

Private sector development: finding quality advisory approaches

Other books in the Building Advisory Practice series:

- *Strengthening local governance: finding quality advisory approaches*
- *Capacity Development Services: a learning approach to enhancing capacity in SNV East Africa*

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Contents

| | |
|--|-----------|
| Countries in SNV East and Southern Africa | iv |
| Preface | v |
| Abbreviations and acronyms | vi |
| 1 Introduction..... | 1 |
| The Building Advisory Practice initiative | 3 |
| SNV—the Netherlands Development Organization | 4 |
| Private sector development..... | 5 |
| This booklet | 6 |
| 2 Private sector development and SNV advisory practice | 7 |
| Current thinking on private sector development..... | 9 |
| PSD concepts relevant to SNV’s thematic focus | 12 |
| The APIS model | 16 |
| Contextual issues and challenges..... | 17 |
| 3 Fostering change..... | 19 |
| The BAP model | 21 |
| Outputs | 22 |
| Characteristics of quality | 24 |
| 4 Validating SNV’s approach | 35 |
| Indicators for characteristics of quality: some examples..... | 38 |
| Monitoring and evaluation: measuring results, assessing process, and learning | 44 |
| 5 Strengthening practices | 47 |
| A call for benchmarking..... | 49 |
| Learning areas | 49 |
| 6 Moving ahead | 51 |
| People who contributed through interviews or writing | 55 |
| Notes | 56 |

Countries in SNV East and Southern Africa



Preface

SNV's approach to development is principally to work in an advisory capacity with meso-level organizations. Taking on this advisory role has considerable implications for the way that SNV handles issues. In essence, it is the quality of the advisory service itself, rather than the specific knowledge to be shared or transferred, that makes managing such issues successful. Clearly SNV advisers must be able provide guidance and support to partners and their staff to do this. At the same time SNV seeks to learn from other organizations that may be emphasizing the advisory process.

East African SNV programmes have undertaken an initiative to build new models for advisory practice, what we call 'Building Advisory Practice' (BAP). The initiative has examined in detail what characteristics constitute a quality advisory practice, what others are doing that SNV would like to emulate, and the best way to share the knowledge gained with the wider public.

Meeting these objectives means building new ways of learning and sharing within SNV and with external partners and knowledge systems. This publication on private sector development is a major product in that endeavour.

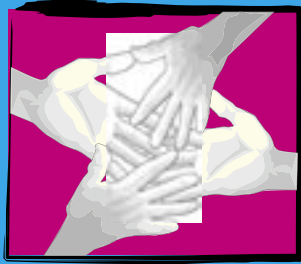
The publication, as with the whole BAP process, has involved the energy, commitment and patience of literally hundreds of persons, from partner organizations as well as SNV staff, many of whom are acknowledged at the back of the booklet. Here I would like to thank a few key individuals who have been at the core of the initiative.

Henri van der Land and Hans Posthumus, small-enterprise development consultants, developed the conceptual framework and undertook the initial writing for this book. Rem Neefjes, SNV Kenya, and Rob Sinclair, lead consultant, assumed the ultimate drafting. They edited and contributed substantially to the text. Sunita Kapila, private sector and small-enterprise development consultant, undertook much of the field research and provided preliminary text, some of which has informed portions of the present publication. Helen van Houten as the editor provided invaluable support. Jessie Bokhoven, as lead country director for BAP, has provided insightful and inspiring leadership, not only for this booklet but for the entire BAP initiative. The members of the BAP working group have provided guidance throughout. They are Alain Rousseau (SNV-Rwanda), Fantahun Wakie (SNV-Ethiopia), Maureen Roell (SNV-Tanzania), Joost Noordholland de Jong (SNV-Tanzania), Rem Neefjes (SNV-Kenya) and Regina Kamuhanda and Piet Visser (SNV-Uganda). Rob Sinclair and Susan Onyango, communication officer for the entire BAP process, have worked closely with Jessie, the working group and consultants. Last but not least, I must thank the SNV Head Office in the Hague and the Board of Directors for funding the initiative, and for providing intellectual and moral support.

Gerard Nieuwe Weme
on behalf of the management of
SNV East and Southern Africa

Abbreviations and acronyms

| | |
|-------|--|
| AMFIU | Association of Micro Finance Institutions in Uganda |
| BAP | Building Advisory Practice initiative |
| BDS | business development services |
| DPC | district private sector promotion centres |
| GTZ | German Technical Cooperation |
| ILO | International Labour Organisation |
| MFI | micro-finance institution |
| NGO | non-governmental organization |
| PSD | private sector development |
| SNV | Netherlands Development Organization |
| TCCIA | Tanzania Chamber of Commerce, Industry and Agriculture |



1: Introduction



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Sensitisation
Advocacy
Documentation

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FACT
CRAVI

Introduction

It is widely accepted by international agencies, governments, non-governmental organizations (NGOs) and the corporate sector that entrepreneurship and small-scale income-generating activities are the source of livelihood for millions who would otherwise be trapped in dire poverty. Micro and small enterprises are of particular importance for the income of the women who make up 50 to 90% of informal self-employment in the eastern Africa region. Small businesses are also an easy entry point for youth, both for acquiring skills and for earning an income.

Donors are aware of this energetic entrepreneurial initiative. They realize that through developing capacities of institutions and markets they can reach large numbers of the poor. This will lead to substantial increase in income and welfare. Capacity development is the option they prefer over short-term project support. If successfully done, it can prove over time to be more sustainable and viable, and it can thus reduce the need for external subsidies.

Most governments, development agencies and civil society organizations nowadays subscribe to the notion that development will work only when it is owned and driven by those whom it is meant to benefit. Effective private sector development clearly plays a critical part in this. SNV, the Netherlands Development Organization, which has been working in Africa for four decades, has been striving to find better ways to realize this principle. Its strategies include becoming a provider of advisory services to local agencies, rather than serving as an implementer or financial supporter. It focuses on strengthening the effectiveness of intermediary or meso-level

institutions that take the role of building local skills and institutions.

There is a well-worn perception that ‘advice is cheap’, or easy. The hard work is in finding the money, or the know-how, or the commitment to do the real job on the ground. But in a development tradition where local organizations have learned to expect external agencies to provide the funds, the expertise, and often the moral drive behind development projects, this approach is not at all an easy one. That is why SNV has embarked on an effort to find out how to make advisory service work in a way that truly empowers organizations to take control of their own development. This booklet looks at how advisory services can be effective in strengthening the private sector in the process of development. Companion booklets look at advisory services with respect to local governance and capacity development services.

This chapter starts with explaining the reasons for and the objectives of this exercise of building advisory practices. Thereafter SNV as an organization is presented—its vision and position as a provider of demand-driven capacity-strengthening services for meso-level organizations and its thematic fields of expertise. The chapter concludes with an overview of what this booklet is about.

The Building Advisory Practice initiative

Building Advisory Practice (BAP) is an initiative by the SNV country programmes in East Africa to examine the ways SNV assists its clients to become stronger institutions and

better at reaching their goals and objectives. The context for this initiative is first of all SNV's desire to strengthen its current advisory approach; at the same time, SNV aims to strengthen itself as a learning organization. These shifts in aim mean that the focus also must shift—to examine the quality of the advisory service itself.

The objectives of BAP are these:

- to provide a definition of best practices for approaches, methods and processes for SNV's advisory services in East Africa
- to harmonize and adapt improved approaches, methods and processes of SNV's advisory practice in the region, through innovation as well as adaptation of approaches learned from external partners
- to work towards aligning visions on how to strengthen the advisory practice of SNV
- to foster an appreciation in the wider public of the value of SNV's approaches

This booklet documents and analyses current SNV advisory practices in the field of private sector development (PSD) in five countries of the SNV East and Southern Africa region: Ethiopia, Kenya, Rwanda, Tanzania and Uganda.

SNV—the Netherlands Development Organization

SNV has been operating in eastern Africa since the end of the 1960s. Its objective has always been, and still is, to contribute to reducing poverty and social inequalities and to help improve governance. However, rather than implementing programmes with partners, SNV assists local organizations build their capacity to carry the responsibility themselves for doing their work.

Facilitating the process thus becomes a more important role for SNV than managing the project. Rather than SNV

managing large development programmes, it has become a demand-oriented provider of capacity-strengthening services. Facilitating development and the exchange of knowledge is important and one of the reasons for this BAP exercise. In addition to their thematic knowledge and experience, advisers increasingly rely on their facilitating and networking skills and their capacity to adapt quickly to a rapidly and continually changing environment.

SNV focuses on strengthening the capacity of meso-level organizations such as local governments, decentralized central government departments, umbrella organizations of NGOs, networks, business associations, regionally organized private sector groups and similar organizations that operate just above the micro level and just below the macro level. In SNV's view, meso-level organizations¹ potentially can provide services and support to micro-level organizations, enabling them to pursue sustainable development effectively. The meso level is ideally positioned to link experiences and concerns at micro level with those at macro level.

SNV distinguishes four capacity development services:

- *Diagnosis and learning*—to better understand the causes of underdevelopment and the context in which the organization works, to develop mechanisms for monitoring its activities in light of that context, and to learn from experience.
- *Organizational development*—to support clients in their strategic planning and strengthening of their organization.
- *Partnership building*—to increase the interaction with other organizations for joint activities and broader mutual benefit.
- *Institutional change*—to influence policies and create an enabling environment.

Above all, SNV is committed to such values as social justice and empowerment, gender equity and cultural diversity. SNV East Africa focuses on five practice areas: 1) responsive and accountable local government, 2) access to markets, 3) pro-poor tourism, 4) peace building and conflict transformation, and 5) developmental responsiveness to HIV/AIDS.

Private sector development

The private sector is important if we are to address poverty in a structural manner. A dynamic and innovative private sector in which small enterprises and farmers create employment and income-earning opportunities contributes to the overall objective of poverty alleviation, social justice and economic equity. In our view, promoting private sector development covers a broad range of support activities, including supplying and facilitating business development services (BDS), making and regularizing policy, and supplying infrastructure facilities. They all enable the private sector to operate efficiently and contribute effectively to economic development.

Economic development led by the private sector thus requires a well-organized and smoothly functioning private sector of both large companies and small and medium-sized enterprises. But also, and especially in the growing economies of developing countries, it needs a vast number of micro entrepreneurs and farmers. It also requires a government that supports the private sector, as reflected in favourable investment and trade policies as well as the supply of public infrastructure facilities and regulatory mechanisms (that is, utilities such as electricity, road networks and telecommunication, and institutional mechanisms such as financial systems, licences and chambers of commerce).

In the African context this is often not yet the case. Especially the micro, small and

medium-sized enterprises face a number of internal and external constraints. Entrepreneurs often lack access to capital, employ low-skilled workers, apply poor technologies, and face constraints in acquiring materials and equipment. Their management and marketing skills are underdeveloped, they frequently operate in isolation, and they lack information about new markets and development trends in general. Female entrepreneurs face these constraints to an even larger extent, as they face additional sociocultural barriers that limit them from participating fully in economic initiatives. Poor infrastructure and lack of basic services hamper development, while bureaucratic and complex regulations make it difficult for the emerging private sector to take off. Macro-economic factors such as high inflation and interest rates restrict investment initiatives.

SNV's role in addressing these problems is to facilitate processes that 1) improve the position and potential of small-scale entrepreneurs, 2) promote market links and public-private partnerships, and 3) influence policy-making and governance to favour economic development led by the private sector.

To strengthen the position of entrepreneurs, SNV assists local service providers to respond better to entrepreneurs' needs for tailor-made and gender-sensitive services. SNV is strengthening the capacity of these financial- and business-development providers so they are able to deliver such services in an effective way.

Using its own networks to promote market links and public-private partnerships, SNV facilitates its client and partner organizations to set up networks and link with market players higher up the market chain. In setting up public-private partnerships, SNV plays an intermediary role or occasionally is one of the partners, taking up the role of capacity builder or market matchmaker.

On the issue of influencing policy and governance, SNV assists its client organizations and networks in their lobbying and advocacy. In essence this covers the broad area of facilitating institutional change processes. Examples are adaptation of legal and regulatory frameworks (for example, a micro-finance bill, tax incentives for starting entrepreneurs) and infrastructure facilities adapted to the local situation.

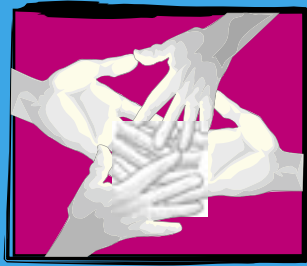
This booklet

This booklet is the result of a collaborative effort that has required considerable time and discussion with SNV advisers, their clients and beneficiaries, as well as with external organizations and experts. The SNV Eastern Africa region collected extensive data through workshops, interviews and field visits. They analysed it to evaluate experiences and, together with clients and beneficiaries, to identify the factors leading to success or failure. These factors we have named 'characteristics of quality'.

However, the efforts for learning and improving do not end with this booklet. Learning through applying and refining the characteristics of quality is continuous.

Therefore, SNV will continue to work with partners in setting benchmarks for advisory services. The whole BAP process demonstrates that SNV is committed to a continuous learning-by-doing approach, and this booklet offers a thought-provoking insight into the stimulating environment of an organization in transition.

The second chapter, 'Private sector development and SNV advisory service', provides the framework and context of PSD whereby an overview is provided of the approaches that are applied. The third chapter, 'Fostering change', identifies the characteristics of quality, gives details of each, and says what applying these characteristics entails for an advisory service. The fourth chapter, 'Validating SNV's approach', provides tools and indicators to measure the presence and effectiveness of these characteristics of quality. The fifth chapter, 'Strengthening practices', calls for similar organizations to share their experiences and approaches, to unite in developing benchmarks for advisory practice. It outlines learning areas that SNV will work on to further improve its advisory practices. The last chapter, 'Moving ahead', points to the way forward in sharing future experiences and continuously shaping our advisory practice.



2: Private sector development and SNV advisory practice



Private sector development and SNV advisory practice

In this chapter, we first provide an overview of issues related to supporting small-scale private sector development as an approach to eliminating poverty. Next some conceptual frameworks are provided that are relevant for understanding the role donors, facilitators and providers play in developing the private sector. It elaborates the choices SNV has made and describes the thematic fields within private sector development in which SNV is active. It concludes with an overview of the challenges and contextual issues that organizations like SNV face in contributing to the development of the private sector.

Current thinking on private sector development

Definitions and PSD situation analysis

In the context of SNV's mandate, PSD is taken to mean primarily micro- and small-enterprise development, which is where most African women, men and youth are employed. Micro enterprises are those that employ up to 5 persons and small enterprises up to 10. Micro and small enterprises, especially in rural underserved areas in this region, have little access to infrastructure or new technologies and therefore are often characterized by underproduction and underemployment. Many micro and small enterprises, especially those owned by women, are family based and home based, which restricts their access to the new ideas, skills and technologies available in the marketplace.

While the small scale of micro and small enterprises makes for flexibility of operation, this scale can also mean ad hoc locations and chaotic processes. The informality and lack of regulation of micro and small enterprises can also mean varying standards and quality, especially in the subsectors of food production and service delivery. This in turn can pose dangers to the health and welfare of consumers, especially those who are their main customers—the poor themselves.

Informalization of the private sector

As populations and poverty have increased in the East African region, so has the scale and scope of the informal sector. Activities that began during the colonial era as small-scale regulated initiatives in trade, craftsmanship and services have now proliferated to encompass up to 60% of the working population in the countries of eastern Africa. The term 'informal sector' was popularized by the International Labour Organisation (ILO) in 1972, which characterized informal enterprises by the following:

- ease of entry
- family ownership of enterprises
- reliance on indigenous resources
- small scale of operation
- labour-intensive and adapted technology
- unregulated, competitive markets
- skills acquired outside the formal schooling system

Some of these characteristics need to be qualified by changes since 1972. Increasingly, foreign inputs are used in informal produc-

tion, given that many African economies are now liberalized. Entry is often not easy, as cartels and trade associations have developed conditions to control entry and operations, and competitive markets are now the norm for both formal and informal sectors. Also changed considerably are the qualifications of entrants into informal activities—many are school leavers and some have tertiary education. They bring language, conceptual and administrative skills to their informal sector occupations.

In 1976, Dipak Mazumdar² added to the ILO definition the characteristic that the informal sector is 'unprotected'. He noted how the main distinction between formal and informal sectors was that the latter's employers and employees do not abide by legislation that offers wage or labour protection or social security guidelines. This dichotomy between workplaces, jobs and entrepreneurs that are within the purview of the legislated codes and statistics and those that are not is the main distinction between the sectors. However, not all informal sector enterprises choose to ignore the laws that an enterprise must uphold, and similarly, not every formal enterprise ascribes to all the laws, rules and requirements for production and commercial activities. And therein lies the basis for the increasing recognition that there needs to be a concerted effort towards an integrated economy beyond the notions of formal and informal sectors, focused instead on productive and profitable market links.

In a more recent publication, Hernando de Soto explains that the informal sector in most developing countries suffers from ineffective bureaucratic systems and complicated regulations.³ To obtain all the licences required in many cases takes an informal entrepreneur more than a year or even several years. In de Soto's view the main constraint for them is that they do not have title deeds for their property (land, houses, shops), preventing them from capi-

talizing on their assets. Without title deeds they cannot easily enter into exchange transactions, and access to credit is difficult and expensive—if not impossible.

Globalization

Micro and small enterprises have been a part of the African economic landscape for a long time but the context in which they now operate is more complex than ever before. The economic implications of global trade and production lines place local micro and small enterprises in a complex and often unpredictable environment. The structural adjustment policies of the 1980s and the growing liberalization of all regional and international markets had been designed to promote vibrant private sector growth. But this has not been the result in some countries. The responsibility for this lies partly with government policies and lack of preparedness of enterprises for global markets and partly with the continuation of subsidies in the North for farmers and businesses.

Recognition is growing in the least developed countries (LDCs) that for the private sector to compete globally, the formal and informal sectors need to be integrated into subsector value chains that can deliver quality products.⁴ Policy reform to support this process must be accelerated. Most importantly, approaches that address specific problems of small-scale entrepreneurial activity within the ambit of supportive macroeconomic policy must enhance micro and small enterprise productivity and profits.⁵

Within this framework, agencies such as SNV can be invaluable in raising awareness, facilitating information flow and increasing business links and productivity. To enter and compete in global markets or even local markets operating in the liberalized global context, new skills, qualities

and credentials (which traditional production systems do not offer) are necessary. The role of market intermediaries and PSD facilitators is now universally acknowledged and particularly elaborated on in donor guidelines for PSD support.

Constraints that the East African private small-scale sector faces in meeting the challenge of globalization include:

- lack of entrepreneurs' knowledge of their own position in the national, regional and international marketplace
- a subsistence mentality and little knowledge of value-adding opportunities
- scattered efforts at improved production, led by donors on a project basis, time-bound and not rooted in local institutions
- limited access to appropriate technologies, skills and information

The range of responses to deal with these problems has included the following, although not many have been as yet adopted in this region:

- training in subsector analysis to identify constraints and opportunities
- institutional innovations, such as enterprise-related institutions at the local level that vet and reward product quality
- broadening of the knowledge base of small-scale entrepreneurs through market education that explains their potential in the globalized marketplace
- market information to mitigate producer and entrepreneur vulnerability to price fluctuations
- linking of producers with institutions that can work on their behalf and assure better prices
- mechanisms for consultation with businesses further up the value chain
- affordable credit that recognizes the social and cultural context in which credit is acquired, used and repaid
- advocacy for policy change
- establishment of partnerships with well-

established entrepreneurs and trade-promoting institutions higher up in the market chain (including private–public partnerships)

The most fundamental challenge, which perhaps no country has as yet managed to meet successfully, is to integrate efforts of all those who work with the small enterprise sector: government departments, donor-subsidized NGOs and the private sector.

Donor thinking on PSD interventions

Since 1979, donors have attempted to coordinate their policies and activities regarding small enterprises through the Committee of Donor Agencies for Small Enterprise Development. The committee distils lessons of experience into principles for assistance. It has published *Micro and Small Enterprise Finance: Guiding Principles for Selecting and Supporting Intermediaries and Business Development Services for Small Enterprises: Guidelines for Donor Interventions*.⁶

To design interventions, appropriate needs assessment is essential, for which certain criteria are recommended:

- closeness to micro and small enterprises so that those who carry out the assessment have good contact and experience with them
- participation of the potential clients
- focus on specifics and avoidance of general statements
- emphasis on delivery design, to respond appropriately to micro and small enterprise needs

Based on these criteria, donor guidelines suggest three needs assessment techniques:

- subsector analysis that recognizes that micro and small enterprises in the same commodity value chain face common constraints and can strategize together for

- common inputs and economies of scale
- action research where experimentation can identify the real needs of a group
- participatory rural appraisal for community self-analysis of their productive resources and their situation

Donors aim to catalyse business start-ups, improve the chances for businesses to survive, and foster faster growth and greater productivity. Donors believe the best way to sustain the benefits of their support is through market-based and commercially provided financial and business services. They can support facilitators who build the capacity of private sector service providers,⁷ or they can foster well-functioning markets through intermediaries to stimulate demand and supply. Demand-side factors include consumer attitudes and purchasing power. Supply-side factors include skills, networks, access to resources and information, infrastructure and the regulatory framework—‘the enabling environment’. A problem with this approach is that many micro and small enterprises, especially at the subsistence level, do not know which factors influence their businesses and what information or which skills they require to change the situation.

Role of government: creating an enabling environment for an integrated economy

The term ‘enabling environment’ defines the role that the public sector should play in developing the private sector, referring not only to the basic physical, communication and transport infrastructure but also to the regulatory framework, minimizing the burden of compliance to inappropriate rules. Government is seen as a facilitator of wealth and creator of employment by implementing the following:

- stable fiscal and monetary policy to

- control interest rates and inflation
- financial markets that stimulate saving and channel savings into investments for increased productive capacity
- rules against monopolies and for fair competition
- human resource development through education and training
- infrastructure development to facilitate business transactions
- reduction of the cost of doing business by minimizing registration fees and installing efficient, transparent systems to assure this
- clear policies on land rights

The new policy approach to PSD is to remove unnecessary regulatory barriers and reduce the cost of doing business (through deregulation), but this has to be implemented without impairing health and public safety standards. The challenge really is to craft and implement appropriate regulation.

PSD concepts relevant to SNV’s thematic focus

Some of the PSD conceptual frameworks, developed in the last decade, are particularly significant for SNV. The frameworks presented here are chosen due to their relevance for SNV in its role of capacity builder of meso-level organizations. In the field of private sector development, SNV concentrates on two main practice areas: market access for the poor and pro-poor tourism. Pro-poor tourism is a special subsector, outside the sector related to agricultural production. As this sector has its specific characteristics and features,⁸ SNV has chosen to develop pro-poor tourism as a specific practice area. The market access practice area focuses attention on four specific aspects:

- financial services
- market links

- economic research and product development
- rural enterprise development

The SNV advisers involved in developing and sharing knowledge in each of these aspects of market access are members of the overall SNV knowledge network ‘Market Access for the Poor’ (MAP), which is largely inspired by both market development in the subsector (or the market chain) and BDS market development paradigms.

Developing the market chain

SNV has made choices on subsectors based on their ability to have a significant impact on poverty alleviation and to provide benefits for both men and women. The subsectors SNV has focused on are honey, oil seeds, livestock and soya bean. To ensure that strategic partnerships are formed as the subsector is developed, SNV uses the *value chain analysis* approach. In this approach SNV facilitates developing value chains in the different subsectors by identifying and strengthening the weakest link in the market chain, and capitalizing on the strongest links. SNV aims to ensure that win-win situations are achieved along the chain.

A key element is to analyse all actors in the vertical market chain—researchers, service providers, producers, transporters, traders, processors, exporters, buyers and clients—and their relationships with each other within the environmental context in which they are operating.

Contextual analysis looks at the factors influencing the functioning and economic performance of the various actors. Examples of such factors are trade policies, regulations and infrastructure facilities. Also analysed are the horizontal market characteristics of each link: what principles guide the players as they interact in competition,

collaboration, partnership, diversification, specialization?

With a focus on promoting pro-poor economic development, an important element is getting insight into how the value chain is developed and fostering added value early, that is, at the level of local producers and national processors.

As the weaker links are often related to low product quality, isolated production activities, and underdeveloped business skills and attitudes, special attention is paid to product development, economic research, enterprise development and market links. These links are closely related to the activity of improving BDS services.

At a higher level, weaker links often include inhibitory regulations and lack of venture capital. Lobbying and advocating more favourable policies and regulatory mechanisms and promoting investment are supported here.

SNV is therefore exploring opportunities to enter into partnership with private sector entities—often those at the end of the market chain who are buyers of the processed products of African entrepreneurs—and with knowledge institutes. The latter are specialized in research activities or in supplying product-relevant technical advice. The role of SNV in such partnerships is to establish market links, strengthening the capacities of the actors in the lower echelons of the market chain and facilitating institutional change processes. An example is the partnership between SNV and Unilever for promoting *Allanblackia*⁹ seed in Tanzania.¹⁰

BDS market development paradigm

Over the past decade SNV has been supporting the development of micro and small enterprises in many countries. To assist these enterprises, advisers often supplied business development services directly, to

improve the performance of the enterprise, its access to markets, and its ability to compete. These services included market links and economic analysis, but not financial services.

Such services included management training, technology transfer, business plan development, economic analysis, facilitation of bulk input supply, and market information to the enterprises. These services were generally provided by a programme or partner institution and were supplied free of charge or for a subsidized fee.

Most donors now agree that this approach towards market development has had limited long-term effect or scope for sustainability, because programmes were generally short term, small scale and expensive. And most crucially, in most cases they were not seriously embraced by the entrepreneurs. The supply of business services should be a commercial transaction between a BDS provider and an enterprise.¹¹

The new role of development organizations is to facilitate the development of such a commercial market for BDS, first by building the capacity of various BDS suppliers. The idea is that these suppliers, having acquired additional skills, can offer services of higher quality in a more cost-effective way.

Second, the development organizations should facilitate removing market imperfections on both supply and demand sides. These imperfections are in most cases related to insufficient market information—suppliers do not know what types of service are in demand and small entrepreneurs do not know which service providers are in the market.

Third, they should also facilitate establishing a higher degree of organization on the demand side. An example is promoting producer organizations, so that together the entrepreneurs can establish the critical

mass necessary to reach BDS suppliers and sales markets.¹²

Simultaneous work in these three dimensions can establish a commercial market for business development services.

In such a market, business development service providers offer non-financial services to improve the performance of micro, small and medium-size enterprises, to increase their access to the market and their ability to compete. Financial service providers strengthen community-based financial institutions and micro-finance institutions in their capacity to develop and deliver financial services to entrepreneurs and marginalized groups, to stimulate savings, improve access to external funds and establish links with the banking sector.

The supply of financial services, often known as micro-finance or savings and credit schemes, is in fact one of the BDS activities, but due to its very specific character—trade in money—it is widely acknowledged to be a specialized field of activity. Highly specialized micro-finance institutions (MFIs) should undertake this activity and they should not do anything else. The role of development organizations such as SNV is again that of a facilitator and capacity builder. The challenge is to assist MFIs and their umbrella organizations to introduce new systems for rural agricultural and pastoralist areas.

The BDS market development paradigm is depicted schematically in figure 1.

Figure 1 shows that there is a commercial agenda, basically the transactions between enterprises and service providers, and a development agenda that is promoted by donors, governments and facilitators. Obviously, it is greatly oversimplified as, for example, government and public institutions also play an active role (or at least should do so) in the commercial agenda through policy and law making.

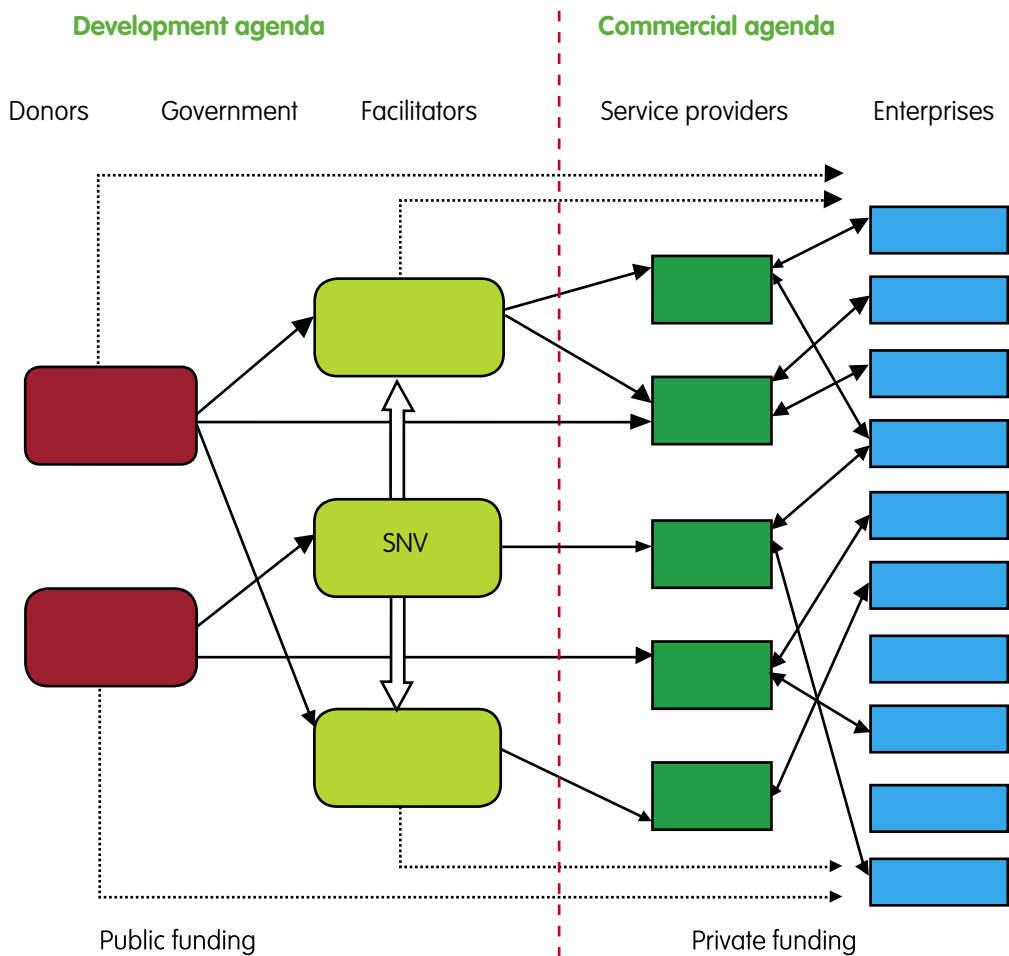


Figure 1. BDS market development framework.

As stated above, in the past many development organizations, including SNV, delivered services to micro and small enterprises. They were thus active under the 'commercial agenda'. In fact, in this old approach NGOs, with their highly subsidized services supported by their donors, were crowding out private players in the service delivery market. In the new thinking, the role of NGOs, as facilitators, is to support the development of service

delivery markets, working in either financial services or business development services. That is why the NGOs are now depicted as facilitators under the development agenda side of figure 1.

The main differences between so-called traditional BDS interventions and market development interventions are given in table 1.

The APIS model

In many BDS market links and micro-finance programmes it is clear that the institutions, laws and regulations for the private sector limit the performance of micro and small enterprises, in particular the participation of women in economic activities. Activities to promote an enabling environment for PSD are therefore gradually considered an important complementary strategy.

As mentioned in chapter 1, SNV also focuses on improving the local environment for enabling economic development. It is doing so by working with local authorities, chambers of commerce and other institutions on improving public service delivery, such as supply of infrastructure,

adaptation of economic policies to the local situation, and promotion of effective regulatory mechanisms, again adapted to the local situation. The focus of SNV is here on advocacy, dialogue, joint action, meso–macro links and promotion of private–public partnerships.

An example is the support SNV provides to the Association of Micro Finance Institutions Uganda (AMFIU), a Ugandan umbrella organization. Like many membership organizations, AMFIU was hampered by a weak secretariat and had great difficulty in raising sufficient support and means from its members and from outsiders. Though SNV’s support was initially focused on the organizational development of AMFIU and its member MFIs, the focus gradually changed

Table 1. Traditional vs. market development interventions

| | Traditional interventions | Market development interventions |
|-------------------------|--|--|
| Vision | A non-profit or government organization provides quality BDS to SEs | A sustainable, primarily private sector market, made up of competing suppliers, sells a wide range of quality services to SEs |
| Objective | Provide quality services SEs can afford | Encourage others to provide quality services for which SEs are willing to pay full cost |
| Starting point | Diagnose needs, surveys | Assess the market—demand, supply, potential |
| Point of intervention | ‘First tier’: provide direct services to clients through a single local institution | ‘Second tier’: facilitate, regulate, develop products and work with more than one supplier |
| Duration of involvement | Permanent: donor-funded programmes must continue if services are to be available to SEs | Temporary: withdraw as markets develop |
| Subsidies | Free or low-cost services to clients are justified in the long run: SEs cannot be expected to pay full costs | Support assistance to suppliers or temporary grants to clients; justified in the short run if effect of market development outweighs market distortion |

SE – small enterprise

to assist AMFIU in playing a meaningful role in developing the micro-finance industry in Uganda. As a result, AMFIU has contributed greatly to Uganda’s regulatory framework for micro-finance. The Ministry of Finance and the Bank of Uganda now acknowledge it as the main voice for MFIs. At the same time its membership base has increased tremendously, as MFIs saw the value that their umbrella organization added.

An interesting model or framework for analysing these issues of positioning and promoting an enabling environment is APIS.¹³ This framework distinguishes the following dimensions of the business environment:

- A awareness
- P policies, legal and regulatory framework
- I institutions that support PSD
- S support services given directly to micro and small enterprises

Table 2 shows some of the subdimensions of the APIS model.

Evidence is increasing that SNV can play a strong role at A-P-I levels. In essence SNV’s capacity development services cover most of the dimensions of the APIS model. SNV’s ac-

tivities under institutional change are strongly focused on policies, legal and regulatory frameworks, and partly also on awareness raising. Its advisory services under partnership building are related to raising awareness and in particular to forming public–private partnerships. SNV’s organizational development activities are directed at strengthening the capacities of organizations or institutions that support private sector development.

Contextual issues and challenges

Evidently, contextual issues have a huge bearing on SNV’s work and the services it provides. These issues may differ substantially due to the great variety of the environments in which SNV works. Nonetheless, there is some commonality in these issues; they seem to challenge the market development paradigm.

SNV often operates in rural and remote areas in which markets for BDS are often underdeveloped and dysfunctional. Scarcely any commercial service provider

Table 2. The APIS model: its dimensions and subdimensions

| Dimensions | Subdimensions |
|---|---|
| Awareness | <ul style="list-style-type: none"> • Society and PSD • Public–private partnership |
| Policies, legal and regulatory framework | <ul style="list-style-type: none"> • Economic and sector policies • Taxation and financial incentives • Infrastructure • Legal and regulatory framework |
| Institutions that support PSD | <ul style="list-style-type: none"> • Financial institutions • BDS providers • Trade and investment promotion agencies • Chambers of commerce and industry |
| Support services given directly to micro and small enterprise | <ul style="list-style-type: none"> • BDS • Financial services • Market and investment information |

operates in these areas because there is little effective demand for such services. The enterprises, mostly livestock keepers and agriculturalists in rural areas, may be interested in the services but they do not have the financial capacity to pay and so find the services unaffordable. It is a great challenge to determine how to intervene in these areas without jeopardizing the market development paradigm. It is possible—but only for a limited range of services, for example, facilitating outgrowing schemes. In exceptional cases SNV will temporarily involve itself in service delivery but only if an exit strategy is clear, and if everyone is careful that SNV services do not become a substitute for the market.

Another common feature, to some extent related to the above, is that the ultimate beneficiaries of SNV interventions

are often the lower segment of the market such as micro enterprises, pastoralists and subsistence farmers. Most of the PSD development theories and practices are developed for the upper segments of the market such as medium-sized urban enterprises, and thus may not hold immediately for SNV's target group. These theories and concepts, including the market development paradigm, will require adaptation and downscaling to make them relevant in this context.

A third challenge is to bring the public and private sectors together. It is unfortunately quite common that the public sector and the private sector tend to mistrust each other. SNV has however shown that it is able to overcome these feelings of mistrust and that it is able to build effective and lasting partnerships between these two sectors.

For further information, visit the SNV website (www.snvworld.org/cds/rgBDS) and see the SNV reference guides that have been compiled in recent years on

- economic analyses
- business development services
- micro finance
- trade in agricultural products



3: Fostering change



Fostering change

We have examined the broader context of current support strategies for the small-scale private sector, and some of the trends and constraints in providing these services in the marginal locations in which SNV works. This chapter now explains the conceptual thoughts behind the model that SNV is developing to strengthen services in its own particular context; it describes the outputs that SNV provides and the characteristics of quality that determine the success of these advisory services.

The BAP model

SNV provides services or products to clients that strengthen the client's capacity to handle its own services. Examples of such products are workshops, training sessions, and other more individually tailored services.

However, the quality of these rather specific services does not in itself determine the quality of the advisory

process, and therefore SNV has set out a number of implicit services, formulated in terms of acquired insights and skills by clients, that it has named *outputs*. Two examples of such outputs are 'to deepen the client's understanding of market chain development' and 'to enable the client to position itself within the broader institutional framework'.

Other factors, both external and internal, also influence whether the client actually does something with the acquired insights and capacities. The resulting change in the client is called *outcome* in SNV terminology.

The characteristics of quality are thus those characteristics that affect delivery of the outputs, which in turn are prerequisites for the expected outcomes, in the form of observed change in behaviour or performance. They do not relate so much to *what* SNV does (the service itself) as to *how* SNV realizes its outputs and outcomes. This model is visualized in figure 2.

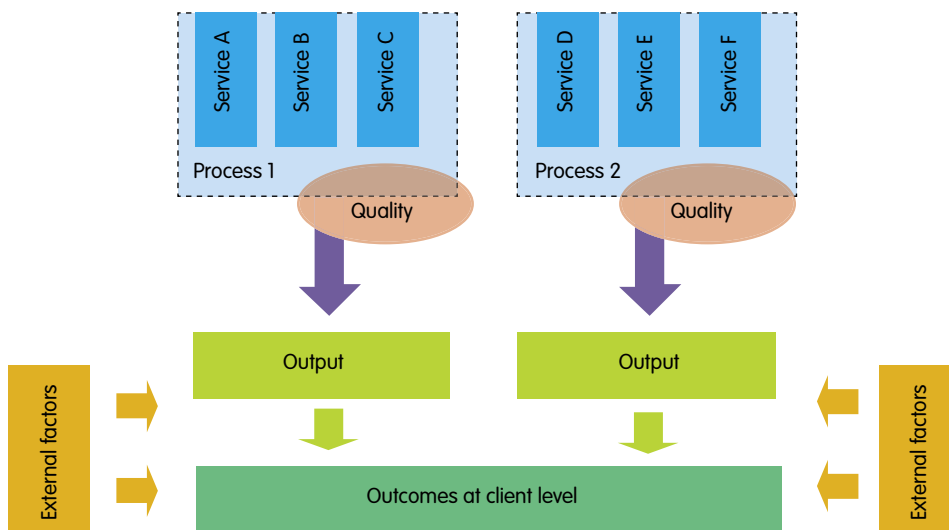


Figure 2. The BAP model.

Outputs

SNV Eastern Africa collected extensive data through workshops, field visits, and interviews with SNV advisers and their clients as well as with external organizations and experts. Analysing the information and experiences has thus led to a number of experience-based outputs that are thought to be key to the advisory process.

These outputs are presented below. They are not listed in any priority or sequential order even though they are numbered for easy reference. Their importance and applicability will depend on the services provided, the characteristics and context of the client.

1) Translate the client's request into a clear demand

In many cases the client's demands are unstructured and diffuse. The challenge is to understand what the client's problems are and to translate these into clear demands in PSD terms. Once the problem is well understood and properly articulated, it becomes possible to identify the type of service needed to address the issues effectively. Obviously, there is a role for the adviser, particularly if it entails awareness, political or institutional issues. Where the demand is at service level and clear at the start, it may well be possible to refer the client immediately to a service provider and hence limit the role of the adviser to building the capacity of the client to identify and manage the service providers.

2) Build the capacity of the client to identify and manage service providers

In the ideal case several service providers are available and able to deliver the service the client requires. The client may not know who these providers are and, moreover, may not know the quality of the

services offered or the terms or conditions under which they are offered. Enabling the client to assess the difference between the various service providers in terms of costs, benefits and efficiency is important, as well as it is to assist clients to manage these service providers. It implies exposing the client to the various stages in the advisory trajectory and transferring the tools needed to manage each stage effectively (such as laying out terms of reference during the inception phase).

3) Ensure that clients adopt a businesslike approach and way of working

Generally, the overall aim of clients in PSD is to promote the interests of the private sector, either as capacity builder by representing their interest (lobby and advocacy) or through networking. To establish *rapport* with the private sector, the ultimate beneficiaries, it is crucial to think and act as actors within the private sector do. If one would act as a typical civil servant, one would become easily suspect and in even the most favourable case not be taken seriously. A businesslike approach fosters trust between private operators and their supporting organizations, and hence fosters the effectiveness of the services provided. Such an approach also implies that clients reflect on their own organizational culture and practice and make it compatible with the private sector.

4) Broaden the client's understanding of the context in which it operates

A contextual analysis is key in identifying the services that are beyond the immediate interest of enterprises but that may provide a huge leverage for a whole sector. Without this knowledge and insight, clients such as PSD facilitators, BDS providers and public organizations may have difficulty understanding the relevance of the

services they offer. It is instrumental to distinguish between the level of intervention and the level of impact. Interventions at macro level, such as the removal of trade barriers, may have a much bigger impact at enterprise level than the delivery of even the best business advice.

5) Create access to networks

Many clients tend to operate in isolation. This does not necessarily happen by design but more often by default, as they have not the means, such as Internet connection, or the skills to access networks and information. In the era of globalization one needs to be connected to world market developments and be informed about the latest price developments. An internationally operating organization like SNV with highly exposed advisers is well informed and connected, and this knowledge and information is made available to their clients. SNV is actively participating in local and international PSD networks, including business forums, to be aware and up to date with the most recent developments and thinking.

6) Source and disseminate good practices

In addition to linking its clients to networks, SNV actively sources good PSD practices. It is hard for most clients to undertake this function because their resources are limited. However, in cases where clients are well able to source they are supported by SNV to do so. Sourcing is essential and necessary, but lessons learned and good practices are also shared and disseminated. Often there is even a stage in between as good practices need to be translated to the local context before they can have any meaning. SNV actively sources, validates, translates and disseminates good practices as well as leads its clients to appreciate the relevance of these good practices and apply them.

7) Deepen the client's understanding of market chain development

Market chain development is an SNV corporate content area and for very good reasons. Market chain interventions have proven successful in achieving impact, that is, increasing profit and income for the enterprise and generating employment. Such interventions can be identified only by analysing the market chain, and they are based upon an in-depth understanding of those in the chain and the factors influencing the chain. Only on the basis of a profound understanding of the market chain are appropriate interventions identified. In current thinking these interventions are provided—whenever possible—by the private sector to increase their effectiveness, efficiency and sustainability. SNV fosters appreciation of the market chain development approach among its clients and enhances client knowledge and skills in analysing and developing the market chain.

8) Enable the client to position itself within the broader institutional framework

SNV clients are in principle meso-level organizations, and according to the SNV definition meso-level organizations are just above the micro level and just below the macro level.¹⁴ To understand where they are exactly positioned, it is vital to understand the client's complete institutional picture. Advisers assist their clients to conduct an institutional analysis and to analyse the relationships and dynamics in their institution. Thereafter, proper positioning becomes feasible and possible interventions and partnerships become visible.

9) Encourage the client's engagement with strategic partners at the various levels

Due to the complexity of the environment in which clients operate and the huge

problems they face, it is highly unlikely that clients will be able to make effective change without cooperating and collaborating with others. SNV has vast experience in fostering strategic partnerships between private and public sectors, and this expertise is invaluable in assisting its clients to identify the right partners and to develop lasting and mutually benefiting relationships. Fostering constructive dialogue between the partners—private, public and civil society—is critical in establishing partnerships.

10) Build the capacity of the clients to mobilize resources

It is envisaged that many of the clients will have to embark on new and innovative projects to address the challenges in their environment, and such projects may require substantial resources. SNV, being well connected to the international development scene, is well positioned to assist its clients to identify possible resource sources for developing these projects. SNV has ample experience with project identification, design and formulation, and these skills are essential for their clients to meet the conditions and criteria set by various financiers.

Characteristics of quality

One of the purposes of BAP is to analyse the quality of the output that SNV delivers to the client organization. These characteristics of quality refer to the advisory service and not to the qualities of the adviser. A first attempt is made to define the characteristics for good advisory practices within the field of private sector development. They are presented here.

These characteristics of quality are derived from experience and are the result of the extensive data collection referred to earlier. Again, they are not listed in any

priority or sequential order although they are numbered for easy reference. Every output requires its own combination of the characteristics of quality. The combination is never the same; sometimes one quality is most important in one context but another might be more relevant in a different context. The characteristics of quality can be applied in various stages such as diagnosis and learning, organizational development, partnership building, and institutional change. They are therefore not ordered according to these four stages.

Although there are many more characteristics of quality that are crucial for advisory practices, the focus here is on those that are typically relevant for working with the private sector. This implies that other universal qualities are not mentioned here, but reference is made to the Building Advisory Practices (BAP) booklet on Capacity Development Services.¹⁵

The following sections explain each of these selected characteristics and elaborate on its relevance for private sector development. The case studies illustrating the characteristics are all examples drawn from current SNV practice.

1) Sharing values

The values of the adviser and the client are not necessarily the same. SNV is committed to a mission in which a rights-based approach plays a key role. It strives towards gender equity, cultural diversity, empowerment, social and economic justice and values transparency, accountability and professional work ethics. The mission and values of the client might differ and clarity is required about each other's values. Respect and dialogue are instrumental in developing common ground and are more effective than imposing values on each other when creating a basis for a successful cooperation.

KENYA. Increasing the assets and empowerment of women pastoralists: the case of the Samburu Integrated Development Programme

Sharing values has been a characteristic of the relationship between SNV advisers and the Samburu Integrated Development Programme (SIDEP). This sharing includes respecting cultural diversity and improving gender equity and women's rights while holding open dialogue with everyone, including husbands, to avoid offending traditional values. SIDEP women gained confidence and empowerment through learning new ways of working and through networking with groups in other districts.

In Kenya's Samburu District, a semi-arid area, SNV has worked for four years with women's self-help groups, promoting their entrepreneurship. When SNV changed its strategic direction to advisory practice, these groups joined together to form an umbrella organization called the Samburu Integrated Development Programme). SIDEP is quite new but its members had all benefited previously from SNV training and guidance as members of self-help groups.

SIDEP has a membership of seven self-help groups, but it is extending its membership up to 20 groups. Its focus is on increasing the capacity of its members so that they are able to initiate development activities themselves and improve and diversify their livelihoods. Groups, which average about 25 members, engage in business through beadwork, livestock and kiosk ownership.

The groups received training in business management, savings and credit mobilization, technical skills and group dynamics. Training manuals were refined and adapted with support from course participants. Small grants were made available as seed capital to assist individual group members set up their own small business activities and to assist separate groups to set up revolving funds for their own savings and credit schemes. The grants were further used to set up activity centres, guest rooms, offices, storerooms and water facilities. One important component was exchange visits, organized with other small business initiatives outside the district. These visits enabled the participants to do market surveys and establish contacts with potential buyers and sellers. The SNV advisers are advising SIDEP executive staff in how to take on these activities.

SIDEP members interviewed said that SNV advisers held many sessions of consultation and training with them, such that over time they became 'comfortable' with advisers and recognized their own ability and potential through interacting with them. The most significant outcome of the relationship has been the empowerment of the Samburu women. They are able to assert themselves in business and personal situations. Men, in both communities and homes, are appreciative of the incomes that the women are generating and have invited them to be members of community committees. Some women of the self-help groups are now elected councillors. Several women are now regular traders at livestock markets, which previously men had monopolized. Within their personal situations, women make decisions that safeguard their claims and their children's claims over their own livestock against demands of husbands who had abandoned them during bad times. These are important changes at an institutional level in Samburu society and their implications will be far reaching.

Group members' perception of the SNV advisory process is that SNV advisers never forced any decisions upon them but taught them new ways of managing their groups and of earning an income. Most important, care was taken that the process was group driven, as SNV staff, through regular visits to the community and group members, learned about their needs and priorities and in a step-by-step approach supported their acquiring skills and resources.

This innovation in an otherwise traditional pastoralist culture has unlocked the potential for women to earn the kind of income they never thought possible. In fact, some women now earn more than their husbands. With their own income, the women said they command more respect from their husbands, who pay them more attention than they did previously, and the two can interact 'like equals'.

2) Foster critical thinking

Analysing one's own ways of working and thinking is important. The adviser encourages the client to reflect and articulate problems and demands. They both critically question present strategies and underlying concepts and they challenge each

other's assumptions. They create critical thinking among themselves but they do so in a safe environment where both adviser and client are given a clear mandate to question each other's opinion and assumptions and engage in this critical dialogue without personal rancour.

IN UGANDA, the Association of Micro Finance Institutions of Uganda (AMFIU) was officially registered in 1999. In 2001, it being a rather new organization, it requested SNV to facilitate it to clarify and determine its vision, mission, objectives, roles and strategies.

Initially SNV posted an expert in the secretariat who assisted AMFIU to establish the organization further. After AMFIU was well grounded, SNV facilitated it with an organizational self-assessment process, enabling it to identify capacity gaps and areas for future focus.

The terms of reference were clear; the discussions were open and transparent. AMFIU itself identified problem areas and requested assistance to address them, but clearly remained in control. A SWOT (strengths, weaknesses, opportunities, threats) analysis was undertaken to build upon its strengths and take advantage of opportunities. An environmental analysis was undertaken and new external developments were critically discussed and analysed, involving the board, staff and advisers.

Through this organizational self-assessment AMFIU took a good look at itself in terms of mandate and strategy, and the exercise has created a culture of openness and drive for improvement. It has now become an internationally recognized network with a positive image among its members as a high-performing organization.

3) Cultivating creativity

Creativity needs an atmosphere that stimulates it. There should be a drive for openness and innovative ways of working—seeking new ideas, and room to develop and pilot new products and services. Working in teams, adviser and client may contribute to such a creative environment and will furthermore increase ownership of the solution. Cultivating a sense of creativity is key to the process.

The good adviser is up to date with emerging PSD practices and is able to recognize relevant new concepts. Such advisers take into account the position and context of the client and transfer their knowledge to the client. Often new concepts emerge out of experiences of upper-end small enterprises in functional markets in an urban environment. But many clients are operating at the lower end, often focused on the agricultural and

pastoralist livestock sector, often with dysfunctional markets. Creating innovative and alternative rural financial mechanisms to address the capital requirements of rural

producers is just one example of the kind of creativeness that is needed to translate these emerging practices into the context of the client.

IN UGANDA, KENYA and TANZANIA, SNV advisers who specialize in micro finance together with their clients have reflected on how to increase the supply of financial services to rural areas located far from urban centres. Consensus grew that the problem was not rural savings, but how to mobilize those savings and how to turn them into investments. It was concluded that what was needed was an outreach programme of MFIs that created new ways to receive deposits and to link with the formal commercial banking system.

Consequently, SNV members working in the area of micro finance are currently developing an innovative concept called 'linkage banking'. Key is to link formal and informal financial sectors through a process that will enter rural savings into the formal banking sector. Crucial in this concept is that investment management funds and partners who are willing to guarantee insurance funding must be included. At the start of 2005, this concept was being discussed seriously with a number of potential partners from the financial world.

4) Incorporating context

The advice is practical and realistic without being simplistic. It considers the position and the context in which the client operates. It critically analyses external social, technical, environmental and political factors. This context analysis

goes beyond typical geographical borders because commodity lines, for example, are not limited by administrative borders. Moreover, it takes into consideration the vertical aspect, from micro to macro level, because often obstacles at the lower level can best be addressed at higher levels.

IN TANZANIA, the Kondo District Council and the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) requested SNV's assistance to establish a forum for public-private dialogue.

SNV assisted TCCIA to mobilize members for a local chapter of the chamber of commerce. Thereafter, SNV helped broaden the client's understanding of its context; moreover, SNV built its capacity to formulate concrete and specific intervention points for dialogue with the local authorities. The newly organized local TCCIA thus became more of an interest group than a pressure group, which identified means and instruments of how the dialogue could be formed.

The outcome was to create the Kondo Business Council, in which both the district government and the private sector participate. It feeds into the planning and decision-making cycles of the Kondo District Council. Lasting solutions thus are found and implemented to address structural deficiencies that affect local economic development.

IN UGANDA, SNV assisted 11 district private sector promotion centres (DPCs) with an institutional strengthening process to enable them to deliver diversified, improved and demand-driven services and products. As an initial step, a strategic and marketing plan was developed for each DPC, based upon a thorough context and market analysis.

Key factors in relation to governance, management, marketing and micro finance were identified and their consequences for the internal organization analysed. Data were collected in various ways to triangulate information such as checklists, individual interviews, focus group discussions and stakeholder meetings.

The DPCs are now establishing themselves as private companies with a membership-based governing structure. They expect to become providers with a competitive advantage, attracting a wider variety of clientele willing to pay for their services and hence making the DPCs sustainable.

5) Drawing on market dynamics

The adviser plays an important role in identifying local and global market trends. These dynamics create opportunities to which the client can react, or even better, take a proactive role. The adviser has access to systems and networks that continually supply up-to-date market information. The adviser actively searches for information that is relevant for the client. The adviser is not only able to transfer that information to the client, but also transfers the knowledge, skills and attitudes that enable the client to follow these dynamics as an internal and continuous activity.

At corporate level SNV is active in certain global commodity chains and developments and has access to information that is of major importance for the client. The development of the East African Community is an example of an event that will have a major impact on local economies, and the East African SNV cluster is in a position to take advantage of its regional network for individual clients. Another example is the links that SNV has established with the World Tourism Organization (WTO) and with the Dutch Ministry of Development, which is streamlining and financing initiatives focused on forming public–private partnerships intended to promote exports from developing countries.

ETHIOPIA. Tourism and Transport Promotion Bureau

In Ethiopia, SNV has taken a proactive role within the tourism sector. At corporate level, SNV has been partnering with the World Tourism Organization (WTO). During an international tourism trade fair in Berlin, SNV offered to the Ethiopian Tourism Commission (ETC) and WTO to explore possibilities to assist them with an identification study under the Sustainable Tourism—Elimination of Poverty (ST-EP) framework, an initiative of the WTO and the United Nations Conference for Trade and Development.

Under this ST-EP framework, ETC was invited to explore possibilities together with WTO and identify potential programmes and projects for pro-poor tourism in Ethiopia. The ST-EP framework serves as a multidimensional platform, seeking sustainable funding from new sources, researching models and links, and serving as a stakeholder forum for input, exchange and buy-in.

SNV Ethiopia noted that the southern region, in which SNV is active and which holds a lot of potential for pro-poor tourism, was not included in the initial study proposal. SNV informed the Tourism and Transport Promotion Bureau (TTPB) for the Southern Region about the opportunity and informally assisted them with lobbying activities to ensure that the study would include their region as well.

Once ETC and WTO agreed to include the Southern Region in the identification study, TTPB asked SNV to help them plan and prepare to receive the identification mission. TTPB thus got the opportunity to promote tourism potential in the region and itself as a new agency.

Public awareness material was produced and a number of project opportunities were identified during the mission. Through this exercise TTPB is now better linked to national and international stakeholders and networks. It can draw better information on international market dynamics, in terms of both tourism patterns and donor-funding possibilities. As a regional coordinating and facilitating public agency, it is better linked now to a number of potential key players in pro-poor tourism programmes and projects to be launched.

6) Encouraging stakeholder participation

Clients do not operate in isolation. In each environment there are actors who have a similar interest and play a complementary role. A stakeholder analysis will clarify their positions and provide insight into the sector's functioning. Whenever possible, cooperation with stakeholders is sought and strategic alliances are formed to address issues at hand.

Certain constraints cannot be resolved at the client's operating level, and the client must seek partnership with stakeholders at other levels. Changes in the regulatory framework cannot, for example, be addressed by the individual micro-finance institution or small-scale entrepreneur but are better dealt with at the level of its umbrella or membership organization.

KENYA. Aloe Working Group

In Kenya, four clients working in pastoralist areas with a number of community groups requested assistance from SNV to scale up and diversify their activities. They wanted to include livestock trade and to consider other products with promising market possibilities that would be feasible for pastoralists, such as aloe. SNV proposed that the clients join hands and SNV would see whether it could link up with other partners. SNV found that another NGO, the Laikipia Wildlife Forum, had carried out a study on aloe, the main outcome of which was that conservation was threatened by illegal harvesting and that bigger farms were replacing aloe with other crops. Because widespread harvesting of wild aloe threatened the plant, a presidential ban had been placed on aloe trade. This presidential ban, however, had never been gazetted and its legal status was not clear. It appeared that sometimes licences for export were given and sometimes not. Such irregularity had created an environment in which arbitrariness prevailed.

SNV and the NGO facilitated a seminar that a wide range of stakeholders attended: the four clients, community representatives, smaller and bigger aloe producers and traders, researchers, trade promoters and international NGOs and donors. The seminar led to creating a broad Kenya Aloe Working Group and forming six working groups that consisted of representatives of producers, traders, conservationists, development agencies, researchers and Kenya Wildlife Service. Moreover, Kenya Wildlife Service, being the organization responsible for issuing the licences, agreed to investigate whether the trade in aloe could be regulated through official policy.

SNV focused on a broad spectrum of stakeholders and put highly interested stakeholders at the fore: Kenya Wildlife Service, producers, some larger-scale traders, and researchers.

As of the beginning of 2005, the Kenya Aloe Working Group was circulating and soliciting comments on a draft aloe regulatory policy document, prepared by KWS, being the representative government body. Further research is currently under way to identify local aloe species suitable for commercial raising. Building on these existing initiatives, first steps are being taken to promote aloe production in arid and semi-arid areas.

7) Dealing with ambiguity

Continuous scanning and analysis of the market is essential in private sector development. Although this market analysis aims to cover all relevant aspects of a particular activity, it is important to realize that within the private sector access to information is a strategic tool in itself. Often information remains hidden and the analysis must take into account that the information obtained is sometimes misleading or contradictory. Unlike in the public sector, where it is unethical to withhold information, it is standard practice in the private sector to take advantage of information that others don't have. Information and insight in market developments provide private sector actors with a competitive advantage. Therefore, advisers and clients take this dichotomy into account when collecting and validating information. Moreover, most of the information is sensitive and must be dealt with in a responsible manner.¹⁶

8) Promoting and fostering local resourcefulness

Many clients appear to operate in an environment without service providers, and the client will thus seek these services from the adviser. It is the adviser's task to reconsider whether providers that operate locally in the private sector are able to deliver the requested service. Often these service providers are present but they may be either invisible or weak. However, contributing to a sustainable development of the private sector implies that advisers focus on their advisory skills and do not themselves engage in delivering services. The adviser seeks alternative, emerging service providers and encourages and enables the client to use them. To do so, the adviser must have a thorough understanding of the technical expertise of the service provider's professional field. In the Monduli TCCIA example given here, to address weaknesses in the local private sector environment SNV encouraged and supported the local business association. It thus avoided reliance on external resources.

TANZANIA. Monduli TCCIA

In Tanzania, as the private sector evolves from former state-controlled enterprises, organizations that represent the private sector are emerging. But they are still new and trying to learn how best to address the policy environment and the concerns of their own members. The Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) has been developing district-level branches and contributing to the national debate on economic development.

In 1999, SNV responded to requests from small-scale entrepreneurs in Monduli District, an agro-pastoralist area, for advice on how to address regulatory and infrastructural constraints hampering the growth of their businesses. The SNV adviser assisted these entrepreneurs to organize themselves into a joint forum to present their problems to the district council.

One issue that SNV assisted them to address was transport between Monduli and the nearest city, Arusha. The route was monopolized by a cartel of bus operators, who were inflexible on times of operation, loads and fares, creating problems for businesses in accessing inputs and reaching markets. Local government officials in both Monduli and Arusha had to be involved. The Monduli District Council called public meetings to discuss the issue of truck cartels and contacted alternative transport providers from Arusha. Regional and district officials arranged police protection so that these transport providers could start operating the Arusha–Monduli route.

The advisory aspects of SNV involvement were these:

- It guided small local entrepreneurs on what the regulatory requirements for their businesses were and how they could lobby against those that affected them adversely.
- It assisted the regional level TCCIA to strategize how to support local businesses in addressing business constraints such as transport.
- It gave advice about key subsectors in this region—mining, tourism and agriculture—and urged joint action in the district and the region to address input and market constraints.
- It promoted public–private dialogue to regularly review issues of private sector development.

SNV provided a neutral position in which it mobilized public and private sectors for dialogue. Businesspersons and public officials might interact on a one-to-one basis and personal favours might be granted, but the mobilization facilitated through SNV was an open process in which the value of jointly organizing to bring about change was recognized.

SNV was able to work on institutional change by advocating that the existing regulations that affected small-scale entrepreneurs adversely be adapted. After regulations were changed, these entrepreneurs had safeguarded their access to transport to and from their markets.

Characteristics of the advisory process were to foster ownership, establish policy and advocacy links, and develop local leaders' skills to further these links. Most important, however, was to facilitate locally based solutions in an environment where the needed services were previously unavailable.

9) Respecting private sector practices

Working within the private sector with private sector actors implies that the adviser and the client both respect the practices of the private sector. The cultures, attitudes and practices of development organizations and of entrepreneurs differ.

Signing contracts is a sign of commitment and trust in the former, while it often is a sign of mistrust in the latter. The adviser and client respect the business spirit of the ultimate clients and partners. They respect private sector values where making profit and taking calculated risk are key to success.

TANZANIA. Faida Mali

Tanzania has a history of the state controlling business through parastatals, and the notion of individual entrepreneurship has not yet fully taken root. Gradually the environment for the private sector has improved, stimulating the emergence of private sector associations such as farmers' groups and providers of business development services (BDS) in regions and districts. But small-scale farmers and businesses are still constrained by lack of investment capital, access to market information, technology and business services, and they show narrow profit margins. They are mostly unaware of the opportunities market liberalization and large-scale agro-industries offer and thus are unable to take advantage of them. Their ability to purchase BDS is low. In addition, most micro, small and medium enterprises (MSMEs) are unaware of the value of BDS and thus have only a limited idea of how using such services might improve their own business performance.

This is where Faida Mali (M^Arket LInks) has established a niche in the rural MSME sector. It facilitates business services and in some instances provides them, helping rural community-based organizations gain access to markets and to link up with BDS providers. Faida conducts needs assessments of its clients through questionnaires to farmers' groups. From the responses, they prepare plans to support groups to enhance their skills and establish market links. At a recent agricultural exhibition, Faida worked with farmer groups to link with agro-chemical companies, produce buyers and technology suppliers.

The Faida team advises clients on high-value crops and irrigation methods. They work with farmers and NGOs to upgrade technological knowledge, and train them in group formation, production cost analysis and market assessment. Faida Mali 'decentralizes' advice so that its clients are linked to locally appropriate input suppliers and markets. Other activities include forming producer groups, and all client groups and businesses are required to register and open savings accounts. This prepares them to interact with larger businesses.

Faida Mali has been cautious about imposing cost sharing on its clients but recognizes that paying fees can help build ownership of the process. It has established among clients the realization that BDS is useful and should be paid for. This, however, is difficult to do when some NGOs give allowances to farmers to encourage them to come to training workshops. But demand has started to grow as well as the willingness of MSMEs to pay for services, so Faida now requests a contribution of profits from clients when its advice results in successful sales. The farmers pay Faida 5% of the sale price of their product. Faida also collects fees from the companies that use its market links and business awareness services.

The Faida Mali staff credit SNV advice for their expertise in how to identify demand and supply gaps and create relevant links. Lead staff at Faida worked alongside the SNV adviser, and through on-the-job training they learned how to identify key issues in linking markets and to foster close interaction with clients. Faida Mali has decentralized its activities as much as possible to bring its expertise closer to the people who can learn from it. Through its relationship with SNV, Faida Mali staff have also acquired a deeper understanding of the role of finances in business management.

In mentoring, SNV incorporated technical skills and leadership so that decisions were guided towards optimal benefit to the client. Communication skills ensured that the client participated in an active way in all decisions and did not feel imposed upon. This respect for the client's own approach to business has been critical to the success of the service.



4: Validating SNV's approach



Validating SNV's approach

In the previous chapters we have looked at the way SNV is approaching its work in private sector development. We identified 10 main outputs and 9 characteristics of quality of the advisory process advisers should apply. But how effectively *do* advisers apply the typical SNV approach?

The brief case descriptions in the boxes in chapter 3 illustrate each of the character-

As gender equity is one of the core values in SNV's work, all the indicators are formulated in such a way that they take gender considerations into account. More specific or outspoken gender indicators could still be developed in the coming years.

istics of quality and as such are a practical indication of how advisers mastered the SNV advisory approach. However, to enable a more systematic measurement and assessment of the quality of the advice delivered by SNV, this chapter gives a set of advisory practice indicators for private sector development.

These indicators assist in measuring how well the characteristics of quality are being applied and whether the intended outputs and outcomes have been achieved. They provide a basis for analysing actual results and determining where SNV is strong and where it needs to strengthen its advisory practice.

Three sorts of indicators are provided for each characteristic of quality: process, output and outcome indicators, defined as follows:

- *Indicators of process*: Linked to the relationship between adviser and client, these indicators show whether the particular characteristic of quality has been applied effectively in following an enabling and stimulating process, and in fostering good relationships—trust, independence, ownership and mutual expectations.
- *Indicators of output*: Linking the adviser to the client's operational system and setting the conditions for organizational capacity development, these indicators show whether the particular characteristic of quality of the advice given is embodied in the output, that is the services SNV delivered—facilitation, training, establishment of networks and links, diagnosis and learning, stakeholder analysis, market chain analysis, and so on, all providing the client with a set of improved 'facilities': tools, systems and procedures, skills and understanding, that can be seen as the immediate result.
- *Indicators of outcome*: Linking the client to the wider operational environment in which it works and to the application by the client of the newly acquired improved 'facilities', these indicators show whether the particular characteristic of quality has actually resulted in the desired strengthening of the capacity of the client organization leading to a change in performance: higher effectiveness, increased network, better quality of products and services, or an improved businesslike approach.

These indicators provide a guide for measuring the quality of the advisory services that SNV supplies. As the case

studies in the previous chapter already show, they have to be adapted to the particular situation in which the advice is given. Many other indicators are also possible, and it is hoped that over time, through joint assessments with clients and in comparison with other organizations, the set of indicators will be updated and adjusted.

It should be noted that SNV has not worked with predefined indicators to measure both the process and the results: output and outcome. The indicators mentioned here resulted from assessing about 10 case studies that combine the views of clients with common-sense thinking. The indicators thus are rather subjective as they are based on perceptions of both SNV and its clients on what constitutes quality.

Indicators for characteristics of quality

1) Sharing values

Process indicators

- During the engagement phase both SNV and the client discuss a set of values and ethical standards, assessing the desire, scope or limitations for entering into a relationship.
- For each important step in the advisory process, SNV and the client jointly assess gender implications, empowerment and equity issues, and cultural aspects.
- Throughout the process, SNV and the client jointly 1) assess how transparency can be visibly propagated, 2) determine in which way they can account for their activities, and 3) determine to whom they are accountable (community, clients, donors, government).

- Throughout the process, both SNV and the client allow each other to air their views on key issues, and they both respect differences in views.
- Throughout the process both parties maintain a culture of open interaction and accessibility, while treating each other as equals. SNV advisers show an interest broader than simply the technical issues.

Both parties maintain a business-minded approach, with attention to cost effectiveness, time allocation and tangible results.

Output indicators

- Facilitation, training and assessment sessions are being done with a broader section of the client organization, including women, so that skills, knowledge and understanding imparted are shared by many in the client organization.
- A wide variety of facilitation and training tools, instruments and approaches is used to cater for the different learning styles of the different participants.
- During facilitation and consultation sessions, the client organization gradually takes the lead and in all cases decides on the next steps. Rotational leadership roles by different members of the client organization are encouraged throughout the facilitation and training sessions.
- Manuals and methods developed for the client organization are the result of an iterative and interactive process in which the specific needs, requirements and wishes of the client are incorporated.
- Exposure and exchange visits have been part of the facilitation process, allowing staff of the client to broaden their horizon and share views with others, this being a strong mechanism for empowering people.

- The empowerment engendered is a combination of economic and social power.

The client is using specific mechanisms or tools, like ‘peer to peer’ mechanisms, career development paths for women, and instruments for broader learning within the organization, not limited to top management.

Outcome indicators

- A *broader* section of the client organization has increased its capacity to deliver—sharing values of gender equity, cultural diversity, transparency, accountability, professional work ethics, sharing knowledge—which makes the organization less vulnerable to external shocks or internal staff turnover.
- Clients have a better understanding about their core business and their positioning in the market (based on their values), illustrated by a clear focus on a limited number of activities, services or products.
- Clients have adopted a businesslike approach, aware of cost-effectiveness and looking for market opportunities outside the comfort zone of NGOs and donor programmes.
- Clients are able to articulate their specific demands towards service providers (and advisers like SNV) more precisely in relation to their core business.
- Being more open minded and embracing diversity, clients have extended their networks.

2) Foster critical thinking

Process indicators

- From the start the adviser is open about the complexity and challenges of the

change process that the advice will entail. The adviser is inviting the client to challenge the views, models and instruments being presented, to test them against participants’ own experience, knowledge and practical cases. Blending these might lead to new insights.

- A wide variety of facilitation and training tools, instruments and approaches are used, inviting participants to bring up their own experiences and practical examples, which are then blended with the more standard theoretical tools.
- ‘Outside the box’ thinking is stimulated, by using examples from other sectors or disciplines.
- Techniques of confronting, probing and encouraging are being used by the advisers to force the client to look at certain issues from a different angle.
- The facilitation programme includes regular contacts with the ‘outside’ world.

Output indicators

- The client organization documents ‘best practices’.
- The client is aware of its rights and obligations, its capacity or potential to tackle issues on its own, and of its shortcomings.

The client is better aware of the effect of its own behaviour (attitude, culture, work ethics, approaches, strategies, actual activities) on the changes aimed at success in its core business.

Outcome indicators

- The client has adopted a more risk-taking attitude.
- It has a clear focus on its core business.
- It deploys a strategy to spread risks.
- It establishes alliances with other organizations to make use of

- complementarities and economies of scale, to overcome its own weaknesses, and to make use of the strengths of others.
- It has increased access to service providers.

3) Cultivating creativity

Process indicators

- The client follows a multidisciplinary approach, through employing SNV activity teams, getting insights from other disciplines where and when needed, supported by consultants.
- Based on a thorough understanding of current best practices and the newest thinking, advisers engage clients in a process of assessing the application of such ‘best practices’ in the environment of the client. Together they embark on a process of adapting models and approaches to the specific conditions and environment in which the client operates.
- The client holds forums with people of diverse backgrounds, to look at the same issue from different angles.
- ‘Outside the box’ thinking is stimulated, by using examples from other sectors or disciplines.

Output indicators

- The tools, models and methods used are adapted to the specific circumstances of the client—for example, using alternative collateral for rural and pastoralist savings and credit systems.
- Different scenarios have been developed for production, investment or marketing strategies.
- Different approaches have been developed for contracting service providers.

- A database has been set up of ‘best practices’ and a ‘tool-box’ of BDS instruments.
- Innovative programme proposals are being developed.

Outcome indicators

- The client has adapted its former programme or is introducing a new, innovative approach.
- The client is venturing into new initiatives.
- The client is working with a selective and well-chosen number of BDS suppliers.
- The quality of products and services delivered has improved.
- The client has introduced more effective and efficient production and management processes.

4) Incorporating context

Process indicators

- Context analysis is done together with the client and as much as possible with the participation of other actors and stakeholders.
- The context analysis includes an environmental scan, stakeholder analysis, institutional analysis, assessments of relevant government policies and economic and political trends.
- The entire advisory process is situated within the wider politico-economic agenda and focuses on linking micro and macro dynamics.
- Envisioning exercises are executed with the client to get deeper insight and understanding of the entire sector in its broader environment.
- The client is regularly supplied with information on new trends and insights,

especially at critical stages in the client's change process.

Output indicators

- The client has an overview of market trends and niches, and statistical data on markets (prices, demand and supply factors).
- The client has an overview of market players, competitors, potential alliances.
- An inventory of regulations, policies and systems gives an overview of constraints and opportunities for business development.

Outcome indicators

- The client is focusing on longer-term programmes and strategies.
- The client sets up networks and information systems on external trends, to be regularly updated.
- The client becomes a member of umbrella organizations and sector interest groups.
- The client grasps opportunities as the external environment provides them.

5) Drawing on market dynamics

Process indicators

- Throughout the advisory process, advisers keep in contact with their fellow PSD advisers (especially through the knowledge networks), other colleagues, partners and the outside world to keep themselves informed about developments in the markets of the subsectors they are working in.
- Advisers stimulate the client organization to be constantly alert about what is going on in their subsector, by keeping itself informed through a variety of news sources.

- Advisers establish links between their client and others in the subsector.
- Advisers collect relevant information and pass it on to the client; they further teach the client how to get access to such information itself and facilitate its doing so.
- SNV facilitates information sharing and networking through organizing debates, discussion platforms, roundtable meetings and setting up knowledge networks for its clients in specific subsectors.
- Exposure and exchange visits are organized among those who are active in different positions in the market chain to promote vertical links.
- Participation of clients is facilitated in trade fairs, trade missions, and buyer-and-seller meetings.

Output indicators

- The client has access to a variety of market information sources, such as professional magazines, Internet, knowledge networks, market bulletins.
- The client is a member of professional subsector forums, networks, committees, and so on.
- The client has developed clear business plans and updated market strategies plus promotional material and samples for participation in trade fairs and buyer-and-seller meetings.
- The client has a better understanding of the market chain and its own position therein.
- A module has been developed on how to undertake market chain analysis.

Outcome indicators

- The client has established a contract with one or more others in the subsector.
- The client is focusing on a new market segment, developing a new or altered

- product (upgraded or derivative), or using different techniques.
- The client has introduced or improved its marketing strategy.
- The client has upgraded its product (quality improvement or better packaging and labelling).
- The client has entered into relationships with new business partners.

6) Encouraging stakeholder participation

Process indicators

- Advisers facilitate the organization of participatory workshops, forum discussions and debates to enable clients to address issues of overall interest to the subsector.
- SNV senses within its own network the level of interest of different stakeholders in getting on the political or economic agenda a particular issue with regard to policies, regulations, market constraints or opportunities.
- SNV together with its partners and clients makes an inventory of the main stakeholders pertaining to a specific issue or subsector or makes a broader institutional scan.
- All parties involved in setting up a network or interest group ensure the legitimacy of the network, for instance by using government structures as an entry point and by including the end users and final beneficiaries in the network.

Output indicators

- The client is a member of networks and forums.
- The client knows the main stakeholders in its subsector and how the market is organized—its structure, important players, relationships between them.

- The client is aware of the regulations, policies and customs regulating the subsector.
- The client has identified its strategic partners.

Outcome indicators

- The client is an active participant in one or more relevant networks or platforms.
- The client has identified on which issues it cannot act individually but requires the concerted action of other stakeholders in the same subsector.
- Specific interests of SNV clients are being taken care of by specific platforms or networks.
- Strategic alliances between a number of SNV clients and others are being formed.

7) Dealing with ambiguity

Process indicators

- Throughout the process the specific dynamics, culture and way of working of the private sector are emphasized and consciously considered as the framework of operation.
- ‘How to play the game’ and how to interpret information is part of the facilitation process.

Output indicators

- Private sector entities—companies, entrepreneurs, producer and trade organizations—are considered useful players in development, with their own culture and mode of operation.
- The client has identified its own comparative advantage and developed a plan on how to compete with its competitors.

Outcome indicators

- The client is dealing with private sector actors without any fear or difficulty.
- The client is accepted by others in the sector and considered a respected entity.

8) Promoting and fostering local resourcefulness

Process indicators

- From the start, SNV advisers engage the client in identifying who in their direct environment are service providers or might be developed into service providers and therefore should be targeted or considered as being a potential client or partner.
- Possible service providers, markets and trade relations in neighbouring districts or regions or at the national level are explored.
- Emerging service providers and market entrepreneurs are linked up with SNV clients or with each other.
- Emerging service providers and entrepreneurs are invited to participate in stakeholder forums.
- Through work sessions the roles of service providers, BDS facilitators and the ultimate clients are made clear.

Output indicators

- The client organization has a clear understanding of its role as a BDS service provider, BDS facilitator or private business organization.
- The client organization has a clear understanding of how to make use of other players in the field with different roles and realizes when and how to make use of them.

Outcome indicators

- The client organization has further sharpened its strategy and target market, is focusing in on its core business, and makes effective use of other players in the field.
- The client organization is able to use its own resources effectively and efficiently, even if they are limited, and knows how to attract resources from others (inputs, extension services and financial means).
- The client organization knows how to present itself towards donors and private sector investors, enhancing its chances of raising funds and investment capital.

9) Respecting private sector practices

Process indicators

- Throughout the process the specific dynamics, culture and way of working of the private sector are being emphasized and consciously considered as the framework of operation.
- Issues like work ethics, corporate governance, need for survival, requirements for building up financial reserves, and profit sharing are discussed.
- Differences in guiding principles for economic development and public governance are discussed.
- Workshops envisioning private sector dynamics are held with the client organizations.

Output indicators

- Private sector entities with their own culture and mode of operation—companies, entrepreneurs, production and trade organizations—are being considered as useful players in development.

- The client is using more typical business concepts in its operational work—cost–benefit calculations, cost and time consciousness, value for money.

Outcome indicators

- The client organization has entered into contracts with its own clients.
- The client is accepted by other private sector players and considered a respected actor.
- Excessive bureaucratic measures and red tape have been diminished.

Monitoring and evaluation: measuring results, assessing process, and learning

Within current advisory practice, with SNV in the role of facilitating change processes focused on organizational development and institutional change, measuring results or monitoring and evaluating is not easy. Advisory practice is basically non-linear, with unpredictable outcomes whose quality is difficult to measure.¹⁷

SNV is therefore currently experimenting in different countries, monitoring and evaluating different models of its advisory practice, trying to balance quantitative data with qualitative data.

Quantitative data are considered useful for measuring direct results, particularly those related to the outputs. They are a first assessment of whether both SNV and the client organization did what was agreed in the memorandum of understanding and the capacity development plan. In addition to the outputs, other indicators are being measured, like time spent on specific assignments, deadlines adhered to, and use of facilitation funds. The quantitative data also serve as management information oriented towards accountability to the

donor country and accountability upwards within the organization. For these quantitative data so-called SMART indicators can be developed.¹⁸

The quantitative data, however, do not say much about the quality of the process and the advice given, the performance as such—the outcome, client satisfaction and unexpected results that were not in advance agreed upon in either the memorandum of understanding or the capacity development plan. It is therefore important—and for the advisory practitioners perhaps the main interest—to obtain qualitative information. What was the quality of the advice supplied? Did the advisory team perform well? Did the process followed lead to a mature relationship between SNV and the client with the latter being in charge of the change process and able to claim control over it? Does the client apply the newly acquired skills, knowledge and insights? Is the client satisfied and if so, with which parts? Have there been unforeseen effects, positive or negative? The qualitative information collected serves especially to improve organizational performance through a continuous organizational learning process, with valuable input from the ultimate clients—the clients of the SNV clients.

Various experiments are being tried, but key in each method is that the information is gathered through direct discussion and dialogue with the client. Although the exercise is time consuming, valuable information and feedback are obtained, often unique in relation to the specific situation of the client, which is exactly in line with the tailor-made approach that SNV envisages. In such cases the client draws up its own indicators.

Teams of advisers¹⁹ working in Kenya experimented with adapting guidelines on a scoring method originated in SNV headquarters. The team developed a matrix for

assessing client appreciation of quality. It listed all the SNV assignments agreed upon in the capacity development plan, which then the client scored against quality and performance, process and relevance indicators. After the scoring the team discussed why the client arrived at these scores. It turned out that the scoring as such was not so important. Much more relevant were the explanations given for the scoring and the dialogue that followed between SNV and the client. In a number of cases the scoring was based on very different indicators and other perceptions of what mattered than what SNV advisers had in mind. Now, using a similar process, SNV advisers assess the performance of the client and give feedback using the same type of indicators. Again differences in perception about what matters come to the fore.

In Tanzania, one of the advisory teams experimented in a way similar to that tried by the Kenya team but used the characteristics of quality detailed in the SNV BAP local governance booklet as reference points. Several learning points came out of this exercise:

- It is important that the client is informed in advance about the evaluation and that SNV and the client jointly agree on which characteristics of quality or indicators are relevant for the assessment. But subjective interpretations should be allowed, to get a complete and in-depth picture.
- A proper introduction should precede the actual evaluation, in which it is explained that the assessment tells something about the process and the outcome but is *not* an appraisal of the client or the adviser.
- Rating without further discussion and explanation is not useful. So there must be room for dialogue and if possible even for 'story telling'.

When using questionnaires, client representatives and SNV advisers should fill in

the forms separately, and each group should discuss the 'scores' among themselves and consolidate their results before presenting them to the other group. Then time should be given for dialogue.

Other experiments include action research and 'story telling' as introduced in the parallel BAP study on capacity development services in SNV East Africa.²⁰ In this latter approach, SNV advisers and their client embark together on joint evaluation, looking at the various sides of the same situation, told by different people with maybe different perceptions. Here it is not comparing scores and differences in explanations but comparing differences in views about 'reality' or 'what happened'.

All these experiments have in common the fact that they generate a lot of information that can be rather easily rearranged in the form of case studies, client testimonies or simple quotes giving evidence about the quality of the advisory practice. They also often give an indication of the effect of the advisory service—how it contributed to poverty reduction, improvement of good governance, or increase in individual or organizational freedom of choice. Next to organizational learning, the outcome of the 'qualitative information gathering' can be used for public awareness purposes and for informing society at large about the results of the development efforts.

The process, output and outcome indicators defined in this section are to be seen as guiding indicators when following one of the above experiments. As said before, the indicators can and certainly will change over time and for specific clients or situations.

In this respect and given the internal dynamics of the advisory process, one might promote the use of so-called SPICED²¹ indicators when it comes to collecting qualitative information:

- *Subjective*: Information has a special position or experience that gives unique

insights, which may yield a high return to the investigator's time. In this sense, what may be seen by others as 'anecdotal' becomes critical data because of the source's value.

- *Participatory*: Indicators should be developed together with those best placed to assess them. This means involving a project's ultimate beneficiaries, but it can also mean involving local staff and other stakeholders.
- *Interpreted and communicable*: Locally defined indicators may not mean much to other stakeholders, so they often need to be explained.
- *Cross-checked and comparable*: The validity of assessment needs to be cross-checked, by comparing different indicators and progress, and by using different informants, methods and researchers.
- *Empowering*: the process of setting and assessing indicators should be

empowering in itself and allow groups and individuals to reflect critically on their changing situation.

- *Diverse and disaggregated*: There should be a deliberate effort to seek out different indicators from a range of groups, especially men and women. This information needs to be recorded in such a way that these differences can be assessed over time.

Within SNV, we are thus still developing our systems, trying to strike a balance between quantitative and qualitative data and determining the purpose of monitoring and evaluation, meanwhile learning on the way. This learning process is not only internal; it is also fed by experiences and insights from others, who in some cases might have set interesting benchmarks for SNV to reach.



5: Strengthening practices

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Strengthening practices

A call for benchmarking

SNV is keen to strengthen its advisory processes in private sector development. One way of learning is through internal reflection and sharing of good practices, often done through knowledge networks. The extensive self-examination, of which this booklet is a result, is just one example of SNV's commitment to strengthening its practices.

Another way of improving the quality of its advisory processes is through benchmarking. According to the Organization of Economic Cooperation and Development (OECD), the idea behind benchmarking is quite simple: *find an organization that is good—preferably the best—at what your organization does, study carefully how it does well, make plans to raise your own performance to that level, implement the plan, and monitor the results.* To practise benchmarking, however, is much more complicated. It is hard to find an organization that is doing the same work, and even if such organizations can be found, it is difficult to obtain the information needed to benchmark. It is not just a matter of collecting and studying case studies; it requires a much more in-depth study to understand the advisory processes of others. Moreover, advisory activities are not linear processes but a *'risky, murky, messy business with unpredictable, unqualified outcomes'*.²²

It has been difficult to find organizations that are engaged in comparable practices, heading in the same direction. Nor does it follow that it is easy to interest such organizations, even if located, in working together or to obtain relevant information from them.

Benchmarking is a rather new instrument in this industry and although linked with knowledge development and quality management efforts in SNV, it will require additional internal efforts to initiate such a continuous process.²³

Learning areas

SNV advisers are much appreciated in the field because of their personal qualities and their technical knowledge. Qualities named and admired are openness, ability to listen, flexibility, kindness and clear communication. The multidisciplinary skills of SNV staff are a strength in their advisory practice: staff members work as a team, pooling their skills effectively to complement each other.

Obviously there are still challenges, and the following learning areas are identified:

- *Positioning.* Of late SNV has been positioning itself more strategically in establishing partnerships and letting others know what it is doing. Examples are signing memorandums of understanding with the World Tourism Organization and UNDP,²⁴ organizing public debates, and publishing studies. The strategic choice for a limited number of practice areas has been another important step. Those who know SNV acknowledge the quality work it is doing, and SNV needs to make itself known more widely for its expertise in the field of private sector development and the thematic fields it addresses. It is encouraging that of late other organizations are requesting SNV to team up. Joint action on well-selected

subsectors—like honey, vegetable oils and tourism—is becoming common in all countries of the region. The recently established knowledge networks are expected to further articulate and raise awareness of our positioning.

- *Outward looking.* After having worked for decades in a specific programme mode or being attached to one host organization in which internal dynamics are prevalent, an adviser does not find it is easy to change and become predominantly outward looking. Here again inroads have been made and most of the SNV advisers are now much better informed about what is happening around us. The aim is that all advisers are well connected with external knowledge networks and build their own network of professional people. SNV knowledge networks provide the platform for gaining more experience and subsequently sharing that experience externally. The lively discussions in the knowledge network on access to markets that is currently taking place serves as an illustration. Advisers are also encouraged to broaden their horizon by taking part in external learning platforms (such as the UNDP virtual learning academy) and participating in conferences.
- *Appreciating private sector practices.* At all levels in the organization SNV is working with and through the private sector to promote equitable and sustainable development. Hence, its knowledge about private sector practices is steadily increasing, including a growing understanding about cultures and practices. Engaging freely in private sector networks could be one way of increasing the understanding about how business is conducted in the private sector and how it differs from the cultures and practices among development organizations and practitioners. The best way to understand the business culture is just to participate in its events. An example is that SNV recently participated in a trade mission that the Dutch ministries of Development Cooperation and Economic Affairs organized.
- *Translating practice into knowledge.* SNV is gaining ample experience in PSD practice through its interactions with a wide variety of clients. The challenge lies in transforming these invaluable experiences into accessible knowledge. SNV's four reference guides on micro finance, trade in agricultural products, business development services, and economic analyses²⁵ made a good start. SNV is currently making the knowledge more structured and coordinated through its knowledge management unit at head office and its knowledge networks related to practice areas. A structured and coordinated approach will help SNV become a knowledge leader in these PSD areas and recognized as such.
- *Working in weak market environments.* Focusing on business development services is particularly challenging in more remote, especially pastoralist, areas in eastern Africa. The perception of low demand for such services has caused their slow development. It is a serious challenge for SNV and other facilitators to learn how to effectively apply the current BDS and market-chain development models in these regions. SNV's work offers a good opportunity to learn together with other practitioners and to jointly develop innovative approaches for private sector development in pastoralist areas.



6: Moving ahead



Moving ahead

The SNV Building Advisory Practice initiative and this resulting booklet are just a first step. One objective of this BAP exercise has been to provide a definition of best practices for approaches, methods and processes for SNV's advisory services in East Africa.

The characteristics of quality have been defined and SNV will now use them to measure its daily advisory practices, thereby improving services. At the same time, this measuring process will obviously lead to refining the defined characteristics further.

Various ways of assessing the advisory relationship are now applied, such as using new forms: 'Partner quality appreciation', 'Rating of characteristics of quality' and 'Story telling'. They need to be streamlined for the benefit of the process and the client, either by applying different instruments at different stages during the advisory process or by combining them at certain stages.

SNV will further develop the measuring process. It needs to be tested in various situations, after which it can be integrated in the result measurement and client satisfaction measurement practices for SNV's advisory trajectory. Sufficient attention should be paid to documenting, sharing and learning from this initial measuring process.

Two other BAP objectives have been to harmonize and adapt improved approaches,

methods and processes of SNV's advisory practice through innovation as well as to adapt approaches learned from external partners, and to work towards aligning visions on strengthening the advisory practice of SNV.

A considerable number of SNV advisers in various countries have participated and contributed to developing the practices identified in this booklet. SNV in various countries has to consider how best to adopt or strengthen the practices to ensure that they address the identified challenges.

SNV East and Southern Africa will share these findings with other SNV countries, hopefully to stimulate them to initiate similar learning exercises, and to promote dialogue among practitioners, such as through the knowledge networks. Moreover, SNV should actively start looking for similar organizations that are interested in sharing experiences, jointly improving advisory practices, and trying to set standards for this advisory industry.

The fourth BAP objective has been to foster appreciation in the wider public of the value of SNV's approaches. We hope that you, the reader, have appreciated this booklet and SNV's efforts to provide insight into its advisory process while striving to learn and to improve them.

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John Kyosimba, Chief Executive Officer,
District Promotion Centre, Masaka
Dibba Momodou, DPC Component
Manager
Ferdinand Olang, Chief Executive
Officer, District Promotion Centre,
Lira

Notes

- ¹ 'The broad range of organizations positioned just above the micro level (communities) and just below the macro level (organizations with national interests and mandates)'; *SNV's Advisory Practices, Emerging Lines* (The Hague, 2002).
- ² Dipak Mazumdar, 'The Urban Informal Sector', *World Development* 4 (August) 1976.
- ³ Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (Basic Books, New York, 2000).
- ⁴ A value chain is the chain from production to consumption in any one subsector, for example livestock-to-leather or cotton-to-textiles.
- ⁵ UNCTAD, *Growing Micro and Small Enterprises in LDCs* (Geneva and New York, 2001).
- ⁶ The Committee of Donor Agencies for Small Enterprise Development is a world body with its secretariat in the World Bank. It has published *Micro and Small Enterprise Finance* in 1995, *Summary of Business Development Services for SMEs: Proposed Guidelines* (ILO, Geneva, 1997), and *Business Development Services for Small Enterprises: Guidelines for Donor Intervention*, by Jim Tanburn, Gabriele Tran and Kris Hallberg (ILO, Geneva, 2000).
- ⁷ *Business Development Services for Small Enterprises*.
- ⁸ Pro-poor tourism and market access within this subsector is oriented towards delivery of services. More interesting, being in fact to a large extent an export market (earning foreign exchange), a distinguished feature is that the end product is *not delivered to the consumer, but that the consumer (tourist) travels towards the product*. Market chain development for this subsector thus has specific dimensions.
- ⁹ *Allanblackia* seed contains a high level of oil, which due to its specific chemical structure has drawn the attention of Unilever. It is an optimal input for sandwich spreads, which Unilever produces. *Allanblackia* seed is currently collected in the Tanzanian forests, but it can be propagated in small or bigger plantations. While SNV is working at the lower end of the market chain, facilitating the formation of producer organizations and assuring quality control, Unilever works at the upper end of the market chain, guaranteeing sales.
- ¹⁰ SNV and Unilever have the same kind of partnership for *Allanblackia* seed in Ghana. Novib-Oxfam Netherlands also takes part in this partnership in Ghana.
- ¹¹ Subsidies under certain conditions may still be valid for pre- and post-service delivery.
- ¹² A classic example is the small farmer whose output is too small to attract a commercial service provider (transport, credit, inputs), so that the farmer has no option but to sell the produce to an informal trader. By joining hands farmers may overcome such constraints.
- ¹³ FACET B.V., Netherlands, has designed this model and its development is ongoing.
- ¹⁴ *SNV's Advisory Practice, Emerging lines*, appendix 1, July 2002.
- ¹⁵ *Capacity Development Services: a learning approach to enhancing capacity in SNV East Africa* (SNV East and Southern Africa with Context, international cooperation, Nairobi, 2005).
- ¹⁶ Because of the sensitive character of information an example is not given here. In general terms, SNV's attitude is that once an adviser adopts a businesslike attitude and demonstrates an understanding of the business world, the adviser will be taken seriously by the private sector players and it is possible to get more information. The key is for the businessperson to believe that they can benefit from disclosing in-

formation to work together with SNV. Another observation is that SNV, being often in a rather neutral position as a mediating organization, has access to a wide variety of resources.

¹⁷ See the companion booklet *Capacity Development Services: A Learning Approach to Enhancing Capacity in SNV East Africa*. Chapter 7 outlines the challenges of setting up an effective and valuable M&E system. During the data collection and the 'concept mapping' done for the CDS study, this issue was thoroughly discussed. SNV is still finding its way on how to deal with it in a practical manner.

¹⁸ SMART – Specific, Measurable, Agreed, Realistic and Time bound.

¹⁹ SNV's regional teams of advisers are called 'portfolio teams', reflecting the fact that each team works in various areas of practice and

with a portfolio of different client organizations and development partners.

²⁰ SNV Cluster East Africa, *Building Advisory Practice: Study of Process Facilitation of Capacity Development Services* (Utrecht: Context, international cooperation, 2004).

²¹ From C. Roche, *Impact Assessment for Development Agencies: Learning to Value Change* (Oxfam and NOVIB, Oxford, 1999).

²² P. Morgan, *The Design and Use of Capacity Development Indicators* (CIDA, Ottawa, 1997).

²³ Anyone who represents an organization that wishes to participate and contribute to the development of benchmarking standards is invited to contact SNV.

²⁴ SNV's partnership with UNDP focuses especially on achieving millennium development goals, by translating these national and inter-



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