



Grant Application

Developing Sustainable Business Training Markets in Sierra Leone (DevTrain)

Submitted to

United States Agency for International Development

Submission Date: August 29th, 2003

Applicant Institution:

American Refugee Committee (ARC)
430 Oak Grove Street Suite 204
Minneapolis, MN 55403
USA

Contact:

Joe Bock-Vice President
Tel: 612-872-7060
Fax: 612-607-6499
Joeb@archq.org

Implementing Unit:

ARC International-Sierra Leone
16 Riverside Drive
Off King Harmon Road
Brookfields
Freetown, Sierra Leone

Contact:

Tim Nourse
MED Technical Advisor
Tel: 232-76-652-629
Fax: 232-22-235-464
Timnourse@aol.com

TABLE OF CONTENTS

I. Executive Summary.....	1
II. Applicant Institution.....	2
III. Partner Implementing Institution.....	2
A. Experience of Implementing Partner.....	2
B. Approach to Program Development.....	3
C. Technical Inputs.....	3
D. Past Performance.....	3
IV. Current and Proposed Clientele.....	4
V. Market Assessment, Program Goal and BDS Market-Development Objectives.....	4
A. Rationale.....	4
B. BDS Market Assessment.....	4
VI. Approach to BDS Market Development and Program Description.....	6
A. Intervention Needs.....	6
B. BDS Market Development Program Description.....	6
C. Vision for BDS Market.....	8
D. Level Playing Field.....	8
VII. Sustainability Plan and Exit Strategy.....	8
A. Developing a Sustainable BDS Market.....	8
B. Exit Strategy.....	8
VIII. Learning Agenda.....	9
IX. Expected Impacts and Accomplishments.....	9
A. Clients.....	9
B. Service Providers.....	10
C. Markets.....	10
X. Key Personnel.....	10
XI. Grant Budget Plan.....	11
XII. Current Funding Sources of Implementing Organization.....	11
XIII. Annexes	
A. Annex 1 Budget Table.....	A1
B. Annex 2 Market Analysis.....	A2
C. Annex 3 Map of Sierra Leone.....	A3
D. Annex 4 Implementation Plan.....	A4

I. Executive Summary

Sierra Leone is recovering from ten years of civil war that has dropped it to the bottom of the human development index. With the formal sector decimated, two-thirds of Sierra Leoneans have turned to microenterprises, and the informal sector to earn income. However, forced migration, a poor educational system, a prevalent relief mentality, and an inadequate level of basic business knowledge, have all contributed to weak microenterprise performance and lowering of incomes.

ARC and Making Cents will begin to address poor business performance through the Developing Sustainable Business Training Markets in Sierra Leone (DevTrain) program. ARC research has indicated that although the potential demand for business training is large, supply among business providers is weak, with low outreach and donor-driven, rather than client-driven programs. By training local service providers to offer appropriate, fee based business training services, the DevTrain program will provide microentrepreneurs with access to services that can improve the performance of their businesses. At the same time, by building the capacity of local service providers to not only offer, but also to effectively market training services, a sustainable business training market will be created. Finally, by improving awareness among entrepreneurs of the value of business training services and increasing provider capacity, DevTrain will jumpstart the development of the broader business development service market in Sierra Leone.

ARC and Making Cents will take a facilitator, rather than a provider role in the DevTrain program. After identifying and building the capacity of local service providers to offer and market business training courses to entrepreneurs, ARC and Making Cents will have a reduced role yet continue monitoring the quality and impact of the services. Through this strategy, DevTrain will not distort the transaction aspect of the market, but only initially subsidize the cost of increasing the supply of services.

Against the backdrop of a post-conflict country, DevTrain will test some of the successful BDS development strategies used in other West African countries. As Sierra Leone is just emerging from its civil war, ARC and Making Cents will be able to test the feasibility and impact of offering cost-recovery business training services to vulnerable populations in a post-conflict/relief environment. In addition, its large, but unserved microenterprise sector allows DevTrain to measure the impact of business skills training for micro and small enterprises as a cost-effective means to increase awareness of and stimulate demand for BDS services. Through careful monitoring of results in three separate regions of the country, each one affected to a different degree by the conflict, Sierra Leone will provide a fertile proving ground for “BDS on the margins.”

The DevTrain program will create impact on three levels. At the client level, 16,000 entrepreneurs will purchase business training during the 30 month program that will improve their business performance, leading to increased assets, sales and diversified product lines. At the provider level, up to 100 local providers will offer appropriate and fee-based services to the general microenterprise sector. Finally, at the market level, a sustainable business training market will have been developed.

ARC and Making Cents are uniquely qualified to implement the DevTrain program. ARC is a relief and development organization that has provided business development services in conflict-affected countries throughout Africa, Asia and the Balkans. In Sierra Leone, ARC founded one of the largest microfinance institutions and has provided business training to over 5,000 clients. ARC will use this experience to effectively manage the program and provide day-to-day monitoring of program progress. Making Cents is an international consulting firm that specializes in building the capacity of individuals and institutions to offer quality business skills training to small, medium and microentrepreneurs. Building from its successful experience in BDS market development in Senegal and other regions around the world, Making Cents will train local service providers to offer and market its interactive business training tools.

Total funding to implement the DevTrain program amounts to \$509,034 USD. ARC will contribute over \$125,000 of the program from its own private resources and other leveraged donor funds. In addition, ARC and Making Cents will generate over \$14,000 in program income from fees from service providers who

participate in the capacity building program. With an impact on over 16,000 entrepreneurs, the DevTrain program is cost effective, averaging \$31 USD per microentrepreneur served.

II. Applicant Institution

American Refugee Committee, International (ARC) is a relief and development organization that has been providing services to conflict affected countries for 25 years. Over the past ten years, ARC has developed a core-competency in microenterprise development programming, including involvement in post-conflict countries such as Liberia where ARC implemented a micro-credit program and in Sierra Leone where ARC is developing a sustainable microfinance institution. ARC has also, provided micro-grants to help entrepreneurs recover from business losses in Guinea and Kosovo, and trained refugees, returnees and internally displaced persons on basic business and vocational skills in Sudan, Bosnia and Thailand. Through these programs, ARC served over 10,000 people in 2002. ARC adapts its approach to the context: in unstable situations where institution building is extremely difficult, ARC directly offers services to entrepreneurs and prepares them for sustainable providers once they return or when the conflict subsides. In more stable or post-

Pushing the Frontier of MED

- In Bosnia, ARC pioneered the provision of business related legal aid from local business incubators to help returning entrepreneurs.
- Guinea, ARC has provided loans to over 10,000 Sierra Leonean and Liberian refugees with an average arrears rate of less than 4%.
- In Sierra Leone, ARC's *Refugee to Return* program used a transferable credit history system to link returning refugees to financial services in their home country.

conflict situations, ARC believes in developing sustainable markets for providers of financial or BDS through building the capacity of local institutions or “spinning off” successful ARC departments. Recently, ARC has been pushing the frontier of sustainable financial service provision by implementing successful microfinance programs in refugee camps or in areas of return immediately following conflict such as Guinea and Sierra Leone. In DevTrain, ARC will work with its partner, Making Cents, to achieve the same success in the provision of sustainable business development services.

ARC has been active in Sierra Leone for the last three years, focusing on the development of the microenterprise development sector. Its microfinance program, soon to be operating independently as the local MFI *Finance Salone*, is the second largest microfinance provider in the country, serving over 3,500 clients after two years of operations. Responding to low-levels of business skills and demand for business training in the country, ARC/Sierra Leone has bundled its loans with business training, providing a one-week basic business management course to over 5,000 borrowers. Response to the training has been positive: during a January 2003 evaluation of ARC training, over 75% of clients indicated that they would attend and pay for future trainings sessions. Nevertheless, ARC realizes that to develop a sustainable market for business training this demand is better met through developing the capacity of local providers.

During the DevTrain project, ARC will lead the implementation, recruiting potential training organizations, identifying appropriate target populations and implementation areas, organizing the Making Cents TOTs, monitoring the provision of services and assessing program impact and lessons learned. Making Cents will then focus on skills transfer: adapting their business training tools to the Sierra Leonean context, training a range of providers on the Making Cents curricula and developing the BDS providers’ ability to set up and run/expand successful BDS training and consulting businesses.

ARC and Making Cents have already made steps in this direction. A small ARC proposal to build a business training market in Sierra Leonean refugee camps has recently been accepted by the U.S. State Department’s Bureau of Population, Refugees and Migration (BPRM). In this program, a small cadre of entrepreneurial refugees and local service providers will be trained to provide business skills training and to develop small training businesses using the Making Cents curricula to 1,500 refugees

III. Partner Implementing Institution

Experience of Implementing Partner - Making Cents is a small international training and consulting firm that specializes in building the capacity of individuals and institutions to offer quality and sustainable business

skills training to small and microentrepreneurs. Through a series of training of trainers (TOT) courses aimed at improving training skills; establishing sustainable training businesses; and the provision of experiential methodology training curricula, service providers gain or strengthen their ability to offer an array of relevant business development services. The beneficiaries of the capacity building and training expertise are micro, small and medium sized entrepreneurs ranging from youth to adults, women and men, illiterates to graduates of tertiary-level educational institutions. Since its founding in 1998, Making Cents has trained over 1,500 trainers from 25 countries and adapted and supplied training materials in 15 different languages. In turn, thousands of entrepreneurs have been impacted.

Approach to Program Development - Making Cents' approach to BDS market development for business skills training takes into account the unique challenges facing both providers and consumers of BDS services, as well as the conditions for a healthy market place. Making Cents recognizes that consumers - micro and small entrepreneurs - judge the quality and value of training by how quickly the learning can be applied netting a positive impact on operations and profitability. Entrepreneurs also require training to be affordable and offered at an accessible place and time.

To effectively meet the needs of the entrepreneur and the trainer's own need to generate adequate income to assure their livelihoods, Making Cents' development of sustainable BDS suppliers incorporates i) the provision of quality materials and training methodologies to offer training to micro and small entrepreneurs and ii) skills for running their *own* successful training business.

Making Cents provides high quality curricula and strengthens training skills through a TOT model. The curricula take into account the needs of the trainer and the entrepreneur by covering **content** relevant to small and micro entrepreneurs. Curriculum is based on **experiential learning methodology** that ensures the **relevance** and enjoyment of the learning process, and lends itself to adaptation to entrepreneurs of different education and experience levels. With the BDS suppliers in mind, Making Cents provides materials that are **reusable** and durable and do not require any access to technology. They can also be adapted to reach entrepreneurs who have varying literacy, learning objectives and times that they are available for training.

The Making Cents approach to developing the BDS market place is to develop this capacity in a number of service providers to increase competition in the market, improve service quality and increase market penetration. A key element of this is to **train trainers from the same socio-economic backgrounds as the clients** they are serving. This ensures that the fees that their clients can afford to pay are significant enough that it's worthwhile to the trainer. (See text box)

Technical Inputs – Service providers who decide to invest in their capacity to offer business skills training to clients and who meet the project's strategy will participate in Making Cents' five phase TOT course focusing on both training and business skills and receive up to two of its proprietary curricula adapted for Sierra Leone. Together, this will provide trainers with the capacity to offer relevant, affordable training services to a range of small and microentrepreneurs in Sierra Leone. Making Cents will draw upon a mix of its US-based training experts, as well as its African based trainers to supply the capacity building training and consulting in the areas of training and self-employment skills.

Past Performance - Since 2001 Making Cents has worked in Senegal to develop the BDS market for business management skills training. This was accomplished through building the capacity of BDS suppliers by providing them with two different training tools and developing their training and entrepreneurial skills. The result is a wide range of about 650 BDS suppliers, from individual "hang-a-shingle" trainers to grassroots women's development NGOs and Senegal's best known local consulting firms; many of whom are now *selling* high quality, affordable training courses to illiterate and literate entrepreneurs in rural and urban areas.

Making Cents in Senegal

The National Federation for the Promotion of Women's Groups (FNGPF) trainers offers 5 day sustainable business skills training to their clients using community based private sector trainers. Their costing and pricing is as follows:

Cost Recovery Services:

Entrepreneurs pay a training fee of 5,000 CFA (USD 8) which is allocated to:

- Facilitator 1,500 FCFA
- Supplies (flip chart, markers etc.) 500 FCFA
- Rent training facilities 1,000 FCFA
- Contribution to co-op's capital 2,000 FCFA

IV. Current and Proposed Clientele

The DevTrain program is designed to serve both business training consumers and providers. On the consumer side, DevTrain takes a cross-sector approach, serving a wide spectrum of the microenterprise sector in Sierra Leone. This sector is the dominant employer in Sierra Leone, accounting for over two-thirds of the labor force. Trade is the most prevalent business type, accounting for roughly 70% of businesses, while the remaining 30% is divided evenly between services and small-scale production (non-agriculture related.) The breakdown is similar for urban and rural markets, though rural areas (where 65% of the population lives) will revolve around the trade of agricultural products and their derivatives. Reflecting adult literacy levels of only 30%, microentrepreneurs are semi-literate and rarely use record keeping any more sophisticated than a two-pouch system. Typical entrepreneurs have assets of less than \$350 USD, with 81% living under the absolute poverty measure of \$1 per day. DevTrain will provide business training to over 16,000 of these entrepreneurs with curriculum adapted to their context. Reflecting the importance that women play in the sector, trainer selection will be conducted in a manner that will result in 50% of those trained to be women. This in turn will help to ensure that training services are accessible to women entrepreneurs. Youth, making up more than 50% of the population will also be an important focus of the program. Through the change in skill and mind set brought by Making Cents' business skills curriculum, entrepreneurs will improve efficiencies, take advantage of market opportunities, build assets, increase income, and add new product lines to their businesses.

The medium and small firms who will benefit are the up to 100 service providers who participate in the capacity building program. These will be local independent private sector trainers, consulting firms, and non-governmental organizations that are providing business training and consulting services to microentrepreneurs. Through the DevTrain program, these providers will develop the capacity to market and offer the Making Cents training tools on a cost-recovery basis. While some providers might specialize on the provision of business skills training using the Making Cents resources, most will add this service to their portfolio of business development services.

V. Market Assessment, Program Goal, and BDS Market-Development Objectives

Rationale - Sierra Leone is emerging from ten years of civil war that has lowered its per capita income from \$237 in 1990 to \$142 in 2000 and reduced it to the bottom of the human development index. Though a potentially rich country, its industry and agriculture sectors are devastated: over two-thirds of employment is in the informal sector and the most households, including rural farming households, are food insecure. Rebuilding has started, but the projected growth rate of 5% per year will be insufficient in the medium term to adequately employ and feed its growing population (more than half of the population is below the age of 20).¹ In this climate, microenterprises will continue to be the main source of income for the majority of Sierra Leoneans yet the potential of this sector is hampered by low skill sets. The insecurity and economic collapse caused by the conflict reduced business learning from both formal and informal sectors, as entrepreneurs dropped out of school or withdrew from apprenticeships. As a result, entrepreneurs may price their goods incorrectly, invest in unprofitable business lines, and insufficiently budget for consumption and/or investment. This wastage and loss of opportunities lowers the performance of microenterprises and reduces entrepreneur income by as much as 20%.² Considering this business environment, developing a sustainable business training market that can improve microenterprise performance has the potential to achieve significant impact by raising income and lowering poverty levels among a large number of Sierra Leoneans.

BDS Market Assessment - ARC conducted an extensive market assessment in preparation for this program. Over 100 entrepreneurs and 15 provider organizations were recently surveyed. The survey tested awareness, reach and retention of business training services and conducted a product concept and price sensitivity test for using the Making Cents training methodology and curricula. In order to assess the conditions in a variety of market types, ranging from a relatively normal development context to a relief context, the surveys were

¹ Statistics derived from the Sierra Leone government draft Poverty Reduction Strategy Paper (2001)

² Estimate based on interviews with entrepreneurs and entrepreneurial associations

conducted in the capital (Freetown) which has a high influx of migrants and other displaced people, a regional center (Kenema) which is a rural area with a high rate of internally displaced people and ex-combatants and a regional center that was highly damaged during the war (Kailahun) and has a high rate of returning refugees and ex-combatants (see Annex 3 – Map). A summary of the results is provided below, while more in-depth analysis of the sample population is included in Annex 2.

Overview: The Sierra Leone business training market is highly subsidized and reaches few clients. Consumers and suppliers alike consider training from a relief perspective, where services are provided for free and are considered a “right” due to the damage inflicted on the country. Nevertheless, there is a general appreciation for business training and users are inclined to purchase business training services again. Regionally, the market is most developed in Freetown, where a few entrepreneurial providers offer services on a fee for service basis and entrepreneurs are more prepared to purchase services; the market is least developed in Kailahun, where relief organizations have plied subsidized services over the past two years.

Demand: Current demand for business training services is weak, but with large potential. Based on the market survey, business training awareness is low. A majority of respondents (57%) did not know what business training could offer or who provided services (54%). Reflecting the predominance of NGO provided training, over 70% of those who were aware of services, mentioned NGOs who provided free services as providers. The reach of business training services was higher, with 48% of those who were aware having used business training. However, this figure is reduced considerably when users who paid for the services is considered, dropping to 26%. Retention of business training services clients, measured by those responding that they would purchase services in the future, was very high at 83%. This high proportion of satisfied consumers indicates that if awareness and reach is increased, a large potential market for business training exists. This inference is supported by the positive response recorded during the product concept and price sensitivity test, where almost 50% of respondents (49%) stated that they would pay 10,000 Leones (\$5) to attend courses run using the Making Cents curricula’s content and methodology.³ Even if only 10% of entrepreneurs purchase services, the annual potential market for appropriate business training services amounts to more than \$460,000. When one considers that business training is only one aspect of business development services, the potential market becomes even larger.

Supply: The supply of business training services is both limited and donor-driven. Non-governmental organizations are the most prevalent provider, offering services to special populations of returnees, internally displaced persons, and other vulnerable populations. Their services include vocational, literacy/numeracy and business management training. Often, these services are a component of larger resettlement or education programs. The lack of specialization and one-off nature of the programs results in relatively low service quality. At the same time, services are highly subsidized, offered for free by high cost relief organizations. A few private companies and local associations, mostly in Freetown, are more entrepreneurial – they offer training on a fee-for-service basis directly to clients in addition to collecting revenue from donors who fund programs for special populations. To date, these providers have targeted university or high school educated level entrepreneurs and the courses tend to be more academic than practical. Overall, current outreach of formal providers who provide free services is perhaps 10,000 per year, mostly to vulnerable populations (returnees, youth, ex-combatants, single headed households, etc.) in reconstruction programs. Outreach for formal providers who charge fees is significantly smaller, estimated at 1,000 participants per year. Considering that the average cost for fee for service trainings offered is \$50 USD, the current market is estimated at \$50,000 USD per annum. Regionally, the market tends to be more subsidized in the rural and relief areas and less subsidized in the capital.

On the informal side, entrepreneurs gain business and vocational skills through semi-formal apprenticeship arrangements or from friends, families or market leaders. While sometimes these services are provided for a fee, especially for vocational training activities, the vast majority of these transactions are embedded, paid for

³ The bank exchange rate of 2000 Leones to the dollar has been used in all currency conversions.

by in-kind services and favors. These informal mechanisms are by far the most common way to obtain business related knowledge and are used by most microentrepreneurs.

Goal and objectives

Based on this market assessment, ARC and Making Cents propose the following goal for the DevTrain program:

Improve the performance of microentrepreneurs in Sierra Leone, as reflected in increased income and assets, through the creation of a sustainable business training market.

To achieve this goal, DevTrain will meet the following objectives:

1. Develop appropriate business training tools for microentrepreneurs by adapting the successful Making Cents training curricula and methodology to the Sierra Leone context.
2. Increase awareness of the value and availability of business training tools through advertising, national entrepreneurial associations, and hands-on “training demonstrations” among market leaders.
3. Promote a competitive market by training up to 100 local providers to offer the Making Cents business training tools to entrepreneurs on a profitable basis.
4. Extend outreach to 16,000 low-income entrepreneurs in urban, rural and “relief” communities by increasing the capacity of local providers to manage, promote and provide appropriate and tailored business-training services.

VI. Approach to BDS Market Development and Program Description

Intervention needs- Based on the market analysis above, it is clear that the current market for BDS is extremely under-developed. On the demand side, the extremely low rate of awareness of BDS indicates that significant efforts will need to be placed on the demand side of the BDS market equation. While current demand is low, the market analysis indicated that the potential demand for cross cutting and sector specific BDS is quite high.

The challenges are equally great on the supply side of the equation, particularly for those services that are aimed at, and appropriate for microentrepreneurs. Owing to the prevalence of free and heavily subsidized training by donor organizations, providers have little experience designing and providing market-driven services to entrepreneurs. In addition, providers also cited the lack of qualified training staff in their organizations as an obstacle to providing quality business training.

BDS Market Development Program Description- Given the current embryonic state of the BDS market in post-conflict Sierra Leone, one could effectively argue for either a sub-sector, or a training approach to begin developing the market. As facilitators, ARC/Making Cents’ approach will be to focus on the business skills training, while creating opportunities for BDS providers to reach a much larger market than is currently being served. Making Cents’ uniquely effective training curricula will be employed as a catalyst to jump-start both the supply and the demand for services in the BDS market. Recent market studies have highlighted the strong positive correlation between exposure to BDS and willingness to pay for appropriate BDS. It is our experience that greater scale in terms of exposure to BDS can be reached through training, and a strong network of qualified entrepreneurial BDS providers from a range of socio-economic backgrounds, than through any other means.

ARC and Making Cents will select and train up to 100 qualified, service providers and trainers to use the Making Cents *Microenterprise Start-Up* and *Advanced Small and Micro Enterprise* curriculum. Similar experiences in Senegal will be drawn on to identify the most appropriate local trainers and BDS providers committed to offering fee-based services. Building the capacity of local, low income trainers to become providers is vital to ensuring that training and other BDS can be offered at rates affordable to the majority of low income clients. At least 50% of these trainers will be female. These providers will be given the tools and the ability to offer microentrepreneurs targeted, affordable and practical BDS services through training – training that

microentrepreneurs can effectively use the next day, week or month to improve their businesses and livelihoods.

Making Cents' TOT program recognizes that trainers require capacity in three distinct areas, which together provide them with the skills to establish a successful business selling business training courses to microentrepreneur clients:

1. Expanding business acumen as it relates to micro and small business people and for application to their own businesses;
2. Expanding their training skills to deliver effective training courses and learning to use the Making Cents curricula to its maximum advantage; and
3. Developing specific business planning and execution skills to set up and run a successful training business and offer on-going support in this area as the young training businesses grow and encounter new challenges.

Therefore, in addition to preparing these providers to deliver effective and tailored business skills and entrepreneurial training, trainers and service providers will each develop a market study, business and marketing plans for their training and BDS products. Our five phase TOT intervention strategy for providers outlined in the following table is designed to address all of these needs:

Phase 1: TOT on effective SME business theory and practice

<u>Objectives</u>	i) Expand understanding of Effective SME Business Theory & Practice. ii) Provide exposure to the training tools and effectiveness of experiential learning methodology.
-------------------	--

Phase 2: TOT on training skills development/expansion

<u>Objectives:</u>	i) Develop and expand training skills to deliver effective and tailored business skills training to a variety entrepreneurs with different training needs using the Making Cents curricula ii) Understand the potential markets that this training tools can be used to reach.
--------------------	---

Phase 3: TOT on developing a sustainable training business

<u>Objectives:</u>	Develop business plan for how to use new training capacity to set up and run (or expand an existing) training business.
--------------------	---

Phase 4: TOT on advanced training and curricula skills for trainers serving advanced entrepreneurs

<u>Objectives:</u>	i) Expansion of training skills and resources to deliver effective and tailored business skills training to literate and/or experienced entrepreneurs using the Making Cents curricula for advanced entrepreneurs. ii) Understand the potential markets that this training tools can be used to reach
--------------------	--

Phase 5: One-on-one training and business counseling

<u>Objectives:</u>	i) Expansion and reinforcement of business skills.
--------------------	--

Not all service providers will participate in all five phases. After the first phase there may be some natural de-selection for a number of reasons. Phase 4 will target those with literate and more experienced business clients. The table below represents an estimate of the numbers of participants in each of the phases.

Phase	# of Providers	Selection
Phase 1	100	Trainers are selected to participate
Phase 2	75+	Participants from Phase 1 self-select
Phase 3	75+	Participants from Phase 2
Phase 4	30+	Participants serving literate client populations self-select
Phase 5	75+	All participants completing Phases 2 - 4

“Vision” for BDS Market- ARC/Making Cents’ vision for the BDS market is ambitious, but grounded in our knowledge of the Sierra Leone environment, and experiences in other similar markets. In short, we plan to see an emerging, dynamic BDS market where microentrepreneurs are willing and able to purchase appropriate training and other BDS services at sustainable market rates.

More specifically, in the 30-month time frame of the grant supported program, we hope to accomplish two primary goals that will influence the BDS Market in Sierra Leone and provide valuable learning tools for the broader BDS field. The first is to have created a competitive market for business training services by developing the capacity of up to 100 service providers to offer fee-based business skills training on a sustainable basis. As training services can more easily be offered at rates affordable to microentrepreneurs than many other services, it becomes a good entry point into the BDS market. Where competition is most intense, we anticipate that providers will offer the highest quality training. The second goal will be to significantly increase microenterprise awareness of the BDS market through the promotion efforts of the program and the service providers, and raise the awareness of the impact that those services could have on their own enterprises.

Level playing field – By training up to 100 service providers, the opportunity to participate in the training of trainers will be open to all qualified trainers or service providers, whether they are independent or are part of an NGO or local organization. Participants will be selected based on qualifications as trainers, experience providing BDS and commitment to offering affordable, fee-based training to microentrepreneurs.

In an attempt to limit the market distortion from the presence of other donors who may be offering free or highly subsidized training services, we offer two strategies. First we will attempt to focus inputs in areas that are currently underserved or where few competing programs exist. Second, at the outset of the project we will convene a meeting of donors operating in Sierra Leone in order to establish and promote facilitator guidelines for supporting BDS development programs. ARC has already had success in this area on the microfinance side, fostering the creation of an association of MF practitioners that has influenced donor policies. Making Cents’ experience in Senegal and other countries show that even in a distorted market, quality training rises to the top. Provided that the fees are affordable, entrepreneurs have shown a preference to pay for quality services over free poor quality training.

VII. Sustainability Plan and Exit Strategy

Developing a Sustainable BDS market – As described above, ARC/Making Cents’ strategy for developing a sustainable BDS market begins with increasing the supply of qualified service providers, leading to increased exposure to, and demand for those services. Making Cents will conduct a series of TOTs in its *Microenterprise Start-Up* and *Advanced Small and Micro Enterprise* curricula. Trainers will be drawn from the private sector, local and international NGOs, and associations. A fee will be charged for each stage of the training, primarily to ensure that those taking the training are committed to, and invested in the training. As a part of the training, trainers will develop a strategy to market their services, identifying target markets, sectors or regions. The ARC office in Sierra Leone will play an initial small but significant role in promotion through the maintaining and distribution of lists of service providers. These lists will be supplied to all facilitators working in the area of MED in Sierra Leone to encourage their use of existing local training capacity and so they can provide referrals for interested entrepreneurs.

Exit Strategy – From the outset, it is the intention of ARC/Making Cents as a facilitator to interfere as little as possible with the transaction between the service providers and the microentrepreneur client. With the large numbers of donors however, it is unrealistic to expect that a high degree of subsidy will not exist in the market. Providers will undoubtedly continue to market themselves and their services to the donor programs. As the supply of providers increases however, they will be compelled to broaden their markets to include

servicing microentrepreneurs clients on a for fee basis. It is this step in the BDS market development for which Making Cents will prepare the service providers.

Training of the service providers themselves will be subsidized, as will initial promotion and BDS market awareness campaigns. All training is scheduled to be completed within 18 months, and promotion and follow-up phased out over the following 12 months. At this point trainers will be prepared through the Making Cents five phase TOT intervention strategy and supply of curricula to develop their own markets and client base for training services. With the increase in the supply of service providers with relevant training curriculum, and an increased awareness and demand for business skills training, the percentage of training services provided on a sustainable basis will have begun to significantly increase, thus taking the initial steps toward developing a broader sustainable market for BDS.

VIII. Learning Agenda

Sierra Leone provides a setting in which several key learning agenda themes can be examined. Working with three population groups (in urban, rural and recent post-conflict settings), will provide an opportunity to compare the outcome of similar inputs at the market, provider, and client levels. ARC and Making Cents propose the following learning agenda for the DevTrain program.

1. *Test the feasibility (provider) and impact (client) of offering cost-recovery business training services to vulnerable populations in a relief/post-conflict environment.* While there is a growing body of evidence to suggest that micro and small entrepreneurs are willing to invest both financial and non-financial resources in order to receive appropriate training services, will entrepreneurs operating in a post conflict setting be willing to make the same investments? Lines of research may include: What is the price point for training services for ex-combatants in varying economic environments? Are there certain economic, political, or social pre-conditions necessary for the emergence of sustainable BDS markets for training?

The approach described in the sections above will ensure that there are a sufficient number of service providers operating in each of the three population groups to allow for a comparison of results on several levels. Information on the activities of the 75 - 100 trained providers will be collected semi-annually during the three year implementation period. Information such as number of clients, services/training provided, market penetration, and percentage paid for by microenterprise clients will be gathered and compared with each target population. A random sampling of clients will be taken in order to conduct client impact assessments. Value of sales and client satisfaction as measured by repeat clients will be measured.

2. *To measure the impact of business skills training as a cost effective means by which to increase awareness of BDS services and to stimulate demand for BDS.* While the correlation between exposure to BDS and willingness to pay for it has been established in several studies, little analysis has been done to determine the cost effectiveness of different methods to achieve this exposure to BDS. The proposed approach will allow for an assessment of changes in awareness of BDS – measured against the baseline study found in Annex 2 - and increases in market penetration as a result of the exposure to BDS through training.
3. *Assess the impact of business skills training on the microenterprise clients.* Through the network of trained service providers, the DevTrain program will assess the impact of business skills training on their microenterprise clients. Measured against a baseline study changes in microenterprise assets will be tracked over the life of the activity. The scale of this activity, and the fact that it will be operating in three distinct economic environments will allow for a rich analysis of the data collected.

IX. Expected Impacts and Accomplishments

Clients: Through the DevTrain program, over 16,000 entrepreneurs will receive business development services training. By improving budgeting, marketing, accounting and stock management skills, training

clients will be able to improve their business performance. While no one indicator can decisively prove that improvements are the direct result of the intervention, ARC and Making Cents will attempt to demonstrate the impact of the training through a number of proxy indicators:

- Increased Assets. The value of clients' business assets will be assessed before the training and within one year afterwards.
- Increased Sales. ARC will compare clients' sales before the training and one year afterwards.
- Increased number of product lines or business ventures. Expansion of product lines or business ventures indicates increasing sophistication of an enterprise. ARC will compare product lines before the training and one year afterwards.
- Improved business practices. ARC will compare clients' business practices before the training and one year afterwards, focusing on record keeping, business planning and budgeting.
- Increase awareness of BDS products and providers ARC will conduct a market assessment similar to that recently completed to assess client's awareness of BDS services appropriate to their business.

ARC will monitor program impacts through a comprehensive M&E system. A sample of clients will be interviewed at their business site by ARC staff before or immediately following their participation in the training. Between nine months and one year later, the ARC staff member will repeat the interview and track changes in assets, sales, product lines and business practices. In order to have a statistically significant sample, ARC will conduct a random sampling of at least 100 clients of different providers in all project areas.

Service providers: The impact of the proposed business skills training on service providers is expected to occur at several levels:

- Improved training capacity – Trainers will learn, effective SME business theory and practice, and to utilize training methodologies appropriate for adults using experiential learning techniques. These skills will be modeled, practiced in a controlled environment and then put into practice in real training settings.
- Provide all service providers with quality training curriculum – Service providers will learn to effectively use the Making Cents curricula and to train using experiential learning methodology.
- Develop service providers ability to operate a profitable training/consulting business – Service providers will be taught how to identify client groups, market their training services, and otherwise develop and expand their businesses. An essential part of this training will be developing strategies for expanding the market for fee-base services.

Markets: Impact on the market for BDS will be felt on both the supply and the demand side.

- Supply – As noted above, the number of service providers offering quality business skills training appropriate for microenterprise clients will be significantly increased. Currently few providers offer these services and the objective of the program will be to train at least 75 service providers to effectively deliver business training to microenterprises.
- Demand – Through the marketing and public awareness campaigns of both the service providers and the DevTrain program, it is anticipated that awareness of business skills training will significantly increase and therefore the demand for training and other BDS, and market penetration of the service providers will increase. Market share of private service providers is currently less than three percent. DevTrain's target will be to increase this share to at least 25%.
- Size – Considering that 16,000 entrepreneurs will be purchasing business training services, at least \$80,000 worth of services will be leveraged through this program. Assuming that 30% of these clients purchase additional BDS, another \$24,000 in market value will be created.

X. Key Personnel

ARC and Making Cents have assembled an experienced team to manage the DevTrain program, consisting of members skilled in both the sustainable provision of business development services and post-conflict market development.

- **Tim Nourse** is the Microenterprise Development Technical Advisor for ARC, based in Conakry, Guinea. Mr. Nourse comes with over ten years of development experience, including seven years experience directly implementing microfinance and business development service programs in West Africa, the Balkans and the Middle East.
- **Marcella Willis** is the Microenterprise Development Program Coordinator for ARC, based in Sierra Leone. Ms. Willis has over eight years of microenterprise development experience, including four years directly managing microfinance and BDS programs in Vietnam, and Ivory Coast. She is currently advising ARC's microfinance and business training programs in Sierra Leone and will provide close oversight of DevTrain during the first year of activities.
- **Fiona Macaulay**, is the Founder and President of Making Cents. She has seven years working in the SME training sector developing and adapting curriculum and TOT courses for entrepreneurs of varied backgrounds. Ms. Macaulay has extensive experience working in Africa having spent two consecutive years working in the SME sector in South Africa she also designed and implemented the Making Cents Senegal project.
- **Andrew Baird** is a senior associate for Making Cents. Mr. Baird has fourteen years of experience in implementing microenterprise development projects. In Africa, he has managed both long and short-term business development projects in Togo, Senegal, Cameroon and Guinea. His experience includes managing a large USAID funded microenterprise development project in the Philippines, as well as recent short-term assignments in Jordan, Albania and Armenia.

XI. Grant Budget Plan

Total funding to implement the DevTrain program amounts to \$509,034 USD. ARC's funding of \$277,644 will be used for providing overall program management, technical assistance and continual on-the-ground monitoring and support, while Making Cents' funding of \$230,854 USD will support the training of local BDS providers. Of the \$509,034 USD, ARC and Making Cents request \$384,586 of total project funds from USAID. ARC will commit \$74,478 USD of its own funds from private sources to the program and plans to raise an additional \$50,000 USD from other donors to complete the match. In discussions with UNDP/Sierra Leone they have expressed their interest in funding part of the DevTrain, therefore ARC is confident that it will be able to raise the needed funds. In the unlikely case that this funding is not secured, DevTrain will drop phase 4 (the Advanced Small and Micro Enterprise curricula) of its training program and focus instead on using local resources to supplement the Microenterprise Start-Up curriculum. Nevertheless, overall targets will remain largely the same, with over 14,000 entrepreneurs served through the Microenterprise Start-Up curriculum. In addition to the ARC and other donor contributions, ARC and Making Cents plan to raise \$14,000 from the BDS providers in training fees (participants will pay approximately \$50 for each TOT), raising ARC/Making Cents' proposed contribution to over 26% of the overall program value.

XII. Current Funding Sources of Implementing Organization

In 2002, American Refugee Committee worked in twelve countries and had operating revenue of \$27,780,973 USD. US government funding amounted to \$13,065,859 USD or 47% of all ARC revenue and was divided between USAID (\$686,003 USD or 2.5%), Bureau of Population, Refugees and Migration (\$10,006,394 USD or 37.0%) and Office of Foreign Disaster Assistance (\$2,373,462 or 8.5%). ARC received \$6,290,364 USD or 22.6% of its funding from UN sources, including UNHCR, UNDP and UNICEF. European governments contributed \$5,693,376 USD or 20.5% of ARC funding. Private funding from US individuals, corporations and foundations and income on investments added to \$2,730,673 USD or 9.8% of all ARC revenue. ARC has not raised significant funds from clients or sales of products in the past, while interest income in microfinance programs has accrued to partners, rather than to ARC itself.

Making Cents LLC is a private company that generates all revenues through the sale of consulting and training services and curricula.