated by managers (and potential funders) of what they would ultimately like this program to achieve

### *Priorities:*

Many implementing agencies have multiple objectives. It is important to understand which agency priorities will drive the program design and management. This is best understood from managers by asking the following questions:

- What is the motivation for designing this program?
- Are there any particular outcomes, partners, activities, or operational methods that should be

*Tip:* Some questions to ask about mission and values to ensure value chain development will fit with your agency's mandate:

- Is the agency committed to poverty eradication?
- Does it support the application of enterprise and business development to poverty reduction?
- Is it committed to sustainable development?
- Is the agency open to supporting a range of services (as opposed to being narrowly focused on one or two services, such as training or technology)?

If the answer to any of these questions is "no," then program designers face some critical choices. The designers could educate managers about the potential of value chain development to fulfil their mission. The program design could become a pilot to demonstrate the viability of this approach to the agency. The designer may also reconsider whether value chain development is an appropriate choice for their agency.

- incorporated into the design?
- What is more important for the agency:
  - Reaching a particular population or reaching high numbers overall?
  - Demonstrating capacity, testing new and innovative strategies, or scaling up?
  - Producing significant, short-term results, or achieving sustainable results?

Understanding the institutional priorities behind a value chain development program will provide some guidance as critical program design decisions are made.

### *Capacity:*

In general, designing a value chain development program requires the following capabilities, skills and intuitions gained through education, training and practical experience. These assets normally come from a team of people, rather than one individual:

- Strong research skills including the ability to gather information from professional colleagues and business people and conduct objective interviews of target SEs as well as capabilities in locating and understanding published economic and technical research material
- Report writing experience with the ability to organize and synthesize material into succinct, written or presented summaries
- Ability to understand market dynamics and trends, including the role of small enterprises in broader markets, product competitiveness, and comprehension of value chains and support markets
- Business assessment experience and the ability to evaluate basic business performance indicators and the technical and business aspects of the target value chain
- Whenever possible, experience working in the target industry
- Substantial knowledge of target group's culture and value systems
- Creativity and ability to think entrepreneurially when developing solutions and interventions.

Staff capacity for program implementation is assessed during the program design process. In some situations, for example in very low-income countries or regions that have suffered from long-term conflict or significant natural disasters, the general capacity for delivering development programs may be weak. The implementation plan should take these limitations into consideration when projecting the scope, speed and capacity building requirements of the program.

### *Institutional Costs:*

For budgeting purposes, program designers need ready access to basic expense data for the implementing agency and potential partners. Gather budgets from a similar project or proposal to see how much staff and typical activities cost, and how the agency structures its budgets. In addition, if the program will operate in a new geographic area, gather some basic expense data, such as office equipment and rental, transportation, and staff costs. Having this information up-front will facilitate quick cost and cost-effectiveness assessments during program planning.

## Program Parameters

Program designers usually work within some basic parameters such as timeframe, funding level, and set of donor priorities. These parameters should be identified up-front and established as guidelines. Some generally established parameters include:

- **Timeframe:** Three to five years is a common project timeframe. You need not limit your overarching vision to this schedule, but when you make design decisions the timeframe will be a critical factor.

- **Funding Levels:** Project size varies dramatically. You should consider crucial areas of intervention in light of the level of available funding to ensure appropriate scale.
- **Donor Priorities:** Just as implementing agencies have key areas of concerns, donors also have priorities. One role of the program designer is to communicate these priorities to managers in the implementing agency so that they are balanced against agency priorities.

For proposals developed during project implementation, managers should provide clear guidelines in the above three areas to staff and/or potential partners.

## Target Group Description

A critical up-front decision, often determined by an organization’s mission or by a donor, is defining the ultimate program clients. Donor programs and agencies range from specific to general in who they seek to benefit:

- **Specific target population:** if an agency or donor program has identified a very specific target population – e.g., rural, female artisans in interior Sindh province of Pakistan – then the program needs to be designed around maximizing benefits for that population.
- **General target population:** if an agency or donor program has more flexibility in targeting clients – e.g., small enterprises in Pakistan – then the program design can consider other factors in selecting clients.

Program designers need to be clear about their specific population and tailor programs to their needs. Producers at the subsistence level face a range of barriers that keep them in poverty – for example gender or ethnic discrimination, remote location, physical environment, and the affects of crises such as HIV and AIDS or conflict. Specific strategies should be developed to help marginalized populations overcome the unique obstacles they face in participating in mainstream, viable markets.

*Tip:* There are often trade-offs between impact and target clients. For example, a program may reach more people and offer more significant benefits by targeting urban producers who are closer to the market, have access to credit, and are more highly trained. But, such a program may not reach isolated or marginalized rural producers where the same scale of impact would require greater investment of program funds. One role of the program designer is to help the implementing agency identify and navigate these choices.

## Program Context

The program context is important in determining the potential of the program, its risks and potential risk mitigation strategies. This information is typically conducted as part of the environmental scan during the market research process. Program designers should gather up-front information about:

- The economy (e.g., growth rates, sectors and regions)
- The political / business climate (e.g., regulatory regime, investment openness)
- Physical geography and the environment (e.g., market proximity, natural resources, trade routes)
- Social Issues (e.g., gender, caste)
- Infrastructure (e.g., transportation, markets)

*Tip:* An underlying cause of many market failures is mistrust or negative relationships among different social groups. Bringing this information to bear in program design can help address the core cause of market failures.



## Multiple Value Chains

If several value chains have been selected, it is advisable to go through this tool separately for each value chain as the opportunities, constraints, and programs will be different for each market.

### Checklist of Required Information

#### *Implementing Agency Characteristics*

- Mission and Values statement
- Description of the agency, and its showcase enterprise development programs
- A stated vision from managers of what they would like this program to achieve
- Agency priorities
- Capacity assessment
- Sample budgets and cost estimates
- Program parameters: timeframe, funding level, donor priorities

#### *Target Group (Client) Characteristics*

- Description of target population: location, income/poverty level, gender, ethnicity, business maturity level, business size, particular barriers such as HIV/AIDS, displacement, etc.
- How flexible the agency is about the target group

#### *Program Context*

- Description of:
  - The economy
  - The political climate
  - Geography/Environment
  - Social and Cultural Context
  - Infrastructure

#### *Targeted Value Chain and Selection Rationale*

- Clear definition
- Evidence of growth and market opportunities in the value chain
- Role and potential opportunities for the target SEs
- Core challenges for the target population in this value chain
- List of other agencies involved
- Lack of insurmountable roadblocks that prohibit potential progress

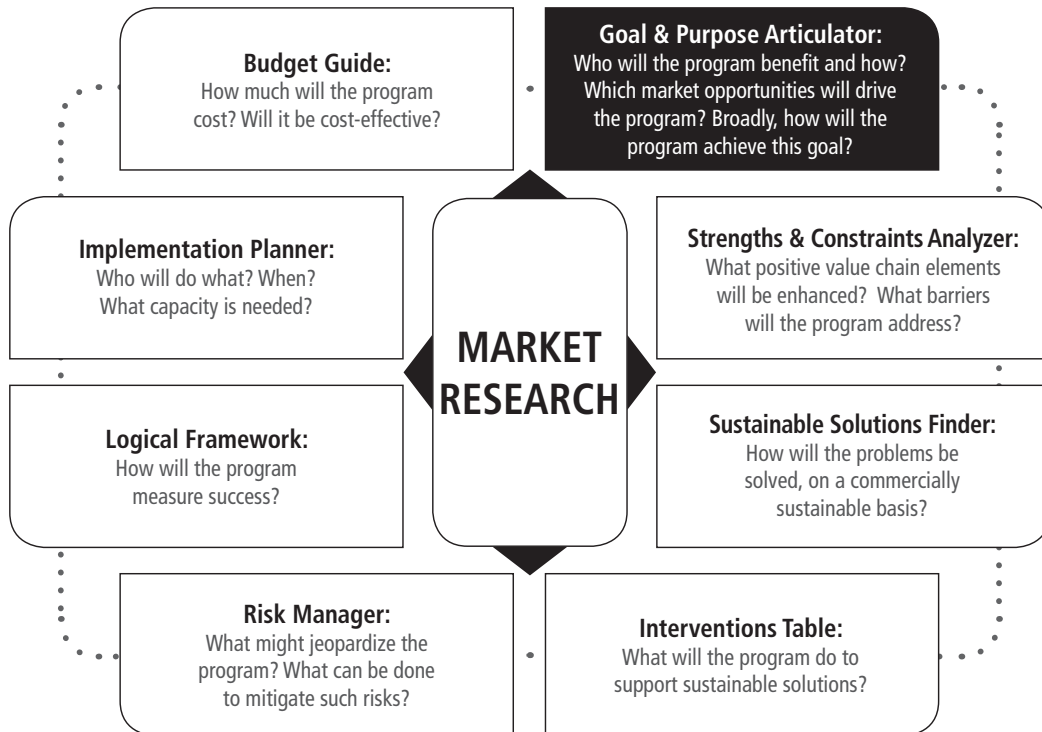






# Goal and Purpose Articulator

# Goal and Purpose Articulator



Program designers utilize the Goal and Purpose Articulator to determine the program goal and broad program strategy. The Goal Statement incorporates whom the program will target and with what benefits. This statement is immutable and remains the same throughout the market research and program design process. The Purpose Statement, however, starts as a “work-in-progress” that is modified over time and incorporates the target market opportunity and the general program strategy for helping SEs (micro and small enterprises) reach that market.

## Principles

When developing your tentative purpose or “hypothesis,” it is important to reflect on the following principles:

- **Significant, Pro-poor Impact:** The Purpose Statement should be specific about the target market opportunity that program clients will reach. Why is being market-driven so important? Helping a limited number of targeted SEs improve performance in saturated markets may simply have the effect of helping them out-compete their neighbours. In order to improve individual, business and community wealth, enterprises need to expand sales into new and/or growing markets.
- **Tailored, Demand-Driven Programs:** By defining the goal and purpose, the program designer creates a strong match between target SEs and a specific market opportunity.

## Market Research and Other Information Needed

The following information is needed for this tool:

- Implementing agency mission and values statement, including mandate
- Target group description, including relevant demographic information
- Value chain definition
- Market research

## Step-By-Step Guide

The step-by-step guide instructs you on using the tools that are included as worksheets at the end of each chapter. References to ‘completing boxes’ etc., refer to these worksheets. It would be helpful to print a copy of the worksheets (available in MS Word format on the MEDA website [www.meda.org](http://www.meda.org)) to reference as you work through the step-by-step guide.

### STEP 1: Review and Record Goal Statement

Remember, your Goal Statement is immutable and does not change during the market research and program design process. However, it is useful to review and record your Goal Statement at this stage to ensure strong connections to your Purpose Statement. The Goal Statement should include the following elements:

- Impact mission, for example:
  - Improved livelihood security
  - Increased income and assets
  - Poverty alleviation
  - Enhanced natural resource conservation
  - Women’s economic empowerment
- Target population, for example:
  - Rural producers
  - Urban unemployed people
  - Low-income artisans
  - Small-scale farmers
  - Microenterprise owners in a particular sector or value chain
  - People living in environmentally vulnerable areas
  - HIV/AIDS affected communities
  - Low-income women
  - Ethnic groups that have experienced discrimination
  - Other vulnerable populations

*Tip:* Impact here refers to “people-level” benefits.

Optionally, the goal may include the sub-sector or industry, although many organizations consider this to be flexible and will incorporate the sector into the tentative project purpose. The subsector has been differentiated from the specific value chain (e.g., horticulture versus vegetables for export) in this toolkit as follows:

- Target subsector / industry, for example:
  - Hand-woven textiles
  - Fishery
  - Embroidered garments
  - Horticulture
  - Eco-tourism
  - Livestock
  - Dairy
  - Service industries such as construction, hair care, restaurants, etc.

A well-crafted Goal Statement will provide a clear understanding for those not familiar with the project of what your organization is trying to address. For example:

- To enable homebound rural women in Pakistan to increase incomes and contribute to household revenue by reaching lucrative markets for hand-embroidered garments.
- To assist smallholder sesame farmers in Nicaragua to upgrade household living standards by improving production and accessing effective markets.

*Tip:* Build the logframe as you develop the program design. This will help you check the logical flow of your choices and save time later.

## STEP 2: Develop your Purpose Statement

The Purpose Articulator encompasses the target market opportunity and your program strategy for helping SEs to reach that market. Your Project Statement at this point is tentative and likely very broad. As you analyse your market research, a more specific purpose will evolve.

- a) Write a brief description in the box to the right of each element title in the worksheet. The Purpose Statement contains two elements:
- Target market opportunity, for example:
    - High value tourist markets
    - Middle class urban consumers
    - Emerging domestic and regional markets
    - Niche markets
    - Export markets
    - Diaspora markets
  - Broad program strategy, for example:
    - Improved competitiveness
    - Support services development
    - Local economic development
    - Business stabilization or creation
    - Employment generation
    - Environmentally sustainable economic development

*Tip:* The broad strategy sums up the economic or business development strategy of the implementing agency.

- b) Once you have each element clearly defined, combine them into one Purpose Statement. For example:
- Facilitate small-scale farmers' access to urban markets by improving commercial extension services
  - Help rural, low-income artisans reach high-value tourist markets by improving market linkages and sustainable access to product development and other support services
  - Link small-scale farmers to export markets through full-service contract-farming agreements

*Tip:* It is important to find a good match between the target SEs and a specific market opportunity. For example, targeting women in remote areas with the aim of enabling them to reach competitive international markets may limit the number of people the program could effectively reach. As a result, the program design team may decide that the program would achieve greater impact by either:

- Linking rural, remote women to domestic urban markets, or
- Assisting better-located urban producers to reach international markets.



# Goal and Purpose Articulator Worksheets

## Worksheet #1

### Goal and Purpose Articulator

|                           |  |
|---------------------------|--|
| Impact mission            |  |
| Target population         |  |
| Target subsector/industry |  |
| <b>Goal Statement</b>     |  |
| Target market opportunity |  |
| Broad Program Strategy    |  |
| <b>Purpose Statement</b>  |  |

# Example of Completed Goal and Purpose Articulator Worksheets

## Worksheet #1 MEDA and ECDI Pakistan Example

### Goal and Purpose Articulator

|                           |  |
|---------------------------|--|
| Impact mission            | Increase incomes and contributions to household revenues   |
| Target population         | Rural, homebound women in Pakistan living below the poverty line   |
| Target subsector/industry | Hand-embroidered garments  |
| <b>Goal Statement</b>     | To enable homebound rural women in Pakistan to increase incomes and contribute to household revenue by reaching lucrative markets for hand-embroidered garments. |
| Target market opportunity | High value, urban domestic hand-embroidered garment market   |
| Broad Program Strategy    | Enhanced final market and support services linkages  |
| <b>Purpose Statement</b>  | Help homebound women reach high-value domestic markets for hand-embroidered garments by strengthening support services and marketing links                       |





# Strengths and Constraints Analyser

# Strengths and Constraints Analyser



The strengths<sup>15</sup> and constraints analysis addresses the following questions: What capacity does the value chain have to reach and take advantage of lucrative market opportunities? Are SEs (micro and small enterprises) able to access this market? Why aren't target SEs reaching these markets now?

This tool has two components:

1. The Strengths Assessment Table records positive conditions in the value chain on which the program can build to help target SEs take advantage of key market opportunities.
2. The Constraint Analysis Tree identifies problems and the underlying causes that hamper clients in reaching target markets. This approach separates cause and effect, and supports the design of programs that address causes rather than their symptoms.

During the constraints analysis, you may find that the identified problems are insurmountable and will need to revisit your purpose statement, by honing in on a more specific target group, rethinking the appropriate target opportunity and/or revising your program strategy for helping SEs reach that market.

<sup>15</sup>Some experts use the word "opportunity." Strengths focuses on the capability of businesses and associations in the value chain to take advantage of the key market opportunities.

## Principles

In identifying strengths and constraints, bear in mind:

- **Significant, Pro-Poor Impact:** Value chains are complex. Focus the analysis on characteristics of the value chain that help or hinder SEs in their efforts to reach key market opportunities.
- **Tailored, Demand-Driven Programs:** Pay attention to which problems value chain enterprises are aware of and which they feel are important to address. This helps to determine what services or other solutions could be in high demand. Business owners are not always aware of a particular service, but they may be willing to pay for solutions to known business problems.
- **Develop Market Systems:** Don't limit your thinking to constraints affecting a limited number of businesses. Consider the wider context and issues impacting a range of value chain enterprises and other stakeholders.

## Market Research and Other Information Needed

For this tool, the program design team will require:

- Program context
- Program parameters
- Goal Statement and Purpose Statement

Asking the following market research questions will help identify the strengths and constraints in the value chain:

- What positive elements do the value chain and the enterprises in the value chain have that would help reach target markets?
- What prevents SEs from reaching or gaining more benefits from the target market?
- What are the strengths and blockages at the following levels:
  - End market
  - Business environment and Socio-economic context
  - Value chain relationships, including embedded services
  - Support products and services
  - Business performance of SEs and other value chain enterprises.

Table I: Generic Value Chain Constraints serves as a guide by offering general examples of constraints, based on the framework outlined described under *Value Chain Dynamics* above. The major columns include:

- **End Market:** The final consumer market for the product or service produced by the value chain. This is the product at the stage when all processing has been completed and value added.
- **Business Environment and Socio-Economic Issues:** The environment in which the SEs operate, including relevant general or sector-specific government policies, the impacts of national and international trade laws, and the legal environment among others.
- **Value Chain Relationships:** The relationships among different enterprises within the value chain. These include vertical linkages – with suppliers or purchasers – and horizontal linkages with other enterprises performing the same functions.

- *Support Services (embedded and fee-based)*: The services used by SEs and other value chain enterprises to assist in business functioning or growth. These may be offered in exchange for a fee or else provided without charge as part of a larger transaction.
- *Business Performance*: The performance of individual enterprises. Performance may be measured by productivity, quality of output, amount of value added, profitability, or sales volumes.

It is important to note the following:

- End Market constraints are the main competitiveness problems faced by the value chain and the target SEs. These may be elaborated on in the other columns.
- Issues surrounding the business environment and socio-economic context are considered together.
- Problems with business linkages and business performance can be addressed by support products and services, but there may be problems with those support markets or delivery channels.



Table I: Generic Value Chain Constraints

| End Market  | Business Environment, Socio-Economic Context  | Value Chain Relationships  |   | Support Products and Services (embedded and fee-based)   | Business Performance  |
|---|---|--|---|--|---|
|   |   | Among different kinds of enterprises   | Among like-enterprises  |  |   |
| <p>Competitive position weak because of:</p> <ul style="list-style-type: none"> <li>• High cost</li> <li>• Poor customer link</li> <li>• Inadequate communications</li> <li>• Slow delivery (erratic)</li> <li>• Low quality</li> <li>• Outdated designs</li> <li>• Poor marketing</li> <li>• Limited market awareness</li> </ul> <p>These are the main constraints the program should focus on and are often elaborated on in the other columns.</p> | <ul style="list-style-type: none"> <li>• Unfavourable global, national and local policy and regulations, corruption</li> <li>• Weak infrastructure (transportation, telecommunications, etc.)</li> <li>• Physical isolation, environmental &amp; vulnerability</li> <li>• Political instability, limited democracy, dominance by one groups, threat or history of conflict</li> <li>• Limiting socio-economic, cultural, or gender conditions</li> <li>• Weak institutions</li> </ul> | <ul style="list-style-type: none"> <li>• General way of doing business is exploitative, or price based and short-term</li> <li>• Limited information availability and flow</li> <li>• Low trust, high social barriers</li> <li>• Monopoly</li> <li>• Disorganized/informal/inefficient</li> <li>• Missing market functions</li> <li>• SEs produce insufficient quantity</li> <li>• SEs produce is of low value or unreliable</li> <li>• No/weak flow of embedded products and services (see Support Products and Services column)</li> </ul> | <ul style="list-style-type: none"> <li>• Lack of cooperatives, networks, trade associations</li> <li>• Corrupt cooperatives, associations</li> <li>• Associations have limited role or inappropriate services</li> <li>• Cooperatives and associations have a monopoly</li> </ul> <p>(Applies to groups of SEs and other value chain enterprises)</p> | <ul style="list-style-type: none"> <li>• Supply:</li> <li>• Few support products or services, none relevant to particular problems</li> <li>• Support products and services exist but not targeting SEs</li> <li>• Low quality</li> <li>• Wrong offer</li> <li>• Poor marketplace</li> <li>• Inferior management</li> <li>• High cost structures</li> <li>• Demand:</li> <li>• Limited awareness</li> <li>• Low purchasing power</li> <li>• Risk aversion</li> <li>• Transaction:</li> <li>• Lack of cash flow for SEs and providers</li> <li>• Limited knowledge of embedded services or bundled products/services</li> </ul> | <ul style="list-style-type: none"> <li>• Poor performance as measured by:</li> <li>• Low production volume</li> <li>• Inefficiency</li> <li>• High costs</li> <li>• Low profitability</li> <li>• Inferior product quality</li> <li>• Lack of new designs</li> <li>• That is due in some measure to:</li> <li>• Weak management, technical market, financial skills</li> <li>• Obsolete technology</li> <li>• Lack of capital</li> <li>• Inadequate communications</li> <li>• No access to market information, weak business linkages, insufficient access to services.</li> </ul> |

## Step-By-Step Guide

### STEP 1: List Strengths

Use market research and Worksheet #2 to list the strengths in the value chain. What are the capacities of the value chain that can help target SEs reach the selected market opportunity? For example:

- The performance – efficiency, price, quality, uniqueness, reputation – of the products and services, compared to competing countries or regions
- Supportive government policies
- A long cultural tradition, which provides a good skill base and unique product characteristics
- The existence of industry-level trade associations or community-level groups
- Skilled technical advisors
- Efficient production or appropriate use of technology

Don't worry too much about fitting the strengths into an exact category on the table – there is overlap.

### STEP 2: List and Organize the Constraints

Consider the value chain categories and brainstorm issues or problems present in each aspects of the value chain. It is important to think about issues impacting other enterprises in the value chain besides the project's target clients. Make sure you identify the underlying causes that go beyond looking at the symptoms. It is critical to identify the constraints in the value chain that prevent SEs from reaching target market opportunities. Given the strengths and opportunities in the value chain, ask what is preventing SEs from selling more product and/or higher value products to these markets. When listing your constraints, try to determine the cause of each problem. For example:

- Inadequate incomes – because...
- Limited agricultural productivity - because...
- Farmers are unaware of modern techniques and technology – because...
- Underdeveloped extension services – because...
- Poor transport options for rural areas.

A completed example would be “Underdeveloped extension services because extension providers unable to travel to rural areas due to poor transport.”

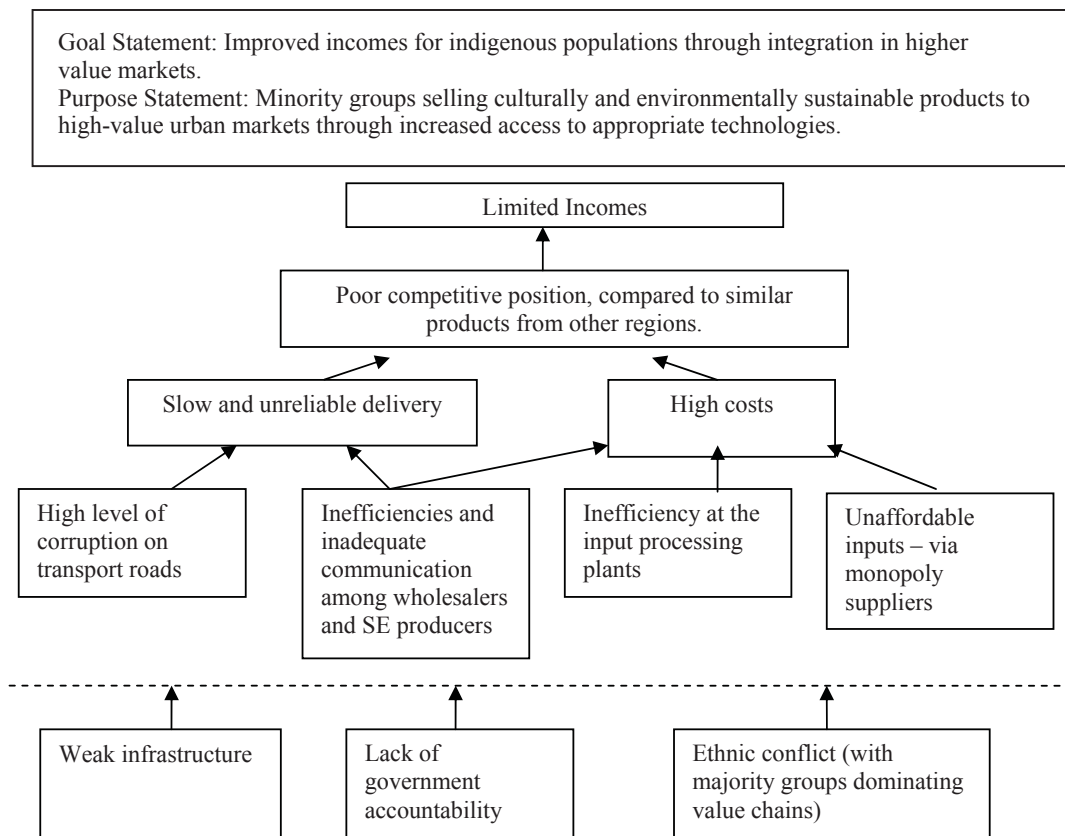
Once you have your list of constraints, develop a causal tree with root and underlying causes at the bottom and more symptomatic problems at the top. See Worksheet #3.

- Start by organizing the constraints already identified, with underlying causes lower and symptoms higher in the causal tree. You will likely have one overarching constraint that reflects your goal and target client group; this “constraint” will be a high-level symptom such as limited incomes or diminished livelihoods.
- Place arrows pointing from bottom to top to show which problems cause which constraint.
- Sometimes a cause leads to several constraints. You can put the arrows wherever you need them.
- If a problem doesn't have a cause beneath it, elaborate: What causes this difficulty to happen? Is it a symptom of a deeper issue in the market?
- Root cause: The fundamental reason for lack of market growth – such as illiteracy or extreme poverty. Root causes are often difficult constraints to address, which are beyond control of the project.

- Place root causes at the bottom of the tree. There are issues that strongly impact the value chain but which the project may not be able to address directly, such as macroeconomic instability.
- Try to group the constraints into a few levels. The worksheet below keeps the tree to three levels.
- Review the causal tree to ensure that the cause-effect relationships flow and are logical.

**Root cause:** The fundamental reason for lack of market growth – such as illiteracy or extreme poverty. Root causes are often difficult constraints to address, which are beyond control of the project.

For example:



**Tip:** At this point, you may not understand the underlying cause of a particular problem. Make a running list of research questions that need to be addressed.

## TIP: Materials and Process for Making a Causal Tree

A good way to develop a “tree” diagram is to work with movable paper on a wall. You will need:

- A large, blank wall
- Large index cards or sheets of white paper
- Tape suitable for sticking the paper on a wall
- Markers to write down the constraints, one per paper or index card
- A set of 10-15 printed arrows that can also easily be put into place and moved around
- The written Goal and Purpose Statements, taped at the top of the wall where you will be working

With this set-up, multiple members of a design team can easily participate in the constraints analysis. If working alone, sticky notes are a practical alternative. Once the analysis is final, it can be typed into the template diagram.

### STEP 3: Prioritize and Select Constraints

Perhaps the most important decision program designers make is which problems to try and solve. Different problems have a higher priority for different people; it is important to ensure sufficient participation by targeted SEs as well as other enterprises in the value chain.

- A. Eliminate: Identify the constraints that describe root or underlying causes that seem beyond the scope of the program to address. Decide whether your agency is capable and willing to address:
  - Lack of democratic institutions and political system
  - Unfavourable government policies
  - Unequal role of women in society in general
  - Weak road infrastructure
  - Scarcity of natural resources on a macro level
  - Low basic education levels
- B. Label: Organize “branches” of the constraint tree and apply a number in each box to connect the constraint at the top and its underlying cause or causes. Come up with a simple label for each branch. For example:
  - Production Issues
  - Market Linkages
  - Processing or Post-Harvest Handling
- C. Prioritize: Which high-level constraints (at top of the branch) have the greatest priority? For example, production issues. Use the following questions to guide your selection:
  - *Important*: What are the critical, significant constraints that must be addressed in order for SEs to reach target markets? Which constraints affect a large number of SEs?
  - *Urgent*: What are the most urgent or time-sensitive constraints facing SEs and the value chain in general?
  - *High-Demand*: Which constraints are large numbers of SEs or other value chain enterprises most aware of?



D. *Select*: Ask yourself which of these constraints will lead to the project goal. Consider how the constraints are interrelated. Does addressing one constraint solve other issues? In making this final selection, allow the following factors to influence your decision:

- Program mission and values
- Program context
- Program parameters (timeframe, cost, etc)
- Existing development initiatives already addressing the constraints.

#### **STEP 4: Finalize the Constraints Analysis Tree**

- Remove groups of constraints that are not deemed high priority.
- Arrange the causes underneath. Note root causes that will not be addressed and set these aside for consideration during Risk Assessment using the Risk Manager.
- Describe in words, “The three most significant and urgent reasons that prevent SEs from reaching the target market are ....”
- Revise the tree. Make adjustments until the tree reflects reality.

#### **STEP 5: Document your Decisions**

List the evidence you have for the existence of each strength and constraint. For example:

- Research Documents (bibliographic reference)
- Key Informant Interview (name of interviewer and interviewee, date, points and quotes)
- Focus Group Discussions (names of facilitators and participants, dates, key points, quotes, any numbers)
- In-depth interviews (name, date, points and quotes)
- Action research results (key data)

If the notes are written in another document such as the Organizing Information Worksheet (Market Research Toolkit), you can refer to that document rather than re-write all the notes. Here you can just put the main reference, a few key points and a quote or two that you might use in writing the program design or funding proposal.



# Strengths and Constraints Analyser Worksheets

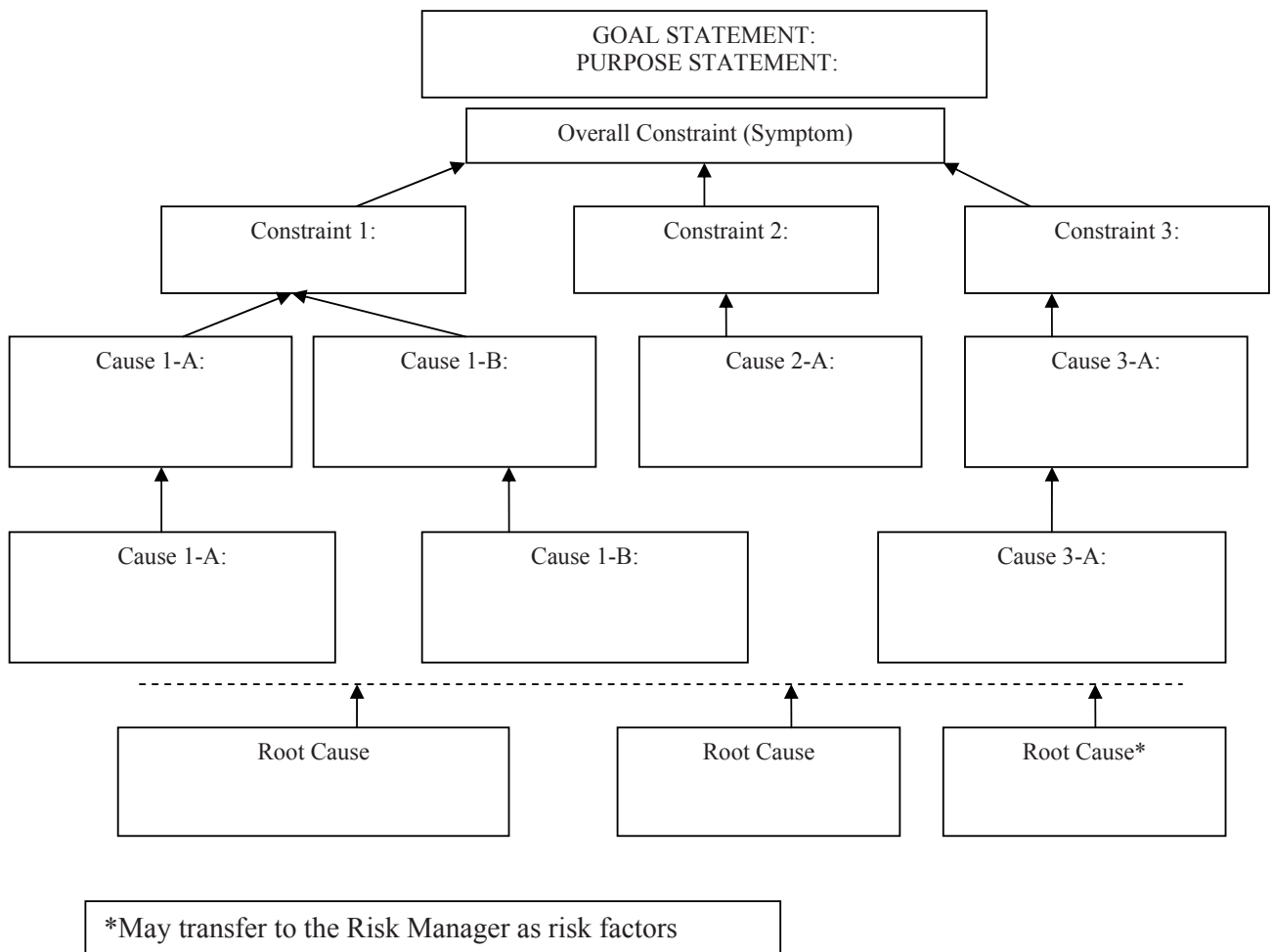
## Worksheet #2

### Strengths Assessment Table

| Aspect of the Value Chain                                      | Strengths |
|--|-----------|
| End Market (Competitiveness)                                   |           |
| Business Environment   |           |
| Socio-Economic Context   |           |
| Value Chain Relationships (and embedded products and services) |           |
| Support Products and Services (Fee-for-service)                |           |
| Business Performance (SEs and others in the value chain)       |           |
| Other ...  |           |

Worksheet #3

Strengths and Constraints Analyser - Constraint Analysis Tree<sup>16</sup>



<sup>16</sup>Adapted from AusGuide – A Guide To Program Management, AUSAID.

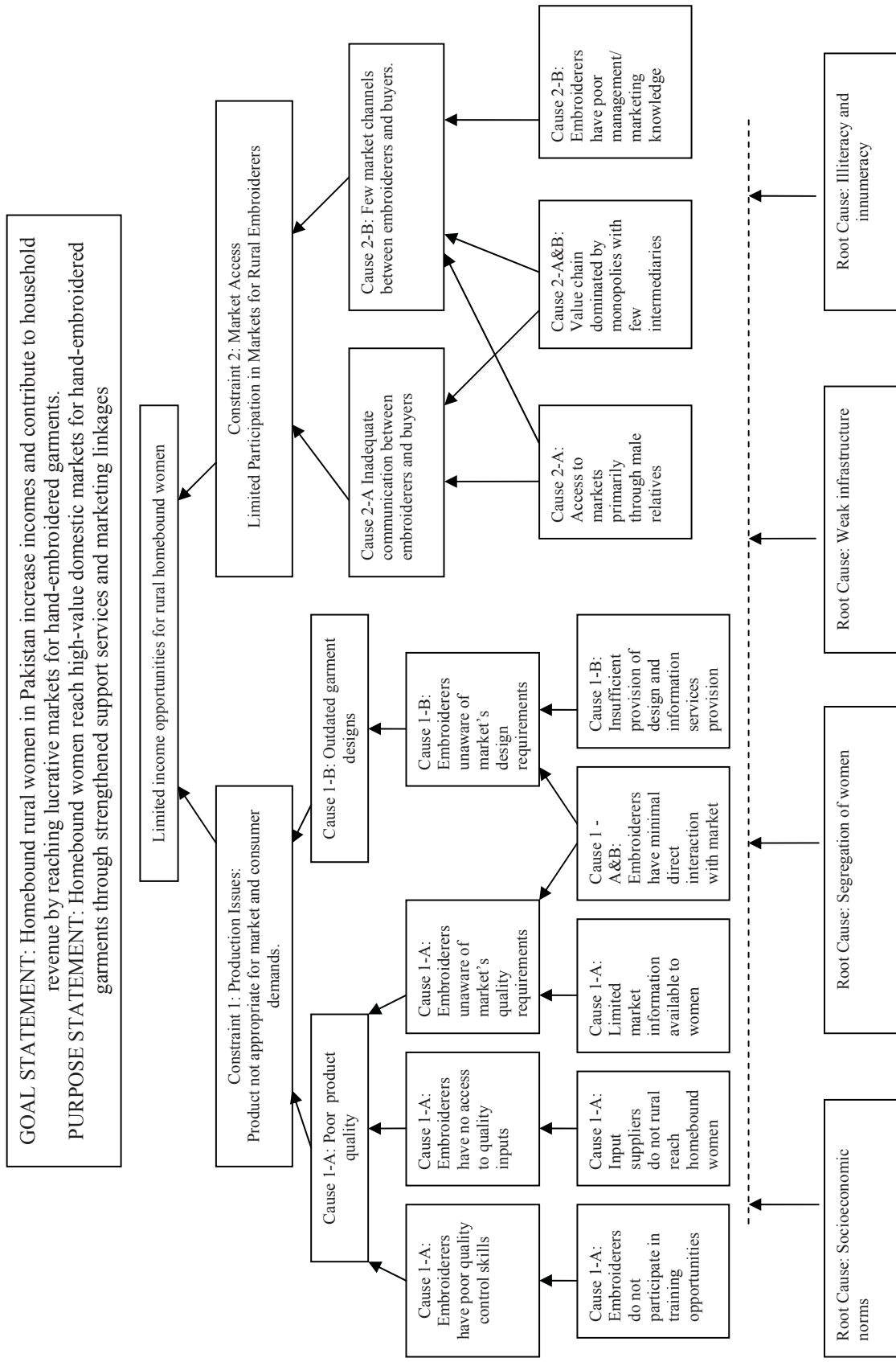
# Example of Completed Strengths and Constraints Analyser Worksheet

## Worksheet #2 - MEDA and ECDI Pakistan Example

### Strengths Assessment Table

| Aspect of the Value Chain                                      | Strengths  |
|--|--|
| End Market (Competitiveness)                                   | <ul style="list-style-type: none"> <li>• Quality embroidery using popular traditional motifs</li> <li>• Growing demand for Pakistani-style women's clothing, with a modern design</li> <li>• Internationally competitive</li> </ul>                |
| Business Environment   | <ul style="list-style-type: none"> <li>• Government support for sector and textile industry with state-sponsored trade fairs</li> </ul>  |
| Socio-Economic Context   | <ul style="list-style-type: none"> <li>• Strong cultural tradition of embroidery</li> </ul>  |
| Value Chain Relationships (and embedded products and services) | <ul style="list-style-type: none"> <li>• Existence of large numbers of clothing retailers</li> <li>• Quality input supplies available in-country in urban areas</li> <li>• Fledgling business model with women acting as intermediaries</li> </ul> |
| Support Products and Services (Fee-for-service)                | <ul style="list-style-type: none"> <li>• Strong design capacity in Pakistan</li> <li>• Women sales agents providing some embedded services</li> </ul>  |
| Business Performance (SEs and others in the value chain)       | <ul style="list-style-type: none"> <li>• SEs have technical skill in embroidery</li> <li>• SEs have low labour costs</li> </ul>  |
| Other ...  | <ul style="list-style-type: none"> <li>• Interesting potential business model in which mobile, urban women are trading in embroidered garments</li> </ul>  |

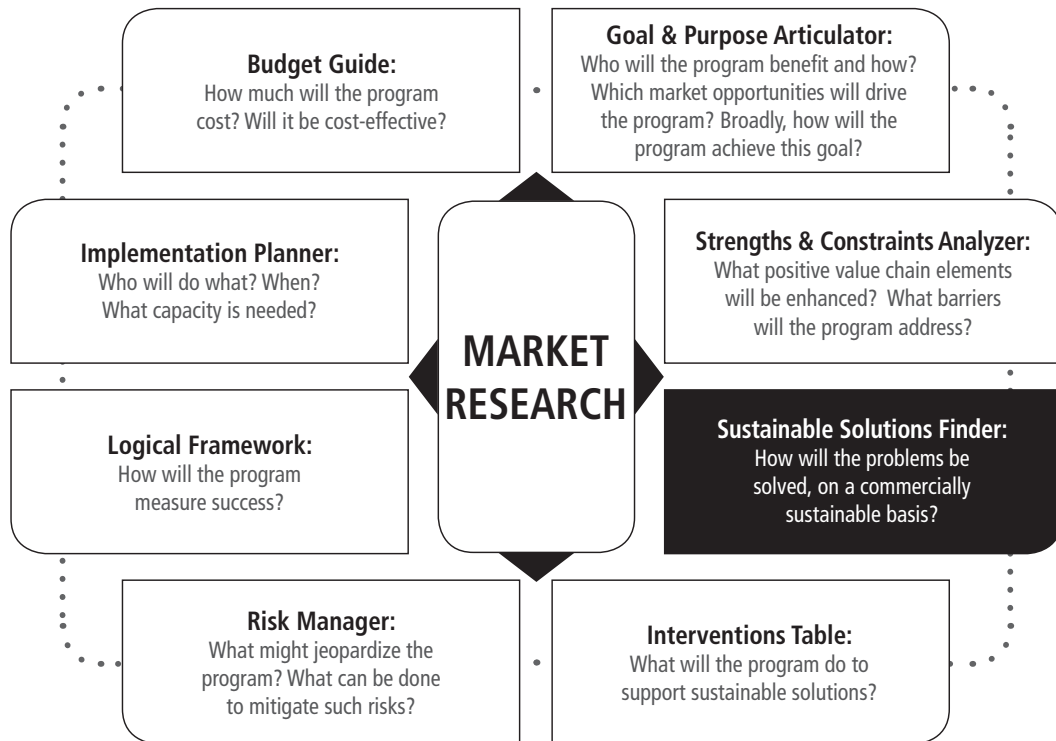
### Worksheet #3 MEDA and ECDI Pakistan Example Strengths and Constraints Analyser - Constraint Analysis Tree





# Sustainable Solutions Finder

# Sustainable Solutions Finder



The Sustainable Solutions Finder identifies and selects solutions to constraints, while capitalizing on the strengths in the value chain in order to take advantage of market opportunities. Some program designers start by concentrating on products and services for which they have strong institutional capacity, for example technology, training, or business linkages. However, it is important to use this step to consider a range of potential answers to the problems and to assess the market viability of core solutions. As with the other steps, it is useful to brainstorm ideas, conduct market research into promising options, and then make final decisions.

This tool is comprised of two components:

1. Solutions Tree: Identifies and develops the solutions to priority constraints
2. Sustainable Solutions Table: Considers sustainable business models for selected solutions

Support service business models, as discussed here, incorporate the following elements:

- **Products and Services:** Activities and goods that generate positive changes in the value chain by addressing constraints
- **Product and Service Customer:** Actual user of a product or service.
- **Product and Service Providers:** Usually private businesses that sell or embed the needed products and services
- **Payment Mechanisms:** Transactions and sustainable delivery of the support products and services

**Support Service Business Model:** a strategy for ensuring the sustainable delivery of commercial support products and services.



## Principles

What principles are most relevant when using this tool? In identifying sustainable solutions, remember:

- **Significant, Pro-Poor Impact:** Prioritize the solutions that are likely to have an impact on a high number of target SEs so as to maximize the effectiveness of the program.
- **Tailored, Demand-Driven Programs:** Select solutions tailored to the key constraints identified with the Constraints Analysis Tree. Propose business models<sup>17</sup> that are tailored to the characteristics of the products and services, the providers, and the SEs that consume the service. During market research, inform potential clients about possible solutions and get their reaction and input. Consult potential product and service providers to get their view on the demand for the solutions.
- **Sustainability:** The longer-term viability of a solution is critical to reaching an increasing number of SEs over time, after the program ends. Be clear about the level of sustainability that the program is attempting to achieve. In weaker markets, it may be necessary to focus on the profitability of target SEs, other value chain enterprises and support providers. In stronger markets, try to take into account the sustainability of the value chain, the larger industry, and membership associations that can play a long-term leadership role.

## Market Research and Other Information Needed

Program Designers will need the following program design elements:

- Program Parameters
- Required Background Information
- Goal and Purpose Statements
- Strengths Assessment Table
- Constraints Analysis Tree

As the program design team investigates solutions, answers to the following market research questions are useful:

- How might the key constraints be solved? What services, technology, information, inputs, market linkage activities, etc. will help target SEs or other value chain enterprises overcome the constraints?
- Which value chain enterprises are the consumer of the support product or service? What do potential target enterprises think about the “solution” and the potential providers?
- Who might sell or otherwise supply support services and products that would solve the problem? Are these potential providers interested? What are their main constraints and how might these be addressed?
- How might such support products and services be delivered to target businesses on a sustainable, commercial basis?
- How will they be paid for? What parameters would influence their profitability or viability?
- What incentives currently exist or would need to be created for the targeted SEs to change? Who within the value chain has a motivation to maintain the status quo? Could their resistance be overcome? If not, will this eliminate the effectiveness of the project?

To identify specific support products and services, consider the Sustainable Solutions in Table II. Ultimately, programs seeking sustainability will identify specific products and services that can be delivered by profitable enterprises in the value chain or in support markets. The columns used in Table II are defined in Section 4.2 above. Potential providers and typical business models for delivering sustainable solutions are listed in Table III.

<sup>17</sup>An overview of different business models is outlined in Table III below.

Table II: Generic Sustainable Solutions Table

|                             | End Market   | Business Environment And Socio-Economic Issues   | Value Chain Relationships  | Support Services (Embedded and Fee-based)  | Business Performance  |
|-----------------------------|--|--|--|--|---|
| Expected Value Chain Impact | <ul style="list-style-type: none"> <li>Enhanced value chain competitiveness</li> <li>Increased benefits for SEs</li> </ul>   | <ul style="list-style-type: none"> <li>Improved policy and regulatory environment</li> <li>More effective institutional services and supporting institutions</li> <li>Reduced social barriers</li> <li>Environmental sustainability</li> </ul> | <ul style="list-style-type: none"> <li>Enhanced value chain competitiveness</li> <li>Increased access to markets, inputs &amp; services</li> <li>More participation by SEs</li> <li>Enhanced replication of innovations</li> </ul>   | <ul style="list-style-type: none"> <li>Greater responsiveness to needs of enterprises</li> <li>Replication of value chain improvements throughout the industry</li> </ul>  | <ul style="list-style-type: none"> <li>Increased productivity &amp; efficiency</li> <li>Better product design</li> <li>Improved output – quantity, quality, value</li> <li>More complex, value-added functions</li> <li>Higher profitability &amp; sales</li> </ul>         |
| Outcomes                    | <ul style="list-style-type: none"> <li>Greater efficiency</li> <li>Diversified product offerings for contemporary consumers</li> <li>Improved product quality</li> </ul> | <ul style="list-style-type: none"> <li>Policy and regulatory reform</li> <li>More appropriate roles for government agencies and NGOs</li> <li>Higher market participation of disadvantaged people</li> </ul>                                   | <ul style="list-style-type: none"> <li>Information flows down the value chain and is accessible by SEs</li> <li>SEs have greater choice from more competitive support services and intermediaries</li> <li>Growth and advancement of associations</li> <li>Improved market organization and efficiency</li> <li>Win-win relationships and a common competitiveness strategy</li> <li>Missing gaps filled, e.g., consolidation</li> <li>Availability of quality embedded support products and services</li> </ul> | <ul style="list-style-type: none"> <li>Product and service diversity, with higher quality</li> <li>Improved standards for providers and offerings</li> <li>Increased sales</li> <li>More SEs purchase support products and services</li> </ul> | <p>Upgrading/Adoption of:</p> <ul style="list-style-type: none"> <li>Management/operations</li> <li>Technology</li> <li>Technical skills</li> <li>Product designs</li> <li>Marketing</li> <li>Communications</li> <li>Supply chain &amp; distribution management</li> </ul> |

**Table II: Generic Sustainable Solutions Table (Continued)**

|                                      |  |   |   |   |   |
|--------------------------------------|--|---|---|---|---|
| <p>Support Products and Services</p> | <ul style="list-style-type: none"> <li>• Joint marketing efforts to influence consumer choice (e.g. fair trade coffee)</li> <li>• (See Business Performance and Horizontal Linkage columns for actual products and services that address the above solutions)</li> </ul> | <ul style="list-style-type: none"> <li>• Advocacy</li> <li>• Institutional capacity building</li> <li>• Products and services tailored to contextual issues</li> <li>• Integration of social issues into other products and services</li> </ul> | <ul style="list-style-type: none"> <li>• Joint marketing: value chain strategy, market positioning, sales, and promotion.</li> <li>• Market information services (including content relevancy/level of provision): radio, journal, TV, ICT/SMS, advertising, informal networks, and trade shows</li> <li>• Business linkages (Vertical linkages): trade shows, networking events, workshops, databases, introductions (informal referral/match), technical assistance on subcontracting, supply chain management, and distribution chain management</li> <li>• Business identification and start-up<sup>18</sup></li> <li>• Joint procurement: products (information and technology) and services (finance, training, and transportation)</li> <li>• Organizational development and strengthening (horizontal linkages)<sup>19</sup></li> </ul> | <p>Supply:</p> <ul style="list-style-type: none"> <li>• Product development</li> <li>• Market Information and marketing services</li> <li>• Management and technical training, technology</li> <li>• Capital/finance</li> <li>• Business start-up services</li> <li>• Quality assurance</li> <li>• Packaging services</li> <li>• Demand</li> <li>• Information and awareness services</li> <li>• Consumer protection</li> </ul> | <ul style="list-style-type: none"> <li>• Management training (operations, human resources, planning)</li> <li>• Technical Training</li> <li>• Finance, financial management training</li> <li>• Marketing training and service</li> <li>• Communications training and services (internet access, communications)</li> <li>• Product design training, tools, services</li> </ul> |
|--------------------------------------|--|---|---|---|---|

<sup>18</sup>Depending on the level of market development this service may be carried out by a commercial actor or a NGO facilitator.

<sup>19</sup>ibid

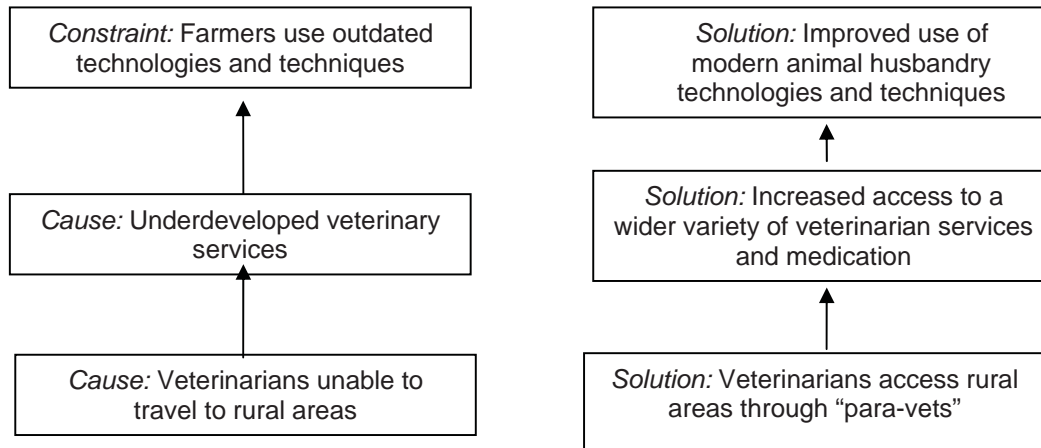
Table III: Generic Support Service Business Models Table

| Typical providers of “solutions” in value chain development programs, and business models they use | Description  |
|--|--|
| “Lead firms” providing “embedded” services   | Buyers, input suppliers, or processors who do business with SEs and have an interest in improving SE performance because the SEs are their customers or suppliers. Services from lead firms, and their related costs, are usually bundled in the normal exchange of goods between the lead firms and the SEs. Often, these are larger businesses, but sometimes they are also SEs.   |
| Commercial service or technology suppliers, selling products and services                          | Consultants, commercial training institutes, or technical service businesses such as veterinarians, machine technicians, product designers, agricultural service providers, etc. They usually sell services to value chain enterprises such as SEs, traders, input suppliers, buyers, or processors. Sometimes they are able to get external advertisers to pay for the services, as in the case of trade shows, radio shows or trade magazines. |
| Cooperatives and trade associations  | They often sell services, run training programs, consolidate products or orders for their members, and provide information or links with customers. They can use either a fee-based or embedded model to achieve sustainability.   |
| Public or non-profit training institutions, NGOs, government agencies:                             | These are typically not viable providers of solutions for SEs. Rather, their role is often to support the service suppliers, lead firms, cooperatives or trade associations. Some NGOs operate as lead firms or service providers using a “social enterprise” model.   |
| Payment Mechanisms   | Description  |
| Embedded   | The cost is bundled into the price of transacting goods such as when a buyer gives producers design information without requesting a fee.  |
| Fee-for-Service  | Goods and services are provided for a direct payment (includes membership fees and transaction-based payments)   |
| Advertising/Sponsorship  | Such third party payments occur when a larger business sponsors a service in return for advertising or publicity.  |
| In-Kind  | The in-kind payment of goods has specific characteristics which differ from a straight embedded service. As such, it can be considered a payment model its own right.  |
| Subsidies/Grants   | These can be used to support pilot initiatives or root value chain activities like research, technology development, etc. In crisis-affected contexts, grants are sometimes used to jump-start the market, but a strategy for commercial sustainability should be developed from the outset.   |

# Step-By-Step Guide

## STEP 1: Develop a Solutions Tree

Develop the tree by restating constraints as solutions. For example:



The Solution Tree should look exactly the same as the Constraints Tree only with positive solutions listed in each box. Completing the solution tree helps to ensure that you have a strong understanding of the *causal flow*<sup>20</sup> of your program. In the case above, for example, if veterinarians access rural areas through para-vets then it can be expected that there is increased access to veterinarian services in those areas which will lead to improved animal husbandry techniques.

If you have written some solutions in the form of program interventions<sup>21</sup>, these should be removed and replaced with a value chain solution<sup>22</sup>. For example, the following are program interventions rather than value chain solutions:

- Identify and train new market intermediaries
- Train intermediaries to make design patterns for illiterate embroiderers
- Build capacity of loom makers to make improved looms
- You can remove these and set them aside for use in the Interventions Table. Or, you can restate them as solutions to a constraint, assuming a private sector provider will deliver them. For example:
- Wholesalers recruit and provide training to market intermediaries.
- Designers offer new patterns to intermediaries on a commercial basis.
- Master loom makers train apprentice loom makers

**Tip:** It can be tricky to see the difference between project activities (interventions) and positive changes in the value chain (solutions). When you think of solutions, imagine a well-functioning value chain and the way enterprises will be operating in this system. When you think of interventions, consider what the temporary project activities will be that will work to stimulate or support proper value chain functioning. For example, training by project staff is a program intervention. It ends when the program ends. Technical support provided by a buyer to a producer is a solution that can continue when the program ends if it is mutually beneficial and commercially sustainable.

<sup>20</sup>Definition: The assumed cause-and-effect relationship between the interventions of the project and the impacts for targeted clients.

<sup>21</sup>Definition: A temporary activity conducted by a development or government agency designed to permanently overcome a particular constraint and develop one or several value chains.

<sup>22</sup>Definition: An activity or strategy aimed at addressing a particular constraint within a value chain. Usually, the solution can be carried out by value chain enterprises – sometimes with assistance from an outside agency.

## STEP 2: Prioritize Solutions

In the problem analysis, you prioritized branches of constraints selecting the broad categories for your project focus. It is unlikely that your program will be able to address all of these larger category issues. Select “boxes” or individual solutions on which your program will concentrate. These will be the lower level boxes on the branch. Are there solutions on your tree that:

- Address significant and/or urgent constraints?
- Are in high demand by the target enterprises?
- Seem feasible from business point of view?

Consider your organization’s criteria, allowing the following factors to influence your decision:

- Program mission and values
- Program context
- Program parameters
- Existing development initiatives already offering these solutions
- Risks facing the viability of the solutions.

Select three to five solutions that – as a group – would make a significant difference in the value chain. Mark selected solutions (the following example uses an asterisk and bolds the text) according to identified priorities. Sustainability strategies will be developed for these solutions using the Sustainable Solutions Table.

## STEP 3: Organize and Categorize Solutions

Using the Sustainable Solutions Table, organize and categorize your solutions by transferring prioritized solutions from the Solution Tree to the Sustainable Solutions Table.

A. First, consider each selected solution. Identify the aspect of the value chain that it concerns:

- End market (competitiveness)
- Business environment and Socio-Economic context
- Value chain relationships
- Support products and services
- Business performance

Try not to be too rigid about the categories/labelled branches as any given solution may respond to more than one constraint. Transfer your prioritized solutions to the “Solution” row on the Sustainable Solution Table under the corresponding category.

The use of the solution tree should mean that most of your prioritized solutions closely reflect a support product or service. However, it may be the case that one of your selected solutions is at the outcome level and there is no corresponding support product or service. Is there a product or service that would contribute to that outcome? You may find your answer on the Solution Tree or may need to conduct further market analysis. Table II might also provide some guidance.

*Tip:* Many value chain programs suffer from lack of focus. They try to address too many problems, in too short a time, with too few resources. Focusing a program increases the likelihood of success. In weak markets, target a narrow/small value chain (tomatoes, not horticulture), and address multiple constraints necessary to get products to market. In stronger markets, select fewer constraints and coordinate with partners and businesses to fill the other gaps.

B. Refer back to the Solution Tree and transfer the upper two levels to the “Outcomes” and “Expected Value Chain Impact” rows on the Sustainable Solutions Table. The outcome is the solution that brings about an immediate effect on the constraint – for example, producers use better designs, SEs are more efficient - and will likely be the middle boxes on the Solution Tree. The “Expected Value Chain Impact” is the longer term or more systemic change to the value chain or the targeted businesses, such as larger market share for hand-embroidered garments and/or improved livelihoods, and will likely come from the top of the solution tree.

*Tip:* For each solution, make sure that you identify a support product or service – including embedded services – as this is critical to sustainability of the solution.

Make sure that each of your selected solutions is represented on the chart with an identified Expected Value Chain Impact, Outcome, and Support Product or Service.

#### STEP 4: Select Potential Sustainability Strategies

Now that you have transferred your identified solutions to the table, analyse each solution to complete the table and develop Sustainability Strategies. For each identified solution, consider the three elements to sustainability of identified support products and services: 1) the customer for the support product or service; 2) the supplier or provider; and 3) the payment and delivery mechanism.

*Tip:* When completing the chart and presenting your program design try to avoid generic terms like “solution providers”, “service providers” or “lead firms.” Rather, try to describe the specific business, for example “mobile women textile traders,” and “urban tailoring and boutique shops.”

- **Customer:** Who will demand and be willing to pay for the support product or service? The customers must see the benefit of a particular service to their business and have a clear idea how to use and pay for the service in a convenient and affordable way. In the case of embedded services, assume the cost is covered in the main transaction.
- **Provider:** Who in the market has the potential to provide this solution on an ongoing basis? Take into consideration: skill base, accessibility to the customers, and affordability for the customers, business orientation and level of entrepreneurship, financial capacity, and – most importantly – motivation.
- **Payment and Delivery Mechanism:** How could these products and services be delivered? Payment mechanisms should be affordable to customers and profitable to providers. In designing support service business models, remember that there are a range of varying options including multi-layered situations in which lead firms purchase services and then embed them in their offerings to SEs.

Once you have brainstormed potential options for each element, enter the selected strategy into the Sustainable Solutions Table. At this point, you may not know enough about the business service or support markets to make adequate decisions about sustainability strategies. As with other steps, you may brainstorm some possibilities, and then conduct further market research, returning to revise concepts. Consult Table III for ideas. Sustainable business models usually emerge from and ultimately depend on entrepreneurs in the market. It is useful to have some idea of a basic model, but be prepared to support models initiated by entrepreneurial providers during program implementation. Further information on the piloting of potentially viable models is outlined in the section on Intervention Development.

*Tip:* It may be useful to brainstorm and consider the sustainability options for each set of solutions on a separate flips chart and transfer final decisions to the table.



## STEP 5: Document your Work

List the evidence you have of the demand for, supplier interest in and financial viability of the sustainability strategy. For example, use market research tools to furnish evidence:

- Secondary Source Research: Bibliographic references
- Key Informant Interview: Names of interviewer and interviewee, date, points and quotes
- Focus Group Discussion: Names of facilitators and participants, dates, key points, quotes, any numbers
- In-depth Interview: Names of interviewer and interviewees , date, points and quotes
- Action Research: Primary data results

If the notes are written in another document such as the Organizing Information Worksheet (see companion toolkit), you can refer to that document rather than re-write all the notes. Here, you can just include the main reference, a few key points and a quote or two that you might use in writing up the proposal.

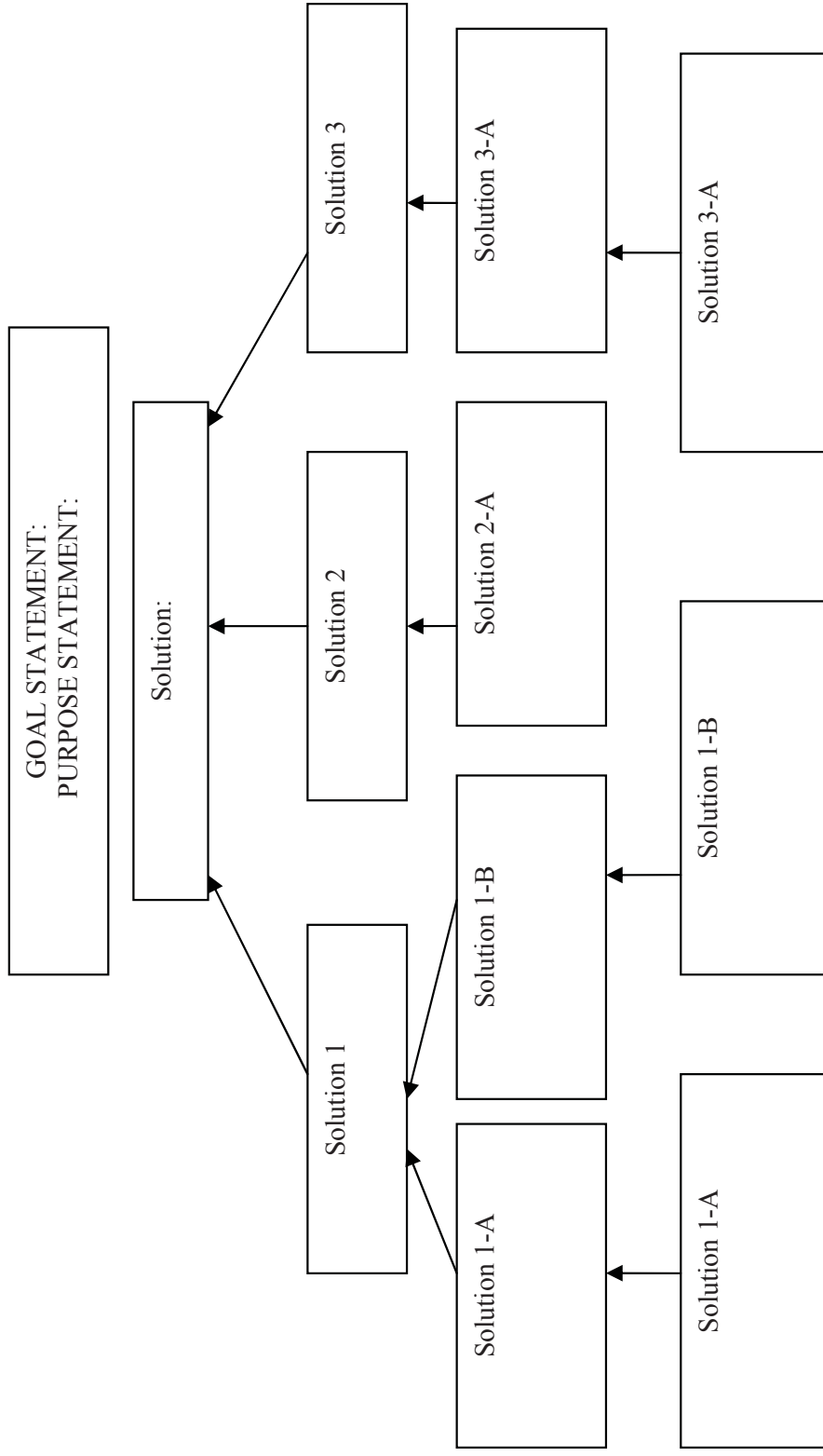




# Sustainable Solutions Finder Worksheets

## Worksheet #4

### Sustainable Solutions Finder - Solution Tree



Worksheet #5

Sustainable Solutions Finder - Sustainable Solutions Table

|   | End Market<br>(Competitiveness)                                      | Business Environment<br>Socio-economic<br>Context | Value chain<br>Relationships | Support Services<br>(Embedded and<br>Fee-based) | Business<br>Performance |
|---|--|---|------------------------------|---|-------------------------|
| Expected Value Chain Impact*                                  | <i>This will include the upper two levels of the solutions tree.</i> |   |                              |   |                         |
| Outcomes*   |  |   |                              |   |                         |
| Solution  |  |   |                              |   |                         |
| Customer  |  |   |                              |   |                         |
| Provider  |  |   |                              |   |                         |
| Payment Mechanism<br>(Embedded,<br>Fee-based,<br>Sponsorship) |  |   |                              |   |                         |

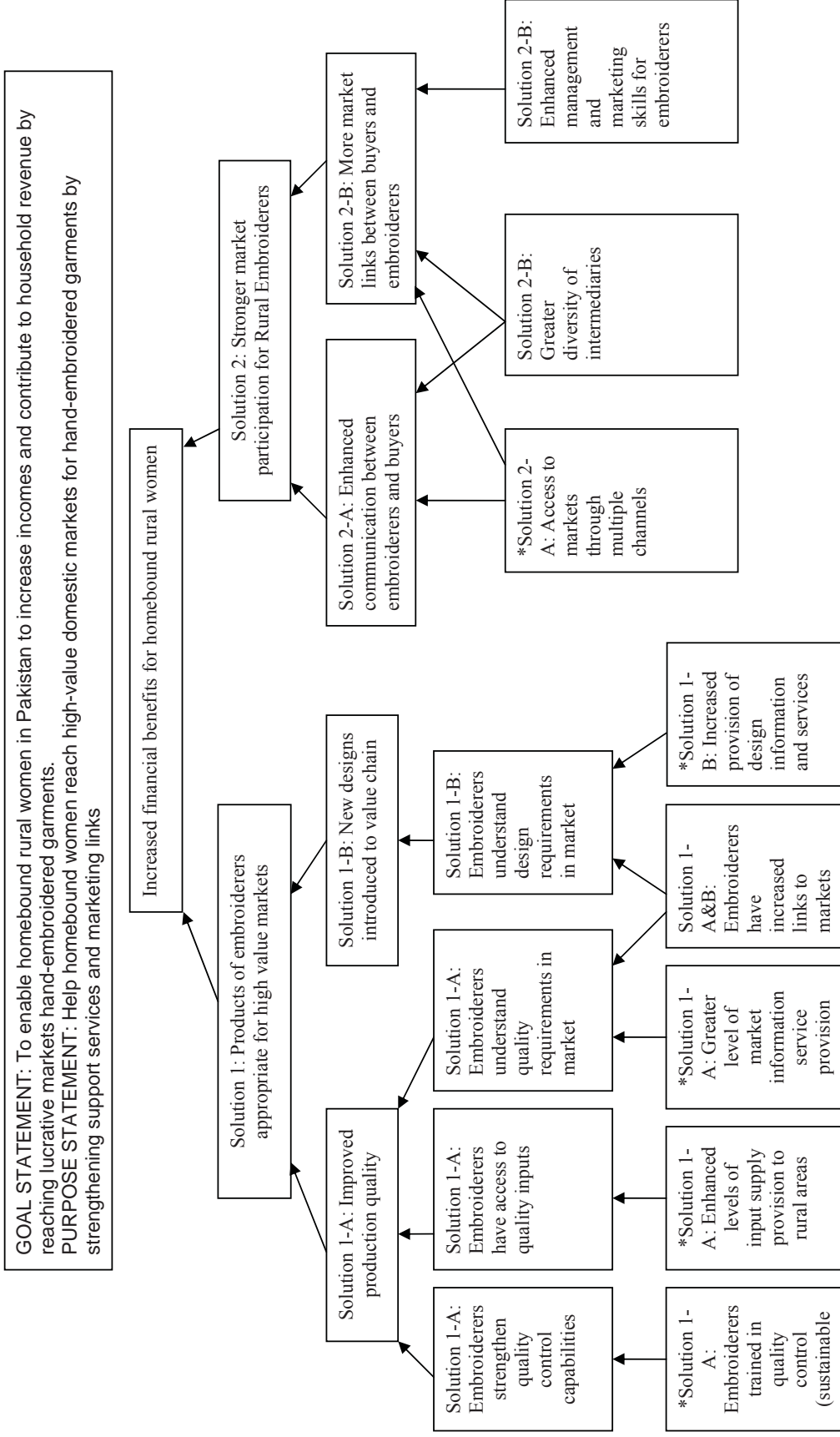
\*May transfer directly to Worksheet #8 – Logical Framework Matrix.

*Logframe:* A logframe sums up a program design in a one page chart. It is both a project planning tool, and a monitoring and evaluation framework. Key pieces of the program design process feed into the logframe.

# Example of Completed Sustainable Solutions Finder Worksheets

## Worksheet #4 MEDA and ECDI Pakistan Example

### Sustainable Solutions Finder - Solution Tree



## Worksheet #5 MEDA and ECDI Pakistan Example

### Sustainable Solutions Finder - Sustainable Solutions Table

|   | End Market<br>(Competitiveness)   | Business Environment<br>Socio-economic Context   | Value chain Relationships  | Support Services<br>(Embedded and Fee-based)                         | Business Performance  |
|---|---|--|--|--|---|
| Expected Value Chain Impact*                            | <ul style="list-style-type: none"> <li>Improved production quality and access to markets for homebound embroiderers</li> <li>Increased financial benefits to rural embroiderers and their households</li> </ul> |  |  |  |   |
| Outcomes*   | Embroiderers have superior knowledge and understanding of market demands  | Enhanced supply of support services, including quality, design, and market information | Enhanced supply of support services, including quality, design, and market information | Increased selling options and market channels for rural embroiderers | Improved production capacity through increased quality control and design |
| Solution  | Market information  | Contemporary design information and services   | Quality, design-appropriate, affordable inputs   | Market access and links to retailers/wholesalers                     | Quality control services and training                                     |
| Customer  | Embroiderers  | 1. Embroiderers;<br>2. Female sales agents**   | 1. Embroiderers;<br>2. Female sales agents***  | Embroiderers   | Embroiderers  |
| Provider  | Female sales agents   | 1. Female sales agents<br>2. Designers   | 1. Female sales agents<br>2. Input supply shops  | Female sales agents  | Female sales agents   |
| Payment Mechanism<br>(Embedded, Fee-based, Sponsorship) | Embedded  | 1. Embedded<br>2. Fee-for-service  | 1. Embedded<br>2. Fee-for-service  | Embedded   | Embedded  |

\*May transfer directly to Worksheet #8 – Logical Framework Matrix.

\*\*Female sales agents purchase design services from designers and embed these design services to rural embroiderers.

\*\*\*Female sales agents purchase inputs from input supply shops and provide them to rural embroiderers

# Interventions Table

# Interventions Table



The Intervention Table outlines what the program will actually do to support the development and sustainability of the chosen support products and services. There are two stages during which programs typically identify intervention strategies:

- At the initial program design and proposal writing stage, designers gather as much information as possible and identify likely strategies and activities to support stronger markets. These are often presented as “examples” in a proposal as interventions the program will support.
- During implementation, managers can develop more specific and detailed interventions for specific solutions, either because a current intervention is not having the desired result, or in response to proposals from partners, providers or value chain enterprises.

*Tip:* One way to help “the market” drive the program is to involve creative, open and entrepreneurial value chain stakeholders in the design and development of the interventions.

## Principles

What principles are most relevant when using this tool?

- *Significant, Pro-Poor Impact:* The purpose of developing the market is to create significant impact. Be sure of the causal link between your stated interventions and impact.
- *Tailored, Demand-Driven Programs:* Build on particular value chain strengths and customize the interventions to the particular weaknesses in the value chain. Do not assume that one type of intervention or one process fits all value chains. Just as businesses have to demand solutions,

they also have to demand the interventions. How will the program work with partners to increase their awareness of constraints, to devise and support sustainable solutions, and to increase suppliers' willingness to work with the program to achieve the proposed solutions?

- *Sustainability*: In devising the interventions, picture the market in the future without the identified constraints and then see what the project can do to help businesses realize this vision. Be sure to envision how you will “exit” from each activity. Try not to heavily subsidize or “push” private businesses to do things your way. At the same time, too light of a touch can mean nothing happens so plan strong incentives to engage value chain enterprises.
- *Develop Market Systems*: While the interventions should be tailored to particular weaknesses and strengths in the value chain, practitioners must also ensure that they develop markets. Interventions must go beyond activities for targeted businesses and consider the wider context to strengthen the whole system.
- *Stimulated Demonstration Effects and Market Take-Up*: Think of interventions at two levels: 1) the “business model” or facilitation activities as a pilot initiative to test if a business concept is viable and creates significant impact; and 2) a “replication” strategy in which the program strengthens information and learning systems in the market, which will transfer the model to reach more people and replicate in the market by itself.

*Tip*: A danger with overly flexible programs is that they can lack focus, get stuck in “analysis paralysis”, or intervene in random ways. This tool can help managers keep staff focused on the high priority constraints and solutions, while remaining responsive to new market information.

## Market Research and Other Information Needed

You will need the following program design elements:

- Program Parameters
- Required Background Information
- Goal and Purpose Statements
- Constraint Analysis Tree
- Sustainable Solutions Table

The main market research questions required for intervention development include:

- What can the project do – on a temporary basis – to stimulate enterprises to supply the support products and services, and to encourage target SEs to apply them?
- What might be the best “entry point” to start engaging with enterprises in the value chain? Which businesses are most open and committed to sustainable solutions?
- How could you support a few pilot initiatives to test the viability of the intervention and the solution, before exposing target SEs and other business partners to undue risk? What incentives might be necessary at this stage?
- How might the program strengthen learning systems that would spread viable new business models throughout the market? Are there trade associations, media, commercial service markets, training institutes, etc.?

To identify potential interventions, review the generic interventions listed in Table IV. The framework presented here suggests that interventions fall into one of four general categories: *entry point, piloting, replication and learning, and exit strategy*.

- The *entry point* includes activities that the implementing agency will undertake to launch selected interventions.
- The *piloting* stage is the period during which the agency tests the ‘business model’ to determine its viability and impact.
- Once impact and viability is proven, the agency considers the *replication and learning* stage, including strategies to promote market take-up.
- The *exit phase* includes activities that facilitate the agency’s withdrawal from the sector.

For simplification and planning purposes, it can be useful to consolidate a few key intervention tools that the program will use – such as promoting information service markets, stimulating business service markets, building association capacity, working with lead firms, etc. Examples are listed in the final column. Finally, programs typically engage in regular research and planning of additional interventions, monitoring and evaluation, staff and implementing partner capacity building, learning, and management activities that need to be planned and budgeted for. While these are not “interventions” they are mentioned as typical program activities in the bottom row.

**Table IV: Generic Interventions Table**

| <p><b>Broad Program Strategies (Purpose):</b></p> <ul style="list-style-type: none"> <li>• Develop competitiveness of the value chain (by increasing efficiency, enhancing quality, updating design)</li> <li>• Strengthen support products and services, and trade associations or other value chain leaders</li> <li>• Improve SE access to markets and increase SE benefits from market integration</li> </ul> |  |  |   |  |
|---|--|--|---|--|
| Entry Point   | Piloting   | Replication & Learning   | Exit Strategy   | Overall Intervention Approaches  |
| <ul style="list-style-type: none"> <li>• Identify potential suppliers</li> <li>• Assess and develop support products and services, new technologies etc.</li> <li>• Share information, dialogue with stakeholders</li> <li>• Pinpoint geographic areas and clusters of clients</li> <li>• Identify early adopters</li> <li>• Negotiate deals for pilot activities</li> </ul>                                      | <ul style="list-style-type: none"> <li>• Offer matching grants</li> <li>• Provide training and technical assistance</li> <li>• Develop hands-on business linkages <ul style="list-style-type: none"> <li>◦ Model contracts</li> <li>◦ Introductions</li> <li>◦ Troubleshooting</li> <li>◦ Model sales pitches and marketing material</li> <li>◦ Model samples, training curricula, technologies</li> </ul> </li> <li>• Link to finance and model financial arrangements</li> </ul> | <ul style="list-style-type: none"> <li>• Enhance and expand trade association development</li> <li>• Stimulate fee-based support product and service markets</li> <li>• Strengthen media/information service markets</li> <li>• Promote the concept of embedded services to key lead firms</li> <li>• Ascertain and support appropriate roles for institutions – universities/ government agencies/NGOs</li> </ul> | <ul style="list-style-type: none"> <li>• Plan ahead or develop a strategy at the mid-point of the program</li> <li>• Gradually withdraw subsidies</li> <li>• Transfer project activities to private sector</li> <li>• Identify and build capacity of leaders (associations, lead firms, institutions) to take over value chain development</li> </ul> | <ul style="list-style-type: none"> <li>• Conduct market research and encourage information sharing, strengthening information services</li> <li>• Support research and development of technology, support products and services</li> <li>• Offer cost-sharing or matching grants for pilots and market stimulation (gradual withdrawal)</li> <li>• Strengthening lead firms</li> <li>• Direct training, technical assistance and business linkages.</li> <li>• Provide association or institutional capacity building</li> <li>• Simulate markets for support products and services</li> </ul> |
| <ul style="list-style-type: none"> <li>• Other Program Activities: Market research, planning, monitoring and evaluation, staff and partner capacity building, learning.</li> </ul>  |  |  |   |  |

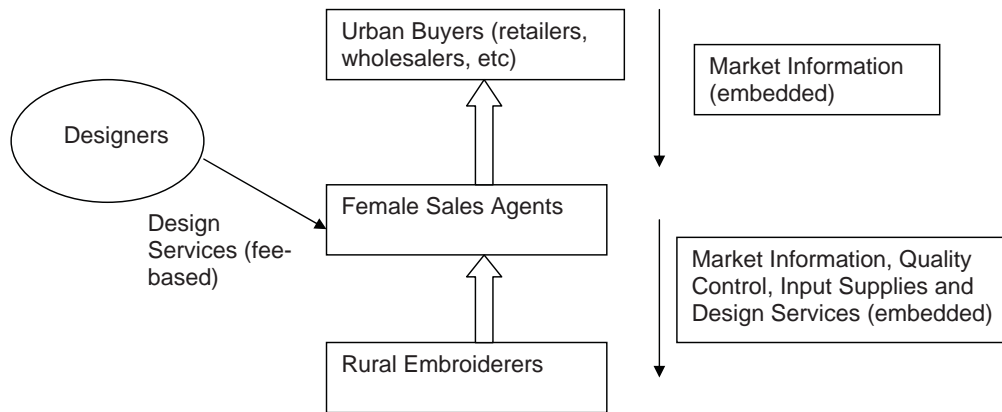


## Step-By-Step Guide

### STEP 1: Envision the Future Value Chain

Draw a new diagram of the value chain the way you hope it will function after the program has ended. Include with this diagram a paragraph about the future dynamics of the value chain.

The following diagram illustrates the future value chain in MEDA and ECDI's project in Pakistan:



### STEP 2: Identify Interventions

#### A. Transfer sustainable solutions

- For each set of sustainable solutions identified, describe the business model and transfer it to the first column of Worksheet #6.

#### B. For each set of sustainable solutions, think through the program activities or “interventions.”

Answer the questions:

- What needs to be done to develop an effective, appropriate and marketable support product or service?
- What would motivate the provider to take on this business proposition?
- What would motivate the customer to apply this product or service in their business?
- What additional awareness, training, resources, or capacity would each party need to make the proposed business deal work?
- How could this business model be spread throughout the value chain?
- Consider the different stages of intervention: Entry, Pilot, Replication/Learning and Exit.

Set aside, for the moment, organizational priorities, parameters and capacity, and allow creative interventions to emerge. Keep in mind the principle of trying to stimulate vibrant, healthy markets rather than creating reliance on a development program.

Write down a range of potential interventions. Be as creative as possible and include all suggestions.

Once you have developed a complete list of all possible interventions, take the time to narrow down the potential activities by considering program and organizational parameters, including timeframe, budget and core capacity as well as implementing agency core competencies. Also take into consideration demand from providers and customers, and supplier capacity.

*Tip:* The details of implementation, particularly replication and exit, often emerge during program implementation rather than at the design phase.

C. Consider another set of sustainable solutions, until all priority areas have been discussed.

### STEP 3: Consolidate and Sequence Final Intervention Decisions

This step selects the most feasible and effective interventions for your program strategy. To do this you will:

- A. *Consolidate*: One of the main challenges in value chain development is the capacity to implement complex, flexible programs. In addition to capacity building and partnership, one approach is to design streamlined programs. There are often several ways to achieve the desired result, so it may be possible to solve multiple problems with a single strategy.
- Try grouping interventions into a few common strategies and eliminating interventions that fall outside these approaches.
  - Does the grouping of interventions respond to the primary issues?
- B. *Revisit*: Assess the impact identified in Step 1, the interventions' long-term viability and the short-term feasibility of the interventions.
- Will the selected interventions effectively support the identified solutions?
  - Will they achieve your stated impact?
- C. *Sequence*: Many successful value chain development programs achieve visible, significant results early in the program. This captures the attention of value chain enterprises, develops credibility for the program, and increases SEs' engagement to deal with the more challenging problems.
- What is the activity that value chain businesses consider the highest priority, are most aware of, and most ready to pay for and act on?
  - What activities will have the most significant, immediate result? What will be a fast visible success that will create credibility for the project and momentum for the next activity?
  - What are the "bottlenecks" – the constraints that will prevent other activities from making a difference?
- D. *Describe*: For each intervention selected, write a brief sentence describing the facilitation activities at each different stage of intervention: Entry, Pilot, Replication/Learning and Exit. Describe the main approach in summary form in the final column of the table. See Table IV for examples. These summaries will transfer as broad categories for the Resources Section of the logframe.

### STEP 4: Confirm your Purpose Statement

Now that you have analysed the situation and identified interventions, you will develop a revised Purpose Statement. This revised statement will likely provide greater detail on your broad program strategy. Revisit the hypothesis developed at the start of the program design process. Does it accurately reflect your interventions? Revise accordingly and include in the Interventions Table.

### STEP 5: Finalize

After consulting with the program design team and stakeholders, revisit the table and remove/add interventions as appropriate. Remember, program design is an iterative process and you will likely revisit this tool many times during the process.

## STEP 6: Document your Decisions

List the evidence you have for the viability and level of demand for each intervention. For example, use market research to access information from a range of sources:

- Secondary Source Research: Bibliographic references
- Key Informant Interview: Names of interviewer and interviewee, date, points and quotes
- Focus Group Discussion: Names of facilitators and participants, dates, key points, quotes, any numbers
- In-depth Interview: Names of interviewer and interviewees , date, points and quotes
- Action Research: Primary data results

If the notes are written in another document such as the Organizing Information Worksheet (Market Research Toolkit), you can refer to that document rather than re-write all the notes. Here, you can just put the main reference, a few key points and a quote or two that you might use in your proposal.



# Interventions Table Worksheet

## Worksheet #6

### Interventions (Market Facilitation Activities) Table

| Goal:<br>Broad Program Strategy (Purpose)*:                          |             |          |                          |               |                          |
|--|-------------|----------|--------------------------|---------------|--------------------------|
| Solution & Business Model<br>(Customer, Provider, Payment Mechanism) | Entry Point | Piloting | Replication and Learning | Exit Strategy | Summary of Intervention* |
|  |             |          |                          |               |                          |
|  |             |          |                          |               |                          |
|  |             |          |                          |               |                          |
|  |             |          |                          |               |                          |
| Other Program Activities:  |             |          |                          |               |                          |

\*May transfer directly to Worksheet #8 – Logical Framework Matrix.

# Example of Completed Interventions Table Worksheet

## Worksheet #6 MEDA and ECDI Pakistan Example

### Interventions (Market Facilitation Activities) Table

| <p>Goal: To enable homebound rural women in Pakistan to increase incomes and contribute to household revenue by reaching high value domestic markets for hand-embroidered garments.</p> <p>Broad Program Strategy (Purpose)*:</p> <ul style="list-style-type: none"> <li>Facilitate the development of multiple market channels from which rural embroiderers can choose</li> <li>Enhance access for embroiderers to a range of services, including design and input supplies, in order to facilitate production of high value products.</li> </ul> |  |  |  |   |   |
|---|--|--|--|---|---|
| Solution & Business Model (Customer, Provider, Payment Mechanism)   | Entry Point  | Piloting   | Replication and Learning   | Exit Strategy   | Summary of Intervention*  |
| Market Information (Female sales agents provide market information to embroiderers on an embedded basis)  | Recruit women in each village to act as sales agents / intermediaries. Identify retailers with interest and capacity to participate in pilot.        | Facilitate links and relationship between high-value retailers and buyers to ensure access to market information. Build capacity of intermediaries to transmit information to embroiderers.  | Develop Sales agent association and buying houses to support continuous information flow and cultivate a collaborative, learning culture in the chain. | Build capacity of value chain leaders – sales agent association, buying house, etc, to source and share market information. | Develop sales agent model, build capacity of agents, and support the development of a sale agent association. |
| Contemporary Designs (Female sales agents purchase designs on fee basis from designers and provide to Embroiderers on an embedded basis)  | Recruit women in each village to act as sales agents. Identify designers with requisite technical skills.  | Provide technical training and training of trainer to designers to enable dissemination of information. Link designers to intermediaries through training sessions. Work with designers to develop alternative delivery packages for sales agents. | Develop capacity of third party to make links on sustainable basis (through association).  | Ensure capacity of businesses to sustainably convey information and introduce new designs                                   | Design development, introduction and dissemination.   |
| Quality Input Supplies (Sales agents purchase inputs from rural/urban retailers, and supply the inputs to rural embroiders)   | Identify input suppliers with access to high quality thread and fabric. Select mobile women in each village to act as sales agents / intermediaries. | Develop links between input suppliers and intermediaries. Promote input supply shops and assist development of new payment schemes and products.   | Develop capacity of third party to make links on sustainable basis (through association)   | Ensure capacity of input supply shops to sustainably reach rural customers  | Improve availability and accessibility of appropriate input supplies  |

\*May transfer directly to Worksheet #8 – Logical Framework Matrix.

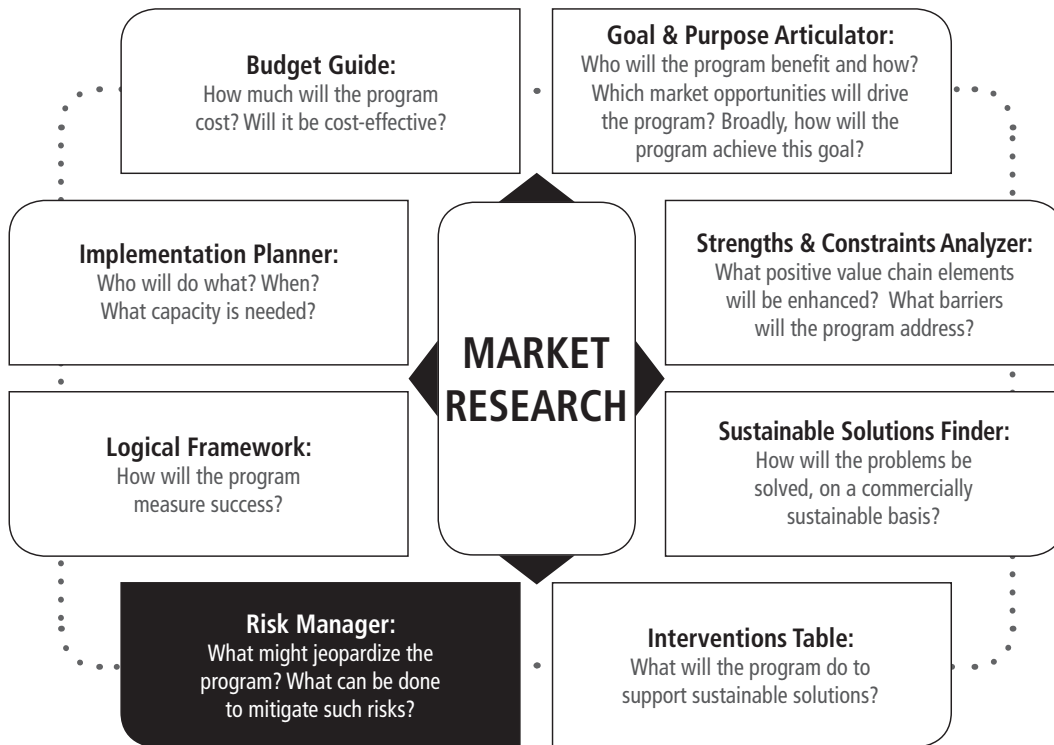
## Worksheet #6 MEDA and ECDI Pakistan Example (Continued)

### Interventions (Market Facilitation Activities) Table

|   |   |  |   |   |   |
|---|---|--|---|---|---|
| Links to Retailers/Wholesalers (Sales agents link rural embroiderers to garment makers, and link garment makers to buyers.) | Select mobile women in each village to act as sales agents. Develop training modules. | Facilitate links and relationship between high-value retailers and buyers to ensure access to market information. Train intermediaries on 'win-win' relationships. | Develop business model to introduce new buyers and sellers into value chain build positive market linkages. | Ensure ability of designed model to replicate and scale for future benefits | Enhanced marketing links and improved capacity of agents.   |
| Quality Control Services and Training (Sales Agents advise Embroiderers on quality control on an embedded basis)            | Select mobile women in each village to act as sales agents. Develop training modules. | Training to intermediaries on quality control.   | Develop capacity of third party to provide training on sustainable basis (through association).             | Ensure capacity of association to provide training to SAs                   | Develop sales agent model, build capacity of agents, and support the development of a sale agent association. |
| Other Program Activities:   |   |  |   |   |   |

# Risk Manager

# Risk Manager



No matter how well a program is designed, it is necessary to acknowledge and prepare for events that may prevent a project from achieving its stated objectives. By identifying as many potential risks as possible during the initial design phase, strategies can be developed to mitigate negative impact. The Risk Manager assesses and articulates these risks and devises mitigation strategies. Designers may remove some interventions or solutions during the analysis if risks will significantly impact positive results. If this is the case, modify the elements of the program design accordingly. Risk identification is an iterative process - while it may start during the design phase, it is important that risks are reassessed during implementation.

## Principles

What principles are most important to bear in mind when using this tool?

- *Significant, Pro-poor Impact:* Managing risk is critical to achieving high impact. It is important to select solutions that are low risk for SE clients, and that are likely to be manageable from the point of view of providers.
- *Tailored Programs:* Consider risk from the perspective of the target SE and ensure the risk level matches risk tolerance and vulnerability of target populations.
- *Sustainability:* Threats to sustainability often involve gender and environmental considerations as part of program design. Ensure that the external conditions do not pose a risk to these cross-cutting aspects of sustainability.



- *Develop Markets:* Value chain development programs should strengthen the entire market, not just targeted businesses. Practitioners therefore need to view risk identification and management systemically, taking context into consideration.

## Market Research and Other Information Needed

Program Designers will need the following program design elements:

- Constraints Analysis (Root Causes)

Brainstorming sessions, lessons learned from previous projects, stakeholder input, as well as market information can all contribute to the risk identification process. Sample risks may include:

- Economic disruptions
- Health or disease episodes in human or animals
- Lack of access to assets and resources
- Illiteracy and innumeracy of target SE owners and managers
- Cultural barriers
- Frail governance structures
- Political instability
- Adverse policy changes
- Geographic remoteness
- Societal norms
- Weak infrastructure
- Erratic weather (particularly relevant for agricultural projects)

*Tip:* Consider a stakeholder discussion, potentially including a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis to identify risk and mitigation strategies.

## Step-By-Step Guide

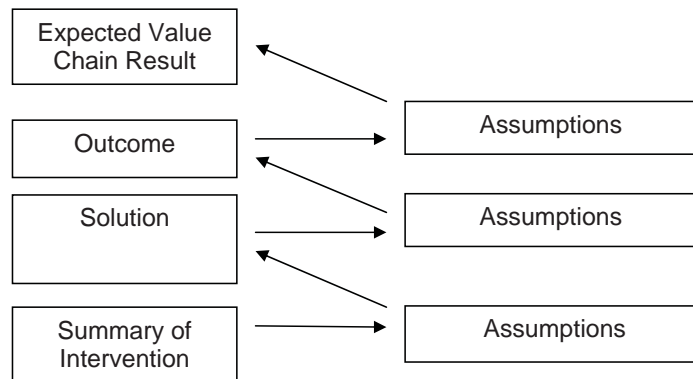
### STEP 1: Identify Potential Risks

To recognize risks, it helps to highlight assumptions about external conditions that are required for the project to achieve its objectives. Assumptions are positive statements about the conditions in the target market, generally social, economic, or cultural. As illustrated in Figure IV, there are assumptions at each level of the causal chain that need to be confirmed in order for the next level of objectives to be achieved.

*Tip:* While not always the case, the root causes identified in the problem analysis are often closely tied to potential risks.

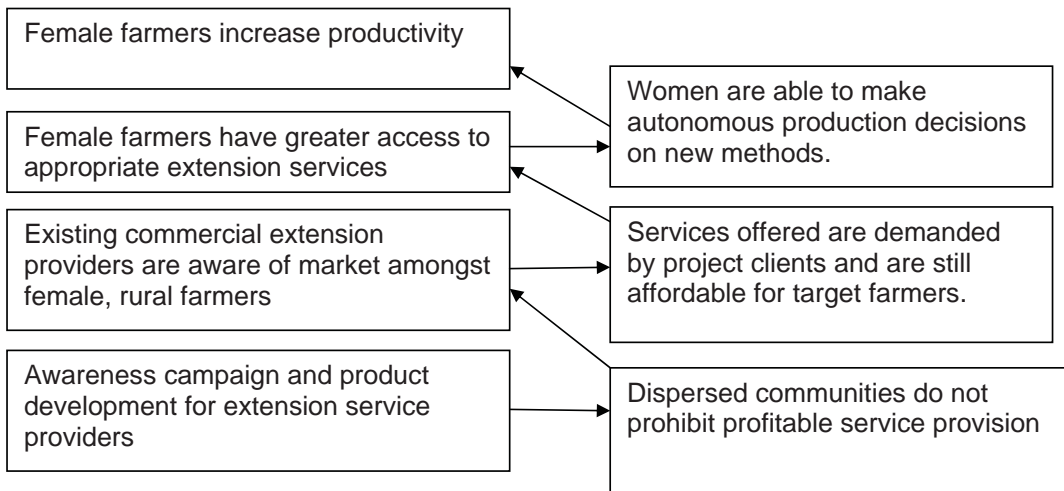


Figure IV: How Assumptions Affect Program Solutions and Outcomes

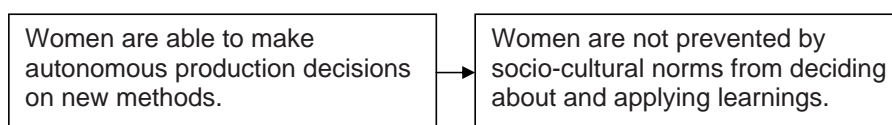


*Adapted from AusAID, 2005 and CIDA, 1997.*

- A. Start with the Summary of Intervention (Worksheet #6) for each Solution. First, consider what must hold true for the stated intervention to lead to sustainable delivery of the solution. Next, identify what is necessary for that delivery to result in the desired outcome. Finally, recognize what assumptions must hold true for the outcome to lead to the expected value chain result. For example, the following traces the assumptions that must be in place to enable female farmers to increase productivity:



- B. Repeat part a) with each intervention. Write these down in the blank Risk Manager Table provided at the end of the chapter.
- C. Once you have a list of assumptions for each solution, rephrase them as negative statements to identify the risks of various external conditions. For example:



D. Write each negative statement in the Risk Manager Table, provided at the end of the chapter.

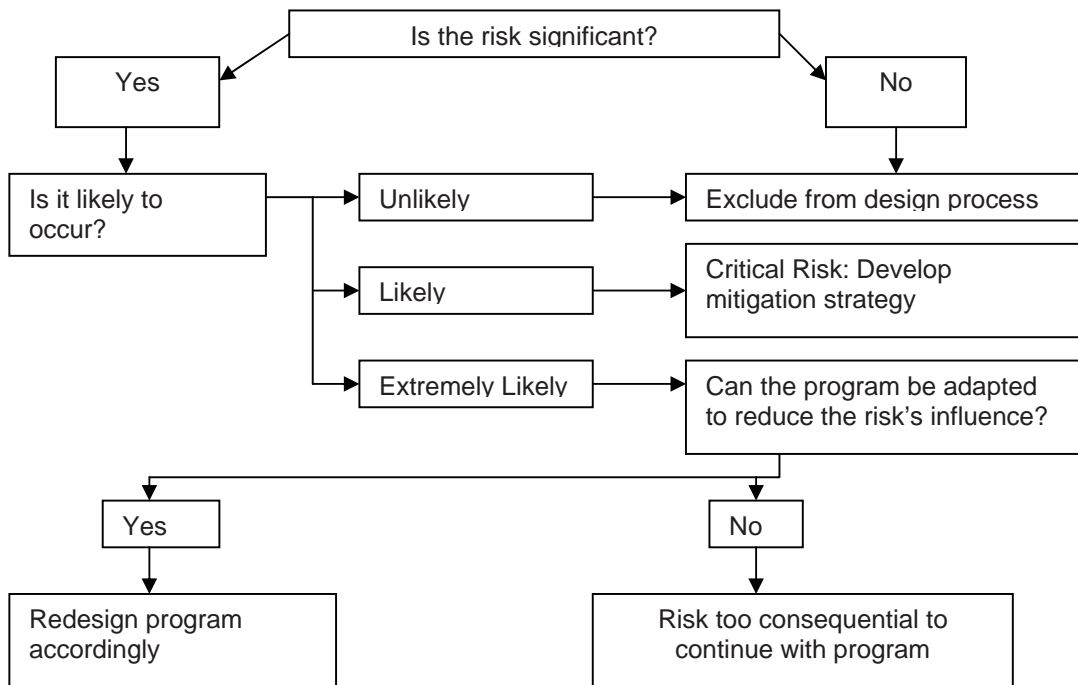
### STEP 2: Assess Risks

Not all risks are equal - an important step in the risk management process is to assess the impact of each risk and the level of threat they pose to the program. Each of the risks identified in Step One should be assessed using the following Risk Decision Tree (Figure V) which measures risk based on both likelihood of occurrence and impact. For each identified risk, ask the following questions:

- A. Is the risk significant? Will it have a substantial impact on the project's progress?
  - If not, then you can disregard the risk.
  - If yes, then continue with question b.
- B. Is the risk likely to occur?
  - If unlikely, then again you can exclude from the design process.
  - If moderately likely, add it to Risk Manager, proceed to Step Three and develop mitigation strategy.
  - If the risk is almost certain or extremely likely to occur, proceed with question c.
- C. Can the program as planned be adapted to reduce the influence of the risk?
  - If no, re-examine whether you should proceed with the program.
  - If yes, revisit the constraints analysis to develop alternative solutions and interventions.



Figure V: Risk Decision Tree



Adapted from AusGuide - A Guide to Program Management, AusAID, 2005.

### STEP 3: Develop Responses to Risk

Once critical risks have been assessed, responses need to be developed.

- A. For each identified critical risk, articulate the potential impact on the project in the Risk Manager.
- B. Devise an appropriate mitigation strategy. Summarize this strategy in the Risk Manager. These strategies should also be incorporated into the Implementation Plan (Worksheet #9).

Some examples of risk mitigation strategies include:

- Economic disruptions: Monitor economic trends and re-focus the project on maintaining market position in the most stable and viable markets if disruption occurs
- Health or disease episodes, in human or animals: Link the program with health monitoring systems, ensure that the interests of the target SEs are represented in these systems, participate in disaster preparations
- Lack of access to assets and resources: Connect the target SEs to microfinance institutions, plan participant engagement in small, affordable steps
- Illiteracy and innumeracy of target SEs: Collaborate with basic education initiatives, develop training and communication packages for illiterate populations
- Cultural barriers: Facilitate cross-cultural understanding, link with peace and reconciliation initiatives if post-conflict ethnic tension is an issue
- Frail governance structures and political instability: Build civil society institutions such as business associations as part of the program to help strengthen governance and buffer target SEs and other value chain enterprises from political shocks



- Adverse policy changes: Be well apprised of policy trends and work to educate relevant government ministries and staff of the negative implications of certain shifts in government policy
- Geographic remoteness: Develop strategies to connect target SEs to the larger economy, advocate for or develop infrastructure to facilitate interaction between clients and other enterprises in the value chain
- Societal norms: Ensure that the program design takes societal norms into account, and, where the program may influence norms, ensure that the influence is in the direction of supporting greater equality and human rights
- Weak infrastructure: Work around large infrastructure gaps, collaborate with advocacy efforts to improve infrastructure, look for private sector, small-scale solutions
- Erratic weather (particularly relevant for agricultural projects): Develop sector-specific insurance and savings schemes, discuss weather risks and mitigation strategies with target SEs, identify indigenous survival techniques, and encourage participant risk mitigation / diversification strategies such as continuing to run two businesses, hold assets in different forms, plant a range of crops, etc.

#### STEP 4: Document your Work

List the evidence you have for the significance of the risk and the viability of the risk mitigation strategy. For example, use market information tools to find:

- Secondary Source Research: Bibliographic references
- Key Informant Interview: Names of interviewer and interviewee, date, points and quotes
- Focus Group Discussion: Names of facilitators and participants, dates, key points, quotes, any numbers
- In-depth Interview: Names of interviewer and interviewees , date, points and quotes
- Action Research: Primary data results

If the notes are written in another document such as the Organizing Information Worksheet (see the companion market research toolkit), you can refer to that document rather than re-write all the notes. Here, you can just put the main reference, a few key points, and a quote or two that you might use in writing up the program document.



# Risk Manager Worksheet

## Worksheet #7

| Assumption* | Critical Risk | Impact of Risk on Project | Mitigation Strategy |
|-------------|---------------|---------------------------|---------------------|
|             |               |                           |                     |
|             |               |                           |                     |
|             |               |                           |                     |
|             |               |                           |                     |
|             |               |                           |                     |

\*May transfer directly to Worksheet #8 – Logical Framework Matrix..

# Example of Completed Risk Manager Worksheet

## Worksheet #7 MEDA and ECDI Pakistan Example

| Assumption*   | Critical Risk  | Impact of Risk on Project   | Mitigation Strategy  |
|---|--|---|--|
| Sales agents' literacy and, numeracy skills allow them to work with embroiderers and manage their business. | Women do not have sufficient literacy or numeracy to participate in training.                                | Target women do not understand the instructions or training materials and cannot benefit from the services. Instead, better-off women capture program benefits. | <ul style="list-style-type: none"> <li>• Ensure range of training modules and delivery mechanisms to meet the varying levels of literacy of female clients.</li> <li>• Link to relevant organizations working in areas beyond the scope of the project, such as NGOs providing literacy and numeracy classes</li> </ul>  |
| Community leaders and male family members allow women to participate and apply training and techniques      | Community leaders and male household members feel threatened by women's participation in the project.        | Limited numbers of women respond to the project opportunity. Those who do response are threatened socially or physically.                                       | <ul style="list-style-type: none"> <li>• Work with community leaders to demonstrate that the project is an income generating opportunity for their members for the betterment of their village.</li> <li>• Ensure men are included in the project promotion phase and recruitment of clients.</li> <li>• Make sure that local partners have support of community.</li> <li>• Design program in-line with existing gender roles, rather than directly confront gender roles.</li> </ul> |
| Monopolistic buying patterns are not continued by female sales agents.                                      | Monopolies develop with agents controlling producers' buying choices.  | Monopolistic buying patterns currently in the market continue with embroiderers unable to earn a higher income.   | <ul style="list-style-type: none"> <li>• Recruit substantial numbers of sales agents in each village to create competition amongst buyers.</li> <li>• Develop producer groups to lessen adverse power relations and enhance negotiating capacity.</li> <li>• Educate all parties on the merits of developing mutually beneficial relationships.</li> </ul>   |
| Formal value chain players willing to work producers and agents in the informal sector.                     | Formal designers unwilling to work with producers and agents in the informal sector.                         | While embroiderers are able to sell to intermediaries, they are unable to produce designs demanded by market.   | <ul style="list-style-type: none"> <li>• Explore working with a range of designers with different interests and skill level.</li> <li>• Demonstrate to designers the potential demand from the informal market for their services.</li> </ul>  |
| Regional political factors in the country do not hinder operations of project staff                         | Regional conflicts prevent staff from travel to rural areas, or negatively impact value chain relationships. | Women are unable to get support for their business or to link to markets.   | <ul style="list-style-type: none"> <li>• Locate facilitators in rural areas.</li> <li>• Avoid high-conflict areas.</li> <li>• Promote healthy interaction amongst value chain players.</li> </ul>  |
| Geographic isolation and weak infrastructure do not impede access to markets or project staff.              | Weak infrastructure prevents links between rural women and markets or project staff.                         | Women are unable to receive project support and sell to markets.  | <ul style="list-style-type: none"> <li>• Locate facilitators in rural areas.</li> <li>• Develop access to various markets for embroiderers including approaches to consolidate the work of far-flung communities.</li> </ul>   |

\*May transfer directly to Worksheet #8 – Logical Framework Matrix..





# Logical Framework

# Logical Framework



A Logical Framework<sup>23</sup> is typically required by most funding agencies as part of a proposal. It serves a dual purpose as both a project planning mechanism, and a monitoring and evaluation tool. As a planning document, the logframe establishes how the objectives will be achieved by summarizing the program design and interventions, and outlining potential risks that may affect the program. As a monitoring and evaluation tool, it establishes indicators, and provides the basis for a performance measurement framework. Additionally, completing the logframe during the design process can help identify missing market information or gaps in the program design.

## Principles

The logframe is a good way to check whether critical principles have been incorporated into the program design. These principles can be tested with, the following questions:

- Are the program activities and outcomes likely to create significant impact?
- Are the solutions tailored to the constraints faced by program SEs in reaching identified markets?
- Do program targets reflect sustainability goals and mechanisms for supporting sustainability?
- Will achieved targets result in the larger goal of creating a vibrant, competitive market?
- Does the program consider replication and resiliency by building learning systems?

<sup>23</sup>The Logical Framework is a key document in the Logical Framework Approach, also referred to as Logical Framework Analysis, or LFA. Here, the one page document is referred to as the logical framework or logframe.

## Market Research and Other Information Needed

The logframe serves as a program design summary and therefore requires the following information:

- Goal and Purpose Statements
- Sustainable Solutions Table
- Interventions Table
- Risk Manager

The following market information is required to establish baseline data and to set targets:

- Implementing agency's previous project reports, and similar projects to estimate potential targets
- Baseline levels for the key indicators, and past growth trends including market growth rates and size
- Basic business performance data for enterprises that will be involved in or affected by the program
- Estimate of unmet demand in the market
- Projections of how much production increase target SEs can manage in the program timeframe
- Calculation of sales increases of various value chain enterprises as a result of the program

Although not all donors require quantifiable indicators, measuring impact is best done against reliable baseline information and solid projections.

## Step-By-Step Guide

Most donors, both bilateral and multilateral, will require an initial logframe to be submitted with your proposal. The version presented in this Toolkit is a basic model based on CIDA's recommended logframe<sup>24</sup>. It is particularly suitable as a project planning tool given the inclusion of both the facilitator's objectives (narrative summary column) and impact on clients and markets (expected results). However, each donor uses a different format. Some donors separate activities from outputs<sup>25</sup> while others recommend excluding activities from the logframe completely<sup>26</sup>. Some logframes include the means of verification, specifically the sources of information for measuring the specified indicators. Before developing your logframe, ensure that you are aware of the potential donor's requirements, format and definitions. You may need to spend some time with your team members understanding the specific format with which you will be working.

*Tip:* Ensure the logframe is detailed enough to provide a clear and concise plan but not so detailed that it prevents flexibility during implementation.

All logframes have two elements in common:

- *Vertical logic (i.e. changes over time highlighting the cause-effect relationship):* From bottom to top, the logframe describes the activities or inputs that will cause changes to occur among target clients, communities and markets both over the life of the project and post-project.
- *Horizontal logic (i.e. defines progress and performance):* From left to right, describes an objective, illustrates the result on the value chain, establishes targets and/or measurable indicators, and identifies assumptions associated with that objective.

In the logframe presented below, for example, there are three vertical levels making the causal links from resources (input and activities) to purpose and then to goal. There are four categories on each horizontal level including a narrative summary, results, indicators, and assumptions.

<sup>24</sup>CIDA, 1997.

<sup>25</sup>Such as the Food and Agricultural Organization.

<sup>26</sup>For example, AUSAID.

## STEP 1: Complete Project Data

Fill in the project data at the top of the logframe. This includes:

- Country/Region
- Project Title
- Project Manager
- Partner Organization(s)
- Total Project Budget
- Requested Donor Contribution
- Contribution by other sources

*Tip:* Pick a memorable, compelling, short project name. This puts you in control of project branding from the start.

*Impact:* Long-term result in market system and amongst the target population as a consequence of program activities and outcomes – measurable post-program.

*Outcome:* Mid-term result that the target enterprises or market experiences due to program outputs – measurable in the second half or at end of the program.

*Output:* Short-term results as a consequence of specified project inputs and activities – measurable from the early days of the program.

## STEP 2: Identify Resources, Outputs, and Indicators

- A. *Resources:* Resources include both inputs and activities that will be required to achieve the project purpose over time. These items should be grouped thematically with categories corresponding to the Summary of Interventions in Worksheet #6. For example, in an agricultural program you may have categories such as production, post-harvest handling, and credit. A brief list of activities and inputs would be appropriate here; these descriptions should be clear and concise. For example:
- Production Upgrading: Develop sustainable supply of services for female farmers, including extension, credit, and input provision.
  - Community Mobilization: Work through community organizations to enhance level of service provision for HIV/AIDS affected households.
  - Market Development: Improve dissemination of market information including prices and quality requirements, build basic business management skills, and enhance links to intermediaries.
- B. *Outputs:* Outputs are immediate results derived from the resources delivered by the project. What milestones should the project achieve in the first year to year and a half of implementation? What will be the initial signs that the programs' resources are being accepted and used appropriately in the market? For example:
- Existing service providers aware of market amongst female farmers.
  - Community institutions increase outreach to HIV-affected households.
  - Community representatives participate in training on basic accounting and inventory tracking.
- C. *Output indicators:* Indicators enable a program to measure the output milestones. Performance indicators should be tangible indicators demonstrating successful completion of key project tasks. For example, number of training sessions, number of partners, or key documents produced. To follow on the previous example, specific

*Tip:* Remember, your indicators should be SMART:

- Specific
- Measurable
- Achievable
- Relevant
- Timely

indicators might be:

- # of service providers targeting female farmers
- % of HIV-affected households reached by community institutions
- # of participants in training on basic accounting and inventory tracking.

### STEP 3: Fill in Medium Term Purpose, Outcomes, and Indicators

- A. Project purpose: The project purpose is the targeted program aim during the life of the project that results from the resources stated in STEP 2. For example:
- Contribute to agricultural development by advancing women's participation in horticultural value chains.
  - Strengthen community-based structures and institutions that can enhance economic participation for HIV-affected households.
  - Diversify market opportunities for indigenous communities to increase value addition of natural resources.

The project purpose should be the same as that identified as the Broad Program Strategy on Worksheet #6.

- B. Outcomes: Outcomes reflect the desired results by the end of the project as a consequence of achieving the project's outputs. Outcomes answer the question: what is the end result attributable to the specified project interventions? For example:
- Improved productivity through greater access for female farmers to extension services.
  - Enhanced support markets (including input supplies, credit, packaging, and transport).
  - Improved capacity to access higher value markets.

These outcomes will be the same as those identified on the Sustainable Solutions Table.

- C. Outcome indicators: Identify indicators to demonstrate that the project has achieved the stated outcomes. Selected indicators should focus on medium term impact such as adoption rates, number of project clients, and level of private sector service provision. Indicators relating to the Outcomes listed above might be:
- % increase in crop yields for women farmers
  - % of women farmers who are satisfied with available support services and products
  - # of women reporting increased sales to higher value markets

### STEP 4: Complete Long-Term Goal, Impact, and Indicators

- A. Project Goal: Review your Goal Statement from the Goal Articulator Tool. Does it still reflect the long-term development impact given your project interventions? Does the goal follow on from the project purpose? Copy the statement into the box labelled "Project Goal." For example:
- Enable homebound rural women in Pakistan to increase revenues and contribute to household income
  - Increase incomes and improve livelihoods of HIV-affected households through integration into competitive value chains
  - Enhance livelihoods of indigenous communities through promotion of environmentally-friendly and profitable income generation activities

*Tip:* Ensure "people-level-impact." Although many donors and agencies have different goals, having a Goal Statement that clearly identifies the intended target population can be more compelling than a statement about stimulating markets, growth or competitiveness. The Goal Statement should help inspire program supporters, managers and staff to strive to make a difference in the lives of the people the program will serve.

- B. **Impact:** Develop impact results that capture the project goal. What long-term changes in the value chain will occur as a result of the program? For example:
- Increased integration of rural women into a market system resulting in higher income
  - Diversified and enhanced financial benefits for HIV-affected households
  - Indigenous communities empowered to become economic contributors while preserving their environment and protecting bio-diversity.
- These should be the same as the identified Expected Value Chain Impact on the Sustainable Solutions Table.
- C. **Impact indicators:** How you will measure impact? What indicators will demonstrate that these results have been attained? Selected indicators should focus on long-term development impact, such as increased yields, improved incomes, enhanced standard of living, growth in Value Chain output, improved productivity, and increased sales in support services and products. For example:
- Rural households score higher in terms of quality of life indicators
  - HIV-affected households improve livelihoods with increase spending power
  - Reduce environmental degradation for indigenous communities that have higher revenues

#### **STEP 5: Identify Assumptions/Risks**

- A. **Organize assumptions:** With the Risk Manager, you identified key assumptions required for the causal relationship between resources-outputs, outputs-outcomes, and outcomes-impact. The assumptions that you assessed as both significant and likely to occur should be placed in the assumptions column of the Logical Framework Matrix, at the appropriate level, i.e. according to long-term, medium-term, or short-term impact.
- B. **Risk indicators:** Risk indicators are used to measure the status of assumptions above. Determine how you would calculate or gauge your project's ability to address these conditions. Complete these indicators for each assumption across all levels.

#### **STEP 6: Verify Causal Chain and Finalise Logical Framework Matrix**

Review the matrix making sure that the horizontal logic (narrative summary-results-performance-assumptions) and vertical logic (output-outcome-impact) still holds. Are there any gaps in the cause-effect chain? Does each step in the causal chain logically flow to the next? Are there certain external conditions that have not been considered and need to be added as a risk? Have you missed important interventions that are needed to achieve desired impact? If so, revisit your Intervention Table and Risk Manager.

#### **STEP 7: Document your Work**

List the evidence you have for the data and projections in the logframe. For example, evidence from market research will include the following:

- Secondary Source Research: Bibliographic references
- Key Informant Interview: Names of interviewer and interviewee, date, points and quotes
- Focus Group Discussion: Names of facilitators and participants, dates, key points, quotes, any numbers
- In-depth Interview: Names of interviewer and interviewees, date, points and quotes
- Action Research: Primary data results

Here, you want to write notes that illustrate to an external audience from whom the data was collected and how it was analysed.

# Logical Framework Worksheet

## Worksheet #8

### Logical Framework - Logical Framework Matrix<sup>27</sup>

|   |   |   |   |
|---|---|---|---|
| Project Title   |   |   |   |
| Country/Region  |   | Total Project Budget  |   |
| Partner Organization  |   | Requested Donor Contribution  |   |
| Project Manager   |   | Contribution by other sources   |   |
| NARRATIVE SUMMARY   | EXPECTED RESULTS  | PERFORMANCE MEASUREMENT   | ASSUMPTIONS/RISK INDICATORS   |
| Project Goal (Program Objective)<br><i>Long-term project objective that results from project purpose</i>                        | Impact<br><i>Long-term result as a consequence of achieving specified outcomes</i>    | Performance Indicators<br><i>Indicators to demonstrate achievement of stated impact.</i>      | Assumptions - Risk Indicators<br><i>ASSUMPTIONS</i><br><i>Conditions that must hold true for outcomes to result in long-term impact</i><br><br><i>RISK INDICATORS</i><br><i>Indicators to measure status of assumptions above</i> |
| Project Purpose<br><i>Medium-term project objective that results from stated resources</i>                                      | Outcomes<br><i>Medium term results as a consequence of specified outputs.</i>         | Performance Indicators<br><i>Indicators to demonstrate achievement of stated outcomes.</i>    | Assumptions - Risk Indicators<br><i>ASSUMPTIONS</i><br><i>Conditions that must hold true for outputs to result in outcomes</i><br><br><i>RISK INDICATORS</i><br><i>Indicators to measure status of assumptions above</i>          |
| Resources (inputs and/or activities)<br><i>Listing by category of inputs and activities required to achieve project purpose</i> | Outputs<br><i>Short-term results as a consequence of specified project resources.</i> | Performance Indicators<br><i>Indicators to demonstrate achievement of short-term results.</i> | Assumptions - Risk Indicators<br><i>ASSUMPTIONS</i><br><i>Conditions that must hold true for resources to result in outputs</i><br><br><i>RISK INDICATORS</i><br><i>Indicators to measure status of assumptions above</i>         |

<sup>27</sup>CIDA, 1997.

# Example of Complete Logical Framework Worksheet

## Worksheet #8 MEDA and ECDI Pakistan Example

### Logical Framework - Logical Framework Matrix

|  |  |  |  |
|--|--|--|--|
| Project Title  | Behind the Veil: Market Access for Homebound Women Embroiderers in Pakistan  |  |  |
| Country/Region   | Pakistan   | Total Project Budget   | \$700,000  |
| Partner Organization   | EDCI   | Requested Donor Contribution   | \$600,000  |
| Project Manager  | Jane Smith   | Contribution by other sources  | \$100,000  |
| NARRATIVE SUMMARY  | EXPECTED RESULTS   | PERFORMANCE MEASUREMENT  | ASSUMPTIONS/RISK INDICATORS  |
| Project Goal - To enable homebound rural women in Pakistan to increase incomes and contribute to household revenue by reaching lucrative markets for hand-embroidered garments.  | Impact <ul style="list-style-type: none"> <li>Improved production quality and access to markets for homebound embroiderers</li> <li>Increased financial benefits to rural embroiderers and their households</li> </ul>   | Performance Indicators <ul style="list-style-type: none"> <li>Annual volume of sales for project clients</li> <li>Increase in incomes for rural embroiderers</li> <li>Improved Standard of Living for women (using proxy indicators and qualitative interviews)</li> </ul>                   | Assumptions - Risk Indicators<br><i>ASSUMPTIONS</i> <ul style="list-style-type: none"> <li>Regional political factors in the country do not hinder operations of project staff</li> </ul> <i>RISK INDICATORS</i> <ul style="list-style-type: none"> <li>Project operations avoid high-conflict areas and ensure project representation in rural areas</li> </ul>   |
| Project Purpose <ul style="list-style-type: none"> <li>Facilitate the development of multiple market channels from which rural embroiderers can choose</li> <li>Enhance access for embroiderers to a range of services, including design and input supplies, in order to facilitate production of high value products</li> </ul> | Outcomes <ul style="list-style-type: none"> <li>Improved production capacity through increased quality control and design</li> <li>Enhanced supply of support services, including quality, design, and market information</li> <li>Increased selling options and market channels for rural embroiderers</li> <li>Embroiderers have superior knowledge and understanding of market demands</li> </ul> | Performance Indicators <ul style="list-style-type: none"> <li>Adoption rates of new design and quality control measures by embroiderers</li> <li>Number of new female intermediaries</li> <li>Number of women selling products in high-value market for hand-embroidered garments</li> </ul> | Assumptions - Risk Indicators<br><i>ASSUMPTIONS</i> <ul style="list-style-type: none"> <li>Community leaders and male family members allow women to participate and apply training and techniques</li> <li>Sales agents' literacy and numeracy skills allow them to work with embroiderers and manage business.</li> </ul> <i>RISK INDICATORS</i> <ul style="list-style-type: none"> <li>Community leaders are aware of income opportunities for women through the project.</li> <li>A range of training modules and delivery mechanisms are offered to meet the varying levels of literacy of female clients</li> <li>Link established with to relevant organizations working in areas of literacy and numeracy.</li> </ul> |



## Worksheet #8 MEDA and ECDI Pakistan Example (Continued)

### Logical Framework - Logical Framework Matrix

| Resources  | Outputs   | Performance Indicators  | Assumptions - Risk Indicators  |
|--|---|---|--|
| <ul style="list-style-type: none"> <li>• Develop sales agent model, build capacity of agents, and support the development of a sale agent association: Foster greater diversity of intermediaries; develop capacity of sales agents (time management and entrepreneurship), marketing, quality control, and design training.</li> <li>• Enhanced marketing links and improved capacity of agents: develop relationships with wholesalers, organize trade fairs and exhibitions, contribute to government's efforts to promote the sector in</li> </ul> | <ul style="list-style-type: none"> <li>• Women participate in technical training sessions on quality, design, and business management.</li> <li>• Agents recruit embroiderers.</li> <li>• Input suppliers identified and linkages initiated</li> <li>• Export market opportunities researched and analysed</li> <li>• Market demands identified and documented for agents.</li> </ul> | <ul style="list-style-type: none"> <li>• Number of women participating in training project activities</li> <li>• Number of embroiderers working with agents</li> <li>• Number of input supply shops linked to project</li> <li>• Document on export market opportunities</li> </ul> | <p><i>ASSUMPTIONS</i></p> <ul style="list-style-type: none"> <li>• Geographic isolation and weak infrastructure do not impede access to markets or project staff.</li> <li>• Monopolistic buying patterns are not continued by female sales agents.</li> <li>• Formal value chain players willing to work producers and agents in the informal sector.</li> </ul> <p><i>RISK INDICATORS</i></p> <ul style="list-style-type: none"> <li>• Substantial numbers of agents recruited with importance of win-win relationships highlighted.</li> <li>• Producer groups help discourage monopolies.</li> <li>• Range of market opportunities acknowledged by formal actors.</li> <li>• Service providers represent both formal and informal sectors.</li> <li>• Project staff based in rural areas.</li> <li>• Links developed with a range of market opportunities</li> </ul> |



# Implementation Planner

# Implementation Planner



The Implementation Planner provides a method for estimating the time and other resources required for putting the program into action. It is a reality check for designers to think through action steps for the program, and compare necessary resources with those available to the implementing agency. Intervention planning considers the capacity of the implementing agency to carry out the planned interventions, and provides an opportunity to build skills and expertise through partnerships and training of staff.

## Principles

What principles are most important to bear in mind when using this tool?

- *Sustainability:* Improvements in the value chain need to be offered by commercial businesses on a profitable basis. As the implementation plan is developed, practitioners should ensure that each activity has a clear sustainability strategy.
- *Stimulate Market Take-up:* Learning systems are key to achieving a more sustainable, resilient and competitive value chain. As practitioners work through the implementation plan, strategies should be developed for building systems for the commercial replication of the program. Learning systems include trade association activities, flow of information in the value chain, commercial business service markets, informal knowledge transfer and formal training institutes.

## Market Research and Other Information Needed

- Implementing agency capacity and costs
- Program parameters: timeframe, overall budget, eligible activities
- Potential partners who could complement program work and/or build capacity
- Sustainable Solutions Table
- Interventions Table

## Step-By-Step Guide

While you may have completed the other steps in the program design process as a team, the Implementation Planner is best utilized by a small group of designers within the implementing agency. Issues may be discussed with other stakeholders, for example, if the design team wants to explore potential partnership opportunities. The Implementation Planner presented below results in a brief description of activities for proposal purposes. Some donors may require a more detailed implementation plan.

### STEP 1: Transfer Interventions from Intervention Table to Worksheet

Transfer the main interventions selected to the Intervention Planning Worksheet. Each intervention should have a separate worksheet to help plan out the details of that activity. Revisit stated interventions under each category (entry, pilot, replication and learning, and exit). Expand on the descriptions provided in Worksheet #6 to describe in greater detail planned activities. Are there additional program activities that need to be included?

### STEP 2: Estimate Timeframe and Level of Effort (LOE)

Level of effort: Number of person-days, weeks or months required to conduct program activities. For each intervention, estimate the time it will take, both in terms of elapsed time – start and stop date – (timeframe) and number of person-months (level of effort).

*Level of effort:* Number of person-days, weeks or months required to conduct program activities.

### STEP 3: Determine Responsibility

Indicate who has primary responsibility for the intervention. If it is a partner, specify which partner. If it is the main implementing agency, indicate which staff position is responsible.

### STEP 4: Create Capacity Building Plan

For each intervention, make a list of the expertise required or skills needed to carry out the activity. Compare this to the capacity of the implementing agency or partners. Highlight deficits in capacity and determine a plan for addressing this gap, for example:

- Hiring new staff
- Training existing staff
- Using consultants
- Forming a new partnership

### STEP 5: Transfer Summary Information to the Implementation Planner

After completing the worksheets for each intervention, transfer the summary information to the Implementation Planner. This can be used to share a more succinct plan with potential partners and supporters. Look at the proposed timeframe and compare it to expectations. Revise the plan accordingly.

*Tip:* Remember that changes to the Implementation Plan have implications for the information in the other tools. If you scale down implementation, you may need to revisit the objectives and reduce expected results. Alternatively, you may cross off an entire set of interventions, so you will need to go back to previous tables and eliminate them there as well.

### **STEP 6: Plan Administration, Monitoring and Evaluation**

These activities will occur throughout the program. Many donors expect some description of these activities in proposals, so now is a good time to write a paragraph or a few bullet points about the plan in each area. To fill out the table, estimate both level of effort and responsibility.

### **STEP 7: Review and Finalize**

Review the Implementation Plan. Are there key activities that you are missing? Do they accurately reflect your stated interventions? Are there activities that will require substantial capacity building?

### **STEP 8: Provide Back-Up Documents**

Develop descriptions of the qualifications of key staff and partners, and gather CVs as necessary.



# Implementation Plan Worksheets

## Worksheet #9

### Implementation Planner - Implementation Plan

| Interventions:<br>(Summarize each intervention on one line.) | Timeframe<br>(Q1, Q2, Y1,<br>Y2, etc.) | Level of Effort | Person/<br>Partner<br>Responsible | New Expertise<br>Required<br>(if applicable) | Capacity<br>Building Plan<br>(if applicable) |
|--|--|-----------------|-----------------------------------|--|--|
| A.   |  |                 |                                   |  |  |
| B.   |  |                 |                                   |  |  |
| C.   |  |                 |                                   |  |  |
| D.   |  |                 |                                   |  |  |
| E.   |  |                 |                                   |  |  |
| Management & Administration                                  |  |                 |                                   |  |  |
| Monitoring & Evaluation                                      |  |                 |                                   |  |  |

Intervention A – Implementation Planning Worksheet

| Steps:   | Timeframe<br>(Q1, Q2, Y1,<br>Y2, etc.) | Level of Effort | Person/<br>Partner<br>Responsible | New Expertise<br>Required<br>(if applicable) | Capacity<br>Building Plan<br>(if applicable) |
|--|--|-----------------|-----------------------------------|--|--|
| Entry  |  |                 |                                   |  |  |
| Pilot  |  |                 |                                   |  |  |
| Replication and Learning   |  |                 |                                   |  |  |
| Exit   |  |                 |                                   |  |  |
| Total (This line goes into consolidated Implementation Plan Worksheet) |  |                 |                                   |  |  |



Intervention B – Implementation Planning Worksheet

| Steps:   | Timeframe<br>(Q1, Q2, Y1,<br>Y2, etc.) | Level of Effort | Person/<br>Partner<br>Responsible | New Expertise<br>Required<br>(if applicable) | Capacity<br>Building Plan<br>(if applicable) |
|--|--|-----------------|-----------------------------------|--|--|
| Entry  |  |                 |                                   |  |  |
| Pilot  |  |                 |                                   |  |  |
| Replication and Learning   |  |                 |                                   |  |  |
| Exit   |  |                 |                                   |  |  |
| Total (This line goes into consolidated Implementation Plan Worksheet) |  |                 |                                   |  |  |

Intervention C – Implementation Planning Worksheet

| Steps:   | Timeframe<br>(Q1, Q2, Y1,<br>Y2, etc.) | Level of Effort | Person/<br>Partner<br>Responsible | New Expertise<br>Required<br>(if applicable) | Capacity<br>Building Plan<br>(if applicable) |
|--|--|-----------------|-----------------------------------|--|--|
| Entry  |  |                 |                                   |  |  |
| Pilot  |  |                 |                                   |  |  |
| Replication and Learning   |  |                 |                                   |  |  |
| Exit   |  |                 |                                   |  |  |
| Total (This line goes into consolidated Implementation Plan Worksheet) |  |                 |                                   |  |  |

Intervention D – Implementation Planning Worksheet

| Steps:   | Timeframe<br>(Q1, Q2, Y1,<br>Y2, etc.) | Level of Effort | Person/<br>Partner<br>Responsible | New Expertise<br>Required<br>(if applicable) | Capacity<br>Building Plan<br>(if applicable) |
|--|--|-----------------|-----------------------------------|--|--|
| Entry  |  |                 |                                   |  |  |
| Pilot  |  |                 |                                   |  |  |
| Replication and Learning   |  |                 |                                   |  |  |
| Exit   |  |                 |                                   |  |  |
| Total (This line goes into consolidated Implementation Plan Worksheet) |  |                 |                                   |  |  |

Intervention E – Implementation Planning Worksheet

| Steps:   | Timeframe<br>(Q1, Q2, Y1,<br>Y2, etc.) | Level of Effort | Person/<br>Partner<br>Responsible | New Expertise<br>Required<br>(if applicable) | Capacity<br>Building Plan<br>(if applicable) |
|--|--|-----------------|-----------------------------------|--|--|
| Entry  |  |                 |                                   |  |  |
| Pilot  |  |                 |                                   |  |  |
| Replication and Learning   |  |                 |                                   |  |  |
| Exit   |  |                 |                                   |  |  |
| Total (This line goes into consolidated Implementation Plan Worksheet) |  |                 |                                   |  |  |

## Examples of Completed Implementation Plan Worksheets

### Worksheet #9 MEDA and ECDI Pakistan Example

#### Implementation Planner - Implementation Plan

| Interventions:<br>(Summarize each intervention on one line.) | Timeframe<br>(Q1, Q2, Y1,<br>Y2, etc.) | Level of Effort | Person/<br>Partner<br>Responsible       | New Expertise Required<br>(if applicable)   | Capacity Building Plan<br>(if applicable)                         |
|--|--|-----------------|---|---|---|
| A. Develop Sales Agent Model and capacity                    | ongoing<br>ongoing                     | 27.25           | Partner/<br>Project<br>Manager          | Group formation and development, service development and association building for partner | TA from MEDA, industry conferences                                |
| B. Marketing links   | ongoing                                | 20              | Partner/<br>Project<br>Manager          | Association building for partner  | TA from MEDA, industry conferences, marketing consultant          |
| C. Design improvement  | ongoing                                | 12.5            | Partner/<br>Project<br>Manager          | Design knowledge Association building for partner   | TA from MEDA, industry conferences, lead designer, ToT specialist |
| D. Input supply development                                  | ongoing                                | 7.5             | Partner/<br>Project<br>Manager          | Association building for partner  | TA from MEDA, industry conferences                                |
| Project Administration                                       | ongoing                                |                 | Partner/<br>Project<br>Manager          | Value chain development for local staff   | N/A   |
| Monitoring and Evaluation                                    | ongoing                                |                 | Partner/<br>Project<br>Manager/<br>M&EO | Developing Database   | Training with M&E Technical Expert                                |

## Intervention A – Implementation Planning Worksheet

| Steps:  | Timeframe<br>(Q1, Q2, Y1,<br>Y2, etc.) | Level of Effort | Person/<br>Partner<br>Responsible | New Expertise<br>Required<br>(if applicable)                              | Capacity<br>Building Plan<br>(if applicable)                            |
|---|--|-----------------|-----------------------------------|---|---|
| Entry: Recruit mobile women in each village to act as sales agents. Use partner network to identify entrepreneurial women, Meeting with community leaders to identify potential intermediaries. Initial training sessions to promote program to potential agents. Develop training modules (time management and entrepreneurship, marketing, quality control) | Year 1,<br>Q1-Q4                       | 5               | Partner/<br>Project<br>Manager    | Group<br>formation and<br>development<br>for partner                      | TA from<br>MEDA   |
| Pilot: Develop links between SAs and retailers/Wholesalers (See Market Linkages Intervention Worksheet) Improve ability of lead producers to act as intermediaries through range of training activities. Offer seminars, training sessions, and workshops.  | Year 1 Q2- Year<br>2, Q4               | 12              | Partner                           | N/A   | Marketing<br>consultant<br>offers TA                                    |
| Replication and Learning: Develop model to introduce new intermediaries into value chain. Identify third party (e.g. sales agent association) and develop capacity of third party to provide training on sustainable basis  | Year 2, Q2-3                           | 7.25            | Partner/<br>Project<br>Manager    | Service<br>development,<br>association<br>building                        | TA from<br>MEDA,<br>industry<br>conferences                             |
| Exit: Ensure capacity of designed model to replicate and scale for future benefits  | Year 3, Q2-3                           | 3               | Partner/<br>Project<br>Manager    | N/A   | N/A   |
| Total (This line goes into consolidated Implementation Plan Worksheet)  |  | 27.25           | Partner/<br>Project<br>Manager    | Group<br>formation,<br>service<br>development,<br>association<br>building | TA from<br>MEDA,<br>industry<br>conferences,<br>marketing<br>consultant |

## Intervention B – Implementation Planning Worksheet

| Steps:  | Timeframe<br>(Q1, Q2, Y1,<br>Y2, etc.) | Level of Effort | Person/<br>Partner<br>Responsible | New Expertise<br>Required<br>(if applicable) | Capacity<br>Building Plan<br>(if applicable)                       |
|---|--|-----------------|-----------------------------------|--|--|
| Entry: Identify and develop relationships between wholesalers and retailers in market; Analyse market.                                  | Year 1 Q2- Year 2, Q2                  | 3               | Partner/<br>Project<br>Manager    | N/A  | N/A  |
| Pilot: Foster marketing links between agents and buyers; Facilitate sales agent participation in trade fairs and other market promotion | Year 1 Q2- Year 3, Q2                  | 15              | Partner                           | N/A  | Marketing consultant to offer TA to team                           |
| Replication and Learning: Develop capacity of third party to conduct market activities on sustainable basis (through association).      | Year 2, Q2-<br>Year 3, Q3              | 2               | Partner/<br>Project<br>Manager    | Association building                         | TA from MEDA, industry conferences                                 |
| Exit: Ensure capacity of association  | Year 3, Q3                             | See Above       | Partner/<br>Project<br>Manager    | N/A  | N/A  |
| Total (This line goes into consolidated Implementation Plan Worksheet)  | Year , Q2 - Year 3, Q3                 | 20              | Partner/<br>Project<br>Manager    | Association building for Partner             | TA from MEDA, industry conferences, marketing consultant offers TA |

## Intervention C – Implementation Planning Worksheet

| Steps:  | Timeframe<br>(Q1, Q2, Y1,<br>Y2, etc.) | Level of Effort | Person/<br>Partner<br>Responsible | New Expertise<br>Required<br>(if applicable)                  | Capacity<br>Building Plan<br>(if applicable)                                     |
|---|--|-----------------|-----------------------------------|---|--|
| Entry: Identify designers with requisite technical skills. Develop design training modules.   | Year 1, Q2 –<br>Year 2, Q1             | 2               | Partner/<br>Project<br>Manager    | Design<br>knowledge   | Conferences,<br>training from<br>lead designer                                   |
| Pilot: Training of trainer for sales agents to disseminate design to other producers. Link designers to intermediaries through training sessions. | Year 1 Q2- Year<br>3, Q2               | 9               | Partner                           | N/A   | ToT specialist<br>to assist  |
| Replication and Learning: Develop capacity of third party to make links on sustainable basis (through association).                               | Year 2, Q2-<br>Year 3, Q3              | 1.5             | Partner/<br>Project<br>Manager    | Association<br>building                                       | TA from<br>MEDA,<br>industry<br>conferences                                      |
| Exit: Ensure capacity of association  | Year 3, Q3                             | See Above       | Partner/<br>Project<br>Manager    | N/A   | N/A  |
| Total (This line goes into consolidated Implementation Plan Worksheet)  | Year 1, Q2 -<br>Year 3, Q3             | 12.5            | Partner/<br>Project<br>Manager    | Design<br>knowledge<br>Association<br>building for<br>partner | TA from<br>MEDA,<br>industry<br>conferences,<br>lead designer,<br>ToT specialist |



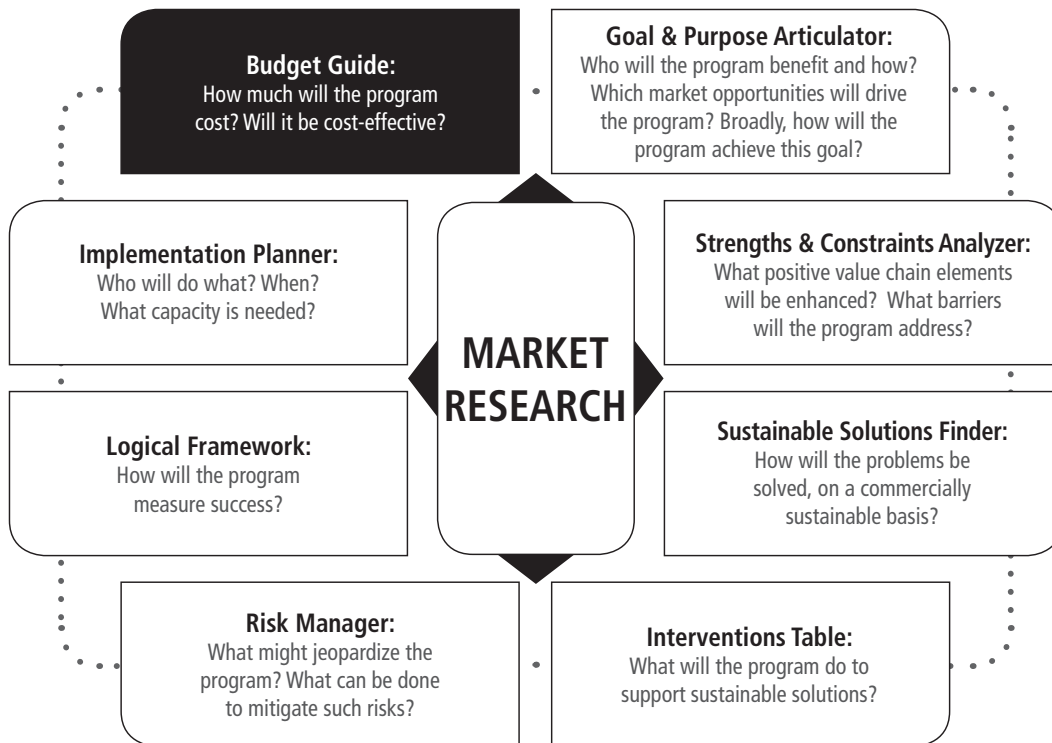
## Intervention D – Implementation Planning Worksheet

| Steps:  | Timeframe<br>(Q1, Q2, Y1,<br>Y2, etc.) | Level of Effort | Person/<br>Partner<br>Responsible | New Expertise<br>Required<br>(if applicable) | Capacity<br>Building Plan<br>(if applicable) |
|---|--|-----------------|-----------------------------------|--|--|
| Entry: Identify input suppliers with access to high quality thread and fabric.  | Year 1, Q2 –<br>Year 2, Q1             | 2               | Partner/Project<br>Manager        | N/A  | N/A  |
| Pilot: Develop links between input suppliers and intermediaries. Promote market to input supply shops and assist development of new payment schemes and products. | Year 1 Q2- Year<br>3, Q2               | 3               | Partner                           | N/A  | N/A  |
| Replication and Learning: Develop capacity of third party to make links on sustainable basis (through association)  | Year 2, Q2-<br>Year 3, Q3              | 1.5             | Partner/Project<br>Manager        | Association<br>building                      | TA from<br>MEDA,<br>industry<br>conferences  |
| Exit: Ensure capacity of input supply shops to sustainably reach rural customers  | Year 3, Q3                             | 1               | Partner/Project<br>Manager        | N/A  | N/A  |
| Total (This line goes into consolidated Implementation Plan Worksheet)  | Year 1, Q2 -<br>Year 3, Q3             | 7.5             | Partner/Project<br>Manager        | Association<br>building for<br>partner       | TA from<br>MEDA,<br>industry<br>conferences  |



# Budget Guide

# Budget Guide



Now that you have determined what project activities will happen and when, you need to estimate costs. Your budget should be realistic, reasonable, and relevant. It should clearly demonstrate the resources required for your project to achieve its goals and objectives. As you build your budget, you may determine that your intervention strategy was overly ambitious, and need to scale back your activities. If so, make sure to revisit the other program design elements as well to ensure that your program adheres to key guiding principles.

## Principles

When developing your budget, keep in mind:

- *Significant, Pro-poor Impact:* Are activities sufficiently cost-effective to ensure that the benefits for clients are significant, compared to program costs?
- *Sustainability:* What facilitation activities can be carried out by commercial players which will not only diminish cost for the implementing agency but also support the development of a dynamic, efficient value chain?
- *Stimulate Market Take-Up:* Make sure to allocate funds for building the learning systems within the market, such as capacity building for associations that lead to long-term benefits beyond the involvement of the implementing agency.

## Market Research and Other Information Needed

- Implementing agency capacity and costs
- Program Parameters
- Resource requirements of potential partners who could complement program work and/or build capacity
- Information on costs for similar projects
- Knowledge of in-country cost estimates for expenses such as office leases, utilities, communications, salaries and equipment
- Implementation Plan

## Step-By-Step Guide

If a team approach was used in program design, it is best to reduce the team to a small group of designers within the implementing agency when completing the budget. Include a budget narrative which justifies and explains each line item and the estimated amount. It helps to compare similar projects to develop these numbers.

If the program design is for a funding proposal, be aware that each donor will have a specific budget format. The example template presented below is only a guide; you will need to adapt your budget to match your donor's requirements.

### STEP 1: Estimate Personnel Costs

Review your level of effort from the implementation plan. How many staff will be required for each activity? Is junior, mid, or senior staff needed? Will they be part-time or full-time on the project? How many staff will be required from headquarters for management and advisory purposes? Will external consultants also be used? Provide salary estimates (including benefits) for each staff member and consultant, and pro-rate to percentage time on the project as needed. Include project coordinators, monitoring and evaluation functions, and other relevant administrative positions.

*Tip:* Remember to account for inflation when allocating your yearly costs.

### STEP 2: Estimate Facilitation Activities

Estimate what additional inputs – other than human resources – might be required. These include the cost of workshops or promotional activities, training events, and grants to implementing partners, lead firms, associations or support service providers. What resources will be required to implement each of the activities as stipulated in your implementation plan?

### STEP 3: Estimate Travel Expenses

Indicate how much travel will be required for project implementation. Will you have project staff located in the field? Or will project staff be based in a central project office and travel to clients? How many vehicles (cars, motorbikes, bicycles) will be required for project staff? Include the cost of insurance, maintenance and gas in this estimate. How many trips a year will be made by headquarters staff? Will local staff travel to international events? Include airfare, hotel, per diems, visa, and airport transfers.

*Tip:* Check what your prospective donor considers to be eligible and ineligible expenses. Make sure your donor will fund equipment costs before including them in your budget.

**STEP 4: Estimate Project Office Costs**

Decide whether the size of the project justifies additional office space or, if relevant, whether the project should be operated out of the existing office. Include rent, utilities, project equipment and maintenance, communications, and supplies in your estimate.

**STEP 5: Estimate Headquarters Direct Project Costs**

Repeat STEP 4 for the headquarters project office. What are additional costs that will be incurred as a result of the project? These would typically include communications, photocopying, and postage.

**STEP 6: Estimate Capacity Building Plan**

Review your capacity building plan and estimate the costs of that plan. What financial resources will be required to implement a reasonable capacity building plan? How much will the planned training and conferences cost? Are there additional costs required for staff training of project partners? Will there be travel expenses associated with these costs?

**STEP 7: Estimate Monitoring & Evaluation and Documentation of Learning Costs**

Assess the resources which will be required to carry out your monitoring and evaluation plan. How often will information be collected and by whom? How will this information be analyzed? Will computer software and hardware be required? How do you plan to disseminate the learnings of the project? This could include the development of written materials and case studies, the management of a project website, presentations at conferences or the development of an informational video.

**STEP 8: Estimate Additional Costs and Contingency Fund**

Are there other costs in addition to implementation and facilitation activities? For example, is a learning agenda a component of the project that requires resources for conferences and publications? Will you include development education for citizens of your country? Will your donor allow contingency costs in proposal budgets? If so, include a line item to provide flexibility during implementation.

**STEP 9: Calculate Match and Third-Party Contributions**

Include non-donor funds in your budget. Will your organization provide an in-kind or cash contribution? Are there third party contributions, perhaps from lead firms or associations, which also need to be included?

**STEP 10: Compare Budget to Implementation Plan**

Review your prepared implementation plan. Does your budget cover all of these activities? If not, add in the additional resources required.

**STEP 11: Calculate Cost-Effectiveness**

You can also take this opportunity to calculate a few key costs-effectiveness ratios:

- Cost of program per direct or indirect client
- Cost compared to increase in value chain earnings
- Cost of overall program versus increase in SE sales or profit

Is the cost reasonable compared to the benefits generated? How can you lower the cost or increase projected outreach and impact?

### STEP 12: Compare budget to donor parameters

Each donor will have different budget requirements. Review their budget restrictions so that your total fits within the funding limits. There may also be restrictions on how much can be allocated for personnel or travel. If your budget is above the typical funding amount, prioritize items to see where you can make cuts. Also examine each item and make sure that you can accurately justify that expense.

### STEP 13: Document your Work

List the evidence you have for the data and projections. Here, you should write notes that illustrate to an external audience how you arrived at each estimate.



# Budget Guide Worksheet

## Worksheet #10

### Budget Guide - Basic Budget<sup>28</sup>

|  | Year One | Year Two | Year Three | Total | Notes/Assumptions |
|--|----------|----------|------------|-------|-------------------|
| <b>Personnel</b>   |          |          |            |       |                   |
| Local Staff  |          |          |            |       |                   |
| HQ Staff   |          |          |            |       |                   |
| Consultants  |          |          |            |       |                   |
| <b>Facilitation Activities</b>                                   |          |          |            |       |                   |
| Grants   |          |          |            |       |                   |
| Workshops  |          |          |            |       |                   |
| Training Sessions  |          |          |            |       |                   |
| <b>Travel</b>  |          |          |            |       |                   |
| Local Travel   |          |          |            |       |                   |
| Vehicle & Costs  |          |          |            |       |                   |
| International Travel   |          |          |            |       |                   |
| <b>Project Office</b>  |          |          |            |       |                   |
| Rent   |          |          |            |       |                   |
| Utilities  |          |          |            |       |                   |
| Equipment and maintenance  |          |          |            |       |                   |
| Communication  |          |          |            |       |                   |
| Supplies   |          |          |            |       |                   |
| <b>Headquarters Direct Costs</b>                                 |          |          |            |       |                   |
| Communications   |          |          |            |       |                   |
| Photocopying   |          |          |            |       |                   |
| Postage  |          |          |            |       |                   |
| <b>Capacity Building Activities</b>                              |          |          |            |       |                   |
| <b>Monitoring &amp; Evaluation and Documentation of Learning</b> |          |          |            |       |                   |
| <b>Other Costs</b>   |          |          |            |       |                   |
| <b>Contingency</b>   |          |          |            |       |                   |
| <b>TOTAL REQUESTED FROM DONOR</b>                                |          |          |            |       |                   |
| <b>Matching</b>  |          |          |            |       |                   |
| <b>Contribution</b>  |          |          |            |       |                   |
| <b>Third-Party Contributions</b>                                 |          |          |            |       |                   |
| <b>TOTAL PROJECT BUDGET</b>                                      |          |          |            |       |                   |

*Note: Given the huge disparity between program budgets and costs between countries, no example is provided.*

<sup>28</sup>This is a basic budget for a value chain development program. It does not take into consideration special activities such as matching grants etc., or organizational indirect overheads.



# Conclusion

# Conclusion

Program design for value chain development can be a complex, time-intensive process. This toolkit attempts to make this process manageable by providing a step-by-step guide for analyzing market strengths and constraints, identifying solutions, and developing an implementation plan to stimulate sustainable market solutions. The toolkit incorporates good practice principles to help program designers plan the most effective programs possible.

Try not to get bogged down in the complexities of the toolkit. Each organization will have different priorities and requirements for program design, particularly in terms of initial versus mid-implementation design. You are encouraged to adapt these tools according to your requirements.

This toolkit is designed to be participatory in nature. There are many ways that your organization can creatively involve stakeholders in the process. Consultations with those involved in the value chain will help ensure that your program effectively and appropriately addresses the relevant constraints in the market.

If using this toolkit to develop a new program, you will find Annex D particularly helpful. The Annex outlines the main components for a typical proposal. Keep in mind however, that each donor will have their own format and requirements. Make sure you are clear on their prerequisites prior to completing a request for funding.

Once you have completed your program design, it is helpful to develop a short, concise summary. Think about what you would say if you walked on an elevator and the head of a major funding organization shared the ride with you. How would you, in a matter of a few minutes, sell your program? What will your organization do to sustainably foster markets and the ability of small enterprises to participate in these markets? Having a quick elevator pitch will ensure that you are able to concisely and effectively convey your project ideas to potential funders.

As you work through each tool, make sure to remember the core principles that guide pro-poor value chain development:

- Significant, Pro-Poor Impact
- Tailored, Demand-Driven Programs
- Sustainability
- Develop Market Systems
- Stimulate Demonstration Effects and Market Take-Up

In applying these core principles, try to implement strategies that limit the direct involvement of your organization in the particular value chain, allowing you to facilitate the development of sustainable value chain enterprises. Effective programming will ensure that commercial structures are developed and enhanced as much as possible. Successful organizations will ensure a light touch in the market. They will also make sure to coordinate efforts with other public and private entities currently active in the sector.

Ensuring flexibility in your program is also key. While you want to remain focused, make sure to provide staff with the necessary resources and flexibility to respond to opportunities as they arise. Being able to adapt and respond to market signals will ensure that your program truly allows the value chain initiatives to be market driven and promote economic growth while facilitating increased participation for SEs around the world.

For your own professional development, and the growth of the field in general, we also encourage you to participate in a relevant community of practice where you can share your experience, learn about other value chain development initiatives, and build professional support relationships. An annual list of these training events can be found online at [www.bdsknowledge.org](http://www.bdsknowledge.org) and [www.seepnetwork.org/marketdev](http://www.seepnetwork.org/marketdev). Other information, event announcements and links to more communities of practice can be found on the SEEP Market Development website, [www.seepnetwork.org/marketdev](http://www.seepnetwork.org/marketdev). We hope to meet you there and hear about your value chain development work.



## ANNEX A: List of Acronyms

|        |  |
|--------|--|
| AFE    | Action For Enterprise                              |
| AusAID | Australian Agency for International Development    |
| BDS    | Business Development Services                      |
| CIDA   | Canadian International Development Agency          |
| CSAs   | Community Sales Agents                             |
| DFID   | Department for International Development (UK)      |
| ECDI   | Entrepreneur Career and Development Institute      |
| GTZ    | German Society for Technical Cooperation           |
| IGP    | Implementation Grants Program                      |
| MEDA   | Mennonite Economic Development Association         |
| MDI    | Microenterprise Development Institute              |
| NGO    | Non Governmental Organization                      |
| FGD    | Focus Group Discussion                             |
| LOE    | Level Of Effort                                    |
| LSAs   | Local Sales Agents                                 |
| PML    | Production and Marketing Linkages                  |
| REs    | Rural Embroiderers                                 |
| SAs    | Sales Agents                                       |
| SDC    | Swiss Development Cooperation                      |
| SEs    | Small Enterprises                                  |
| SHNU   | Southern New Hampshire University                  |
| USAID  | United States Agency for International Development |

## ANNEX B: Glossary of Terms

The following is a list of terms typically used in the design of value chain development programs. These definitions are for the purposes of this toolkit and may differ from the manner these same terms are used elsewhere.

**Action Research:** A research tool that enables a researcher to test a specific program intervention idea by executing the intervention on a small scale, evaluating for viability and results.

**Active Listening:** A way of interacting with research respondents that emphasizes focusing on the respondent(s), actively trying to understand both what they say and their point of view, non-verbally and verbally acknowledging their points, and encouraging respondents to elaborate when appropriate.

**Assumptions:** External conditions required for each objective in the causal logic to be achieved.

**Business Development Services (BDS):** Any service used by an enterprise to assist in business functioning or growth.

**Causal Flow:** The assumed cause-and-effect relationship between the interventions of the project and the impacts for targeted clients.

**Constraint:** Anything that prevents value chain players from reaching a market opportunity, improving their businesses, or participating in a value chain; anything preventing the target group from increasing their profits and incomes.

**Constraint Analysis Tree:** Tool to help practitioners identify problems and issues at various levels in the value chain; particularly effective at separating problems and symptoms.

**Consumer:** A potential or actual user of a particular product or service.

**Customer:** An actual user of a particular product or service.

**Demand:** The extent to which consumers want to purchase a particular product or service.

**Embedded Service:** A service that one market player provides to another market player in the course of their regular business transactions. There is no payment exchanged for the service; the costs are embedded within the transactions. Some services which are often embedded are information, advice, product design and quality control.

**Enabling Environment or Business Environment:** The wide range of issues and institutions that are outside the value chain but affect how it works: for example, policies and regulations, trade issues, cultural norms, infrastructure, government agencies, associations, informal networks and NGOs.

**Environmental Scan:** A summary of the situation in a country or region that sets the stage for a program's overall goal and objectives.

**Facilitation:** Conducting temporary activities within a value chain in order to permanently overcome constraints and develop the value chain.

**Facilitator or Facilitating Organization:** An international or local institution that uses public funds to promote the development of specific value chains.

**Focus Group Discussion (FGD):** A discussion led by a moderator with a group of similar respondents for the purpose of gathering information for and/or feedback on program design ideas.

**Function:** The various actions of market players to get inputs, produce a product or service, and distribute, wholesale and retail it.

**Goal:** A statement which identifies a program's target group and how they will benefit as a result of the program.

**Goal Articulator:** Tool to help practitioners identify target group, market opportunity, and potential program impact.

**Goal Statement:** Clear, market-driven program aim that effectively describes who will benefit from the program and how.

**Horizontal Linkages:** Relationships among market players at the same level in a value chain such as among producers.

**Hypothesis:** A tentative idea for how a value chain could be developed to reach a particular impact goal.

**Impact:** Long-term result in market system and/or among the target population as a consequence of program activities and outcomes.

**Impact Goal:** A statement which identifies a program's target group and how they will benefit as a result of the program.

**Implementation Plan:** Tool used by practitioners to summarize planned activities for a particular project.

**Implementing Agency:** See facilitating organization.

**In-Depth Interview:** An interview which gathers detailed information about the respondent and the relevant issues related to that respondent. Usually in-depth interviews are semi-structured so that the interviewer can follow up on interesting issues and discover aspects of the respondent's situation not known previously.

**Information Matrix:** A framework for organizing information. It outlines specific categories of information related to value chain analysis, and provides a way of consolidating and ordering that information into a single tabular view.

**Information Source:** Secondary sources, places and people from which a researcher will gather information during market research.

**Industry:** A sector (or subsector) which produces a particular product or service. The term includes the broader market systems involved in the production of a product or service beyond a single value chain.

**Input:**

1. Material good required to produce another good or product.
2. Resource, other than human capital, required to complete program activity.

**Intervention:** A temporary activity conducted by a development or government agency designed to permanently overcome a particular constraint and develop one or several value chains.

**Key Informant Interview:** A consultation with a market player or stakeholder that is designed to obtain broad or preliminary information about a value chain.

**Level of Effort:** Number of person-months required to conduct program activities.

**Logical Framework Approach (logframe):** A way of designing and assessing a program using a tool that lays out the linkages between program activities, outcomes and impact, and explain how these will be measured.

**Logical Framework Matrix:** Tool used to establish how project objectives will be achieved and summarize program design.

**Market:**

1. The interaction of demand and supply for a particular product or service and the factors that affect these.
2. A consumer segment for a particular product or service. For example, the export market or urban market.

**Market Analysis:** Analyzing market research data to help make decisions.

**Market Development Approach:** An approach to enterprise promotion which focuses on developing private sector markets for goods and services to make them more inclusive of and beneficial to specific groups of enterprises or people.

**Market Observation:** Watching transactions between market players to learn about the characteristics of the transaction and the relationship between the market players.

**Market Opportunity:** End markets or consumer segments that are growing and/or offer the potential for sales of higher value products or services.

**Market Research:** Information gathering on a value chain to inform program design decisions. The research includes information gathering on all parts of the value chain as well as on the end markets for the products or services of program clients, the enabling environment and related socio-economic issues. This process is also called Market Assessment.

**Market Segment:** A group of consumers that demand a particular product or service. The group is defined by the features they want in the product/service or by their purchasing habits.

**Moderator:** The leader of a Focus Group Discussion or Stakeholder Meeting who asks questions and facilitates the discussion among participants.

**Observer:** A researcher who helps lead an Interview, Focus Group Discussion or Stakeholder Meeting by keeping time, taking notes, operating a recording device, and adding questions or comments when necessary to keep the discussion on track.

**Outcome:** Mid-term result that the target enterprises or markets experience due to program outputs.

**Outlier:** An isolated case; a firm, business model or situation that is dissimilar to the others in the value chain. This term is not negative or positive; some outliers present interesting models for programs, while others are marginal and not likely to be productive.

**Output:** Short-term results as a consequence of specified project inputs and activities.

**Participant:** A person who is an information source in a Focus Group Discussion, Stakeholder Meeting or Action Research. The term “participant” is used to emphasize their active involvement in the discussion or research.

**Probing:** An interviewing strategy that involves asking follow up questions to gain more information and examples on a topic, rewording questions when necessary to get desired information, and encouraging respondents to explain their point of view.



**Producer:** A private firm or individual that makes a product.

**Provider:** A firm or institution that provides support products or services to enterprises. Providers include private for-profit firms, NGOs, government agencies, industry associations and individuals.

**Purpose:** Project objective which addresses the needs of target clients.

**Research Question:** Area of inquiry that researchers identify to help them make program design decisions.

**Resources:** Inputs and activities delivered by a program towards achieving project objectives.

**Respondent:** A person who is an information source for a one-on-one research tool.

**Risk:** Conditions and changes beyond the control of the project that may affect project outputs, outcomes and impact.

**Risk Indicators:** Indicators to measure assumptions.

**Risk Manager:** Tool used by practitioners and program designers to identify key risks to project and develop strategies to minimize their affect on program results.

**Risk Mitigation Strategy:** Strategies to minimize the affect external conditions have on your project.

**Root Cause:** The most basic reason for lack of market growth or poor SE performance in markets. Root causes are often difficult constraints to address, beyond control of the project.

**Sector:** A distinct subset of an economy, consisting of related sub-sectors. The agricultural sector, for example, includes the horticultural and dairy sub-sectors.

**Secondary Source Research:** Gathering market information from publications and other existing sources of data.

**Socio-Economic Issue:** An issue in the enabling environment of a value chain that affects the value chain and the achievement of a program's impact objectives. The issue has its basis in societal issues that impact economics: for example, gender issues and resource management issues.

**Solution:** An activity or strategy aimed at addressing a particular constraint within a value chain. Usually, the solution can be carried out by value chain players – sometimes with assistance from an outside agency.

**Solution Tree:** Tool to assist practitioners in identifying solutions for a potential program, based on problem analysis.

**Stakeholders:** The enterprises, government agencies, NGOs and other institutions that are involved in a particular value chain.

**Stakeholder Meeting:** A meeting of individuals who perform different functions and supporting roles in a targeted value chain. The meeting is led by a moderator. A stakeholder meeting generally aims to gather market information, generate ideas for market solutions and/or program interventions, and build cooperation among value chain players.

**Subsector:** The network of SEs involved in the production of a particular product or service. The term includes the broader market systems involved in the creation of a product or service, beyond a single value chain.

**Supplier:** A seller of products to other businesses. "Supplier" often refers to those companies that sell inputs to value chain players.



**Supply:** The availability of a particular product or service.

**Support Markets:** The providers and users of inputs, technology, finance and business services for a particular value chain and the transactions among them.

**Support Market Assessment:** Analyzing information on a support market in order to understand various aspects of that market including demand, supply, transactions and the environment. A support market assessment generally aims to pinpoint constraints to expanding the use of a particular support product/service by one or several types of value chain players.

**Support Product:** Any product used by an enterprise to assist in business functioning or growth.

**Support Service:** Any service used by an enterprise to assist in business functioning or growth.

**Support Service Provider:** A firm or institution that provides support services to enterprises. Providers include private for-profit firms, NGOs, government agencies, industry associations and individuals.

**Target Group (Client):** Often part of an organization's mission or value, the ultimate program clients/beneficiaries.

**Third-Party Payment:** When a transaction for a product or service is paid for by an individual or firm that is not the provider or customer of the product or service. For example, when advertisers pay for radio airtime or exporters pay for the training of their suppliers.

**Transaction:** The interaction of demand and supply when a product or service is exchanged.

**Trend:** The direction of changes in a value chain.

**Value Chain:** A network of firms that buy and sell to each other in order to supply a particular set of products or services to a particular group of final consumers. A value chain includes both those market players directly involved in the production and distribution of the end products or services and those that provide support products and services.

**Value Chain Analysis:** Analyzing market information on a particular value chain in order to understand various aspects of the value chain including value chain players, value chain characteristics and the enabling environment.

**Value Chain Enterprise:** A private firm within a particular value chain. (Also called a value chain actor.)

**Vertical Linkages:** Relationships among market players at different levels in a value chain, usually players that buy from and sell to each other.

## ANNEX C: Suggested Additional Resources

### 1. Project Design / Implementation

#### **AusAid Logframe Framework Approach:**

(<http://www.ausaid.gov.au/ausguide/pdf/ausguideline3.3.pdf>)

AusAID, 2004

These guidelines explain the application of a 'log frame analysis' to development projects, an approach used to set goals and guide implementation. Key tools employed include problem trees to systematically identify the key constraints and a logframe matrix to organize stated objectives. Creating a logframe matrix can assist project designers in considering who will benefit from the project, what the goal and objectives are, and what assumptions are being made that are needed to achieve the project goals.

#### **Tools and Methodologies for Program Design and Implementation**

([www.actionforenterprise.org](http://www.actionforenterprise.org))

This site provides a step-by-step process to designing and implementing value chain / sub-sector development programs. It describes each step in detail and provides application examples. It is updated regularly as the field shifts.

#### **Information to Action**

(<http://www.seepnetwork.org/content/library/detail/2989>)

Ashok Kumar and Sanjay Sinha, 2005

This technical note is meant to help program designers bridge the gap between the information that they have collected from market assessment and a market development program. The information collected can be excessive, and thus it is important to identify strategies for simplification and streamlining. This note suggests ways to make information collected during market assessment more targeted towards the program, and discusses the use of a pilot to test potential solutions.

#### **Middlemen as Agents of Change**

(<http://www.seepnetwork.org/content/library/detail/2988>)

Linda Jones and Perveen Shaikh, 2005

This technical note presents a new perspective on the role of middlemen, who have traditionally been seen by those designing enterprise development programs as exploitative. Evidence presented in this note suggests that program designers need to better analyze the role of middlemen and seek to incorporate them into their programs.

#### **Swiss Agency for Development and Cooperation (SDC)'s Community of Practice on Value Chains in Rural Development**

([www.sdc-valuechains.ch](http://www.sdc-valuechains.ch))

This website provides a number of materials to be used in the design and implementation of value chains in rural areas.

#### **Role of the Facilitator: Taking a Systems Perspective**

(<http://www.seepnetwork.org/content/library/detail/3139>)

Linda Jones and Perveen Shaikh, 2005

This technical note examines facilitating organizations that are coordinating value chain development projects. It provides lessons learned by organizations that are taking a new systems approach to facilitation, rather than the traditional direct service provision approach.

The application of these lessons – to develop a clear offer, define an exit strategy upfront, and understand the entire BDS context, among others – offer strategies for NGO facilitators to maximize their outreach and performance.

## 2. General / Background

### **Small Enterprise Education and Promotion (SEEP) Market Development Guide and Resources** ([www.seepnetwork.org/marketdev](http://www.seepnetwork.org/marketdev))

This online guide is an important resource for use in understanding market-driven microenterprise development. The site provides SEEP generated content on market development in a range of contexts, on specific process issues such as market assessment and program implementation, on specific service areas, from training to infrastructure and advocacy. It also contains useful publications and links.

### **Reader for The Annual Seminar on Business Services**

([www.learning.itcilo.org/entdev/bdsseminar](http://www.learning.itcilo.org/entdev/bdsseminar))  
Alexandra Miehlbradt and Mary McVay, 2005

Each year, the seminar on business development services publishes a reader on issues, learnings and case studies. This coming year (2006) the reader and seminar will examine “Private Sector Development: What’s Next?” Always an excellent resource for both those who are new to the field and would like a general overview, as well as seasoned practitioners who are interested in learning the latest trends and success stories.

### **Guiding Principles for Donor Intervention**

(<http://www.ilo.org/public/english/employment/ent/papers/guide.htm>)

This document, produced in 2001 by a group of the major international donors funding small enterprise development projects, identifies best practices for designing and implementing such projects. It highlights both practices that donors accept and those they disapprove of. It is anticipated that a new donor guideline will be published in 2006, but so far it is not available.

### **The Role of the Government in BDS Market Facilitation**

(<http://www.springfieldcentre.com/publications/sp0201.pdf>)  
Rob Hitchens, 2002

The value chain and market development approaches often do not adequately consider the role of government. This document identifies the tasks that government is best suited for in these projects and provides examples of the positive role that government can play in market development.

### **Making Markets Work for the Poor: Explanation of the Concepts**

([http://www.dfid.gov.uk/news/files/trade\\_news/adb-workshop.asp](http://www.dfid.gov.uk/news/files/trade_news/adb-workshop.asp))  
DfID, 2005

A number of valuable documents are provided on this site, focused on market development and oriented towards improving the functioning of markets for the poor that work in or interact with them. Specific sections focus on financial, labour, and agricultural markets.

### **Towards a MEDA Strategy for Business Development: Production and Marketing Linkages**

([http://www.bdsknowledge.org/dyn/bds/bdssearch.details?p\\_phase\\_id=444&p\\_lang=en&p\\_phase\\_type\\_id=6](http://www.bdsknowledge.org/dyn/bds/bdssearch.details?p_phase_id=444&p_lang=en&p_phase_type_id=6))

Mary McVay and Steve Rannekleiv, 2005

This strategy guides the approach of the Mennonite Economic Development Associates (MEDA)’s Production and Marketing Linkages (PML) department. It briefly identifies the lessons learned from MEDA’s own development experience, and builds upon these to develop a strategy for future work with market and productivity enhancement.

**Making Markets Work for the Poor: CARE Canada's Strategy for Helping the Poor through Enterprise**

([http://www.care.ca/downloads/downloads\\_e.shtm#Strategy](http://www.care.ca/downloads/downloads_e.shtm#Strategy))

CARE Canada, 2004

Although providing the specific approach of only one NGO, this document offers a very informative summary of the shift in donor thinking towards a business-driven model.

**Trickle-Down, Trickle-Up, or Puddle? Participatory Value Chains Analysis for Pro Poor Enterprise Development**

(<http://www.enterprise-impact.org.uk/informationresources/toolbox/valuechainsanalysis.shtml>)

L Mayoux, 2003

Mayoux provides a short but focused look at the difficult objective of using enterprise development to assist the poorest segments of the population. The document discusses the use of participatory analysis to accomplish market development goals.

**From Principles to Practice: Ten Critical Challenges for BDS Market Development**

(<http://www.springfieldcentre.com/papers.php>)

Marshall Bear, Alan Gibson and Rob Hitchens, 2003

The authors discuss the evolution of the market development approach since its beginning. Their analysis suggests that there are 10 key issues that need to be addressed by organizations implementing BDS projects. Understanding these matters can assist others designing similar projects to improve the effectiveness of their work.

### 3. Evaluation

**Enterprise Development Impact Assessment Information Service (EDIAIS):**

([www.enterprise-impact.org.uk](http://www.enterprise-impact.org.uk))

This site focuses specifically on tools and techniques for the evaluation and assessment of enterprise development projects and programmes. Case studies, tools and papers are available to review.

**Poverty Assessment Tool Documents**

AMAP, 2004

([http://www.povertytools.org/Project\\_Documents/project.htm](http://www.povertytools.org/Project_Documents/project.htm) )

This website provides a number of useful documents for use in assessing poverty. In particular, the Review of Poverty Assessment Tools document is a good reference for selecting an appropriate tool. Referring to this document can be useful for selecting the tool that best fits with the resources and skills of the team implementing the development project. Following testing, AMAP intends to certify two tools to be used for evaluating USAID projects, and thus ongoing reference to this site is advised.

**USAID Accelerated Microenterprise Advancement Program, Component D: Impact and Other Post-Intervention Assessments**

([http://www.microlinks.org/ev\\_en.php?ID=6051\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=6051_201&ID2=DO_TOPIC) )

### 4. Training Opportunities and Events

**Southern New Hampshire University (SNHU) Microenterprise Development Institute**

(<http://www.snhu.edu/746.asp>)

A yearly 3-week training course is offered by SNHU which confers a Microenterprise and Development Certificate. The program is offered once per year in New Hampshire, as well as once annually in South Africa. There are plans for the course to be made available in Latin America as well. Courses taken can often be applied as academic credits to the Masters Programs in other universities.

### **SEEP Annual General Meeting and Conference**

(<http://www.seepnetwork.org/content/calendar/detail/3213>)

Each year in late October, the SEEP network holds a week-long annual general meeting focused on both microenterprise and microfinance development. The format is typically divided between two days of workshops, one day of plenary discussion, and two days of in-depth case studies and presentations.

### **USAID Learning Conference – first conference June 2006**

([http://www.microlinks.org/ev\\_en.php?ID=10465\\_201&ID2=DO\\_TOPIC](http://www.microlinks.org/ev_en.php?ID=10465_201&ID2=DO_TOPIC))

A three-day event, with 300 participants registered, this is the first learning conference of the USAID Microenterprise Development Department. The theme is “Microenterprise in a Globalizing World” and focuses on integrating the poor into viable markets.

### **Seminar on Business Services** (Turin, Italy and Chiang Mai, Thailand)

(<http://learning.itcilo.org/entdev/bdsseminar/>)

Each year, the week-long seminar on business services presents the latest issues and success stories in the microenterprise development field. The seminar is followed by an optional study tour. Always an excellent learning opportunity for both those who are new to the field and would like a general overview, as well as seasoned practitioners who are interested in learning the latest trends and success stories.

### **Springfield Centre for Business in Development**

(<http://www.springfieldcentre.com/training.php>)

The Centre offers training programmes on market development. Courses generally last two weeks, and have in past focused on business and income growth, service market development, and BDS generally.

### **Inter-American Forum on Microenterprise**

(<http://www.iadb.org/foromic/>)

Held annually in different locations in Latin America (2004 – Cartagena, Columbia; 2004 – Santa Cruz, Bolivia; 2006 – Quito, Ecuador), this conference is sponsored by the Inter-American Development Bank.

### **Action For Enterprise (AFE)’s Value Chain Program Design: Promoting Commercially Viable Solutions for MSMEs**

(<http://www.actionforenterprise.org/training.htm>)

This training, which is offered several times a year by the NGO Action For Enterprise (AFE) in various cities throughout the world, provides an overview of value chain development for practitioners and focuses on program design.

### **International Labour Organization (ILO) Diploma in Market-Oriented Small Business Development Services (MOSBDS)**

(<http://learning2.itcilo.org/bds/default.aspx>)

This is an online course, four months in length and offered two times per year, in July and February. The course will be updated in 2006-2007 to focus on broader market development. The ILO also offers various related short courses of one to two weeks, including ‘Managing BDS for Increased Impact’.

### **Making Cents International**

([www.makingcents.com](http://www.makingcents.com))

This US-based consulting firm provides one and five-day courses for NGO staff on BDS Guiding Principles.

## 5. Supporting Organizations, Websites, and Informational Resources

### **USAID's Microenterprise Project**

([www.microlinks.org](http://www.microlinks.org))

Microlinks highlights successes and lessons learned from the microenterprise projects that are funded by or associated with USAID. Featured on the site is the Accelerated Microenterprise Advancement Program. AMAP is a USAID- sponsored program that has a strong knowledge generation and dissemination component. Publications cut across the main categories of Business Development Services, Financial Services and Enabling Environment.

**The World Bank Small and Medium-Scale Enterprise Development:** ([www.worldbank.org/html/fpd/privatesector/sme.htm](http://www.worldbank.org/html/fpd/privatesector/sme.htm))

This site describes the World Bank's private sector strategies and contains related publications.

### **Developing Markets For Business Services: Inter-Agency Website For The Exchange Of Information On Service Markets**

([www.bdsknowledge.org](http://www.bdsknowledge.org))

This site houses a database of information and reports on market development projects from around the world. Each entry has a brief summary of the project or paper so you can choose what you want before downloading.

### **SDC Small Enterprise Development Site**

([www.intercoop.ch/sed](http://www.intercoop.ch/sed))

A variety of news, documents and links on Small Enterprise Development are housed in this site. Committee of Donor Agencies on Small Enterprise Development (<http://www.sedonors.org/default.asp>)

Over 50 case studies of BDS programs around the world are hosted on this website. It also includes donor guidelines for small enterprise development and numerous analytical papers on the state of the field.

Small Enterprise Education and Promotion (SEEP) Market Development Guide and Resources ([www.seepnetwork.org/marketdev](http://www.seepnetwork.org/marketdev))

This online guide is an important resource for use in understanding market-driven microenterprise development. The site provides SEEP generated content on market development in a range of contexts, on specific process issues such as market assessment and program implementation, on specific service areas, from training to infrastructure and advocacy. It also contains useful publications and links.

### **Markets for the Poor**

([www.markets4poor.org](http://www.markets4poor.org))

The major aim of this site is to further existing knowledge of the practical application of the Making Markets Work for the Poor concepts. The site is very interactive, with a number of ways for visitors to contribute to the issues being researched and tested.

Improving the Business Environment for Small Enterprises: Inter-agency information exchange ([www.businessenvironment.org](http://www.businessenvironment.org))

This is the site for the Donor Committee on Enterprise Development's Business Environment Working Group - for sharing documents and information about donor-supported work to enhance the business environment to achieve pro-poor growth. A unique feature of this site is a focus on aspects of the Business Environment that discriminate against small firms; it also covers the overall approaches of governments to SE policies and institutions.

## ANNEX D: The Project Proposal: Assembling the Information into a Request for Funds

The purpose of a proposal is to request funding from a bilateral aid agency (such as CIDA, USAID, DFID, GTZ, SDC), multilateral aid agency (such as the World Bank), from a foundation, or other international donor. Proposals offer a plan to address a pressing development issue; the proposal reader / evaluator judges that plan according to how well your written presentation answers why a program is needed, what you are proposing, how you plan to do it, who is the right person to do it, where and when you plan to do it, and how much it is going to cost.

The following is a basic guide for the different typical components of a proposal. Every donor has different requirements for their proposals; make sure that you address all of the questions and sections of their specific formats. They may have additional sections such as innovation/creativity, ability to replicate and scale, and exit strategy. Before starting to write your proposal, take the time to draw up an outline based on the donor's requests for proposal or solicitation guidelines. There is no set order for organizing or writing a proposal; more important than adhering to this outline is ensuring that there is flow between the different sections to present a clear case for donor funding.

Sometimes more than one individual will write a proposal with each team member responsible for different sections. If this is the case, it is advisable that members review other sections throughout the writing process to ensure consistency of language and tone.

Be careful with your language! If possible, have someone outside your area of focus / expertise read the proposal to ensure the language is readable, easily understood, and minimizes use of:

- Jargon
- Trendy or “in” words
- Abbreviations
- Colloquial expressions
- Redundant phrases
- Confusing language

### Title Page

The title page usually has four components: the title, the name of the proposal recipient, the name of your organization, and the submission date. Although the title page is short and simple, it serves to introduce you and your project. It should be neat and professional—its appearance reflects the quality of your work and can affect the evaluation.

The title itself should be short, clear, unambiguous, and reveal the focus of your proposal. In the following examples, the first title has too many words, and while the second title is clearer and shorter, the third title is best; it concisely encapsulates what the program will do but in a memorable manner.

Title 1: “Providing Technical Assistance to Help Rural Homebound Poor Women in Pakistan Upgrade and Market Their Products”

Title 2: “Assisting Rural, Homebound Women in Pakistan Access Markets”

Title 3: “Behind the Veil: Market Access for Homebound Women Embroiderers in Pakistan”

*Tip:* While a catchy title helps capture a donor's attention, make sure that it still sounds professional!



### **Executive Summary**

Typically written after the proposal is finished, the Executive Summary is a brief summary of the project—the why, what, where, when, how, and who. It should state what the need is, what your program will accomplish, and why your organization is uniquely qualified to implement the project. Be precise and concise; avoid unnecessary description. Remember this will be the first section that the donor reads; it will set the tone for the entire proposal. A concise and compelling summary will make the evaluator interested in reading more.

### **Target Group and Project Context**

This section explains to the donor why they should fund a program in your specific country and for the identified target group and is your opportunity to highlight the development problem that your program will address. Make sure to include in-depth information on the target group that you intend to work with—their gender, age group if appropriate, social and business status, and situation. Significant detail should also be included to help describe the background and context in which the project will operate—relevant history and the economy, political climate, environment and geography, and social issues.

### **Goals and Objectives**

The Goal Statement incorporates a clear, market-driven aim that effectively describes who will benefit from the program and how. It encompasses your organization's mission and values, identifies the target population, and states what the program is going to help people achieve. The Goal Statement should also specify the target market that the program is going to help SEs reach. Now that you have gone through the design process, return to your goal articulator. Does it accurately encapsulate the ultimate development impact the project will have on the target group?

Other levels of project objectives should also be included in this section, particularly the program purpose. What are the project objectives which address the needs of target clients? What is the impact both on the market system and individual enterprises?

### **Selected Subsector and Value Chain**

Selecting the subsector and value chain is a critical step in the design process. The rationale for selecting a particular subsector and chain should include a clear definition of a fairly narrow subsector and value chain—rather than agriculture, or even horticulture, focus on a particular crop or group of crops. This section should demonstrate evidence of growth and market opportunities both in the larger sector and identified value chain. Make sure to describe a significant role and potential opportunities for the target group, including challenges the group might face in attempting to benefit from participation in the chain. It is important to show synergy with other programs, partnerships with other groups, and evidence of a lack of insurmountable roadblocks to progress.

### **Value Chain Description and Identified Market Opportunity**

It is likely that through your market research, you selected one or two value chains to ensure a concentrated focus for project resources. A description of the primary actors operating in the chain—from input suppliers to producers, manufacturers, wholesalers, retailers, etc – will help the reader develop a mental picture of the market channels. Space permitting, you may want to include a subsector map that graphically presents all the major actors. Make sure to explain the relationships and interrelationships between the various players.

A detailed description of the market opportunity will also help demonstrate to the donor the growth potential of the selected value chain. Include not only the markets for specific products and services, but whether they are stable and growing, and why they are appropriate for the target group.



### **Constraints Analysis**

After describing the market opportunity, express the constraints preventing the target group from entering or full participation in this value chain. Summarize the priority constraints that your program aims to address. You do not need to include all of the constraints identified with the constraint analysis tool; just those that will be addressed through your intervention strategy. Make sure to link these constraints to the goals and objectives in your earlier sections.

### **Intervention Strategy**

The constraints – solutions – sustainability – interventions tool helped you select activities that contribute to the sustainable resolution of critical constraints facing microenterprises looking for better market opportunities. This section provides you with the opportunity to summarize selected interventions, explaining how those selected address the development need. Most donors stress the importance of sustainable solutions; make sure to demonstrate how your selected interventions ensure a dynamic value chain post-project. Some donors may ask for a separate section on sustainability and exit strategy.

### **Implementation Plan**

The implementation plan helps determine the project timeframe and budget and can be used to measure the program design and cost. It provides the opportunity for you to go into greater detail on the interventions – what specifically will you do, when will you do it, and who will do it. Depending on format and length, you may want to include this as an appendix.

### **Planned Results—Logical Framework (LogFrame)**

This section helps tie your interventions and implementation plan back to the goals and objectives. Use this space to answer the following questions: What do you hope to achieve as a result of these activities? How will you measure whether your project is a success? It is essentially a narrative summary of your logframe.

Most funding agencies require that a logframe be submitted as part of the proposal, often as an appendix. Be sure to check on the format and definitions required by your donor.

### **Risks and Mitigation Strategy**

The Risk Manager tool and Logframe helped identify key assumptions for project success as well as strategies to ensure external conditions do not impact your project's success. Different donors place varying emphasis on articulation of risk in proposals. If your donor requires a separate risk section, make sure to include all identified risks and your strategies for mitigating this risk. This will demonstrate to donors both your understanding of the sector and evidence of a clear thought out implementation plan.

### **Organization Mission and Capability Statement**

Donors want to know more than your planned intervention; they also need to recognize why your organization and personnel are best suited to carry out these activities. Highlight key projects with similar intervention strategies, both thematically and regionally. Has your organization received awards or other accolades that acknowledge key achievements? Are your staff members of key industry associations? This is your chance to sell your organization and its past success.

### **Conclusion—Unique Contribution of the Program to Development and Learning**

How does your program contribute to the field? What aspects of it are innovative and provide a unique learning experience? How do you intend to communicate the information to others? Learning is crucial and must be central to intervention strategies aimed at improving and

sustaining value chain and ME competitiveness. This is your opportunity to highlight the innovativeness of your project and its contribution to industry learning, an area increasingly important for donor support.

### Appendices

Most donors will have a list of appendices which you must include with your proposal. These typically include the:

- logframe chart
- budget (including narrative)
- implementation plan
- profiles of previously implemented projects
- audited financial statements
- organization charts.

Your appendix should also include materials and documents to support your application that may not be relevant in the body of the proposal.



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