

**Matching Grant Program  
EVALUATION  
January 2005**

**Prepared for  
USAID, PVC Division  
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## January 2005

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## Acronyms

BDS	Business Development Services
CGAP	Consultative Group to Assist the Poorest
CIDA	Canadian International Development Agency
DIP	Detailed Implementation Plan
HQ	Headquarters
ILO	International Labour Organization
IOPS	International Operations
IFD	Investment Fund Development
IPG	Implementation Grant Program
MEDA	Mennonite Economic Development Associates
MG	Matching Grant
MII	MEDA Investments Inc.
PML	Production Market Linkages
PVC	Private and Voluntary Cooperation
PVO	Private Voluntary Organization
SEEP	Small Enterprise Education and Promotion Network
SME	Small and Medium Enterprise
TA	Technical Assistance

# MATCHING GRANT PROGRAM EVALUATION

## JANUARY 2005

### EXECUTIVE SUMMARY

MEDA is a faith based business and development PVO. MEDA was organized in 1953 by a small group of Mennonite business people who were interested in encouraging development of business enterprises in less-developed areas of the world. The Matching Grant project started in September 2001 and was originally scheduled to be completed September 29, 2004 but was then extended at no cost to March 31, 2005. The purpose of the extension was to allow MEDA to complete some specific activities that were part of the Matching Grant workplan. The overall goal of MEDA's Matching Grant (MG) project is to advance MEDA's international capacity in small business development with an emphasis on business development services (BDS), micro-enterprise credit, and agribusiness marketing programs. This final evaluation was commissioned to: provide MEDA with an assessment of key aspects of its performance under this MG; draw new lessons to be learned from project experiences; and, identify recommendations concerning how MEDA may further strengthen International Operations/ Investment Fund Development (IOPS/IFD's)<sup>1</sup> strategy, capabilities and activities for senior management's consideration in relation to its ongoing efforts to develop and refine MEDA's products and services strategy and implementation capabilities.

Using the opportunity provided by a change in leadership, MEDA restructured in 2003. In this restructuring process the decision was made to shift from business units to product lines with a view to become recognized by clients as leaders in their chosen product lines. With cooperation and financing from USAID, the flexibility afforded by the Matching Grant allowed MEDA to successfully complete the transition. The Matching Grant also provided the financing for the development and testing of new BDS methods and tools in Peru.

It is generally agreed by MEDA management that the reorganization was overdue. The shift in leadership provided an excellent opportunity to initiate the reorganization and to conduct a corporate level organizational review instead of just in the International Operations Division.

As an example, the need for the reorganization is apparent when project implementation is examined. In microfinance the consulting operation had built capacity and was delivering high quality results. Unfortunately, this expertise was not being used to the fullest in MEDA's own projects and project performance was deteriorating.

One of the key features of the reorganization has been to focus management and accountability on product lines and results. This builds on the strengths of MCG's (MEDA Consulting Group) consulting experience in terms of staff depth, breadth of capacity, high quality implementation and delivery of results. These strengths exemplify the entrepreneurial spirit within MEDA and emphasize the flexibility and determination required to achieve the goal: to be a product and service leader among its peers.

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<sup>1</sup> Although the Investment Fund Development (IFD) was not part of the PVC Matching Grant it was included in the evaluation TORs. The inclusion is based on the fact that the IFD is one of MEDA's three international product lines of business.

## **Headquarters**

Through the IFD product line, MicroVest, the first private investment fund for microfinance, launched its first product, MicroVest One in January 2004 with \$15 million, \$10.3 million in equity and \$4.7 million in debt instruments. By year end it will have placed \$9 million in microfinance institutions. To date MicroVest is having difficulty obtaining debt instruments but has increased its equity. MicroVest was developed in collaboration with CARE and the Seed Capital Development Fund to mobilize capital for debt and equity investments in strong microfinance institutions. MicroVest's first fund, MicroVest One, is targeting this investment fund to grow to between \$12 and \$20 million.

The cross-cutting issues is a separate unit that serves all the product lines and includes gender, environment, HIV/AIDS and monitoring and evaluation. HIV/AIDS was added as a cross-cutting issue in 2004. The current structure requiring the technical advisor to report to the Vice President, IOPS ensures that the institutionalization of cross-cutting issues remains an important part of MEDA's development program.

The change in BDS methodological approach was strengthened by the restructuring of MEDA into product lines. As indicated above, the shift was tidal; at the moving from a pinpointed subsidy approach that involved working with only one link in a value chain to a holistic commercial approach that include all players in the value chain. The reorganization of MEDA was a timely catalyst that resulted in the formalization of commercial approach even though there had been pressure to move in that direction for some time. Organizationally MEDA had come to the realization that working with the private sector to expand its value chain, but often required new motivation to support the kinds of activities that MEDA is interested in developing.

MEDA has successfully implemented its Product Line based organization. This structure positions MEDA well for the future. Now that the organization is in place, a few small gaps need attention. For the most part these gaps are related to definitions that will provide clarity for the organization and the staff. These definitions are: market niche, leadership and partnership.

In the near term MEDA will need to define where it wants to find its market niche. It could decide to pick one or more of the following options, bid on large projects, subcontract to larger organizations on large projects, provide support to NGOs etc. or any combination of these.

The definition of the market niche will largely determine how leadership in its product lines will be defined. If, for example, MEDA chooses to subcontract to larger organizations on large projects its product line leadership has to be recognized by the larger organization as something of value that will help it win the bid. Thus leadership will be defined as being seen as a leader by both the large organization with whom MEDA wants to joint venture on a project and by the donor bid evaluators.

## **Mozambique**

The merger of the Kulane microfinance operation into the Opportunity International Microfinance Bank in Mozambique is an example of MEDA's ability to make the hard decisions, and its business capacity to find solutions that take into account the needs of the beneficiaries by ensuring that they are not abandoned. After two unsuccessful attempts to find a suitable buyer, the Memorandum of Understanding has been signed with Opportunity International and the merger is in the final stages of determining which staff and clients will be transferred to the microfinance bank before the end of project.

## Peru

In Peru especially, MEDA has referred to this approach as a syndicated value chain. A critical part of this new approach is working as a facilitator who helps the members of the value chain work together smoothly and jointly work to correct external barriers.

MEDA's change in strategy from working with a single organization to working with the 'syndicated productive chain' has had important implications. The change in strategy meant that MEDA exited from its relationship with Agronegocios and withdrew its investment from the organization. The due diligence analysis of the partner had been incomplete and an investment was made in an organization (Agronegocios) that was not really stable and experienced enough in the rice market. When exiting, MEDA obtained majority ownership of the Agro Monitor software. Agronegocios would not have been able to survive in any case but by obtaining majority ownership in Agro Monitor MEDA was able to recoup most of its investment in the form of an asset. MEDA continues to develop Agro Monitor, a task that is expected to be complete by the end of project. When complete, a marketing program will be undertaken. The beta version of the present product, Agro Monitor Plus, is installed in MEDA's Nicaragua, Mozambique and Tajikistan projects.

The snow peas project grew out of MEDA's BDS involvement with a hydroponics venture that had significant problems due to the partner's failure to maintain close control over his finances. The snow peas BDS project works with INAGRO SUR S.A., an exporter specializing in asparagus. In INAGRO SUR's expansion into the export of snow peas MEDA was able to assist the company switch from exclusively using its own and rented land and growing produce, to outsourcing expansion through contract farming. INAGRO SUR provides technical assistance and training to the farmers, product research, establishes growing methods, monitors quality, finances pre-harvest labour costs and contacts exporters. Agro Monitor may be used to monitor the farmers. Additionally, MEDA's role is to provide market research, credit for inputs, and coordination, training farmers, farmer selection, agrochemical use training,. MEDA also is involved in development of quality standards and capacity building of INAGRO SUR. The program reduces costs for INAGRO SUR, keeps the farmers on their land and has increased their net income as much as 300%. By creating job opportunities (over 130 since beginning in 2003) poverty is being reduced in a poor area. This is an example of MEDA's new BDS strategy in action.

Partnership is a term that originated with PVOs and was then adopted by the donors to describe a PVO's relationship with the beneficiaries. MEDA, being on the leading edge of business oriented PVOs needs, for clarity, to define what types of relationships it will have with beneficiaries. In some cases, where MEDA invests, the relationship may be a joint venture. In the BDS and microfinance context, it will depend on whether MEDA is the sole contractor, hired consultant or subcontractor. BDS may be a facilitator/broker. In the microfinance projects MEDA could be trainer/capacity builder.

Because MEDA is a forward looking business oriented organization that is able to make the hard decisions, both internally and externally, it is well positioned for the future.

**MEDA Matching Grant Program  
PVC Division, USAID  
Contract Number: HFP-A-00-01-00020-00**

**1. PROGRAM IDENTIFICATION**

**Mennonite Economic Development Associates (MEDA)**

- a. Contract Number: HFP-A-00-01-00020-00
- b. Term: September 30, 2001 – September 29, 2004  
Extension: 6 months; to March 31, 2005
- c. Date of Evaluation: December 2004/January 2005
- d. Country Programs: Mozambique, Peru

**2. PROGRAM BACKGROUND**

**2.1 History**

MEDA has been involved in developing rural and urban credit, training and marketing facilities for nearly two decades. This is the second project that MEDA has had with the PVC Division, USAID.

MEDA was organized in 1953 by a small group of Mennonite business people who were interested in encouraging development of business enterprises in less-developed areas of the world. Today, MEDA is an organization of 3,000 Christian business people, mostly from North America. MEDA began by investing in development-oriented businesses through a venture capital fund. MEDA's first microcredit programs opened in Haiti in 1985. Since then, MEDA has replicated its microcredit programs in Jamaica (1987), Bolivia (1988), Nicaragua (1990), Tanzania (1994), Russia (1995), Zimbabwe (1995), Mozambique (1996), and Romania (1997). The key to successfully replicating these programs has been their systematic packaging. MEDA offers training courses in microenterprise credit management to other development agencies, and regularly offers consulting services in business-oriented development to major donors and other PVOs. MEDA is a member of the SEEP (Small Enterprise Education and Promotion) Network.

**2.1.1 Current Implementation Status**

The project began in September 2001 and was originally scheduled to be completed September 29, 2004 but was then extended at no cost to March 31, 2005. The purpose of the extension was to allow MEDA to complete some specific activities that were part of the Matching Grant workplan.

**2.1.2 Partners**

MEDA has several partners as part of this Matching Grant Project. In Peru, MEDA is linking farmers with service providers, an MFI and markets using Agro Monitor and provision of BDS services.

In Mozambique, MEDA has a transition program for moving its MF into a locally owned and operated financial institution; a joint venture with Opportunity International's MF bank initiative.

### **2.1.3 Program Goal and Purpose**

#### **Goal:**

The overall goal of MEDA's Matching Grant (MG) project is to advance MEDA's international capacity in small business development with an emphasis on business development services (BDS), micro-enterprise credit, and agribusiness marketing programs. Relative to the Matching Grant, the development of expertise in BDS is concentrated at headquarters (HQ), micro-credit programming is based in Mozambique, and agribusiness activities are being undertaken in Peru. The intent, however, is that lessons learned will positively impact the entire organization as well as MEDA partners, reaching far beyond the original focus of intervention.

#### **Objectives/Purpose:**

To better serve the needs of the poor, MEDA aspires to be a 'product and service leader' amongst its peers. To achieve this, MEDA has determined a) that it should *expand the scope of its products and services in the area of international economic development*, and b) that its *core competency should be to develop, test and share new products and services*. The MG has been utilized to assist MEDA to equip itself to achieve this vision.

At headquarters, key objectives were: to improve the synergy between the (then) International Economic Development (IED) Division's four departments to develop integrated and more effective services to MEDA's field partners and clients; and, to strengthen organizational BDS capacity, a theme that runs throughout the DIP. In the original Program Description, this objective emphasized the importance of drawing on MEDA's BDS experience to take its BDS programming to the next level, combining new technologies, tools and innovative products and services for the benefit of the poor.

In Peru, key objectives were the provision of technical assistance and market access to smallholder farmers, once again through the development of local staff and partnerships.

In Mozambique, the chief objective was the creation of a dynamic independent credit institution supported by the development of local staff, and the formation of mutually beneficial partnerships. The proposed development of local staff cuts across all areas from strategic management and customer service to human resources and financial management. Collaboration with other organizations contributes to the building of new products and programs, the institutionalization process and the achievement of sustainability.

## **3. EVALUATION OBJECTIVES**

This final evaluation was commissioned to: provide MEDA with an assessment of key aspects of its performance under this MG; draw new lessons to be learned from project experiences; and, identify recommendations concerning how MEDA may further strengthen IOPS/IFD's strategy, capabilities and activities for senior management's consideration in relation to its ongoing efforts to develop and refine MEDA's products and services strategy and implementation capabilities.

## **4. EVALUATION**

### **4.1 USAID Role in PVC Matching Grant**

MEDA is a faith based business and development PVO. Using the opportunity provided by a change in leadership, MEDA restructured in 2003. In this restructuring process the decision was made to shift from business units to product lines with a view to become recognized by clients as leaders in their chosen product lines. With cooperation and financing from USAID, the flexibility afforded by the Matching Grant allowed MEDA to successfully complete the transition. The Matching Grant also provided the financing for the development and testing of new BDS methods and tools in Peru.

Throughout its life there have been numerous changes to the PVC Matching Grant project. These changes have exemplified the flexibility of USAID. The changes that took place allowed MEDA to reorganize itself to build on its strengths and better meet future challenges while at the same time keeping focused on its overall objectives.

These comments are easy to say, but there are lessons to be learned within the events that have transpired during the life of this project. First, development, including PVO Matching Grants, is about change and capacity building. In spite of the changes that take place it is the importance of staying true to the overall objective that is paramount. In this case MEDA has experienced what it normally is trying to facilitate in its beneficiary organizations and USAID PVC has experienced what its contractors normally face when implementing projects. In both cases the organizations have seen first hand what the next level down in the development process experiences on a regular basis.

Second, this project has exemplified the importance of keeping the project goal as the primary output and the need for flexibility at the objective and activity levels. This in no way means that detailed planning with targets and indicators is not important, but that the project needs to continually adapt to the institutional progress as it changes, grows and strengthens its capacity and builds its capabilities.

There is also a third lesson that relates to project management. Quality reporting, transparency about difficulties and proposed solutions on the part of the project beneficiary as well as the project manager's feedback, as played out in this project speak to the need for relationship building and trust. MEDA reported its progress, and USAID provided feedback and demonstrated trust and feedback by approving the change in objectives and activities. This project has exemplified a situation where micromanagement has not been necessary because the trust relationship is in place.

Fourth, evaluations, as exemplified by USAID in this case, need to be flexible enough to accommodate the changes that take place during a project.

### **4.2 MEDA**

MEDA is a faith based business and development PVO. MEDA addresses each of these characteristics in its operations.

#### **Faith:**

In its Members Services product line and generally in its literature to members MEDA promotes its faith base. On the development side of its operations MEDA's faith base is not so much front

and center as it is integrated holistically into the way it conducts its business with the integrity consistent with its values.

**Business:**

One of the unique features and strengths of MEDA is both its business orientation and the equity position it takes in several businesses associated with its projects. This orientation arises out of the nature of its membership (business owners) and positions MEDA in development between the PVOs who are based on charity and the large development contractors such as DAI, Chemonics and SNC Lavalin who implement projects strictly on the basis of their own business interests. Unlike most development organizations, MEDA has hands on experience in business management in developing economies.

**Development:**

MEDA emphasizes internally and is known for the high quality of its development work. This has resulted in MEDA having an excellent reputation.

In order to achieve high quality results MEDA has developed tools to assist it in achieving these results. One of the benefits of these tools is that they address the fundamental building blocks that their product lines require. The unique feature of these tools is that they are based on industry best practices and not a replication of their constituency's operations. This allows MEDA to properly assess the situation, adapt to the circumstances in each project situation and implement the project according to the identified needs. The PVC Matching Grant has contributed to the development of these tools over the years and during this project has assisted in the development of BDS tools.

The core staff recruited by MEDA cover a wide range within each product line. The staff is all well educated. The range of field experience covers a wide variety of situations and regions. MEDA has depth from management down including both international product lines. This depth goes down to include MEDA's junior and administrative staff.

### **4.3 Timeliness of Reorganization**

It is generally agreed by MEDA management that the reorganization was overdue, particularly because of some difficulties in MEDA's international work. The shift in leadership provided an excellent opportunity to initiate the reorganization and to conduct a corporate level organizational review instead of just in the International Operations.

The need for the reorganization is apparent when project implementation is examined. In microfinance the consulting operation had built capacity and was delivering high quality results. Unfortunately, this expertise was not being used to the fullest in MEDA's own projects and project performance was deteriorating.

IFD was raising capital, largely from MEDA membership and responding to investment opportunities. The reorganization unleashed IFD potential and allowed it to expand and explore new opportunities of which MicroVest is the first example. IFD restructuring has recently been finalizing. This was the last of the changes to the organizational structure transition that was outstanding.

BDS operations needed to be consolidated and formalized. It also needed to change its methodology from a traditional pinpoint, subsidized methodology to a holistic, commercial approach based on current best practices.

#### **4.4 Results of Reorganization to Date**

##### **Management:**

One of the key features of the reorganization has been to focus management and accountability on product lines and results. This builds on the strengths of MCG's (MEDA Consulting Group) consulting experience in terms of staff depth, breadth of capacity, high quality implementation and delivery of results. These strengths exemplify the entrepreneurial spirit within MEDA and emphasize the flexibility and determination required to achieve the goal: to be a product and service leader among its peers.

##### **Cross-Cutting Issues:**

The cross-cutting issues is a separate unit that serves all the product lines and includes gender, environment, HIV/AIDS and monitoring and evaluation. HIV/AIDS was added as a cross-cutting issue in 2004. The individual in this position is involved in all project design and in field staff training. Although institutionalization of these cross-cutting issues is a good thing, it can also be a risk in that it becomes taken for granted and a footnote in reports. The current structure requiring the technical advisor to report to the Vice President, IOPS ensures that the institutionalization of cross-cutting issues remains an important part of MEDA's development program.

MEDA considers monitoring and evaluation a cross-cutting issue. In terms of impact evaluation, MEDA is collecting baseline data so that it can track the income of its beneficiaries. It is using tools and methods developed by others such as SEEP and the IGP's Performance Indicators (Table 1), and Agro Monitor to build its impact assessment tools. Like all organizations, MEDA struggles with how much of income change experienced by a beneficiary can be attributed to its intervention. This is an area that will require ongoing development and collaboration with other development agencies and donors over the next several years.

With the change in BDS focus, a change has automatically come in the performance indicators used. In the past the sustainability of the single entity MEDA was working with was the main focus. Under the new structure and methodology where MEDA is working with numerous service providers in the value chain from production to market, there are many more performance indicators. It is only through the use of these indicators that MEDA can monitor its progress, identify results and impact.

##### **Country Offices:**

MEDA's experience has been that its country offices were primarily financed by donations from members. The country managers have largely been generalists and if they were specialists they were not completely competent in both product lines. One of the major tasks of the country manager was and is to find new projects. Where new projects have been found they have been small and not sufficient to cover the costs of a sustainable, stand alone country office. In addition most of the proposals submitted by MEDA to donors have been written in headquarters. The phase out of country offices and the move to project offices frees up donated resources and results in better management of MEDA's projects. Knowledge of a country is sometimes exemplified to the donor by field presence. A targeted field assessment by a product line specialist doing specific site assessments geared to the potential project is a far more efficient, cost effective means of demonstrating country knowledge. This method is used by many prime contractors in the development field.

In the Scope of Work there is an example of a concern about the continued need for country offices. This example describes the concern that investment in building an international and

national project staff's capacity in BDS will be lost at the end of the project and implies that this may not or would not be the case in a country office environment. There are three weaknesses with this argument. First, replication of projects in the same country by the same organization is rare, thus it is unlikely that the capacity would continue to be used either at the project or country office level on an ongoing basis. Second, country offices have proved to have specialists in one or the other product line thus limiting MEDA to one product line per country unless the project has designed collaboration built in. Third, good project staff tend not to be tied to a country and can be recruited to work on other similar projects in other countries. From this simplistic analysis it can be seen that country offices are not required to protect an investment in staff capacity.

**Beneficiaries:**

In microfinance, the project clients are getting more expert attention than when the microfinance consulting arm, MEDA Consulting Group (MCG), was operating separately from IOPS projects. In BDS, the new methodology of working with all players in the entire value chain, allowing MEDA to reach a far larger number of beneficiaries than when it worked with one link in the value chain. This is evidenced in part by the dramatic difference in the projected and actual number of beneficiaries reported in project documents that cover the organizational transition, from 5000 to 15,900.

**Sustainability:**

***Beneficiary:***

As indicated above, MEDA's goal is to be a leader among its peers. As a result there is a focus on achieving and where possible exceeding project results. This means that within the limits of a project, and in some cases supplemented by investments from the IFD Sarona Risk Capital Fund, beneficiaries will be in a better position than when the MEDA project started.

Thus the reorganization and capacity building has resulted in the donor/clients having projects that are better implemented and thus having a greater positive impact on the beneficiaries' livelihoods. The product line organization has increased depth of capacity and focused expertise; in the case of BDS it has resulted in a holistic commercial view of the production value chain; in IFD the establishment of MicroVest is reaching a large number of clients. MEDA repeatedly has noted the important role the PVC Matching Grant has played in this process.

***Organizational:***

In the case of IFD, MicroVest will assist MEDA's sustainability provided the loan portfolio quality remains strong. MicroVest will invest in the less risky investment opportunities and MEDA's own Sarona Risk Capital Fund will respond to IOPS requests to invest in the more risky investment opportunities. However, a new set of challenges will emerge. Sarona Risk Capital Fund is primarily a development tool and should not be used as a mechanism to ensure MEDA's sustainability. In the early 1990's MEDA defined its preferred investment and partnership opportunities as:

1. Existing businesses
2. Expansion of existing businesses doing something similar into a new product
3. Start up businesses.

Historically the majority of the investments have been in the least attractive investment opportunities – start-ups. Good due diligence prior to investment done by knowledgeable people, possibly an outsider, will be a key ingredient to sustainability for the Sarona Fund.

For the Microfinance product line, sustainability is a question of using its capacity to build its project portfolio while finding a way to supplement staff utilization gaps with consulting.

In terms of the BDS product line's contribution MEDA's corporate sustainability, under the new structure the BDS product line is encountering organizations in a different way, because it is no longer dealing with a single agency in the value chain. If one looks at one type of evidence in terms of the increased value of projects, the answer concerning a question about the product line's sustainability is yes.

	2003 Actual	2004 Actual	Projected 2005 based on 1/3 year <sup>2</sup>
Total Contracts	1.832 million	2.676 million	2.274 million
Flow through to Partners	.803 million	1.623 million	1.629 million

It is difficult to determine if this was just a response to a pent up demand and is short-term spike, or if it is a response to an ongoing demand. However, it can be concluded that with a 16 month growth trend the increased revenue is likely not a spike, based on pent up demand but a significant demand that will continue.

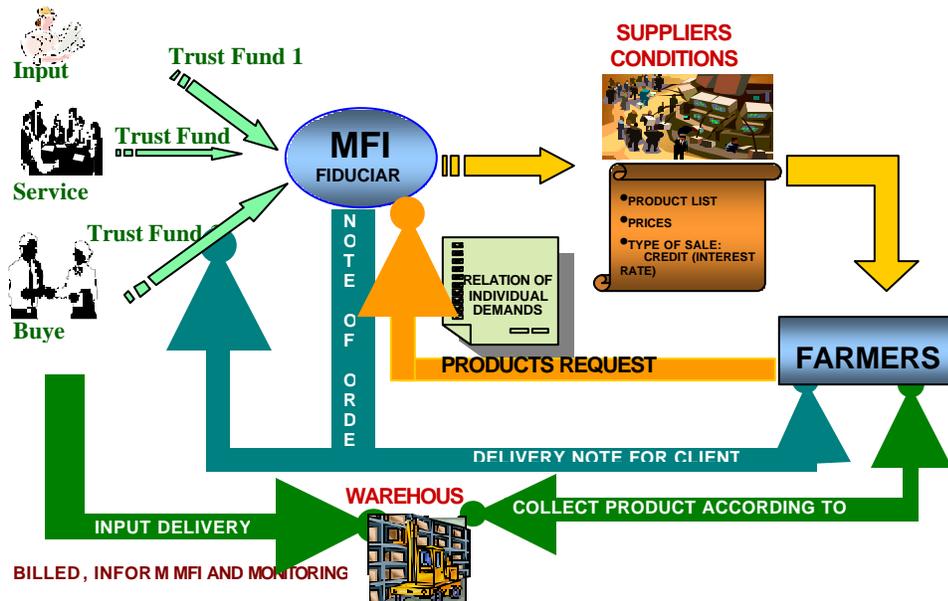
**BDS Approach:**

The change in BDS methodological approach, which was already happening at MEDA, was augmented by the restructuring of MEDA into product lines. As indicated above, the shift was tidal; moving from a pinpointed subsidy approach that involved working with only one link in value chain to a holistic commercial approach that include all players in the value chain. In Peru, MEDA has referred to this approach as a syndicated value chain. A critical part of this new approach is working as a facilitator who helps the members of the value chain work together smoothly and jointly work to correct external barriers. The syndicated value chain process outlined below is taken from a MEDA presentation.

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<sup>2</sup> Typically the first and fourth quarters of MEDA's fiscal year July 1 – June 30 have traditionally been the slowest in terms of program activity.

## ***SYNDICATED PROCESS***



The BDS project development guidelines and review checklists are built on a variety of research and best practices documents including the International Labour Organization (ILO) and SEEP. The synthesis and personalization of these documents for MEDA's needs are being financed by the PVC Matching Grant. The guidelines and case studies are scheduled to be completed by the end of project.

Projects implemented under the new structure have not encountered serious problems as yet. This may be because the projects are too new. It is more likely, however, that instead of generalists, bringing more technical expertise to the projects is having a positive impact. In addition, the BDS market assessment methodology conducted by experts at the beginning of the projects is probably having a positive impact by identifying weak players and required remedial action before the problems happen. As well, the new BDS strategy does not put MEDA into a single relationship with one organization. These factors make monitoring and evaluation systems a key contributing factor. Technical experts can interpret sophisticated monitoring and evaluation reports and therefore require better systems. Based on these systems they can detect and resolve problems much earlier.

Consistent with MEDA's desire to be a leader in BDS and to share its experience, the lessons MEDA is learning are immediately included in project reports. As opportunities arise these lessons are included in papers, speeches and conferences. An example is the two BDS case studies in preparation. Training materials are updated for the next sessions and transferred during headquarters' staff travel to the field and during the annual review and plan of operations meetings.

Pakistan and Tajikistan are examples of the new methodology, best practices and recent lessons being incorporated into the design and implementation of new projects.

## **4.5 Project Results**

The detailed results of each objective and activity for each of the three components are reported in the annual reports and the final report at the end of the extension will include the detailed end of project results at the objective and activity level. Based on this approach it is more important here to discuss MEDA's achievements, or lack thereof, at the goal level. The following is a summary of the goals and results from the project.

### **Headquarters**

#### **4.5.1 Headquarters**

Goal: MEDA seeks to be a leader in innovative economic development to help the poor by increasing the scope of existing services and developing new products to serve the poor.

The primary purpose of the headquarters component of the Matching Grant was to respond to previous evaluations, to continue to support Mozambique and to build its general capacity but specifically to develop the organization so that it could improve its capacity in BDS, which was a natural extension of its existing operations. The original objectives envisaged the capacity being developed largely within the existing structure. The change in management provided the opportunity to take a bigger step in organizational change. The management change and discussions about the reorganizations began shortly after the Matching Grant was approved. The majority of the revised organizational structure was finalized and became operational in mid 2003. Since then the staffing depth has been increased and capacity building in the form of tools has largely taken place and all critical items are expected to be completed by the end of project. One of the significant features of the new structure is improved focus on management and accountability. As yet it is not clear if there will be a high level of synergy between the microfinance and BDS product lines.

#### **4.5.2 Mozambique**

Goal: To build a strong sustainable local institution.

There could be arguments that this goal has not been achieved because the pending merger that is to be completed by end of project is not with a local institution. This interpretation, although true, should largely be considered a narrow view because it does not address the welfare of Kulane's clients. MEDA has been part of two other similar successful microfinance mergers – Tanzania and Haiti. The MEDA reorganization into product lines has certainly strengthened the microfinance projects by taking its microfinance consulting expertise and applying it directly to MEDA's microfinance projects. The question as to whether there should have been earlier application of this expertise to the Mozambique situation is purely speculation. Problems with insufficient financial resources from start up, finding strong leadership early in the project, training and keeping qualified and quality staff in an increasingly competitive human resource and microfinance market could not necessarily be solved with outside expertise. After the successful merger of its microfinance operation in Tanzania MEDA realized that a similar solution was best for the Mozambique operation. Although not the exact solution anticipated by the goal, the merger of Kulane into the Opportunity International Microfinance Bank meets the criteria for the clients to have access to a strong, sustainable credit institution.

The unanticipated changes in Mozambique included: two earlier unsuccessful attempts to find a merger partner, two cases of fraud among the loan officers and the departure of the country director during the last year. In the case of the merger, the third attempt is moving forward as

planned, and as indicated, will be completed by end of project. The fraud situations were dealt with by the release of the loans officers. Finally, the country manager has been replaced.

Unanticipated external factors included: inflation which reduced demand, and competition from other MFIs that were better structured to meet the demand for savings. Although a high demand for savings during an inflationary period is unusual, it highlighted the need to continue pursuing the merger.

### **4.5.3 Peru**

Goal: To build sustainable and profitable businesses that result in increased income to the poor.

This goal in this project component was general enough that it was met, but only looking at the goal and even the objectives do not reflect the tidal changes that took place in this component of the project. The change in methodological approach to BDS that was initiated by the restructuring of MEDA into product lines had a huge impact on the operations in Peru. The shift from working with only one partner to becoming a facilitator of change throughout the length of the production/value chain or syndicated value chain dramatically increased the number of beneficiaries. Work with the production/value chain participants has allowed MEDA to address the range of barriers encountered by the participants and to track the relationships of the participants using Agro Monitor. Use of market based BDS principles and practices continues to be reflected in the way MEDA deals with all the participants in the production to market chain. All of the changes are being implemented with project partners through the country office.

MEDA's change in strategy from working with a single organization to working with the 'syndicated productive chain' has important implications. The change in strategy meant that MEDA exited from its relationship with Agronegocios and withdrew its investment from the organization. The due diligence analysis of the partner had been incomplete and an investment was made in an organization (Agronegocios) that was not really stable and experienced enough in the rice market. When exiting, MEDA obtained majority ownership of the Agro Monitor software. Agronegocios would not have been able to survive in any case but by obtaining majority ownership in Agro Monitor MEDA was able to recoup most of its investment in the form of an asset. MEDA continues to develop Agro Monitor, a task that is expected to be complete by the end of project. When complete, a marketing program will be undertaken. The beta version of the present product, Agro Monitor Plus, is installed in MEDA's Nicaragua, Mozambique and Tajikistan projects.

It should be noted that the rice farmers in San Martin that Agronegocios had been working with were not abandoned; they continued to be clients of Caja Rural San Martin, the local bank which had founded Agronegocios. Since rice in Peru is produced only for the internal market, it is vulnerable to price fluctuations due to growing conditions in other areas. A price drop and the transportation costs due to the distance of San Martin from the Lima market exacerbated the management problems of Agronegocios.

MEDA's BDS activity also included work with PHISAC, a hydroponics snow pea production project. The relationship with this partner failed due to the beneficiary's failure to maintain close control over his finances. MEDA then shifted its snow pea production efforts to INAGRO SUR. INAGRO SUR is expanding into snow peas by outsourcing the production to local farmers instead of renting the land and growing the snow peas themselves. This project is an example of MEDA's use of the syndicated value chain approach to BDS. More detail on this project is provided below.

#### **4.5.4 Major Successes**

##### **MicroVest:**

MicroVest, the first private investment fund for microfinance, launched its first product, MicroVest One in January 2004 with \$15 million, \$10.3 million in equity and \$4.7 million in debt instruments. By year-end it will have placed \$9 million in microfinance institutions. To date MicroVest is having difficulty obtaining debt instruments but has increased its equity. MicroVest was developed in collaboration with CARE and the Seed Capital Development Fund to mobilize capital for debt and equity investments in strong microfinance institutions. MicroVest's first fund, MicroVest One, is targeting this investment fund to grow to between \$12 and \$20 million.

##### **Mozambique:**

The merger of the Kulane microfinance operation into the Opportunity International Microfinance Bank is an example of MEDA's ability to make the hard decisions and its business capacity to find solutions that take into account the needs of the beneficiaries by ensuring that they are not abandoned. After two unsuccessful attempts to find a suitable buyer, the Memorandum of Understanding has been signed with Opportunity International and the merger is in the final stages of determining which staff and clients will be transferred to the microfinance bank before the end of project.

##### **Agro Monitor:**

MEGA Systems is the phoenix company that rose out of the ashes of Agronegocios. MEGA Systems, of which MEDA owns a majority share, is the owner of the Agro Monitor software that Agronegocios had been using to manage the syndicated value chain for rice in San Martin province of Peru. The system includes a baseline component, monitoring component and sales component. The system is very flexible and includes information of interest to input providers, machinery and service providers like farm/crop extension workers, credit providers and buyers. The system comes in small, medium and large versions and is ideal for BDS project management because it captures the complexities of BDS. MEGA Systems hopes to find other markets than agriculture and BDS projects for the software. Given that donors are moving to larger projects the timing for sales of Agro Monitor as a project management tool is ideal.

##### **Snow Peas:**

The snow peas project grew out of MEDA's BDS involvement with a hydroponics venture that failed due to the beneficiary's failure to maintain close control over his finances. The snow peas BDS project works with INAGRO SUR S.A., an exporter specializing in asparagus. In INAGRO SUR's expansion into the export of snow peas, MEDA was able to assist the company switch from exclusively renting land and growing produce 'in-house' to outsourcing production to small farmers through sub-contracting. INAGRO SUR provides technical assistance and training to the farmers, product research, establishes growing methods, monitors quality, finances pre-harvest labour costs and contacts exporters. Agro Monitor may be used to monitor the farmers. In addition to farmer selection and training farmers in agrochemical use, MEDA's role is to provide market research, credit for inputs, and coordination. MEDA also is involved in development of quality standards and capacity building of INAGRO SUR. The program reduces costs for INAGRO SUR, keeps the farmers on their land and has increased their net income as much as 300%. By creating job opportunities (over 130 since beginning in 2003) poverty is being reduced in a poor area. This is an example of MEDA's new BDS strategy in action.

## 5. LESSONS LEARNED

One of the objectives of this evaluation is to draw new lessons to be learned from project experiences. The following are the key lessons that should be learned from this project.

1. Development is about change and capacity building. In spite of the changes that take place it is the importance of staying true to the overall objective that is paramount.
2. This project has exemplified the importance of keeping the project goal as the primary output and the need for flexibility at the objective and activity levels. The project needs to continually adapt to the institutional progress as it changes, grows and strengthens its capacity and builds its capabilities.
3. Quality reporting, transparency about difficulties and proposed solutions on the part of the project beneficiary, as well as the project manager's feedback, are vital. This project has exemplified a situation where micromanagement has not been necessary because the trust relationship is in place.
4. Evaluations, as exemplified by USAID in this case, need to be flexible enough to accommodate the changes that take place during a project.
5. Problems are inevitable when projects suffer from insufficient financial resources from start up, finding strong leadership early in the project, training and keeping qualified and quality staff.
6. Due diligence should be conducted by industry knowledgeable people; a lesson from the Agronegocios investment exit due to financial difficulties related to poor rice purchase and inventory management and the PHISAC withdrawal due to poor cash flow management.
7. Mergers and acquisitions not only have many technical issues that must be addressed but finding the organization to join with is also a difficult process as exemplified by the Kulane merger attempts.
8. Keeping a continuous finger on the pulse of client demand in microfinance is very important as done in Kulane when lack of growth and the demand for a savings product raised questions about sustainability.
9. MEDA has a strong internal controls program but must be vigilant in applying these to further strengthen its procedures to minimize the money lost in fraud cases.

## 6. WHERE TO FROM HERE

MEDA has successfully implemented its Product Line based organization. This structure positions MEDA well for the future. Now that the organization is in place a few small gaps need attention. For the most part these gaps are related to definitions that will provide clarity for the organization and the staff. These definitions are: market niche, leadership and partnership.

Donors, both bilateral and multilateral are changing the type of projects they are designing. USAID is moving to larger projects, the PVC Matching Grant window is closing, the IGP program is changing, the SEEP PLP are small and costly to implement. CIDA programming is changing as well toward larger projects. The multilateral agencies are also shifting the projects they are designing towards integrated development. Within this shifting environment MEDA needs to identify its market niche. It could decide to pick one or more of the following options, bid on large projects, subcontract to larger organizations on large projects, provide support to NGOs etc. or any combination of these. Alternatively, MEDA could decide to negotiate an arrangement with some midsized organizations to deliver all the Microfinance or BDS components they require for all their projects, thus embedding part of themselves in likeminded

organizations. A second example could be to combine part of its BDS product line into the ICT sector of development to take advantage of Agro Monitor.

The definition of the market niche will largely determine how leadership in its product lines will be defined. If, for example, MEDA chooses to subcontract to larger organizations on large projects its product line leadership has to be recognized by the larger organization as something of value that will help it win the bid. Thus leadership will be defined as being seen as a leader by both the large organization with whom MEDA wants to joint venture on a project and by the donor bid evaluators.

Partnership is a term that originated with PVOs and was then adopted by the donors to describe a PVO's relationship with the beneficiaries. With the elimination of the PVO Matching Grant and similar PVO funding mechanisms, the long-term relationships with beneficiary organizations will diminish unless funded exclusively by donations. These long-term relationships have been referred to as partnerships within the PVO community and have been adopted by donor organizations like USAID. MEDA, being on the leading edge of business oriented PVOs needs, for clarity, to define what types of relationships it will have with beneficiaries. In some cases, where MEDA invests, the relationship may be a joint venture. In the BDS and microfinance context it will depend on whether MEDA is the sole contractor, hired consultant or subcontractor. BDS may be a facilitator/broker. In the microfinance projects MEDA could be trainer/capacity builder.

In terms of definition, the microfinance product line will need to determine if it wishes to supplement its microfinance capacity to include SME expertise within its line. It may be required in the future in order to provide an easy collaboration with the BDS product line. SME lending capacity would provide expertise in lending to large farmers, agro processors and other participants in the production and marketing value chain.

All of these definitions will require additional thought by MEDA staff because they will further clarify product line functional areas; the type of research and development that is required, the human resource development that its staff requires, the kinds of documentation and publications it needs to produce and where to publish them. This effort will continue to be the ongoing focus of each of the product lines and a development plan to accomplish this continued work is expected out of the next IOPS Annual Review and Plan of Operations scheduled for early March 2005, and will be completed before the end of project. In particular it will assist in defining the types of tools—software, training materials and so on—that are required. In other words, these definitions will provide clarity to MEDA's direction.

#### Functional areas within MEDA product lines

1. Research & Development
2. Human Resource Development
3. Documentation & Publications
4. Marketing – Conferences, seminars, etc.
5. Consulting
6. Operations – Project Design/Management
7. Evaluation

**Research and Development:**

One of the major sources of current reference for research and development material is the internet. Some of MEDA's articles can be found on BDS websites but MEDA does not upload reports from its USAID projects to the Development Exchange Clearinghouse. A review of the types of information that is available on the site should provide MEDA with ideas about a way to get greater name recognition.

**Human Resources Capacity:**

Although turnover is limited, MEDA will need to maintain its staff depth. It will also need to continue upgrading its staff's capacity and keeping staff current. In many ways this can be done in conjunction with networking and marketing opportunities.

**Documentation:**

MEDA publishes information about its activities for its members and for fundraising from its membership. In the BDS area some case studies and lessons-learned articles have been published. As part of this PVO Matching Grant the Mozambique microfinance project was publishing a bulletin. For a variety of reasons including the departure of the key staff person the number of these microfinance bulletins published has fallen behind schedule.. A priority needs to be placed on documentation and its subsequent publication.

**Marketing:**

The key issue is identifying the market and asking for the business when participating in industry level activities. MEDA is not strong on its networking and marketing. Marketing and networking are done, but MEDA tends to be low-key and believe that its results speak for themselves and does not ask for the business. MEDA can survive with its present approach but visions of growth will require other methods of marketing. An example of the need for improvement in this marketing and networking approach is the failure of the country offices to bring in the expected level of new business to justify their cost under the previous structure when this was one of their major functions.

Opportunities for growth at the industry level largely relate to marketing. MEDA is active in both the microfinance and BDS sides of SEEP. The BDS product line is active at the International Labour Organization (ILO). The microfinance product line could use a higher profile. One of the ways that MEDA can market itself better is by publishing its documentation on its own website. This has the potential of increasing MEDA's profile by making its website a research and development destination for organizations interested in its product lines. Creating cross links with its research and development collaborators like it has with SEEP also help to raise MEDA's profile.

**Consulting Contracts:**

Consulting is also an excellent means of research and development, capacity building and marketing. The results of these assignments can also serve as the basis for documenting results and building name recognition for MEDA. Consulting can also fill in staff utilization gaps.

**Operations:**

Within this context there is opportunity for collaboration between the product lines, the primary niche for each product line may end up not being the same. The opportunities for the two IOPS product lines to collaborate except for sharing lessons learned corporately are limited to both project tenders and unsolicited proposals. The question regarding other opportunities for IOPS and IFD to collaborate is largely speculative. Since there are no obvious links between these

lines in project bids. IFD's MicroVest is more likely to be a marketing tool that can be used to raise awareness about MEDA's microfinance capacity.

### **Monitoring and Evaluation:**

MEDA is a learning organization. There are lessons from the Agronegocios investment exit and the Kulane merger attempts and other similar experiences that can be incorporated into future due diligence checklists. In addition, the lesson about the importance of keeping a continuous finger on the pulse of client demand in microfinance has not gone unnoticed. MEDA has a strong internal controls program and can use the loan officer fraud cases to further strengthen its procedures.

MEDA has an objective to deliver high quality results on its projects. To deliver these results MEDA tracks its progress and measures its results. To accomplish this MEDA has institutionalized monitoring and reporting using software tools such as EPA in microfinance and Agro Monitor in BDS. Continuing to build these products will be an important feature when defining leadership in the product lines.

### **BDS Branding:**

Branding of MEDA's BDS product line is related to several issues. First is the name of the unit, Production Market Linkages. The name has its roots and meaning inside MEDA but does it, or will it in the future, connect well to organizations MEDA markets itself to as a skilled BDS provider? Probably not, since the name is not part of the industry language. A unit name that will communicate credibility is required.

Second, branding can sometimes mean a fixed product or methodology. MEDA does not have a fixed methodology but a series of fundamental building blocks, design guidelines, key due diligence points and a sub sector approach. These allow MEDA to have a flexible response to the given context within which it finds a project opportunity. MEDA's BDS branding needs to be based on its fundamental building blocks.

Third, MEDA as a business/development based NGO, is positioned midway between the NGO community and the very big development contractors. This requires MEDA to be seen as empathetic to the value based development of NGOs and to be seen as sophisticated and professional enough to work with the very large development contractors. One of the strengths MEDA brings is its IFD experience of hands on business management. The possibility that IFD can invest in such situations should probably not be a marketing point because MEDA needs to have freedom to make an investment based on its management/values fit as well as the results of its due diligence. MEDA cannot allow itself to let others to make these decisions.

## **7. RECOMMENDATIONS**

The following recommendations are drawn from the evaluation.

1. MEDA needs to identify its market niche and how it wants to operate in that niche; contractor, subcontractor/joint venture etc.
2. MEDA needs to develop its product line leadership based on its audience, its clients in its market niche.
3. MEDA needs to determine its role in development - partner, facilitator etc. and define that role in terms that are understandable both internally and externally for donors and

beneficiaries. This role should include the nature of MEDA's relationship with donors and beneficiaries based on its role.

4. The Microfinance Product Line should determine if SME lending expertise is an area for expansion; and if that expertise is included in the product line, is the product line properly named?
5. The BDS Product Line should review whether its name is seen as credible by the market niche identified.
6. Based on the current bid opportunities (sole source bidder, joint venture, etc.), determine where there is the real, practical potential for synergy between the microfinance and BDS product lines.
7. The product lines should find a balance between project implementation and filling staff time utilization gaps with consulting.
8. Make documentation and publication a measurable result so that it is given the proper priority by staff in the product lines.
9. Make MEDA documentation and publications available on its website and where appropriate make them available on other websites that will increase MEDA's name recognition.
10. Market the organization based on the value MEDA can add and ask for the business. This will include understanding the audience's needs and what MEDA staff and tools can provide.

Based on the above, a SWOT analysis of MEDA's future options has been completed based on the findings of the PVC Matching Grant evaluation.

#### **SWOT based on PVO Matching Grant Evaluation**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Good reputation</li> <li>• Focused product lines</li> <li>• Methodology built on fundamentals but flexible for situational context</li> <li>• Solid tools to support fundamentals</li> <li>• Staff depth</li> <li>• Hands on business management experience</li> </ul>	<ul style="list-style-type: none"> <li>• Identification of market niche required to orient strengthening of product line functional areas</li> <li>• Leadership in product lines not defined by the target market</li> <li>• MEDA's capacity is not well known</li> <li>• Networking and marketing requires strengthening – ask for business vs. assumption that past results are known and speak for themselves</li> <li>• Branding BDS Product line name</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Increased profile in target market</li> <li>• Strategic alliances with large contractors</li> <li>• Business orientation positions MEDA between large contractors and NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• Bilateral and multilateral donor shift to larger integrated development projects</li> <li>• Funding windows like PVC Matching closing</li> <li>• Small projects too costly to develop proposals</li> <li>• Limited opportunity for sole source projects</li> </ul>



## *History*

**Current Implementation Status**                      **On track for completion by 31<sup>st</sup> March 2005**

**Partners**        **Peru**                      **Link farmers with service providers, MFI and markets using**

### ***AgroMonitor and provision of BDS services***

Mozambique    Transition MEDA's MF program into a locally owned and operated financial institution; joint venture with Opportunity International's MF bank initiative

## **Program goal and purpose (objectives & outputs)**

The goal of the MG was to support the institutional development of MEDA in the area of international economic development through:

- organizational development;
- strengthen its' technical competence;
- strengthen the capacity of its' project implementation partners; and
- improve the degree of sustainability at various levels of its' activities.

This is reflected in the project's Detailed Implementation Plan (DIP) prepared and approved at the end of year one. Under each area, key objectives were specified with activities and outputs targets. As the project progressed, two factors led MEDA to modify aspects of the DIP (reflected in annual project reporting to USAID): internal learning and changing external conditions.

At HQ, key objectives were: to improve the synergy between the (then) International Economic Development (IED) Division's four departments to develop integrated and more effective services to MEDA's field partners and clients; and, to strengthen organizational BDS capacity, a theme that runs throughout the DIP. In the original Program Description, this objective emphasized the importance of drawing on MEDA's BDS experience to take its BDS programming to the next level, combining new technologies, tools and innovative products and services for the benefit of the poor.

In Peru, key objectives were the provision of technical assistance and market access to smallholder farmers, once again through the development of local staff and partnerships.

In Mozambique, the chief objective was the creation of a dynamic independent credit institution supported by the development of local staff, and the formation of mutually beneficial partnerships. The proposed development of local staff cuts across all areas from strategic management and customer service to human resources and financial management. Collaboration with other organizations contributes to the building of new products and programs, the institutionalization process and the achievement of sustainability.

## *Availability of project data*

The following sources of project information are available for evaluation:

**Annual reports:**

- ☐ Matching Grant Annual Progress Report to September 30, 2002
- ☐ Matching Grant Annual Progress Report to September 30, 2003<sup>3</sup>
- ☐ Matching Grant Annual Progress Report to September 30, 2004

**Prior evaluation:**

- ☐ Consultant report on Formal Organizational Review (project output), 2003

**PVO M&E system data:**

- ☐ Internal PVC project M&E binders, Volumes 1 & 2

**Other sources:**

- ☐ Detailed Implementation Plan, March 2002
- ☐ Quarterly financial reports
- ☐ Project and partner personnel: HQ, Peru, Mozambique
- ☐ "Towards a MEDA Strategy for the Facilitation of Business Development Services: Production and Marketing Linkages", February 2004, internal BDS document
- ☐ New project documentation (needs assessments, design inputs, proposals, implementation work plans)<sup>4</sup>
- ☐ Consultancy reports<sup>5</sup>
- ☐ Presentations and papers<sup>6</sup>
- ☐ MEDA Product Line Strategies 2004 – 2007 document
- ☐ Reports to MEDA Board

*Evaluation Objectives*

This final evaluation is being commissioned to: provide MEDA with an assessment of key aspects of its' performance under this MG; draw new lessons to be learned from project experiences; and, identify recommendations concerning how MEDA may further strengthen IOPS/IFD's strategy, capabilities and activities for senior management's consideration in relation to its' ongoing efforts to develop and refine MEDA's products and services strategy and implementation capabilities.

**EVALUATION STATEMENT OF WORK/TERMS OF REFERENCE**

The evaluator will assess project activities carried out at MEDA headquarters and in Peru. The tasks of this EOP are to:

- a)** Evaluate progress made by MEDA at HQ level under this MG against objectives: (50%)<sup>7</sup>
  - a.** IOPS/IFD's organization: review and restructuring into product lines
  - b.** Strengthen IOPS' BDS capacity.
  
- b)** Evaluate progress made by MEDA has been under this MG against objectives: (40%)
  - a.** Strengthening the capacity of IOPS' project implementation partners

<sup>3</sup> Includes amendments to the DIP for Year Three of the project.

<sup>4</sup> Sub-sector project in Tajikistan, BDS services project in Pakistan, ITN voucher project in Tanzania.

<sup>5</sup> Nigeria – DFID ITN: 1<sup>st</sup> and 2<sup>nd</sup> OPRs and EOP evaluation; others also available.

<sup>6</sup> SEEP, ILO; selection of published papers.

<sup>7</sup> Bracketed percentages indicate approximate allocation of effort.

- b. Improving the degree of sustainability at various levels of IOPS/IFD's activities)
- c) Senior management is considering whether there is further for institutional strengthening in IOPS/IFD's capabilities in certain areas within product lines (see Fig 1 in section 3.4 below). Discuss this matter to help inform senior management's thinking. (10%)

**With respect to Task a)** progress against project HQ level objectives (50%)

**IOPS/IFD's organization: review and restructuring into product lines(20%)**

- a. Completeness of transition – Is there more work still to be done?
- b. Collaboration between IOPS/IFD product lines on research and development, joint project development and integrated product/services delivery – Product lines were launched to provide clarity of purpose to specific 'lines of business'. Synergies have been limited to inter-product line collaboration in response to tender opportunities (demand pull), the main modality of product line operations. Are there other areas where fostering synergies across product lines in IOPS/IFD would prove valuable?
- c. Incorporation of cross-cutting issues (i.e.: gender) and related capacity-building into vertical IOPS/IFD product line activities – Consider how IOPS/IFD might better leverage its experience and skills in cross-cutting areas in the product line context.
- d. Institutionalised appropriate performance monitoring and impact evaluation systems?
- e. Consequences of the changes made – How is it benefiting IOPS/IFD, its partners and its clients?

How well has MEDA performed? If warranted, recommend ways in which MEDA can further improve upon its efforts.

**Strengthen IOPS' BDS technical and BDS programming capacities (30%)**

Within the area of strengthening MEDA's BDS capabilities, endeavoring to improve the ways in which MEDA approaches BDS intervention is a significant aspect of this project. In part, this has involved critical analysis, by MEDA staff, on why some projects carried out by it have proven more successful than others. From this, MEDA has drawn lessons and compiled a listing of what it now considers to as 'better BDS practices', practices which better 'fit' productivity chain dynamics and market forces.

- a. IOPS' command and application of current best knowledge and practices in the non-financial BDS principles and practices – Profile IOPS/IFD accomplishments.
- b. What changes have occurred in the IOPS' capacity for critical and analytical thinking regarding BDS program design and impact, sustainability, replicability and scalability?
  - i. BDS project development guidelines? Design review against checklists?
  - ii. Recruitment of core PML professional staff (skills sets and perspectives prioritized)?
  - iii. Use of new BDS performance indicators for projects monitoring?
- c. Review and comment on how well IOPS has been able to put into practice new lessons learned in the area of markets-based BDS principles and practices – How well are these

- new perspectives and skills being transmitted to MEDA country office and project implementation partner levels?
- i. Changes in project level operational activities, in Peru, forming part of this MG project;
  - ii. Content of internal BDS training materials and related documentation;
  - iii. Design and implementation of new projects initiated by MEDA;
- d. IOPS/IFD product line identity, market visibility and competitive positioning – Are product lines clearly discernable and understandable to external audiences?
- e. Sustainability and partnerships:
- i. Is IOPS' increasing BDS competence translating into enhanced capacity to secure new consulting and project contract work and higher revenue flows (i.e.: indicators of IOPS' sustainability at HQ level)?
  - ii. Is there evidence to suggest that IOPS' investment in building up it's project monitoring and product line activity monitoring and evaluation systems and practices is translating into 'earlier detection' and management of implementation and performance problems?
  - iii. Could IOPS/IFD do more to leverage existing partnerships or pursue new partnerships to enhance its' own sustainability?
- f. IOPS/IFD products and services capabilities – Where can further gains be made?
1. Observations and recommendations made by MEDA to consultancy clients;
  2. Industry-level outreach activities;
  3. Publications;
  4. Definition, formulation, presentation and promotion of each product line's products and services.

***How well has MEDA performed? If warranted, recommend ways in which MEDA can further improve upon its efforts.<sup>8</sup>***

With respect to these two project objectives, comment generally on what aspects of project design and implementation have worked well and not so well for MEDA and why or why not.

**With respect to Task b) *progress against project sub-HQ level objectives* (40%)**

**Strengthen the capacity of IOPS' project implementation partners (20%)**

Based on the program planning matrix and statement of purpose from the proposal, have MG project objectives been met?

- i. Unanticipated changes affecting MEDA's partners and project operating environments changed considerably in Peru and in Mozambique during the MG period. Identify how these changes impacted upon MG project activities. How well did MEDA respond to changing conditions? Noting that MEDA embraces risk, are

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<sup>8</sup> In addition reviewing documents and discussions with IED staff, the consultant will also have the opportunity to listen in on a telephone conference call discussion about MEDA's application of new market-based BDS principles and practices involving Tom Carter (USAID) and Steve Rannekleiv, Jerry Quigley and Linda Jones (MEDA staff).

- there ways in which MEDA might better anticipate and respond to the changing circumstances of its' field partners?
- ii. Identify major successes and why these elements were successful.
  - iii. As part of restructuring international operations into product lines, lines of management have shifted in favour of a project management structure within product lines and correspondingly less commitment to MEDA country offices. Is it not yet clear what implications this may have on, for example, IOPS' ability to make sustainable investments in its' BDS capabilities at field level. There may be other issues at work from this change that MEDA is as yet unaware. Consider and comment on this matter.

**Improve the degree of sustainability at sub-HQ levels of IOPS' activities (20%)**

In the MG project, MEDA defined sustainability at three sub-HQ levels:

- i. **Client Level (the poor):** increased access to credit and marketing services for SMEs results in creation of jobs and sustained income, which result in increased family income and sustainable livelihoods;
- ii. **Project implementation partner and MEDA field offices:** increased through earned income, backed by good program design, management and monitoring capacity;
- iii. **Industry Level (peer community):** sharing IOPS' knowledge with other PVO's through industry networks (e.g. SEEP), training, consulting ensuring that lessons learned through the MG program have wider impact worldwide, and should result in increased sustainability for other PVOs.

Review the project's activities in these areas, assess and discuss:

- i. Identify: project elements to be sustained; sustainability objectives, indicators used to measure progress; project achievements; and prospects for post-grant sustainability.
- ii. Appropriateness of MEDA's product line approach and specific strategies as a vehicle for ensuring ongoing contributions in this area – Can product line strategies and work plans be improved in this regard?
- iii. Policies on local sustainability: choice of entry point (selection criteria); roles played; capacity to engage in local partner capacity building; exit strategies.

With respect to these two sub-HQ project objectives, comment generally on what aspects of project design and implementation have worked well and not so well for MEDA and why or why not.

**With respect to Task c), ongoing institutional strengthening of IOPS/IFD in functional areas (Fig 1 below) within product lines (10%)**

*The methodology of the MG was a formalized institutional strengthening process which targeted some areas but not others. With reference to findings from Tasks a) and b) and to Figure 1 below, are there any weak links now in IOPS/IFD's operations? If so, describe and state the implications of these in relation to IOPS/IFD's ability to achieve product line performance objectives (three year work plans) and its' overall mission and suggest options for senior management to consider applying to bring about any needed improvement in the area(s) identified.*

*Figure 1*

Functional areas within MEDA product lines

1. Research & Development
2. Human Resource Development
3. Documentation & Publications
4. Marketing – Conferences, seminars, etc.
5. Consulting
6. Operations – Project Design/Management
7. Evaluation

PROPOSED TIMING, TIME ALLOCATION AND SEQUENCE OF TASKS

The work performed under this contract will commence at the end of November 2004 and should be completed by the 11<sup>th</sup> February 2005.

Sequence:

- a) 3 days for preparation/review of materials prior to Waterloo visit (up to 3 billable days);
- b) Meetings with headquarters staff and review of project documentation in Waterloo, 6<sup>th</sup> to 10<sup>th</sup> December (up to 6 billable days);
- c) Travel and field work in Peru, 13<sup>th</sup> to 17<sup>th</sup> December TBC (up to 8 billable days);
- d) Draft report writing (up to 8 billable days for d), e) and f) combined);
- e) End-of-mission debriefing in Waterloo (exact date to be determined, but between draft and final reporting dates);
- f) Final reporting.

Draft Report due: Friday 14<sup>th</sup> January 2005

Final Report, responding to any MEDA comments, due: Friday 11<sup>th</sup> February 2005

PARTNERS TO BE VISITED

Peru:

Primary: MEGA SYSTEM, INAGRO SUR, PHISAC, Chemonics PRA

Secondary: Caja Rural San Martin (CRSM)

**People Met**

**Headquarters:**

Allan Sauder	President
Gerald Morrison	Corporate Controller
Gerhard Pries	Director, IFD/CFO
Kim Pityn	Vice President, International Operations
Pauline Achola	Technical Advisor
Julie Redfern	Director, Microfinance
Ruth Dueck-Mbeba	Senior Consultant
Pam Fehr	Senior Consultant
Jerry Quigley	Director, Production Marketing Linkages
Linda Jones	Senior Consultant
Ed Epp	Vice President, Resource Development

**Peru:**

Sonia Dominguez	Country Director
Diego Salgado	Assistant Country Director
Victor Galarreta	Caja Rural Saint Martin
Ivan Alcantara	MEGA Systems
Juan Guerrero	Inagro Sur Production Manager
Jose Bisbal	Inagro Sur Project Field Engineer