

'Triple-A' Approach to ESS

Stage I: Analysis

OVERVIEW

ESS should cater to the demands of enterprises. This is a major guiding principle in designing an intervention; therefore, the aim of stage I is to carry out a thorough analysis of the present situation at various levels. In general, three levels can be distinguished as follows:

- micro-level: individual entrepreneurs, groups, and villages;
- meso-level: intermediary institutions or service providers; and
- macro-level: policy-related and regulation based institutions/agencies.

APPA and MAD can help with the analysis at the micro-level (individual entrepreneurs, groups, and villages). These analyses; however, can be preceded and complemented with an analysis at the meso-level (district or provincial) to obtain a more complete picture and allow for the design of a more appropriate intervention. In stage I, several tools are used to support this analysis.



Analysis

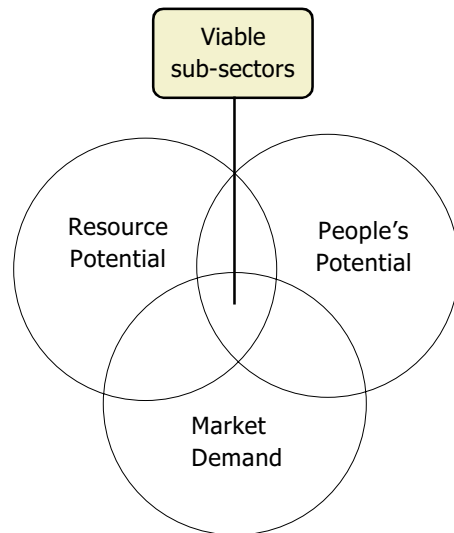
- provides an overview of market demand, resources, and people's potential;
- selects sub-sectors and conducts an analysis for each one of them; and
- uses various tools for institutional and organisational analysis and BDS analysis.

METHODOLOGY

Step 1: Use the district mapping tool to get a district overview. At the district level, market demand, resources, and people's potential should be taken into account when designing an intervention. These three key elements of analysis are represented in the figure below by circles.

Ideally, an intervention should take place where the elements overlap, as this is the area with the highest impact and the highest potential for success. This usually comprises of one or more sub-sectors.

Demand-Driven Approach



For a district overview, existing data can be collected and analysed. Additional surveys need to be carried out to collect information on the key elements.

Entrepreneurs have to assess the market demand for a product, identify opportunities and constraints to target the demand, and develop strategies to reach the chosen markets. A demand-driven approach implies that these factors are taken into consideration when determining whether a product is viable or not. It involves finding out what the customer wants and helps to set-up the production and marketing system that meets the demand and maximises income.

ESS can draw information from MAD (chapter 3) regarding the selection of the most viable products, identification of potential markets, and the means for marketing.

Step 2: For a specific sub-sector, use the information drawn from the sub-sector analysis described in MAD (stage II, step 1). Sub-sector analysis has become more widely used in recent years and is advocated by many organisations as an excellent start for any intervention.

It is a vertically integrated group of enterprises (both small and large) concerned with the same product group, for example, non-timer forest products (NTFPs). The approach is built on the view that enterprises in the same sub-sector or trade face constraints that are common to them and that are distinct from other sectors. The main objectives of sub-sector analysis are as follows:

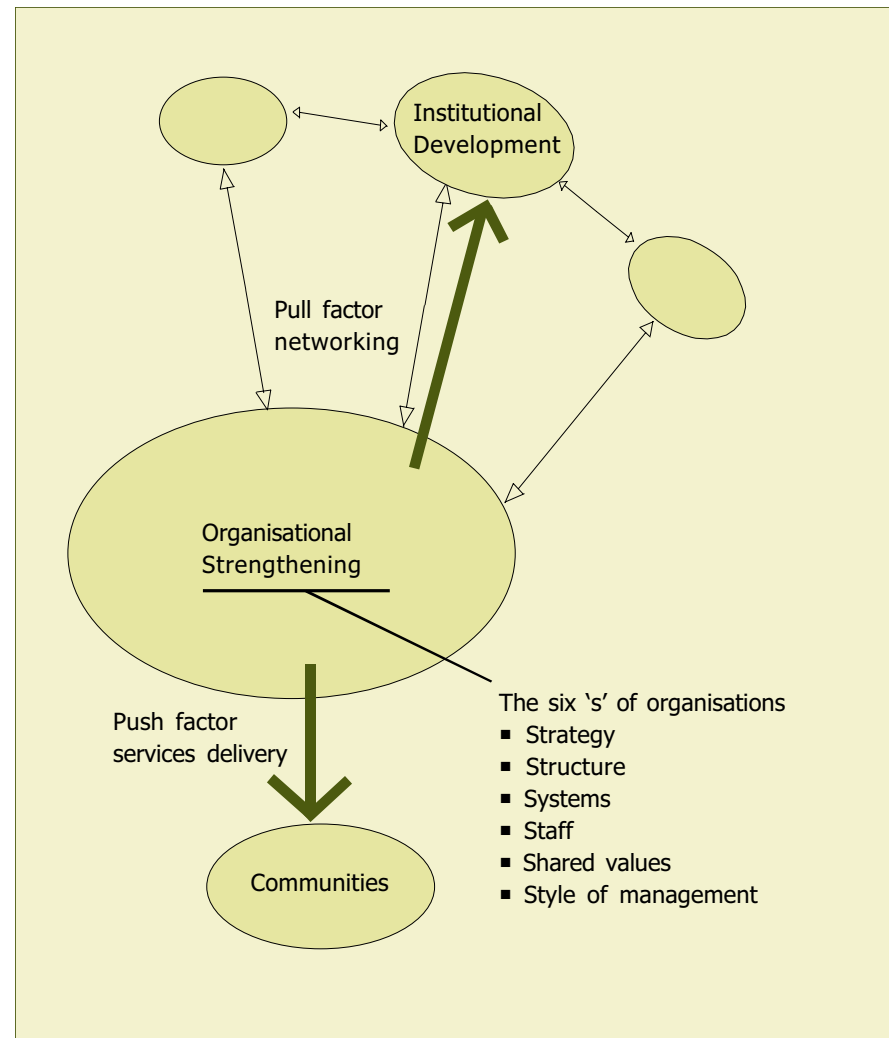
- to link a product to an (expanding) market;
- to make strategic functional enterprise interventions; and
- to analyse beneficial links among key sub-sector participants.

With regards to selecting sub-sectors, the district overview discussed in step 1 will be a major source of information. The district overview will be looking for opportunities with sub-sectors that can have as much impact as possible throughout the district population.

In the case of an existing sub-sector, the district overview will provide information on opportunities for market demand of new or improved products, and on the number of existing and potential individuals or villages in the district that could become involved in this sub-sector. Interviews at the community level will give some indication of the levels of investment and income that activities in the sub-sector can realistically provide.

For example, the district overview may indicate a need for poultry and meat products in the district, if these are currently imported from other areas. It will provide information on how many villages in the district are suitable for the production of these products and will assess issues such as pasture, feeding, existing coverage of veterinary services, road infrastructure, cold store locations, etc. Interviews with farmers will indicate the level of income they can earn from such products, problems they may face with livestock production and market access, and strategies needed in order to overcome constraints.

Relationship between Institutional Development and Organisational Strengthening





In the case of a new sub-sector aiming to explore new opportunities based on trends in market demand, the resource base is an important indicator of the extent of impact that the new sub-sector can have. For example, if there are many farmers growing wheat yet few grain mills, and there is an expressed need for milled flour throughout the district in order to substitute imported flour, then one can assume that grain milling is a potential enterprise for a large number of communities. The sub-sector ranking grid and the sub-sector frequency matrix can assist the selection of sub-sectors.

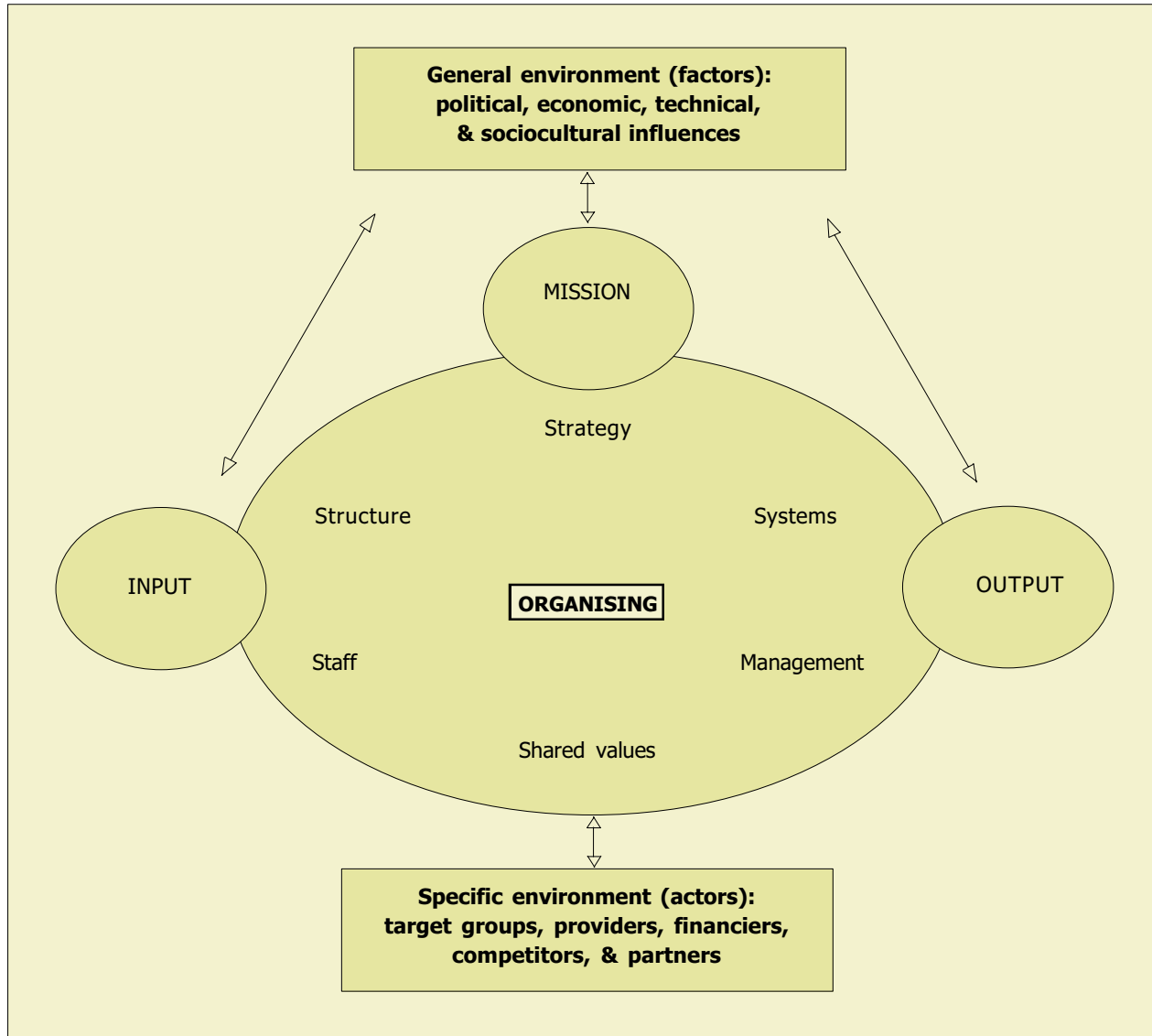
Step 3: *Conduct institutional and organisational analysis with specific tools.* The concepts of developing institutions and strengthening organisations have become increasingly important in the design of development interventions. The figure on page 111 presents the relationship between the two concepts.

In the context of ESS, institutional development is about creating or reinforcing a network that creates a favourable environment for enterprise development. This network comprises of players from the government, private sector, and civil society, and each sector plays a different role in supporting enterprise development. Organisational strengthening involves actions to improve the capacity of an individual organisation to provide support services. It deals with the analysis of the institutional setting and individual organisations. The institutional setting involves the whole organisation, including its interrelationship with other organisations, which at different levels influences the development of an enterprise.

Institutional analysis comprises of two things: the factors influencing enterprise development and the actors involved in facilitating enterprise development. Different tools such as the actogramme, coverage matrix, and factogramme help to analyse the institutional setting.

An organisation needs to be thoroughly analysed before building its capacity to deliver services to enterprises. The aim of organisational analysis is to improve its effectiveness and efficiency that will result in increased service-delivery capacity. The integrated organisational model (IOM) tool can be used for this purpose. This model (next page) consists of five external components: mission, output, input, general environment, and specific environment and six internal components: strategy, structure, systems, staff, style of management, and shared values.

Integrated Organisational Model (IOM)





Step 4: *Analyse business development services using the BDS matrix.* A BDS matrix is a useful tool for sector analysis and identifies constraints, opportunities, and potential support initiatives according to the categories of BDS (market access, training and technical assistance, input supply, technology and product development, infrastructure or logistics, policy/advocacy, and financing). For each category, the constraints and opportunities, the service and clients, the existing provision of services, and the constraints to the provision of services are analysed.

Definition of the Components of the Integrated Organisational Model

External components

Mission is an organisation's overall objective(s) and main approach that explains why the organisation exists and what it wants to achieve with identified means. *Output* includes all material and non-material products and services delivered by the organisation to its various target groups (clients or customers). *Input* includes all the resources available for generating the products and services of the organisation. *General environment* (factors) means a complex set of political, economic, technical, social, and cultural factors that influences this type of organisation. *Specific environment* is the relationship the organisation shares with actors.

Internal components

Strategy refers to the way the mission is translated into concrete objectives and approaches. *Structure* is the formal and informal division and coordination of activities and responsibilities. *Systems* comprise of the internal processes that regulate the functioning of the organisation. *Staff* refers to all activities, rules, and regulations related to staff motivation and utilisation and development of staff capacity. *Style of management* is the characteristic pattern of behaviour of management. *Shared values* (culture) are the shared values and norms of the people working in the organisation.

GUIDELINES

1. When analysing the market demand, the market system should be taken into account. A market system is a dependent set of direct and indirect factors, which in some way or another influence the process of getting a product to a targeted buyer. It starts with the producer or collector and ends with the consumer.
2. There are several degrees of thoroughness that sub-sector studies can adopt. It is therefore important to be clear from the onset what kind of information is needed to avoid carrying out a study that is too detailed and irrelevant to entrepreneurs.
3. In order to select a sub-sector, criteria have to be determined. Some commonly used criteria are as follows:
 - unmet market demand (important);
 - opportunities for linkages;
 - potential for employment generation;
 - number of enterprises able to engage in linkages;
 - potential for increase in household income;
 - coordination/synergy with other donors or government;
 - representation of women; and
 - matching mandate with that of the intervening organisation.
4. Sub-sector selection should take into consideration improving or correcting existing inequities, for example, ones that only benefit men to the detriment of women-owned enterprises.
5. The institutional and organisational analysis, BDS matrix, and participatory action research (PAR) can be used within the sub-sector analysis or separately.
6. If necessary, use the PAR tool which can help in analysing ESS. It is based on a 'learning by doing' approach. A small-scale initiative is started and analysed as it develops. The district overview and the sub-sector analysis can be supported using this approach. This implies focusing on processes as much as the end results, because the process is iterative. The process continuously builds the capacity of the participants to monitor sub-sector analysis and evaluate strategies for support to ensure that entrepreneurs have access to the services they need.

The approach includes the following steps:

 - starting without a preconceived idea of services that might be in demand. Staff members listen closely to entrepreneurs about their constraints and what exact services might address those constraints;
 - initial service ideas are developed from these discussions, and ideas are drawn for services that exist in the private sector;
 - new services are tested with feedback; and
 - services are modified rapidly and retested to fit according to specific demand.

Use of Tools

District mapping, sub-sector analysis, sub-sector ranking grid, sub-sector frequency matrix, actogramme, coverage matrix, factogramme, IOM, BDS matrix, PAR, and participatory rural appraisal (PRA)