



**ACCELERATED MICROENTERPRISE ADVANCEMENT PROJECT  
BUSINESS DEVELOPMENT SERVICES  
KNOWLEDGE AND PRACTICE  
RESEARCH PLAN**

**COMPONENT C: INTERVENTION DESIGN AND IMPLEMENTATION RESEARCH**

**INTRODUCTION**

This research plan serves as a guiding framework for component C of the AMAP BDS Knowledge and Practice (K&P) task order, or *Intervention Design and Implementation Research*. The focus of the AMAP BDS K&P research is to integrate much of the practical and field experience of small enterprise development with a body of literature to help us understand how small firms can contribute to and benefit from participation in markets, including global.

Component C continues the important work carried out in the BDS field by building on the principles of the market development paradigm for business service development and delivery.<sup>1</sup> Research under K&P will help us understand how critical services contribute to micro and small enterprise (MSE) growth. The K&P research is also reframing USAID's BDS agenda based on a number of lessons learned over the last few years.

The first lesson is that the stimulation of BDS markets does not result in significant growth in demand for services, or more importantly in increased incomes for very small firms. Second, the services that appear to have the greatest impact on small firm incomes are information, skills development, and market access. Third, very small firms lack the liquidity or willingness to risk investing in acquiring BDS against an uncertain future pay-off. Conversely, MSE's appear willing to pay for some services after they realize an increase in incomes. As a result, the dominant form of BDS, at least initially for most small firms, are the services they acquire from their participation in market systems from other market participants. Fourth, is a recognition that markets are becoming increasingly global and that most of the countries in which most of the poor work are increasingly effected by globalization. Finally, practitioners and USAID contractors have observed that many missions view Microenterprise Development (MED) as a stand-alone activity separate from and not relevant to a mission's overall economic growth, trade, or competitiveness strategies.

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<sup>1</sup>[http://www.sedonors.org/html/bds\\_guidelines.html](http://www.sedonors.org/html/bds_guidelines.html)

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

This document serves as a blueprint for research collaboration between the three AMAP BDS consortia. The collaboration is organized around a number of shared components, including a vision, research objectives, conceptual framework, and core hypotheses. In addition, the research plan incorporates structural elements to coordinate the work of the consortia members. This document presents an approach and strategy for an unprecedented level of cooperation between implementing consortia. The intent is to develop products that draw on the unique competitive advantage of each consortia, minimize redundancy of each consortium's contributions, and ensure that at the end of the K&P activity critical questions were adequately addressed with no gaps.

The research under component C will also be coordinated with the research under component A, the *Clients and Markets Research*. The relationship between components A and C is described below.

## **KNOWLEDGE AND PRACTICE VISION STATEMENT**

The overall vision for the AMAP BDS Knowledge and Practice project is to promote the development of micro and small enterprises (MSEs) and to increase their participation in productive economic sectors at the local, regional, national, and/or global levels:

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

## **COMPONENT C AND A COMBINED OBJECTIVE**

The combined vision of components A and C is an increase in mission and practitioner programs that successfully enable the largest possible number of MSE's...

...to develop their businesses and contribute to and benefit from their participation in competitive markets.

## THE RELATIONSHIP BETWEEN COMPONENT A AND C

Components A and C are closely linked and to some extent the line of separation between the two is arbitrary. The jagged lines in the circle in the figure below illustrate that the boundary between the research agenda identified in component A and the agenda for component C are somewhat arbitrary, but taken together components A and C constitute a holistic approach to addressing the challenges and discovering the wealth creating opportunities for MSE's through private sector approaches.

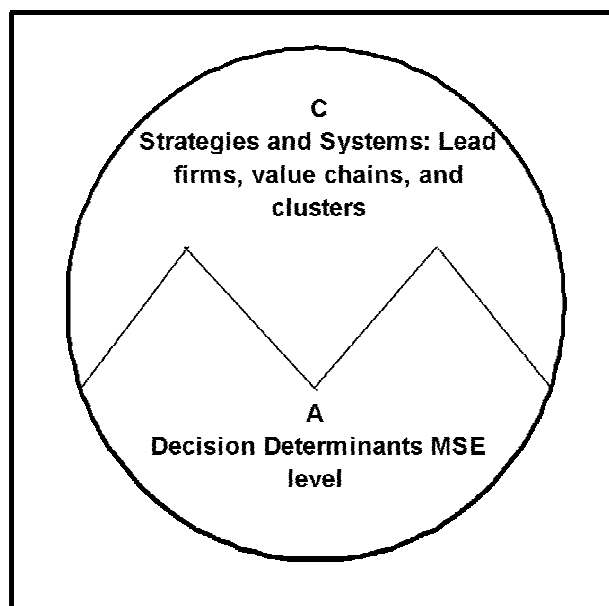
The focus of Knowledge and Practice component A, "Clients and Markets," is on MSE owners and the decisions they make about developing their businesses and linking into broader markets.

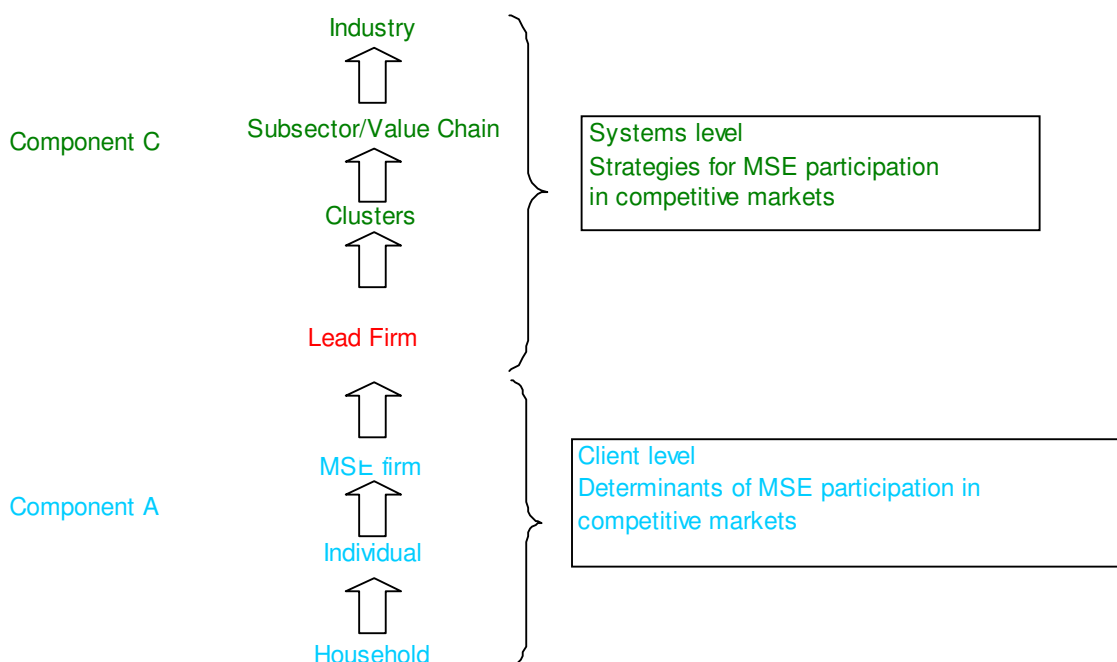
The focus of component C is on lead entities, and the market channels, subsectors, value chains and industries in which they participate, and on supporting firms and industries operating within industry clusters. Lead entities in this context are defined as those firms, or other groups such as associations, to whom MSEs sell their products and from whom they receive a wide range of business services including coaching, market access, information, technology and inputs. In this division of research between components the image of two

interlocking hands is useful. Component A will look at a range of factors—including risk, transaction costs, and the cost of and access to capital—as a set hypotheses affecting the conditions under which MSEs can favorably enter into relationships with other firms in value chains, subsectors and clusters. Component A research covers factors that influence MSE's willingness to reach out for new opportunities.

Component C research includes lead-firm and market-system dynamics, to be described in more detail below. Component C research proposes to improve our understanding of the conditions under which MSEs are willing to enter new markets and how missions can influence MSE market behavior.

The figure below illustrates the respective unit of measurement that will be covered under components A and C.





Components A and C are also closely linked from a management perspective. This link will ensure that the research agendas for the two components are complementary and inclusive, and permit LOE for all three consortia to be treated as pools from which each consortium can draw on to implement activities in support of both or either component.

## COMPONENT C: RESEARCH OBJECTIVES

Three research objectives have been established for component C and are listed below.

1. **Ensure USAID mission and implementing partners' participation in, contribution to, and benefit from the research process.** The three consortia led by ACDI/VOCA, DAI and the Louis Berger Group (LBG) actively collaborated in the design and production of the research plans for each of the four thematic components under K&P. The consortia are committed to mission and implementing partner input into the planned research, and as such, have built into the plans a stocktaking of mission needs and wants, field surveys of current practice, and ongoing dissemination of research results to feed mission programs.

Objective 1 serves as a reality check for the research agenda. It is not linked to any of the research hypotheses; rather, it serves to ensure that the research agenda is responsive to the field. Objective 1 seeks to establish a responsiveness circle with USAID missions as the starting and ending point. Intervention design and implementation is predominantly carried out by field missions and their implementing partners (contractors and grantees). Missions through a stocktaking exercise will feed and shape the research agenda. All the

components in K&P need to link, through an iterative process, the needs, experience, and expectations of mission program personnel and implementing partners. Input and feedback from these two groups is critical to making the research program relevant and to ensuring that research funded by the microenterprise office leads to more mission responsive interventions that benefit the poor.

- 2. Identify strategies and interventions that enhance MSE participation in productive markets (subsectors, industries and value chains).** In what kinds of industries and markets are there opportunities that MSE's can take advantage of? Under what conditions does the integration of MSEs into an industry contribute to real economic growth? Is agriculture different than industry? Are there factors that favor MSE participation while larger or lead entities in the industry resist? Under this objective we will exploring more effective strategies to understand the limits and domains where the barriers to MSE participation are too high or the benefit inadequate for many MSE's to benefit.

Objective 2 incorporates the notion that MSE's are not necessarily a 'good fit' for all markets. Markets are dynamic, and many are rapidly integrating and pushing the micro- and household enterprise out. This is a characteristic of many global value chains. At the same time there appear to be a number of sectors in which MSEs can and do make important contributions. What can we learn about these examples? How can we expand upon them?

- 3. Identify strategies and interventions that increase MSE share of rents<sup>2</sup> within a value chain.** These include innovations such as branding strategies, and the creation of social capital through, for example, formation of groups to achieve transaction cost economies and mitigate risk. This objective will also include research into global, regional, national and local value chains; and MSE's isolated from competitive markets as a result of discrimination, disease, or conflict. What services are necessary for rent building to occur lower in the value chain? What skills and behaviors are necessary for the development of innovation and inter-firm cooperation? What is the role of inter-firm cooperation? How can donor interventions help overcome barriers to inter-firm cooperation?

Objective 3 research will incorporate a wide array of intra and inter-firm strategies to increase rents. Rents in buyer-driven global value chains tend to be concentrated at the top. What strategies are available to push or pull rents farther down and to where participating MSE's can benefit? In what sectors, industries and value chains is this possible? In this context, it is very important for USAID country counterparts who are focused on economic growth to understand the dynamics of how and where value is created within value chains and how rents through innovation and branding can be kept in

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<sup>2</sup> Rents in this context are defined as all payments to inputs and products above the minimum required to make those inputs and products available to the industry or market. *Mansfield, Edwin, Microeconomics, Theory and Applications, 1982.*

the LDC in question. Research in this area will answer questions about rents within sectors and value chains without limiting itself just to MSE's.

## OPERATING ASSUMPTIONS

The following set of operating assumptions guides the component C research agenda:

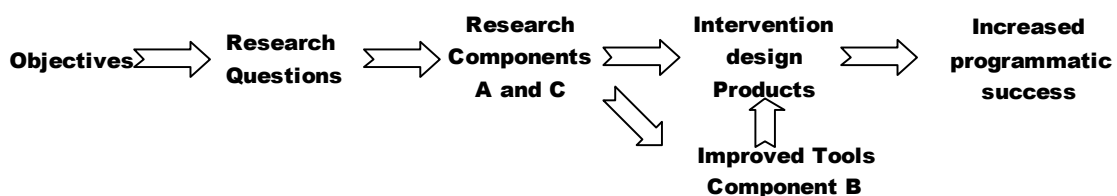
- ***The research agenda is hypothesis- rather than activity-driven.*** Activities proposed by each of the consortia were not based on the hypotheses identified in this research plan and therefore may no longer be a priority. All three consortia may need to refine, revise and or reject parts of their activities proposed in their respective K&P proposals so that all activities respond to the guiding hypotheses in this plan. The refinement of activities is an intermediate product scheduled for early in year one of this research plan.
- ***This research plan is hypothesis- not budget-driven.*** The plan lays out a process for developing comprehensive and collaborative research. The number of activities proposed and countries selected is greater than what can be implemented under the current K&P budget. Actual implementation of activities proposed in this plan and the corresponding work plan, will either be limited through a process of establishing prioritized criteria developed by the consortia through input from the microenterprise office or funded through buy-ins from other funding sources.
- ***Level of effort (LOE) for each consortium remains the same as contracted across but not within components.*** While each consortium may be asked to revise or replace currently budgeted activities with activities that respond more closely to the research plan, each consortium will maintain the same total level of effort for Knowledge and Practice. LOE between components is fungible.
- ***Complementary activities included in multiple components may be consolidated to free up resources for core activities in Components A, B, C, and D.*** As an illustration, there is a mission stocktaking exercise proposed for Components B and D. The consortia agree that it makes more sense to do a single stocktaking activity that includes all the key questions to ask mission staff, rather than conducting two-three separate stocktaking activities. A stocktaking exercise plan is included in this research plan. This exercise may be carried out under components A, B or C.
- ***The component C 'team' encompasses the three AMAP BDS consortia and the Microenterprise Office staff.*** The term *team* is used at several points in this plan. The term best describes the collaborative nature of the working relationship that is essential to ensuring quality product. Where appropriate consortia leaders will invite subcontractors to participate in strategic planning and intermediate product development discussions. This decision will be made by consortia leaders.

## CONCEPTUAL FRAMEWORK

The research under components A and C will focus on systems and strategies that determine whether and how much opportunity exists or can be promoted for MSEs in particular markets or value chains. The end products of component A and C research are improved strategies and tools for the design of USAID programs in which economic growth plays a role. The development of these end products is expected to result in a realization of AMAP BDS's vision:

**“... creating wealth in poor communities and promoting economic growth through sustainable linkages of large numbers of MSEs into productive value chains.”**

Conceptually the link between the research plan and component A and C research is illustrated by the diagram below. Research objectives feed the development of hypotheses. Hypotheses are cast in the context of potential mission strategies. Hypotheses drive the research. Component A and C research is complementary and together represent an integrated response to questions about how industries grow, how wealth is created within them, and under what conditions MSE's contribute to and benefit from industry growth. Components A and C research will result either in improved intervention design strategies, or modifications of market assessment tools which in turn will result in improved intervention design. The result of improved design at the mission level is expected to be greater programmatic success towards the AMAP BDS vision: wealth creation in poor communities.



The research conducted under components A and C is also expected to complement and enrich activities carried out under the other AMAP programmatic components: financial services and enabling environment, and other activities led by USAID/EGAT. AMAP Knowledge Management contractors will ensure coordination and dissemination of cross-cutting research. In a more limited context, ACDI/VOCA will be working with the AMAP financial services contractors to carry out research in the area of BDS and financial services linkages.

## METHODOLOGY

Members of all three AMAP BDS consortia will carry out component C research. As component leader for Components A and C, ACDI/VOCA appreciates that this multi-

consortia approach requires a process methodology and a product methodology. The research process is very important for components A and C because multiple consortia are contributing to the same learning agenda and in many cases to the same product(s). The process methodology or approach serves as the umbrella for the execution of the research activities that the component teams will carry out.

### ***Process Methodology***

ACDI/VOCA as component leader is responsible for products and deliverables under Components A and C. Successful coordination of research activities and deliverables requires a high degree of transparency and participation by all consortia members and where relevant their subcontractors. The high degree to which components A and C complement one another requires an equally high degree of coordination between the two components. It also requires that each consortium have a sense of ownership of the research agenda and the products to ensure that all the deliverables are of the highest quality. As research activities are carried out, lessons learned should be used to create an iterative process to assess and if necessary, modify the research agenda. This will require relatively rapid dissemination of lessons learned, often before the final products are submitted for review, to team members. Finally the research process needs to be responsive to field missions.

Given the above, ACDI/VOCA proposes a process methodology with the following characteristics.

- ***Transparency*** will be maintained through the following: e-mail groups ensuring that all consortia members are included in process discussions; the ACDI/VOCA component A and C toolbox. The toolbox allows all consortia members and MD staff to access information, works in progress and intermediate products on the ACDI/VOCA AMAP BDS components A and C intranet site; planning and implementation meetings and workshops on an as needed basis.
- ***Component Linkages*** There are a number of activities which have relevance for both components. These include stocktaking activities and a number of case studies. The component managers, Elizabeth Dunn (A) and Olaf Kula (C), will work closely together through email and telephone and face to face meetings to ensure a comprehensive research agenda while avoiding duplication or imprudent use of scarce resources.
- ***Developing a common sense of ownership*** Successful implementation of a research agenda implemented by members of multiple consortia requires a high level of cooperation and communication between consortia members. Maintaining a high level of cooperation requires that all consortia feel equally committed to generating and delivering the highest quality product for all activities undertaken under this research agenda. ACDI/VOCA component A and C leaders have assigned intermediate leadership responsibilities to each consortium. For component C, each consortia will designate one person who will function on the Component C core team. The Component C core team will be included in, and advise any actions that involve amending the research plan,



activities to be carried out under the research plan, and activities that will be implemented by more than one consortia. Each consortia member shall allocate adequate LOE to ensure the coordination and quality control of the tasks under their respective product groups. A representative from the microenterprise office will serve on the core team and inform the team of any new tasks to be carried out under AMAP BDS that contribute significantly to the Component C research agenda *and* are to be funded from a consortia member's K&P budget. The estimated marginal LOE for the core group to function is two days per person per quarter (eight days/yr).

In addition to the core team, an advisory group will support and advise the research agenda for component C. The advisory group is composed of the core team; representatives of subcontractors responsible for carrying out activities and tasks under component C; Elizabeth Dunn, the component A manager; and outside commentators. Outside commentators are recognized leaders on issues related to the component C research agenda. The core team will determine whether the advisory group needs to meet annually or semi-annually and which members of the advisory group need attend.

- ***An iterative research agenda*** The establishment of intermediate products, periodic meetings of team (consortia and MD) members, and periodic review and refinement of the research hypotheses and activities all serve to create a flexible and iterative process for the management of the research agenda.

- ***Mission responsive process*** There are two ways to optimize the level to which the research agenda responds to mission needs. The first is a stock taking exercise of USAID missions. The second is the active promotion of mission buy-ins to complement limited K&P resources in order to carry out specific studies and assessments that respond to mission needs and complement the component research agenda.

### ***Product methodology***

Component C research will be carried out using the following process:

1. ***Stocktaking*** includes surveys, interviews and literature reviews to ground the team in what is already known at a given time and what we still need to learn. These stocktaking activities will occur early in the research implementation. Initial stocktaking activities will draw on the experience of MD, EGAT, and contractor staff to establish a partial list of mission priorities as communicated to the above group. Implementation of the stocktaking exercise will also coordinate with ongoing EGAT surveys. The result of this initial phase of the stock taking exercise will be used to further refine the research program. There will be follow-up stock taking exercises with missions to evaluate the utility of research products for missions during the second half of the K&P contract.
2. ***Strategy papers*** serve as guiding frameworks for the research under K&P and as such are expected to provide context for and direction to the remainder of K&P research. Strategy papers will be developed in year one and year two. They include an overall strategy paper that lays out a conceptual framework for new

directions in BDS. Additional strategy papers will be developed in thematic areas including trade, agribusiness, and competitiveness. An additional strategy paper may be developed for HIV/AIDS and natural resources management. Year two priorities and available funding will determine if and what additional strategy papers will be developed.

3. **Case studies** are an effective research tool because they provide users with richer detail about what works or does not in different environments and because case studies are less costly to conduct than quasi-experimental studies. Wherever possible, case studies will come from the analytic framework of the communication strategy component. Where possible Component A and C teams will work closely with the knowledge management (KM) teams(s) of the support services contractors. The AMAP communication strategy will identify the various audiences, key messages for these audiences, and products tailored to these audiences. Possible products include case studies, technical briefs, toolboxes, sample SOWs, mission briefs. If the KM team(s) of the support services contractor has not developed product frameworks in time for the development of case studies and other products under this research plan the BDS K&P team, with MD input, will develop provisional frameworks.
4. **Field research** includes two categories of activities. The first and principal form in terms of level of effort (LOE) is a process of information collection based on testable hypotheses collected in collaboration with USAID mission from firms currently or with the potential to participate in productive value chains, sectors and clusters. This research will draw substantively from sectors and clusters in which USAID missions are already working but will also collect and analyze information from industries and clusters where neither USAID nor any other donor is currently implementing any program but may in the future. The AMAP BDS K&P team will actively seek mission collaboration (buy-in) as a mechanism to increase the knowledge and research base beyond which the existing LOE under the K&P contract can cover. In addition to seeking mission buy-in for parts of the K&P research agenda, the AMAP BDS K&P team will identify missions where K&P research is likely to contribute strategically to new mission programs or modifications of existing ones.

The activities indicated in this plan may require more LOE to implement than the LOE currently allocated through work plans for each consortia's component C. Each consortia member may exercise use of their short term technical assistance funds from component G where there is a compelling justification.

In addition, quasi-experimental design may be carried out on a limited basis, given resource constraints, where a case study or comparative case study is not an appropriate tool to collect needed data.

5. **Dissemination** will occur at multiple points in the research process, including through components F. Training and G. STTA. Educating and training the

consortia members will be a critical primary step to getting AMAP ideas disseminated to a larger, i.e., mission and implementing partner, audience. The ACDI/VOCA consortium will offer training-of-trainers-type modules over the life of K&P to consortia staff, USAID and other core team members. The establishment of intermediate and secondary products with their own dissemination schedule will also be an effective and efficient method to disseminate and get feedback on research activities.

6. *Conferences and workshops* will be used throughout K&P to vet ideas, introduce critical concepts, share findings and to quickly disseminate research results to an interested audience of consortia members, mission staff and practitioners.

## **HYPOTHESES**

The research agenda for component C will be governed by four levels of hypotheses, described below. While the hypothesis levels are fixed and will not change during the implementation of component C research, as specific research questions are answered new hypotheses will be identified. The research plan therefore is dynamic and will be modified as lessons are learned over the life of component C research.

The four levels of hypotheses listed below follow from and extend the research hypotheses under component A, which looks at the determinants of microenterprise owners' decision making and behavior. The hypotheses in component C extend the research to lead firms, defined as those with whom MSEs procure or delivery goods and services in value chains and/or service sectors, and the universe of participants in value chains and market systems.

This research plan seeks to limit an enormous potential set of interesting research topics to those that can result in improving mission and practitioner capacity to:

create wealth in poor communities and promoting economic growth by sustainably linking large numbers of MSEs into productive markets.

Each level of hypothesis is stated as a research question. These questions shape the initial research agenda and proposed products. One of the first intermediate products for component C was the revision of the research agenda based on the first meeting of the advisory and core groups on January 8-9, 2004. This document reflects these revisions.

Finally, all of the following hypotheses explore potential programmatic interventions aimed at increasing growth and MSE wealth and subject to the principles of the BDS market development paradigm. These principles include such propositions as implementers should avoid market distortions, point of transaction subsidies, and direct and sustained provision of services particularly those that are private goods; identify private sector service providers wherever possible; and develop clear exit strategies that

allow benefits of interventions to continue after the removal of any direct or indirect subsidies.

### *1. Level One Hypothesis*

**Key question: What are the factors and conditions that determine micro and small firms contributions to industry growth?**

We know that the following factors influence the level of MSE participation in markets.

- Enabling environment and macroeconomic factors
- Specialization
- Product differentiation including branding
- Seasonal production
- Economies of scale are low
- Buyer driven versus product driven supply chains
- Variation between local, regional, national, and global chains
- Product differentiation and branding strategies
- Cost and availability of capital

What is the implication of these factors for industry development and economic growth objectives? How can an understanding of how these factors affect the competitiveness of very small firms? How can practitioners and mission staff use this information to develop more effective economic development programs?

### *2. Level Two Hypothesis*

**Key question: What are the factors and conditions that enable micro and small firms to benefit from participation in productive and/or growing industries?**

Research and field experience has identified the following factors as critical determinants of MSE's ability to benefit from participation in productive markets, industries and value chains.

- Product quality and marketing skills
- Product innovation strategies
- Inter-firm cooperation (vertically and horizontally)
- Collective organization (groups, associations, cooperatives)
- Acquisition of information, knowledge and skills
- Access to critical inputs (technology and capital)
- Branding strategies (where in the value chain does branding occur?)

How do MSE's acquire the elements needed to increase their share of market growth? How are the obstacles to acquiring inputs, skills, and market access overcome? How can factors that cause communities to be marginal to productive markets be overcome? What is the role of firm clusters in promoting micro- and small firm access to inputs skills and

markets? How can practitioners and mission staff use this information to develop more effective economic development programs?

### 3. *Level Three Hypothesis*

**Key Question: What services and structures contribute to increased opportunities, growth, and profitability for MSE's... and are there innovative strategies for how very small firms access these services in clusters, value chains and market systems?**

- Access to information (ICT)
- Production skills
- Marketing skills
- Access to inputs, technology and capital
- Access to repair and maintenance services

How can practitioners and mission staff use this information to develop more effective economic development programs?

### 4. *Level Four Hypothesis*

**Key Question: What delivery mechanisms exist or could be developed to provide the conditions and services critical to MSE access to value-chain profits?**

Participants in markets and value chains cover or offset the costs of transferring information and knowledge through fees for services, by embedding service costs in a follow-on product or service transaction, or through inter-firm cooperation strategies. How are these mechanisms for recovering or offsetting costs used to deliver critical services to MSE's and how does the sustainable delivery of these services result in the improved competitiveness and increased wealth of very small firms?

## **PRODUCTS AND DELIVERABLES**

The products and deliverables for component C respond to questions within one or more of the four hypothesis groups above. Products and deliverables are divided into final intermediate and secondary products. **Final products** will be presented for external review using the standard AMAP format (to be developed by the support service contractors and USAID/MD). Final products represent a synthesis of lessons learned during the K&P to be used by missions and practitioners and serve as stand-alone pieces. **Intermediate products** represent significant milestones along the way to completing either final or secondary products. The core team and select members of the advisory group will provide feedback and input into the intermediate products. **Secondary products** are intended to promote effective and succinct communication with USAID missions and facilitate the successful marketing of the AMAP agenda. Secondary products include tools with practical application by missions and practitioners.

The remainder of this section presents products and deliverables under the components C research plan. The products are divided into three sections by product level, final, secondary and intermediate. All products listed below indicate which of the four hypotheses categories the product addresses.

***Final Products:***

1. ***Strategy paper: Integrating small firms into productive markets and economic growth strategies.*** This paper (20-30 pages in length) will be based on the literature synthesis paper developed for the component C research plan workshop held January 8-9, 2004. The paper will summarize what is known about factors and determinants of MSE participation in productive value chains and markets, and dynamic trends (with emphasis on global) shaping the structure of value chains. This report will also draw on recent work by Donald Snodgrass and James Winkler and recent World Bank assessments about the effectiveness of micro-level interventions. The conceptual framework is a year one deliverable. This deliverable addresses hypothesis categories 1, 2, and 3.
2. ***Mission and Practitioner Guide: Small Firms, Economic Growth, and the Globalization of Markets.*** This paper (30-50 pages) will be a synthesis of two phases of activities carried out in years one and two. The first phase is composed of a series of thematic papers titled *Micros in the Marketplace* that will analyze how micro and small enterprises (MSEs) have been successfully integrated into value chains in the context of larger private sector and social development programs. The thematic papers are secondary products and will cover the subjects Trade, Agribusiness (DAI), and Competitiveness (ACDI/VOCA-CARANA). Possible additional thematic papers as secondary products may be contracted for service and environmental industries in years 2 and 3.

The second activity phase will be the execution of case studies which will draw from the initial hypotheses of the thematic papers. The case studies will identify how MSEs participate in and contribute to the productivity of select markets. The case studies will pay particular attention to how MSEs access information, and acquire knowledge through participation in productive markets and assess (using qualitative tools) MSE contribution to the growth and robustness of markets. The initial case studies will look at agribusiness and industrial value chains with local, national regional, and global markets and will be carried out by ACDIVOCA subcontractors CARANA and AFE. Each case study will compare two countries, attempting to isolate for macro-economic factors. The case study component was titled *In Search of Rents* in an earlier draft of this plan. The ***Small Firms, Economic Growth, and the Globalization of Markets*** synthesis paper will address Hypotheses 1, 2, 3, and 4.

3. ***Financing for Growth: the role of capital in MSE investment for growth and an evaluation of several delivery options in rural settings.*** Strategy paper lays out the case for integration of BDS and financial services as a precondition for significant enterprise growth and will identify a range of financial services that contribute to both

enterprise and sector growth linked to other business services. Stakeholder participants in value chains other than commercial financial institutions offer many if not most of these. This paper will draw on ACDI/VOCA's participation in the AMAP financial services team. It will include brief case studies in text boxes summarizing several approaches to increasing MSE access to financial services including contractor and input finance, lease financing, grain warehouse receipting and rural and agriculture. financial institutions. This product responds to questions in hypothesis categories 3 and 4.

This paper is also linked to ACDI/VOCA activities in collaboration with AMAP Financial Services contractors. ACDIVOCA will conduct 2-4 field assessments depending on mission demand using component G and mission buy-in funds. ACDIVOCA will use the field assessments to develop an approach for the identification of financial services critical to sector growth. This tool will be developed in years 2 and 3 will be an input into ACDI/VOCA's component B activities.

4. ***Design guide for missions and practitioners on facilitating growth and service delivery with multiple cost recovery strategies.*** This guide is based on field research which will be conducted by the Louis Berger Group (LBG), a review of the literature, and information collected from other AMAP BDS deliverables. LBG will employ a questionnaire guide and key informant interviews to collect information from existing projects, selected private industries and mission personnel. The AMAP BDS team will provide input into the data collection instruments. The design guide will summarize mechanisms and strategies used by market participants to transfer and obtain information and skills, acquire knowledge, create growth and generate wealth through multiple service delivery mechanisms. Service delivery mechanisms include inter-firm cooperation strategies and intermediation services (embedded and fee-for-service delivery). The guide will draw from the experience of participants and donor programs working in value chains to propose strategies to increase the MSE access to information, skills, knowledge, and other services critical both MSE and value chain growth. This product responds to key questions in hypothesis categories 3 and 4 — LBG lead.
  
5. ***Generating Wealth: Toolbox for USAID missions on economic-growth creation strategies that link MSEs into productive markets.*** This toolbox will include secondary and final products from components A, B, C, and D. Each "tool" in the box will be a short *how-to* guide drawn from the best of K&P. The core team will determine the content of the toolbox in collaboration with the AMAP Knowledge management team members. Secondary products will be developed as "how-to" approaches to fit within the guide. An intermediate activity leading to this final product will be the identification of inputs into the final toolbox. The identification of toolbox elements is a planning process that is scheduled for the end of year one. Development of the toolbox itself is scheduled for year three. (Contributors ACDIVOCA, DAI, LBG). This deliverable will address all hypothesis categories as well as key findings from Components A, B, and D.

6. ***Synthesis Paper: Marginalized communities and productive markets.*** This product will help missions and practitioners understand the factors that cause communities to be marginal to productive value chains and markets and strategies for enterprises in those communities to more effectively participate in productive value chains. Emphasis in year one will be placed on HIV/AIDS affected and displaced people, refugees, post-disaster and post conflict situations, and geographically isolated communities. This paper will identify strategies that have worked or are working, categorize typical approaches and their strengths and weaknesses, and suggest how the market development principles might best be applied in the context of marginalized groups. Case studies developed as secondary products will be included in this paper. These will be drawn from the SEEP BDSWG, Conservation International, IDS, and LBG experience in post conflict environments. Case studies will be conducted per available funding and mission buy-in. This activity will be led by DAI as a year two or three deliverable. This product responds to hypothesis categories 1, 2, 3 and 4.
7. ***The role of intermediation and inter-firm cooperation: opportunities and strategies for efficient service delivery.*** This product is based on DAI's proposed deliverable on the *Middleman* and is scheduled as a deliverable for years 2 or 3, with intermediate products scheduled for year 2. The product will be developed as a mission guide for understanding how firms in productive value chains and markets access information, acquire knowledge and form alliances critical to growth. The final product will serve as a guide to missions and practitioners. It is possible that the core team will decide to develop a secondary product from this research activity that will be included in the generating wealth tool-box. DAI will take the lead in developing this product. This product responds to questions in hypothesis categories 3 and 4.

### ***Secondary Products***

1. Revised research agenda— BDS K&P team
2. Thematic paper summarizing the “Lessons learned on private sector approaches to small enterprise wealth creation” This paper is a synthesis of the literature review and component C workshop—ACDIVOCA
3. White paper on LBG stock taking exercise of MD, EGAT, and missions—LBG.
4. Financial Service Assessments (1-3) contingent upon mission demand.
5. ***BDS on the Margins: A synthesis and strategy paper that summarizes where the HIV/AIDS and BDS fields have been, where they are going and propose strategy options.*** This paper will be based on a review of the literature, discussions with key informants, and case studies. It will look at private sector approaches to the effective integration of HIV/AIDS affected households into productive value chains and markets and in the use of private sector approaches to increase the critical service delivery to HIV/AIDS affected households—DAI lead. This deliverable will be an input into the final product: ***Marginalized Communities and Productive Markets.***



6. Case study for *Marginalized Communities and Productive Markets*, which will be carried out by ACDIVOCA and subcontractor Conservation International focusing on geographically isolated communities and LBG work in post conflict environments. The number of case studies will be based on mission demand.
7. Four thematic papers (10-20 pages) on integrating equitable wealth creation strategies into a range of mission programmatic objectives:
  - a. Trade and Globalization—DAI
  - b. Agribusiness including export—DAI
  - c. Competitiveness—ACDIVOCA, CARANA
  - d. Natural resource management—ACDIVOCA, CI, IDS,(TBD year 2 or later).

### ***Intermediate Products***

1. Workshop on Value Chain and market approaches to wealth creation for MSE's —ACDIVOCA.
2. Annual Component C workshops—Core Team, Advisory Group and Mission Staff
3. Refinement and revision of research plan—Core Team
4. Draft stock taking guidelines—LBG with input from Core Team
5. Selection of missions for stocktaking exercise— LBG with input from Core Team
6. Case study framework—DAI with other members of BDS K&P team in collaboration with Knowledge Management team assuming KM team preparedness.
7. Field and virtual interviews with EGAT and mission staff— LBG with input from Core Team
8. Mid-stocktaking presentation to BDS K&P team and invited EGAT participants—LBG
9. Drafting Of Communications Framework including Case study format—Core Team in collaboration with Knowledge management team
10. Establishment of review panel to determine Wealth Creation toolbox content and format— Core Team in collaboration with Knowledge Management team. This activity is scheduled for year 1. The purpose of the activity is to bring together Core Team members towards the end of Year 1's research activities and outline the key components of the Toolbox.

## **COORDINATION OF PRODUCTS AND CONSORTIA**

Component C, *Intervention Design and Implementation Research*, will be conducted by three consortia, led by ACDI/VOCA, DAI, and LBG. ACDI/VOCA will provide overall leadership for both components A and C research, and ensure that the research activities of the two related components are complementary and comprehensive. Comprehensive in this context means that the combined hypotheses and research activities carried out under the two components A and C, will result in useful tools and guides for missions on how

to develop and implement more effective projects with economic growth objectives that support the overall K&P vision.

Working on behalf of ACDI/VOCA, Olaf Kula is responsible for the technical direction and management of component C. His responsibilities include:

- developing and finalizing the research plan;
- coordinating the schedule of deliverables;
- revising and refining research plan with other consortia members;
- facilitating meetings and communications with other consortia;
- providing technical oversight to products;
- maintaining communication with USAID's CTO; and
- coordinating with Elizabeth Dunn the research under components A and C.

It is important that the outputs of each contractor fit together to achieve the component C research objectives and address a common set of hypotheses. This will be accomplished by including the following five elements.

1. The **core research team**, with representatives from each consortium and the office of Microenterprise, who interact, discuss issues, resolve conflicts as they emerge and take decisions regularly throughout the life of the project.
2. Agreement on a **shared research plan**, which includes a statement of the vision, objectives, conceptual framework, hypotheses, and products of the research.
3. **Coordinated product sequencing**, so that later products can build on the foundational results developed in earlier products.
4. **Planned feedback loops** built into each product group, providing opportunities for all core research team members to receive information about and provide input to the products of other consortia. This planned feedback is organized primarily around the intermediate products.
5. **The advisory group** consisting of the Core Research Team, members of subcontractors implementing part of the Component C research, the Component A coordinator, and key researchers whose work outside of Component C contributes to Component C activities and findings.
6. **Consensus on field research sites** based on team selection of countries and Mission demand. The Core team will attempt to isolate for exogenous factors such as the macroeconomic environment in selecting locations for component A and C research.

### ***Geographic Locations***

Selection of countries for field research will be vetted by core team members.

Criteria for country selection may include:

1. Compelling learning rationale. Countries with particularly important lessons relevant to the K&P research agenda.
2. Selection of at least one country from four different geographical regions (i.e., ANE, LAC, Africa, E&E);

3. Mission demand;
4. Mission willingness to cost-share and/or the potential for current research to influence future mission procurement
5. Richness of the available data in terms of sufficient variability to test the key hypotheses;
6. Enabling environment. USAID Missions work in the presence and absence of strong enabling environments. Component C activities will attempt to isolate enabling environment influence on hypothesis category questions 1 and 2;
7. Experience and existing infrastructure of the implementing contractor(s);
8. Relevance for meeting the contextual requirements set by USAID in the task order, namely a) urban vs. rural markets, b) agriculture vs. manufacturing subsectors, and c) open vs. more controlled economies; and
9. Cost effective overlap with field research for other components of the AMAP BDS Knowledge and Practice Project.

Missions willing to buy-in to Component A and/or C research agenda will be added to the list of countries if they were not included in the initial country selection.

### ***Communication Strategy***

The communication strategy for the *Intervention Design and Implementation Research* component will be built around the MD office's communication strategy developed by Deloitte Emerging Markets. The AMAP BDS team will also work closely where possible with the knowledge management team in the development of formats for the communication strategy. Timely dissemination of secondary products and deliverables to MD is the top priority of the communication strategy. These products are aimed at USAID mission personnel, the target audience for the research, and will provide a vehicle for their input. Secondary products and deliverables will be designed to communicate the research findings in a succinct way, usually requiring less than an hour to convey. The final products in each product group will be written for a USAID audience and provide more detailed information on the research findings and their significance for mission programs.

### ***Draft Timeline and Events Sequencing***

The table below summarizes proposed research plan activities on bimestrial intervals. Activities to be carried out in the second half of year two and in year three are grouped together as precise dates have not yet be scheduled for these products. Some proposed activities particularly case studies will be programmed in part based on mission demand for those services. These activities are indicated with a 'D'. A 'P' indicates that the timing or other aspects of the deliverable still need to be determined by the core team.

	Lead Firm	<u>Year</u> 1: 1 <sup>st</sup> half	<u>Year</u> 1 2 <sup>nd</sup> half	<u>Year</u> 2 1 <sup>st</sup> half	<u>Years</u> 2 and 3
<b>Final Products</b>					
1. Conceptual Framework for the role of small firms in economic growth;	A/V	X			
2. Generating Wealth: Toolbox for Missions on economic growth creation strategies that link MSEs into productive markets.	Core Team				P
3. Design guide for missions and practitioners on facilitating growth and service delivery with multiple cost recovery strategies.	LBG			P	
4. Mission and Practitioner Guide: <i>Small Firms, Economic Growth, and the Globalization of Markets</i> .	DAI A/V				X
5. The role of intermediation and inter-firm cooperation	DAI			P	
6. Synthesis Paper: <i>Marginalized Communities and Productive markets</i>	DAI			P	
7. Financing for Growth: the role of capital in MSE investment for growth and an evaluation of several delivery options in rural settings	A/V		X		
<b>Secondary Products</b>					
1. Revised research agenda— BDS K&P team	Core team	X			
2. Stock Taking Exercise	LBG	X			
3. White paper on LBG stock taking exercise: of MD, EGAT, and missions—LBG	LBG		X		
4. Financial Service Assessments (1-3) contingent upon mission demand.	A/V		X		D
5. BDS on the Margins: A synthesis and Strategy paper on the HIV/AIDS and BDS fields.	DAI		X		
6. Case studies for <i>Marginalized Communities and Productive markets</i>		X	X	X	
7. Thematic papers				P	
a. Trade and Globalization—DAI	DAI	X			
b. Agribusiness including export—DAI	DAI		X		
c. Competitiveness—ACDIVOCA, CARANA	A/V	X			
d. Natural Resource Management	TBD		D		

<b>Intermediate Products</b>					
1. Workshop on Value Chain and market approaches to wealth creation for MSE's —ACDIVOCA.		X			
2. Annual Component C workshops. Advisory Group and Mission Staff		X	X	X	X
3. Refinement and revision of research plan—BDS K&P team		X	X	X	X
4. Draft stock taking guidelines—LBG with input from BDS K&P team		X			
5. Selection of missions for stocktaking exercise—LBG with input from BDS K&P team		X			
6. Case study framework—DAI with other members of BDS K&P team in collaboration with Knowledge Management team assuming KM team preparedness.		X			
7. Field and virtual interviews with EGAT and mission staff— LBG with input from BDS K&P team		X			
8. Mid-stocktaking presentation to BDS K&P team and invited EGAT participants—LBG			X		
9. Drafting Of Communications Framework BDS K&P team in collaboration with Knowledge management team.		X			
10. Establishment of review panel to determine Wealth Creation toolbox content and format— BDS K&P team in collaboration with K&P team.			X		