

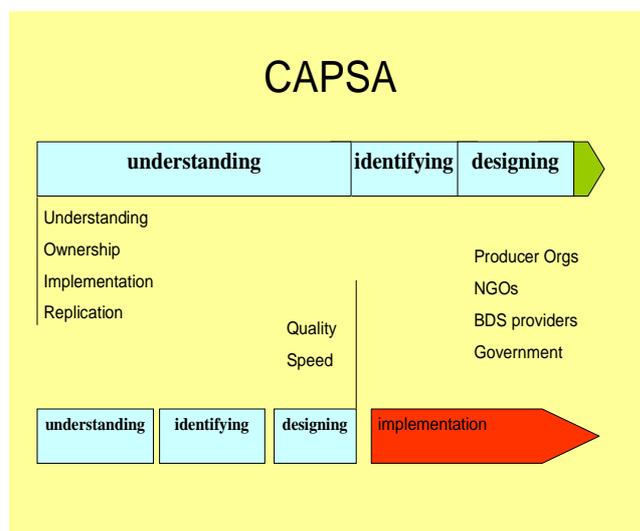
CAPSA

The Private Sector is increasingly being recognised as an important tool for developing healthy economies and alleviating poverty. Private Sector Development receives more and more attention from governments, donors and development organisations, although often resulting in rather isolated direct interventions such as financial and non-financial services for micro and small enterprises. Value Chain Development takes a holistic approach by selecting the most potential sectors, analysing them and identifying leveraged interventions, thereby involving relevant stakeholders for the development of the sector. A multiple and participatory process leading to coordinated interventions to develop the sector.

Building capacity

CAPSA combines *Capacitating (CAP)* and *Sub sector Analyses (SA)*. On the one hand CAPSA provides a methodology and instruments for participants to undertake a sub sector analysis, on the other hand, participants are being trained in general aspects of small enterprise development: two different yet complementary objectives.

A thorough *Sub Sector Analysis* results in a complete picture of the sub sector; how it functions, what the bottlenecks are and what opportunities the sub sector holds. Thereafter, CAPSA assists in designing appropriate interventions that improve the functioning of the actors within that sub sector.



Sub sector analyses are complicated and thus often undertaken by (international) experts. CAPSA however trains and guides people with limited experience to undertake such an exercise. This greatly improves their ownership of the analysis and the implementation of the resulting intervention. It avoids possible loss of information and continuity that might occur when outside experts analyse a sub sector where after local actors implement the resulting intervention.

Naturally, the duration of the exercise is longer than when done by experts, but the objectives and results are two-fold: a sub sector analysis concluded and participants capacitated.

Targeting

CAPSA is meant for a rather broad public but participants must have at least one thing in common: an interest and a desire to learn more about local economic development. They can come from organisations such as NGOs that are active with *Private Sector Development*, but they might also come from business associations or other sector based actors. The potential candidates do not have to be experienced economists: in many cases they will be programme staff with a variety of backgrounds and as long as they are

professionals in their fields, they will be able to participate in this course. Experience in certain fields such as participatory analyses will ease participation, just like an economic or business background will improve results.

Process

Sometimes the participating organisations are already active in certain sub sectors. In that case CAPSA can contribute in a thorough analysis of the sub sector and assist in the design or improvement of existing interventions. However, the latter will depend on the potentiality of the sub sector and as such CAPSA may contribute to a strategic reorientation of the organisations towards other sub sectors.

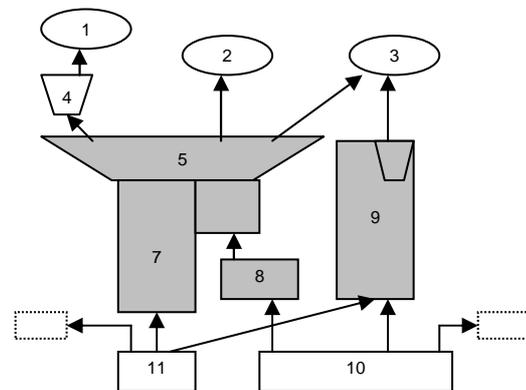
In other cases the participating organisations are not limited to certain sub sectors and in that case CAPSA must be preceded by another exercise called *Economic Mapping*: an overall picture is made of all the sub sectors and by applying certain criteria and tools, one or two promising sub sectors are identified. CAPSA does not deal with this economic mapping itself even though attention is paid to the reasoning and the criteria for the sub sector selection.

Contents

The training course starts with an introductory session explaining the *entrepreneurial principles* and the *sub sector concepts and classifications*, using cases, self-learning and group work, both in the classroom as well as in the field. Its resulting fieldwork will ensure a demarcation of the sub sector and a first introduction of the team into the sub sector analysis.

The second unit deals with the *basic business principles* with a focus on market orientation, segmentation and general business strategy development. A supportive module provides the participants with *interview techniques* to enable them to select, prepare and interview the entrepreneurs.

The third unit introduces *the mapping principles* and includes exercises to enable the team to draw basic sub sector maps. It contains a sub unit on the *identification of sources* of information, primary and secondary information from entrepreneurs, their suppliers, consumers and key informants. This will result in an action plan with checklists for collecting sufficient information to improve the basic sub sector map. A supportive module on *database design* and maintenance will assist them in the analysis of the fieldwork results



The fourth unit guides the team in *analysing profit margins* in the various channels where after they are able to analyse the economic performance, including trends and dynamics of the sub sector. This information will be used to develop the 'final sub sector map' with, whenever possible, over layers of economic indicators that will form the basis for the analysis. The *SWOT analysis* is explained and practiced. Suggestions for both economical and organisational selection criteria are provided that will be discussed in feedback sessions with the entrepreneurs and key actors.

The fifth unit deals with the importance and methodology of undertaking an *organisational landscaping* exercise and introduces the basic concepts of Business Development Services. Thereafter the team will be able to identify bottlenecks in service provision and possible intervention areas, undertake the landscaping exercise and make an organisational gap-analysis.

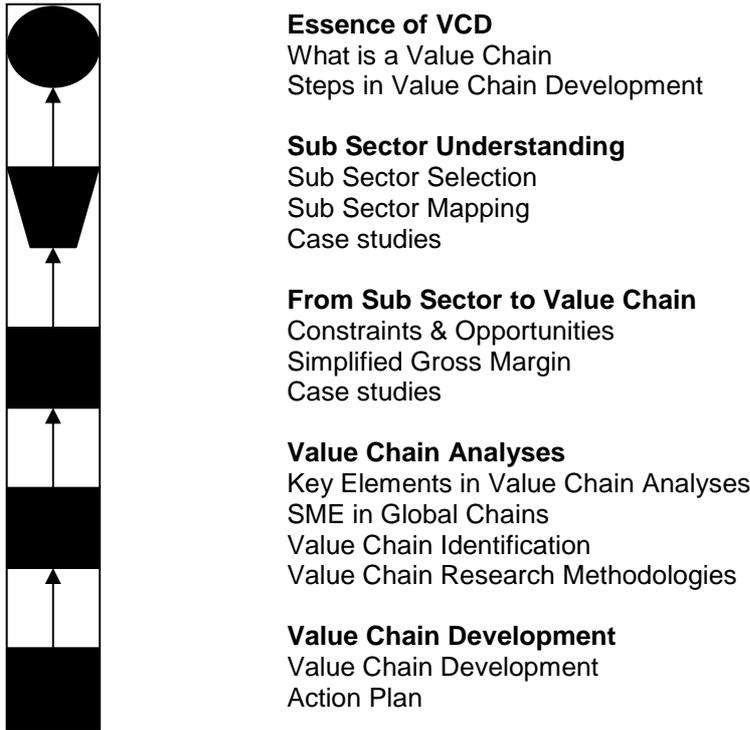
In the sixth unit, the participants are guided on the design process using *scenarios and other selection instruments* to select and design the appropriate intervention strategy. The supportive unit on the *Logical Framework Approach* will assist them in the design of a concrete intervention proposal.

Approach

Ideally a study team is created with participants from various organisations. This will increase cross-coordination between organisations, form a broader basis for implementation of possibly resulting intervention proposals and last but not least, increase the efficiency of this capacity building tool. A training needs assessment shall form the basis for CAPSA’s training cycle that needs to be adjusted to the expertise and needs of the team.

A balance needs to be found between the necessary time to analyse the sub sector, maintaining the interest of the team members and the available resources of the participating organisations. Each step would start with a short training, where after the team will execute another part of the field study. There are six training intervals and if the team members spent some 2-3 days per week for field work the entire study will consume some 25 weeks. Reference is made to the case in Angola hereafter.

However, the manual is designed in a modular way and can thus be applied in a flexible manner. If the focus is on capacitating the participants, the complete course can be reduced to some 2 weeks of ‘practical theory’. Below an example of a short course is visualised. Moreover, the training needs assessment will provide information on which modules are relevant or not, thus enabling the trainer to provide a tailor made course.



CAPSA in ANGOLA

Introduction

From mid 2001 to mid 2002 a joint sub sector analysis was undertaken in Lubango, Angola. The author, hereafter referred to as the external consultant, together with the regional SNV PSD consultant, trained and guided local NGOs to undertake an economic mapping and sub sector analysis. The exercise was initiated and co-financed by SNV Angola. After the entire exercise had been completed, the author was requested to undertake a context analysis and economic mapping in three provinces to prepare the ground for three more sub sector analyses. In order to enable SNV to train and guide these new teams to study these sub sectors, the author was requested to prepare a training manual. This CAPSA training manual is the result of that exercise.

Brief description

In Angola, only now emerging from an armed conflict, there are only a few NGOs and most NGOs are oriented towards emergency aid with little or no experience in PSD/SED issues. SNV supported three NGOs to analyse the productive sector in urban and peri-urban Lubango. A study team was formed and on-the-job training provided to the NGO staff. First an economic mapping was made to identify existing and potential sub-sectors. The NGOs chose three sub-sectors that appeared to have potential and need for further development. A sub-sector analysis was applied and project interventions were subsequently elaborated.

Context

SNV had signed partnership agreements with two major local NGOs to advise and assist them in general strategic and operational issues. These NGOs were to some extent involved in SED through some of their projects. However, it was felt that these projects were not very successful. This was partly due to Angola being torn apart by internal conflicts with most NGOs focusing on the most vulnerable people through emergency programmes. However, it was also agreed that there was too little in-depth knowledge of the productive sectors and that many project proposals missed a profound analysis and thus did not always address the constraints in the most appropriate way.

SNV offered to train the two NGOs in how to analyse the productive sector in order to design effective interventions. Two other interested NGOs were invited to participate as well and a study team of 9 members (two of each NGO and one junior from SNV) was formed. The team members were to spend two days a week on the study during a six-month period and the NGOs were to cover the operational costs¹. SNV hired two consultants that would define an appropriate methodology, train the team members at various intervals, provide backstopping during the study and assist the team in the analysis and design of the interventions proposals, as well as to develop a capacity building plan for the participating NGOs.

Objectives

The objectives of the NGOs were to analyse the productive sectors in urban and peri-urban Lubango, after which interventions would be designed and implemented by these NGOs to

¹ One NGO dropped out almost immediately and the team continued with 6 members.

improve the performance of small enterprises in certain sub-sectors. The NGOs formulated a list of 15 objectives, which were all related to the main objective, but maybe due to their limited knowledge in this field, these were a mixture of objectives and activities and were not very specifically defined.

The objective of SNV was not only to assist the NGOs in this exercise but also to build capacity on general SED issues within these NGOs. Therefore SNV had formulated the immediate objectives of this exercise as follows:

- Develop an appropriate methodology, instruments and tools
- Enable the NGOs to apply the instruments and tools of that methodology
- Draw up three intervention proposals
- Complete an organisational analysis and capacity building plan for the NGOs

Description of the main activities and the roles of the different actors

Methodology

The Sub-Sector Analysis (SSA) offers a framework for evaluating enterprise performance per sub-sector and ideally results in effective and efficient interventions. A sub-sector is defined through the basic raw material that is being used for the production, transformation and distribution i.e. the entire chain from supplier to end consumer. By analysing the functioning of each actor in the chain, including cross-linkages, competition and coordination, in-depth knowledge is obtained on each type of enterprise. Bottlenecks and opportunities are identified and, by applying the leverage principle, interventions can be designed that are effective, cost-efficient and have a great impact on the chosen category of enterprises (in this case micro- and small producers).

Before the SSA can be applied to potential sub-sectors, a general Economic Mapping (EM) needs to be carried out to determine which sub-sectors are present in the local economy and which of these show most potential for (further) development. An inventory of all sub-sectors is made and additional information from both primary (the enterprises) and secondary sources (key informants, institutions, etc.) for all the sub-sectors is collected. After that a SWOT-analysis can be made for each sub-sector and the defined selection criteria can be applied. These criteria are partly economic (added value, employment creation, export potential, etc.) and are partly related to the objectives of the participating organisations (gender, location, sector related, etc.).

Once the sub-sectors have been defined, the SSA starts with more in-depth information being collected on all the relevant aspects. During the process of collecting the relevant information a first draft of the sub-sector map is drawn. Most information is obtained from the primary sources but the research is not limited to the chosen target group but includes all actors in the chain, from micro- to large enterprises and from suppliers to end users. Simplified profit calculations and consumer surveys are the major instruments in use. Gaps in the map require more research and more research information will change the map again: an iterative process until certainty is obtained about the correctness of the map. The correctness of the map is confirmed in feedback sessions with entrepreneurs and other actors in the sub-sector.

Major constraints and opportunities almost automatically emerge from the drawn sub-sector map. An institutional landscaping will provide information on relevant institutions and their activities for the sub-sector. Not only will that landscaping avoid duplicating or conflicting interventions, it will also provide opportunities for coordination and cooperation. After that interventions are designed that can range from advocacy through market linkages to credit.

The process

August 2001

The study was initiated with a three-day workshop where the external consultants met with the SNV staff and a few key representatives of the NGOs. The principles of the methodology were explained and discussed and through a participative approach a detailed operational plan was drawn up by the participants.

September 2001

Soon after that, a one-week training session was held on various introductory issues such as entrepreneurship and small enterprise development aspects. Ample time was spent elaborating questionnaires and interviewing entrepreneurs in the field, after which a first draft map of various sub-sectors was made. Simultaneously, secondary sources were identified to obtain macro-economic information and the training programme concluded with a one-day workshop with the team and their directors, in which the sub-sector criteria were defined and a detailed planning agreed upon.

The team continued interviewing a considerable number of entrepreneurs and key informants in various sub sectors as well as consulting various secondary sources during two months. They presented profiles for each sub-sector, describing the positive and negative elements, and through various working sessions this process was finalised. Their findings were presented to their directors and both economic and organisational criteria were applied. It was agreed that three of the ten identified sub-sectors had some need and potential for development.

December 2001

A second one-week training took place, in which additional instruments such as the simplified profit analysis, participatory budgeting and consumer research were explained and practised. After that the sub-sector maps were further elaborated for the three identified sub-sectors and the training concluded with a detailed planning for the next phase.

The team completed the initiated exercises and maps in the months thereafter and organised a feedback workshop with entrepreneurs and various stakeholders. Their findings were presented and discussed, making use of clarifying pictures and drawings, as well as supporting documents. Working sessions were held, after which the stakeholders confirmed the major findings and conclusions of the team.

March 2002

Consultants were invited for the last phase of drawing major conclusions, elaborating definitions and assessing the needs of the organisations. During the initial sessions it did necessary to collect and verify more information and due to time constraints the organisational aspects had to be postponed. The analysis however led to three project proposals that were jointly elaborated and a draft proposal was written by the consultant. The consultants later elaborated final project proposals.

Case specific considerations

The applied methodology was based upon the SSA initially developed by Gemini² and later adapted by FAIDA³. However, the research is usually done by “experts” while in this specific case the actual research was done by the NGO staff. Although a certain familiarity with research and some economic insight is required, they are not “professionals” in the methodology. Therefore the analysis takes more time, but it does improve ownership of the process and the resulting interventions. The results of the applied methodology are thus not

² GEMINI Growth and Equity through Micro Enterprises and Institutions

³ FAIDA Finance and Advice In Development Assistance for Small Enterprise Promotion

only the defined interventions as such, but new and applied knowledge for the team members in the specific sub-sectors and small enterprise development in general. The fact that various organisations researched the sub-sectors together, led to further cooperation and sharing of experiences between the organisations and their interventions.

Achievements and results

The study has taken some nine months altogether, fifty percent more than planned, and the fact that the team members have maintained their team spirit during the entire study period is an achievement in itself. The cooperation between the team members and their organisations continues even though the study has formally ended. The team members learned a lot. They have gained insight in general aspects of SED and of course the applied methodology. Last but not least, they feel they are owners of the proposed projects.

The direct and concrete results of the study are the three draft project proposals that most likely will be financed and implemented. All three projects include a market-monitoring element to measure impact and steer the project activities, while one project includes more research elements to obtain more in-depth information. The project set-up differs from other "action-delivery" projects in the region and they may be seen as pilot projects.

For SNV the exercise proved a starting point to draw up a strategy and capacity building plan for local organisations and institutions in the field of SED.

Follow-up

NGO interventions

In April 2002 the three projects were further elaborated by the three NGOs with the assistance of SNV and submitted to various donors. To date three donors (UNDP, USAID and Shell) have indicated an interest in financing all three projects. However, the three project proposals are now part of a larger programme that will assist the NGOs to enhance their capacity to deliver effective BDS to MSEs. The three pilots are thus practical instruments in this capacity building process, whereby it is envisaged that at the end of the 30 months project period the three organisations will have integrated BDS as a service component in their organisation. The project is in the form of a partnership between the three NGOs and SNV, in which each NGO is responsible for one intervention, but regular sharing of experience and joint learning is equally important. SNV will play a key role in training and capacity development of the three partners.

SNV PSD programme

In May 2002 the needs and possibilities to implement a similar programme in three provinces were studied by the consultant. Potential SNV clients and promising sub-sectors were identified and characterised, after which a draft implementation plan, including key success factors and risk management strategies, was drawn up. A training manual has been developed by the author to enable the SNV/PSD officer to train more NGOs in the methodology, taking into account the learned lessons from the previous exercise.

The exercise also assisted SNV to develop a long-term strategy for improved support to micro- and small enterprises. One component will focus on capacitating local organizations that want to assist emerging micro producers through various instruments such as subsistence systems analyses, savings mobilisation, market information and diversification. The other component will focus on capacitating local organisations that want to develop BDS

for MSEs, including micro-enterprise management, marketing and access to finance, basically following the logic of the previous (and now improved) exercise.

Lessons learned, conclusions and recommendations

The process

Although all participants were aware of the difficulty of applying the methodology in this NGO set-up, the entire process may have been underestimated.

More specific training at shorter intervals combined with continuous backstopping in-between these sessions would have improved the desired result. The foreseen backstopping by SNV was less than foreseen since this had to be done (part-time) by the SNV Director due to the vacant position of a PSD programme officer. The team made little use of the available backstopping by the external consultant. That might again be due to the perception the team may have had about the role of the external consultants, combined with the team's unfamiliarity in formulating "assistance needs". The latter might have been due to insufficient clarity of the team on the steps of the process.

Therefore the process should have been structured in more but shorter steps, each concluded with a go/no-go decision. Not only would this have given clarity to the team, but it would also have ensured that the information and findings of the previous step would have been completed satisfactorily, since the following steps are based upon the findings of these previous steps.

The impression remains that the team members to a certain extent lacked the analytical skills or attitude to apply the methodology. This is only natural and could have been resolved by more frequent sessions where they would be triggered to reply to questions. The step from analysis to interventions, which in this process is perceived as a big step, becomes more logical and sequential.

The process has taken a rather long time and team members were only available part-time. Although the allocated time was sufficient, members had to continue with other office tasks. That implies that members could not always participate on the planned days due to unforeseen or urgent tasks, which hampered the progress⁴. The team had limited experience or skills in writing papers and much time was spent on 'elaborating conclusions, resumes and presentations', which delayed the process and reduced the quality of the output

The process has led to an increased ownership by the NGOs of the projects and has provided them with knowledge about the sub-sector and general business development aspects. The gap that often exists between "external expert project elaboration" and the implementation of the projects is therefore reduced. Moreover, the costs of the entire SSA, including the limited use of these external consultants, is probably less than an SSA by external consultants, even though one might argue that the quality of the SSA may differ.

The methodology

The EM proved to be rather difficult. In Angola, as in many other developing countries, little specific and up-to-date information is available, while the team also had problems to interpret macro-economic figures. The inventory of the present sub-sectors, and analysing their potential, has therefore absorbed considerable time and energy. On the other hand, certain sub-sectors were 'discovered' that were otherwise not likely to be considered.

⁴ Some members were true volunteers and received little if any remuneration from their organisations.

The NGOs did not have a special relationship or track record with the enterprises in the chosen sub-sectors. It has therefore proven difficult for them to understand the sub-sectors and to gain trust from the enterprises to provide them with inside information. Moreover, many NGOs were perceived as 'delivering emergency aid' organisations.

The NGOs had chosen to support micro- and small producers in three sub-sectors. Given the extreme limited productive sector in the region, the number of actors, i.e. the potential target group or clients, is simply limited. As a result, the cost-benefit ratio of the elaborated interventions is rather high. Hence, these projects should also be seen as pilot projects, in which capacity building of NGOs to design and manage such projects is equally important. Given the rather embryonic stage of these NGOs, this seems justifiable.

Although the SSA should lead to interventions, in which the leverage effect creates a major impact, no direct leverage was identified in these SSAs. Most of the interventions were related to market linkages and included components to improve access to markets, improve company operations (technical and managerial training) and monitoring of market developments. The training and research components make these interventions rather expensive, but given the similarity between the three project proposals some additional gain may be realised. Moreover, the initial investments are rather high due to the development of training material and setting up of systems, but the cost-benefit ratio will improve with more future clients.

Applied lessons learned

The proposed process has taken into account these lessons learned.

The recruited PSD programme officer will spend 50% of his time on the planned SSAs and a training manual has been prepared to provide the participants with more business and enterprise development theory and practises, exercises and case studies. Six training moments of each 2-3 days are planned with assignments and feedback sessions in-between. In that way the participants are coached during the entire six-month process.

Moreover, it was realised that NGOs without a relationship with the perceived target group and without a track record in PSD/SED face a lot of difficulties applying the process (see also 6). Therefore it is advisable to either work with NGOs that do have a relationship with certain target groups (i.e. they are active in the sub-sector) or to work with NGOs that are experienced in PSD/SED programmes in general.

When working with the first type of NGOs, which is the majority of the Angolan NGOs, the Economic Mapping should preferably be done by experts, including a first analysis of the sub-sectors. The combination of a promising sub-sector with NGOs that are active in that sub-sector appears ideal for this approach. Other organisations like sector-specific associations can and should be included as partners. NGOs with some experience in PSD/SED may in principle be suitable for an Economic Mapping exercise, albeit -depending on their expertise- with certain external expert assistance.