

Evaluation of Business Membership Organizations

This Monitor summarizes the results of a broad range of IFC projects intended to build capacity of business membership organizations (BMOs) that support small- and medium-sized enterprises (SMEs) in developing countries. IFC provided grants of \$200,000 to each of four international agencies specializing in BMO development to assist, during 2002–06, nearly 70 organizations in 16 countries and help IFC develop expertise in BMO work. Including contributions of other donors and IFC’s regional facilities, which provided additional assistance to many of the participating BMOs, the total cost of activities is estimated at more than \$2 million. The objective of the review was to identify best practice from results of eight interventions selected to provide positive and negative experience in BMO support and integrating this assessment with critical analysis of BMO issues more broadly.

The study found excellent effectiveness in building capacity of some BMOs, as well as examples of predictable failure in achieving objectives of the assistance. Detailed case studies and analysis of 300 responses to BMO member surveys pointed to specific challenges in measuring their impact on SMEs and ways BMOs could raise their effectiveness and profile. Relying completely on implementing agencies appeared inefficient in delivery of on-the-ground assistance, but a BMO guidebook produced cooperatively by IFC and the agencies was considered a very useful depository of knowledge. Collaboration of the outside evaluators and IFC’s team of practitioners was a deliberate effort to identify how IFC can use BMOs effectively in driving policy reforms and strengthening specific sectors. This Monitor highlights lessons learned as well as recommendations generated by this ongoing dialogue.

Business member organizations in developing countries have important potential for supporting SMEs and promoting a better investment climate in developing countries. BMOs generally refer to organizations with companies or individual entrepreneurs as members and include business associations, chambers of commerce, federations of business associations, employers’ clubs, and so on. To be a strong and reputable representative of the private sector to the public sector, BMOs must be able to advocate member interests and concerns; be strong organizations with proper governance structures; and respond to member needs by delivering high quality and affordable services and information.

To donors, BMOs are a channel for reaching a large number of enterprises. IFC has been supporting activities to build BMO capacity as professional advocates and demand-driven service providers. In 2001–03 IFC’s Capacity Building Facility (CBF) approved grants to four implementing agencies for technical assistance to BMOs around the world (table 1). A portion of CBF funding was also spent on developing the BMO Development Guidebook and knowledge-sharing activities conducted jointly with IFC’s SME Department. Many of the assisted BMOs also received advice and support from IFC’s regional facilities alongside or following up on activities delivered by the four agencies. IFC’s regional facilities have also undertaken their own initiatives to build capacity of local BMOs as part of their SME sector projects, export promotion, and programs to improve business enabling environments. As work with BMOs was a relatively new area for IFC, it gave the international agencies a degree of freedom on how to approach the technical assistance; likewise, IFC’s own approach to BMO support has varied across the projects. The initiatives largely focused on building the capacity of BMOs through BMO capacity assessment, business planning, and staff training.

This Evaluation: Eight Case Studies and Review of Global Trends

In 2006 IFC assigned an independent consulting firm, Maxwell Stamp PLC, to evaluate a subset of the IFC BMO activities (table 1). The objective was to identify best practices and lessons to help IFC learn how to use BMOs efficiently in driving policy reforms and strengthening specific sectors.

The study involved a qualitative assessment of each selected initiative including survey of SME members of the assisted BMOs, visits to six of the BMOs and interviews with their management, focus group discussions with BMO members, and meetings with other stakeholders. Notably, the evaluators worked closely with the IFC staff who manage and implement projects intended to improve business enabling environments and develop specific sectors and services to the SMEs. This deliberate and collaborative process facilitated sharing of knowledge among the practitioners.

BMO Reviewed/initial membership	Project Focus	Period	Implementing Agency	IFC Facility
Bangladesh: Chittagong Chamber of Commerce and Industry (CCCI) 6,000 members	Information, Training Services	12/04–09/07		IFC-SEDF
Bosnia and Herzegovina: Employers Federation of Republika Srpska (ECSR) 90 members	Membership Services Advocacy	02/03–06/05	Center for International Private Enterprise (CIPE), USA, and Canadian Association of Manufacturers and Exporters (CME)	IFC-SEED
Morocco: AZIT 138 members	Services, advocacy	10/03–06/07	Foundation for Economic Development and Vocational Training (SEQUA), Germany	PEP MENA
Morocco: ADIZIA 34 members	Services, Advocacy	01/06–06/07		PEP MENA
Nigeria: Manufacturers Association of Nigeria (MAN) 1,900 members	Services and Advocacy	11/02–06/05	Association of Danish Industries (DI)	IFC-APDF
Serbia: SME Association of Vrsac 240 members	Membership Services, Advocacy	02/03–06/05	Center for International Private Enterprise (CIPE), USA, and Canadian Association of Manufacturers and Exporters (CME), Canada	IFC-SEED
Serbia: General Association of Entrepreneurs, Kragujevac (SLOGA) 54 members	Advocacy, Membership services	02/03–06/05		IFC-SEED
South Africa: South African Women Entrepreneurs Network (SAWEN) start-up BMO	Strategy development	11/02–06/05	Association of Danish Industries (DI)	IFC-APDF

Completed in March 2007, the evaluation reviewed the results of eight interventions specifically selected to provide positive and negative experience in BMO support. The eight case studies provided a basis for comparison of project design, implementation, effectiveness, and sustainability, as well as strengths and weaknesses in these initiatives and the BMOs themselves. In addition to the detailed assessments of each BMO under study, IFC asked the evaluator to provide IFC with (a) a brief review of global experience highlighting sector trends and (b) BMO characteristics at different stages of the countries' economic development and given factors associated with the BMOs' effectiveness. These two components of the re-view would help compare BMO experience of IFC projects with global experience.

Evaluation Findings and Lessons Learned

Given the complexity of the review—eight BMO cases, differing contexts, varying efforts by the implementing agencies and IFC facilities, and additional examples and experience—this brief note cannot cover all the findings, so will instead summarize key issues and lessons learned across several dimensions of evaluation, using examples from specific efforts.

How well were the objectives of the interventions aligned with the objectives and needs of the assisted BMOs and SMEs? Which TA design produced the best results?

Evaluators noted that, even though approval documents often lacked specifics about project objectives—possibly due to IFC’s limited experience in BMO work at the time—the initiatives were relevant and overall useful for the SMEs and the BMOs. In general, private sector development is central to BMOs’ existence. Their purpose is advocacy for private sector interests and raising competitiveness of the private sector by providing services, all of which fully corresponds with IFC objectives. During the evaluation, one of the BMOs (AZIT, Morocco) mentioned that, not only do BMOs need IFC, but IFC needs BMOs to ensure sustainability of efforts.

Regarding TA design, the implementing agencies used a wide variety of means to meet project objectives. Among the reviewed cases, assistance to AZIT stood out, because it identified and addressed market failures in relation to business services and adapted project design to the local situation (box 1). Paradoxically, in Serbia, the lack of a specific plan at the start of the project led IFC-SEED to create its own successful design that considered the nascent state of the market economy and specifically addressed BMOs’ advocacy capacity and governance.

The lessons learned on relevance and TA design include the following:

- The capacity needs of BMOs should be carefully assessed at the start of the project.
- Project designs must be adapted to the local context, and detailed local knowledge is likely to have beneficial impact on the design.
- Although most of IFC’s BMO work is done at the national level, local and regional issues are often important and working with local associations could be very effective, especially in countries where decentralization or regional development are major issues.
- Generally, larger BMOs are more effective than the small associations like the ones IFC worked with in Serbia. Larger associations will however include organisations like Chittagong CCCI in Bangladesh which are local/regional but which cover areas (in this case the main port of the country) of national significance, which means such organisations are significant for advocacy at national/regional level.

Box 1: BMO Relevance in Morocco: AZIT

AZIT was founded in 1990 as a self-help initiative of the enterprises within Morocco’s Tangier Industrial Zone. A market failure related to the zone’s endangerment by frequent flooding and lack of service providers to help businesses deal with it. AZIT was able to secure mandatory membership and started delivering some of these services, but more needed to be done. SEQUA and IFC helped AZIT to identify the market gap and develop specific services to upgrade the industrial zone (information, training, and waste management) as well as marketing of these services. The success of SEQUA’s intervention, widely regarded as a model for BMOs in the country, led to requests for training from a number of other associations in Morocco.

What factors contributed to the effectiveness and ability of BMOs to make a change?

Aside from external factors (broad economic, political, and legal environment changes), the effectiveness of BMO assistance greatly depends on the stability of the organization and effectiveness of its leaders and managers to change (box 2).

Lessons learned include the following:

- **Key lesson:** Supporting newly established BMOs is problematic if governance issues are not resolved.
- Capacity-building plans must have the full commitment, support, and understanding of the partner BMO.
- Having an association President and board with a strategic focus is a very strong indicator of likely success for a BMO even in a region with major economic problems. If the president is a dominant personality, not balanced by colleagues or professional staff, the prospect of the BMO functioning properly as a membership organization is at risk.

Box 2: BMO Effectiveness in South Africa: SAWEN

Assistance to the newly established *South African Women Entrepreneurs Network* (SAWEN) was delivered at the request of the South African Government’s Department of Trade and Industry (DTI). DTI launched SAWEN to meet the need for networking among women entrepreneurs and initially financed and controlled the association. The intent of IFC support was to help implement an agreed business plan and turn SAWEN into an independent BMO. Key objectives were not met due to the weakness and instability of the organization and DTI’s unwillingness to take the action necessary for SAWEN to become genuinely independent. Although capacity building was valued by the members, lack of independence and limited services resulted in declining membership and failing viability.

To what extent were the objectives met and impact on the BMO and their members achieved?

BMO projects had dual objectives: (a) strengthen the BMOs in delivery of services to members and representing their interests, as well as the BMO’s ability to operate in a business-like manner including good governance, a broad range of income sources, and effective communications and (b) achieve impact on member SMEs in terms of growth and competitiveness. The evaluators noted that project objectives were not very specific and outcome targets were vague; therefore, the results were not easy to assess, as almost none of the selected initiatives had started with a baseline assessment or implemented systemic monitoring of the outcomes.

The evidence from the SME and BMO questionnaires, focus groups, and other meetings during the field visits gives a positive indication of effectiveness, except in the case of South Africa, where the BMO was ineffective in implementing the agreed plan (this raises the question whether IFC should select organizations that are effective already or help develop weaker ones).

Box 3: Impact on Private Sector

Outputs:

- Project outputs were delivered
- Output targets were met however targets were partly vague and appear at low level

Outcomes:

- At BMO level: 3 BMOs report increased membership, 4 increased income, 2 expanded services, 5 strengthened advocacy, yet 1 BMO remains weak.
- At SME level: 33% of total reporting firms rate services of BMO as good, 29% as average, only 9% as weak.

Impacts:

- At BMO level: BMOs are reporting improved relationship with government, advocacy partly successful
- At SME level: 66% of reporting firms report increase in sales, 60% increased employment, 72% increased investments, but 81% say BMO has no or little impact on results. 66% say membership is important or very important.

The study found that assistance to the BMOs in the Balkans resulted in greater magnitude of outcomes than elsewhere, partly because of the relative weakness of the BMOs at the start of the process, but also because of IFC-SEED's systematic effort to measure progress. The example in box 3, however, illustrates that attribution of results to project activities is not straightforward.

Measuring impact on the performance of SME members of assisted BMOs is challenging. The most significant issue is attribution of SME growth to BMO services. In Serbia, South Africa, and to some extent Bangladesh, the business environment has improved during the period of the reviewed initiatives, which could well have contributed to increases in numbers of members and BMO services, regardless of IFC inputs.

A second issue is specific to how BMOs and member companies view each other, in that SMEs typically do not attribute improvements in their business to the work of BMOs, but rather credit their own efforts. This can be seen from apparent contradictions in the data from the SME surveys: overall, 81 percent say that BMO membership is important or very important to them and 90 percent intend to continue membership in the future, whereas 61 percent say the BMO has little or no impact on their business results. Overall, SMEs have great difficulty in identifying the impact of a BMO on their business and even more difficulty identifying the impact of an input by an outside organization working with their BMO. Of AZIT members taking part in the survey, 67 percent were very satisfied and 33 percent satisfied with membership, but many fewer could see the association's impact on their businesses' performance. At the same time, during a focus group in Morocco, when evaluators mentioned BMO efforts in flood protection, participating SMEs acknowledged the significance of such support. This points to the importance of BMOs being able to communicate about benefits with members.

Lessons learned from assessment of impact:

- In measuring impact on SMEs, surveys alone can be of limited value. "Soft" measurement tools such as focus groups and case studies based on meetings and assessment of local conditions are likely to provide good insights and should be combined with surveys.
- Assistance to BMOs should include developing a practical monitoring and evaluation (M&E) system for measuring their own progress and effects they have on members. Such monitoring and reporting to the BMO's board and members will help BMOs adjust their strategy and raise their effectiveness and profile among the members.

Box 4: Results of Assistance to SLOGA-Kraguevac, Serbia

SLOGA is a local association operating in an economically stagnant region with high unemployment rates. At the beginning of SEED's assistance in 2002, SLOGA had 54 members and little money and was experiencing disputes among board members. SEED offered SLOGA a variety of capacity-building support. In parallel with SEED's assistance, the association took an active role in endorsing a particular candidate in mayoral elections, who won. [Evaluators' note: we would never advise supporting a specific election candidate as contrary to the standard practice of a non-partisan approach among BMOs in developed countries.] Subsequently, the association's president became a member of the municipal council and facilitated the municipality's access to the government's line of credit, which benefited 700 SMEs. By 2006 SLOGA's membership had increased to 540 (although only 30 percent of membership fees are collected), and SLOGA is operating on the basis of a rational business plan for a BMO. SLOGA representatives attributed its success largely to support from SEED, stating that assistance in business planning was especially important.

How economically were resources and inputs converted into results?

This question presented a challenge to the evaluation, because the full cost of inputs to each of the reviewed organizations by the implementing agencies, facilities, and assisted BMOs could not be accurately established.

On the project implementation and management side, the evaluators felt that the model using outside implementing agencies for interventions was substantially inefficient and costly. Although the BMO Development Guidebook was an excellent product, assistance to the BMOs and learning by IFC would be more effective if local teams were using consultants and experts in organizational development for specific tasks. Going forward, a simple model was recommended that is based on an open tendering approach, rather than assuming that a particular group of specialist organizations will succeed best at carrying out the work.

To what extent did project benefits continue after donor funding ceased?

The study found that CBF interventions could contribute to sustainability of even established and financially strong associations, such as AZIT in Morocco and MAN in Nigeria, by helping them to reach their potential in provision of services, improving their governance, and addressing organizational issues. In contrast, the example of the Knowledge Center (KC) created by IFC's SEDF and located on CCCI premises shows that, even though the association enthusiastically supported the center, which is successful and valued by BMO members, without concerted effort to build CCCI capacity to oversee the center, the KC's sustainability beyond IFC's support is at risk.

The following lessons were learned:

- A good argument can be made for supporting BMOs, even if they are already financially sustainable, because that sustainability does not guarantee provision of quality services needed by SMEs.
- Clear exit strategies should be part of the project design in BMO work.

Key Recommendations to IFC on Work with BMOs

The evaluators generated the following recommendations for future IFC work with BMOs:

- **IFC should continue working with BMOs and enhance the effectiveness of this work.** Building capacity of BMOs should not be an end in itself, but a means for achieving specific private sector goals, such as business enabling reforms through public-private dialogue and/or strengthening services to SMEs. Depending on project objectives, IFC should seek to engage general or sectoral BMOs, each playing a distinct and valuable role in supporting the private sector. General BMOs have advantages in improving issues across business sectors. Sectoral BMOs should be favored in such projects as improving access to specific business development services, efficiency of value chains, and competitiveness of sectors; introduction of quality standards; mediation; labor and environmental practices; and creation of clusters.
- **IFC should perceive BMOs as long-term partners, not merely project beneficiaries.** To strengthen the commitment and avoid dependency, IFC and the assisted BMO should sign an agreement stating objectives, activities, responsibilities, and contributions of each and including clear indicators and time plans. Changing mentalities and cultures takes a long time. IFC's rapid project cycle for BMO projects should not prevent developing a long-term relationship involving multiple projects or project phases.
- **IFC should be prepared to work even with well-established BMOs.** Such BMOs may be working below their full capacity. Conversely, working with BMOs that are not fully established and subjects of disputes among stakeholders is not productive.
- **IFC should always carry out a robust initial assessment when cooperating with BMOs as a crucial factor in determining the nature of capacity-building activities.** IFC monitoring and evaluation (M&E) tools in BMO work are still weak in the area of impacts. IFC should conduct a baseline study and quantify the indicators at the beginning of the project.
- **Initial capacity building should include a careful analysis of the issues facing a BMO,** including needs and such factors as balance of power among individuals. Working with the BMO to create a business or strategic plan is a useful way to undertake such analysis, provided that the model is understood and accepted by key stakeholders in the BMO. Initial training will help raise levels of understanding and commitment. The analysis should lead to a clear agreement between IFC and the BMO on the nature of the capacity building.
- **IFC teams working with BMOs should have sufficient and specific skills and experience to undertake capacity building in BMOs.** IFC should have a systematic approach to preparing its staff for work with BMOs, in which it should consider know-how in capacity development in complex organizations and require the same of the consultants.
- **IFC should extend the BMO development framework.** The BMO guidebook should include a new section covering (a) capacity-building processes such as tools (workshops, business plans, and so on), agreements with BMOs, and defined exit strategies, (b) full exploitation of synergies between advisory services and investment opportunities, and (c) a donor coordination requirement for all BMO-related projects.
- **IFC should continue the BMO Knowledge Management Network.** Although international meetings have been scaled down for cost reasons, other low-cost elements of this network can be identified. IFC should continue to encourage project managers to use the BMO guidebook. At least the internal part of the IFC web site should contain not only the guidebook, but examples of BMO projects, management tools, and case studies as well as a list of internal and external experts in BMO development, presentations, and so on. One staff member within IFC should be in charge of coordinating BMO-related knowledge and the contents of the web site.