

IMPACT EVALUATION OF THE PROGRAM FOR THE DEVELOPMENT OF INDUSTRIAL DISTRICTS IN BRAZIL

Final Report

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Abbreviations

ABC	Brazilian Agency for Cooperation
APL	Arranjos Produtivos Locais [Local productive clusters]
APIMOVEIS	Furniture and Wood Products Industry Association
BNDES	Brazilian Development Bank
CNI	Brazilian Confederation of Industry
DELIS	Desenvolvimento Local Industrial y Focalizado [Industrial Local Development]
ECLAC	Economic Commission for Latin America and the Caribbean
FAM	Brazilian Ministry of Foreign Affairs
IDB	Inter-American Development Bank
MBA	Master in Business Administration
MIF	Multilateral Investment Fund
M&E	Monitoring and evaluation
PROMOS	Milan Chamber of Commerce Special Agency for International Activities
SE	Small enterprise
SEBRAE	Brazilian Microenterprise and Small Business Support Service
SENAI	National Industrial Training Service
SINDICALÇADOS	Union of the Paraíba shoe industry
SME	Small and medium enterprise
TA	Technical assistance
UNDP	United Nations Development Programme

Executive Summary

Launched in 2003 with funding from the Multilateral Investment Fund (MIF), the Program for the Development of Industrial Districts in Brazil (hereafter “the program”) played an important role in helping small and medium enterprises (SMEs) improve productive factors and governance in Brazil. The program contributed to the creation and development of the Arranjos Produtivos Locais (APL) concept in Brazil, which has become an important cluster reference and economic development vehicle for Brazil’s SME development. The program also heightened public awareness by supporting and promoting public discussions among high-level policy makers about SME development.

The program was developed at a time when Brazil was looking for industrial development policy options that could be used as a reference for the development of a cluster-type program adapted to Brazil’s realities. It took place at a moment when Brazil was exploring and initiating international cooperation on productive economic development and was designed to help increase the competitive capacity of the SMEs that produced goods and services in the selected industrial districts.

Although the program was originally designed to last 36 months, it ended up operating for 55 months, from September 2002 to April 2007. During this time it assisted at least 591 SMEs across four industrial districts (Campina Grande, Nova Friburgo, Paragominas, and Tobias Barreto) at a cost of nearly \$6 million—much more than the \$4.1 million originally planned. The program promoted SME development through activities related to access to market intelligence, product development, organization of production, entrepreneurship, and business collaboration among participant SMEs. The direct impact on participants varied from district to district, but relevant changes in participants’ development were observed. These included an increase in production volumes and sales, greater innovation and productivity, an increase in the number of employees and their average wages, and the development of sector governance.

The evaluation team assessed the program in terms of the following factors:

- The overall project lifecycle and the rationale behind it, as well as the specific industrial districts achievements and goals according to each of the program components.
- The key five dimensions, namely: (i) scope and strategic relevant; (ii) internal quality; (iii) likely impact; (iv) dialog and dissemination and (v) stakeholders and beneficiary roles.

Overall, the evaluation included in-depth interviews with more than fifty stakeholders and beneficiaries—including six MIF/Inter-American Development Bank (IDB) staff members and twelve Brazilian Microenterprise and Small Business Support Service (SEBRAE) staff members—and more than thirty participants across the four industrial districts. But gaps in the data that were made available for the evaluation, such as the program’s budget, limited the scope of the evaluation, particularly with respect to the assessment of the ratio of cost to outputs and cost to outcomes. Additionally, the monitoring surveys conducted during the program yielded ambiguous results from some participants,

and a lack of participation prevented a designed survey from being completed. Thus, evaluators used information from the interviews and data from the final report to fill in gaps.

The impact evaluation conducted had six objectives: (i) identify and measure outcomes among participant enterprises, attributing, as much as possible, observed outcomes to program activities; (ii) assess the sustainability of observed program results; (iii) assess the structure and quality of internal processes related to program operations; (iv) assess the program's institutional structure and financial sustainability; (v) assess the extent to which activities or methodologies used in the program were replicated or brought to scale by other local institutions in the country and determine program aspects that could be easily transferred or standardized to other projects, sectors, or countries; and (vi) recommend actions for improving program results, outcome sustainability, financial sustainability, and internal processes, and for designing future programs in this area.

The main findings in regard to these objectives include an increase in sales among beneficiaries within Brazil and abroad, an increase in productivity and production efficiency, and a strengthening of sector governance in the industrial districts. Among the activities that contributed to these outcomes are participation in regional, national, and international trade shows, receipt of specialized training and technical assistance (TA) in product development and production restructuring, promotion of sector institutions to encourage collective efforts in production and trade, and discussions of business-enabling conditions for the sector.

The program had great success generating dialogue and disseminating ideas. In this sense, the intervention served as a pilot for what later became the Brazilian cluster-related programs, a.k.a. APL, with its lessons helping to define a public policy discussion that framed a national debate around SME development. The APL is defined as a social and economic geographical area historically built upon a group of similar businesses operating in interrelated upstream and downstream links creating an interdependent production chain, through the exchange of goods and services in a geographical area under competitive and cooperative conditions. As a consequence of the dialogue and dissemination activities explained in Section 5.2.4 (Dialogue and Dissemination) of this report, the Ministry of Industry and Commerce included the APL's development as part of its 2004–07 Multiyear Plan.

Once the first hundred APLs were created (around 2005–06), a national debate about this concept with different institutions, including the Ministry of Industry was started. There were more than a hundred APLs represented in the final program workshop. Today there are more than 900 APL initiatives across Brazil and almost all the institutions related to SME development work around the APL concept. While a number of factors led to this expansion, the project was certainly instrumental in raising awareness about the concept and thus a contributor to the increase.

Interviews with the stakeholders and beneficiaries, along with reviews of program documents, reveal that the program's effects varied depending on the industrial district assessed. The program had a positive impact on the development of different production areas of participant SMEs, however indicators such as production volume changes, SME participation in collective organizations, and sales to

other states, show ambiguous results. These and other tracked indicators show mixed results, lacking a clear pattern or trend that allowed for conclusive interpretations for the program as a whole. Result indicators (for example, production volume, number of employees, productivity, sales, and innovations introduced) and process indicators (for example, level of formalization of enterprises and employees, participation in cooperative activities and collective organizations) show growth in some cases and abatement or stagnation in others.

These mixed results in part reflect the context in which the program took place. This context was characterized by (i) the diversity of the participants in terms of their level of formalization, capacities, and skills; (ii) the uneven economic development of the industrial districts where the program was developed; and (iii) differences in the stage of development of each of the sectors where MIF-supported intervention took place. Available information doesn't allow the evaluator to divide the participants into stratified groups or categories or draw conclusions on the likelihood of success for each industrial district based on existing pre-conditions.

Other factors influenced the way the program operated. Of these, the resourceful and strong leadership of SEBRAE—the biggest agency for SME development in Latin America—stands out as one of the most important. SEBRAE integrated MIF program and associated resources into its efforts in the sector, an approach that differed from typical MIF SME interventions in other countries, where the group of beneficiaries is relatively homogenous, clearly defined, and concentrated in one group or sector, and the executing agency is smaller and more prone to use and follow MIF supervision and monitoring standards. In this sense, the program fell into the SEBRAE's standard operating mode, making it difficult for MIF to use its rules and guidelines for supervision and impact evaluation during the program execution phase.

The results of the program suggest that MIF needs to do more to tailor programs and projects to the institutions and circumstances of each country, to adapt strategies suitable to the local conditions (often different across regions of the same country), and to move from “good practices” to “good fits.” Several of the activities developed through the program, such as capacity building, training, and participation in international trade shows were implemented without first verifying that participants had the knowledge or capacity to benefit from them; in some cases they were out of participants' reach. The program also showed the complexities of working with a strong executing agency in conditions where the scope of the intervention framework needed to work across different sectors with a diverse group of participants. Such challenges require the development of a resilient results framework with intermediate milestones explicitly reflecting specific outputs and outcomes, including those associated with externalities to be sought for such operations. This is particularly true when institutional and policy-strengthening goals are being sought to improve the enabling environment of an entire sector (in this case, of SMEs).

While the program, as implemented, proved to be a useful experiment and yielded sustained results and outcomes—such as sparking a lively public policy debate about SME development and creating the first reference for the development of the APL concept in Brazil—a broader question for future MIF interventions remains: How can we promote further SME development without offering potentially

distorting incentives? Can vehicle or resource mobilization and international partnership free the sector from relying on special subsidies or MIF support?

1. Evaluation Objectives

The purpose of this impact evaluation, as determined by the Multilateral Investment Fund (MIF), was to assess the success of the Program for the Development of Industrial Districts in Brazil (hereafter “the program”) in achieving and sustaining results over time. The evaluation had six general objectives:

1. Identify and measure outcomes among participant enterprises and, where justified, attribute observed outcomes to program activities.
2. Assess the sustainability of observed program results.
3. Assess the structure and quality of internal processes related to program operations.
4. Assess the program’s institutional structure and financial sustainability.
5. Assess the extent to which activities or methodologies used in the program were replicated or scaled up by other local institutions in the country. Determine the aspects of the Program that can be easily transferred or standardized in other projects, sectors or countries.
6. Recommend actions for improving program results, outcome sustainability, financial sustainability, and internal processes, and for designing future programs in this area.

The impact assessment combined an overall program lifecycle analysis with an assessment of specific program outputs and outcomes. To this end Dalberg Global Development Advisors (hereafter the “evaluators”) looked at four stages of the program lifecycle according to the information available: (i) design of the program (assumptions that influenced program component choices and reflection of country realities); (ii) implementation (quality standards and best practices of program components and activities; monitoring of program activities according to set timelines; quality of internal processes); (iii) supervision (MIF’s level of involvement in program follow-up; actions taken by MIF to implement intermediate recommendations and to have a proper monitoring system in place; checks and balances, adaptability, and process for overcoming obstacles); and (iv) evaluation (review of outputs/outcomes; planned vs. actual outputs; accomplishment of goals; quality of implementation and supervision; response to beneficiary needs. The evaluator also tried to determine the significance of observed changes).

To achieve the above-mentioned goals, the evaluators used qualitative and quantitative data and information to assess the program’s outputs and determine its long-term effects.

The analysis was performed within the broader context of MIF private sector development interventions, that includes: (i) knowledge transfer; (ii) program interactions with other institutions and initiatives; (iii) ability of program management to make adjustments and course corrections, (iv) alignment with MIF country strategy and with future programs, systems, and the public policy framework; and (v) identification of lessons learned.

2. Program Background

The Program for the Development of Industrial Districts in Brazil was approved by the Multilateral Investment Fund (MIF) in June 2002, and the letter of agreement between the Brazilian Microenterprise and Small Business Support Service (SEBRAE)¹ and MIF were signed in September 2002. The program was a nonreimbursable MIF facility formally launched in July 2003 and initially designed to be implemented for 36 months; the duration was later extended to 55 months, however, due to an initial one-year delay in the structuring of the specific activities for each component and to the need to instruct the program's staff in all four districts in how to follow the guidelines and manage the administrative and fiduciary processes.

The program operated in four districts in Brazil:

- The Nova Friburgo Lingerie Industry Corridor (Rio de Janeiro)
- The Campina Grande Leather Goods and Footwear Corridor (Paraíba)
- The Paragominas Wood Products and Furniture Corridor (Pará)
- The Tobias Barreto Apparel and Artisan Stitch Work Corridor (Sergipe)

Program at a glance

Objective:

To help increase the competitive capacity of the small enterprises (SEs) that produce goods and services in the selected industrial districts.

Funding:

SEBRAE: \$3,913,757 (65.35%)

MIF: \$2,075,000 (34.65%)

Total budget: \$5,988,757 million

Components:

- Strengthening industrial district dynamics
- Information and market access
- Organization of production
- Access of SMEs to international markets

Actual date of

first disbursement: August 15, 2003

Actual date of

final disbursement: May 31, 2007

Context: Increase Competitiveness of Small and Medium Enterprises (SMEs) in Select Industrial Districts

The overall objective of the program, as established in the Donors' Memorandum, was to help increase the competitive capacity of small enterprises (SEs) that produce goods and services in select industrial districts. The program initiated actions to strengthen business cooperation and help mitigate basic obstacles confronting the SEs and the productive workforce, taking advantage of business opportunities related to existing technological capacity and applying lessons derived from international experiences. To this end the program included four components: (i) strengthening industrial district dynamics, (ii) increasing information and market access, (iii) improving organization of production, and (iv) increasing SEs' access to international markets.²

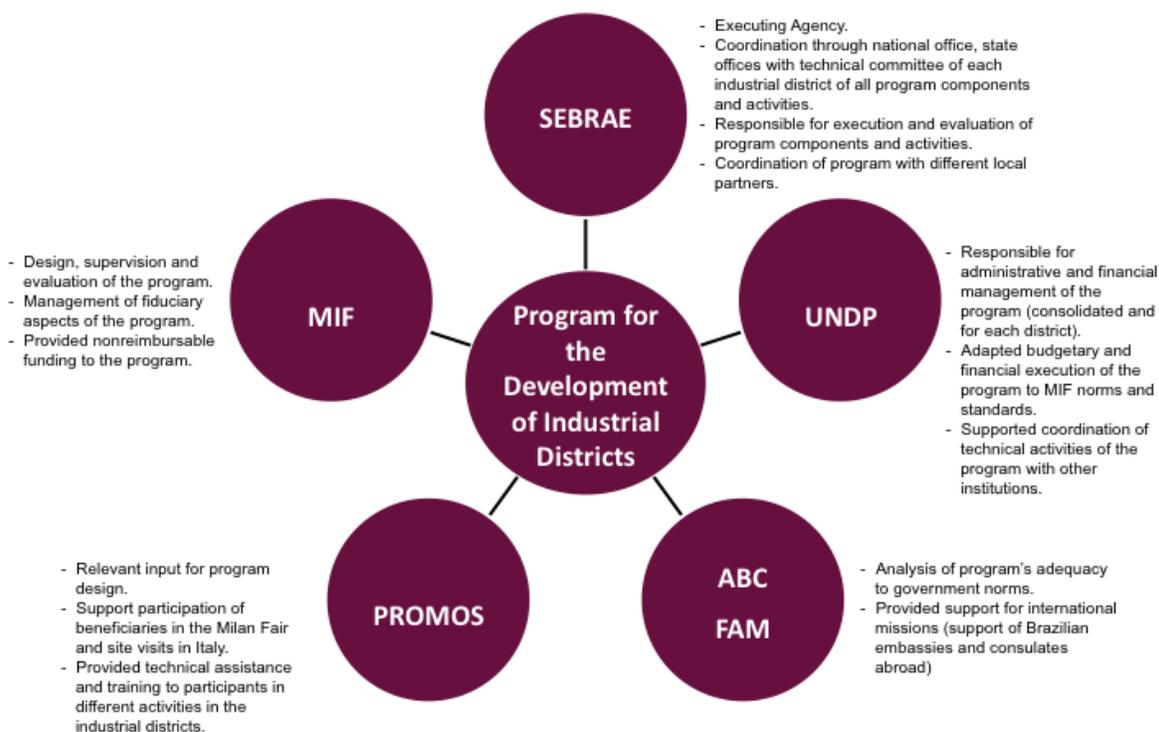
¹ The SEBRAE is a private, nonprofit organization that was created in 1990 to support the development activities of SMEs in Brazil. The SEBRAE system, as it is known in Brazil, comprises the national office in Brasilia and one SEBRAE agency in each of the country's 26 states and; in some cases there are SEBRAE offices in more than two cities within each state.

² The Donor's Memorandum names the small enterprise (SE) as the program beneficiary; however, in other documents related to the program (that is, the final report, periodical monitoring surveys, and APL methodology) the term *small and medium enterprise* (SME) is used. Among the beneficiaries identified by the evaluator during the assessment were also micro, small, and medium companies. For consistency and simplification purposes, however, the term SME is used in this report.

The SEBRAE undertook the assessment to identify the business clusters in the country that had the right characteristics to participate in the program. This assessment was based on a set of political, institutional, and socioeconomic criteria (including the presence of the SEBRAE in the area). According to the Donors' Memorandum, participant SEs needed to have legal status; possess the technical, administrative, and financial organization to make appropriate use of program support; have up to 100 employees and annual sales (net of value added tax) of up to \$2.9 million; be in existence for at least one year; and agree to share the cost of services resulting from participation in the program. After the program started, some of these conditions were relaxed by the operational agreement, allowing micro and informal companies to participate in the program. Program beneficiaries ranged from artisans with basic knowledge and skills (plentiful in Tobias Barreto) to established companies.

As shown in figure 1, the SEBRAE was the executing agency leading the program, with assistance from other organizations such as the Brazilian Ministry of Foreign Affairs (FAM) through the Brazilian Agency for Cooperation (ABC), the United Nations Development Programme (UNDP), and the Milan Chamber of Commerce Special Agency for International Activities (PROMOS). While the UNDP helped with the financial management of the project (as it was familiar with the financial guidelines, practices, and tools used in the Inter-American Development Bank's programs), the PROMOS provided technical assistance (TA) and served as the executing agency of the program's international component.

Figure 1. The Program's Institutional Setup



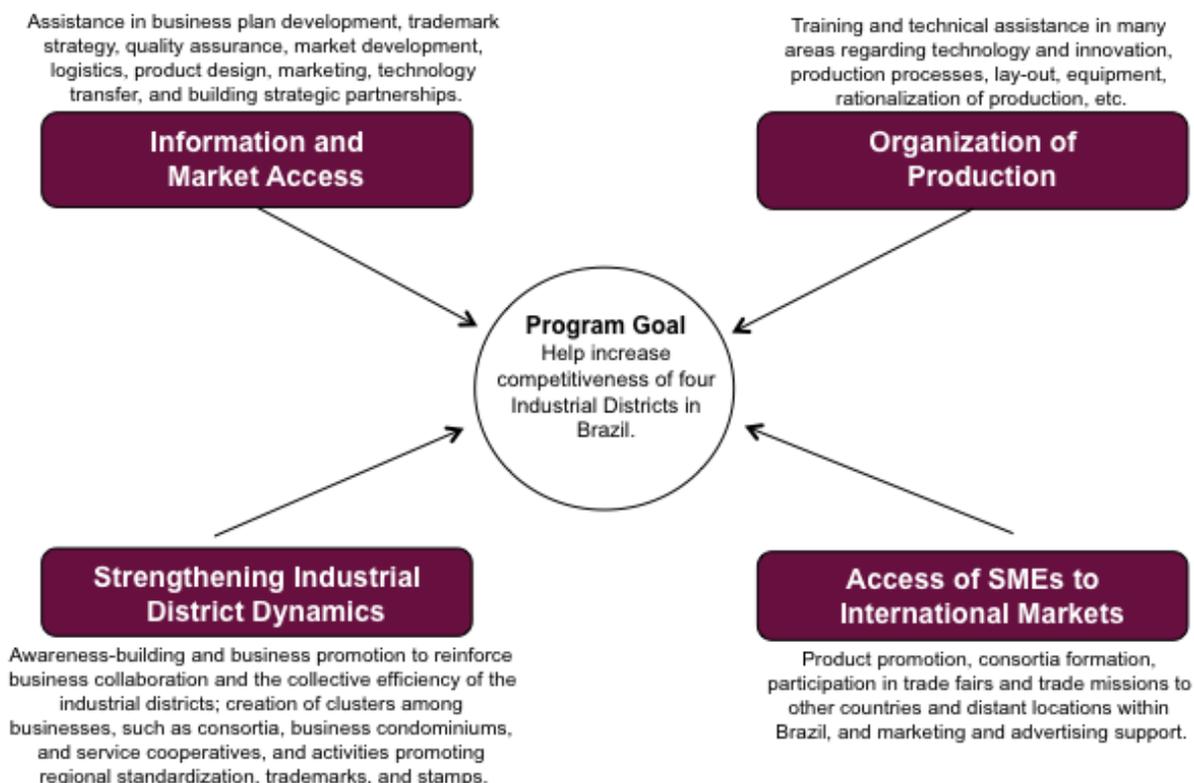
Source: Industrial Districts' MIF Final Report. June 2007

The program also interacted with public and private organizations in each of the four industrial districts, such as regional development banks, state and city governments, training and technological centers, and

private sector unions. The International Affairs unit of the SEBRAE was the executing unit of the program. During the design and implementation of the program, the SEBRAE was in the process of evolving from a service provider for SMEs to an economic and business development agency. In this sense, the program was in line with the SEBRAE's new strategy of not only servicing SMEs but developing SMEs nationwide as well as the APL concept (as explained in this report).

As shown in figure 2, the program's components were designed to: (i) reinforce business collaboration through the development of regional dynamics that support the collective efficiency of the district; create and implement clusters and synergies among businesses (such as consortia, business condominiums, and service cooperatives), and promote regional standardization, trademarks, and stamps; (ii) improve the efficiency of the productive sector with the greatest presence in each region by reinforcing its link with domestic and international markets; (iii) promote greater diversification of production, increase productivity, update technology, improve the quality of finished products, and reduce unit costs to ensure the competitiveness of individual enterprises; and (iv) provide support to dynamic enterprises that offer quality products to satisfy distant domestic and international markets.

Figure 2. Industrial Districts' Program Components



Source: Industrial Districts' Donors' Memorandum. June 2007

The program components were proposed by the PROMOS at the program design stage based on the Italian cluster experience, and approved by the SEBRAE and MIF. The program framework reflects many

of the activities and tools used for the development of SMEs in Italy under the cluster concept focused on industrial districts as the economic development and growth engine, adapted to the case of Brazil.

While the program achieved many of the general outputs set in the Donors' Memorandum framework and its modification,³ results for the tracked indicators have been ambiguous. The specific activities executed during the program were progressively adjusted as the program gained traction and the needs of each industrial district became more evident.

The overall performance of the participants varied by district, and the indicators used to track output progress do not show a clear pattern within each district. The results for each component can be summarized as follows:

- *Information and market access.* The monitoring surveys show an increase in sales; however, there wasn't a significant shift in the overall geographical distribution of the sales within each industrial district. According to interviews with participants across the four industrial districts, the regional and national trade shows and fairs, such as FEVEST (Nova Friburgo), EXPOMOVEIS (Paragominas), Fashion Business Rio, and FIMEC, were seen as fruitful and positive experiences that helped several companies expand their markets. Participants recognized that participation in trade shows and fairs allowed them to increase sales through the identification of new clients.
- *Organization of production.* Across all districts this component had the highest participation rate and satisfaction level among interviewed beneficiaries. As specific results of this activity (which included product diversification, cost analysis and rationalization, use of technology such as new machinery and production techniques, and factory layout distribution) increased, production volume also increased in all four districts, according to interviewed beneficiaries. Activities developed under this component were also successful in formalizing companies and introducing innovations to product development and production processes.
- *Strengthening industrial district dynamics.* Expected results were achieved by creating associations and sector forums and initiatives that supported the development of SMEs in each district and strengthened sector governance (such as the creation of the Fashion Council in Nova Friburgo and the CAD-CAM design center in Campina Grande). But the impact (measured by changes in participation in cooperative activities, collective associations, and access to service providers) seemed ambiguous, according to the monitoring surveys, in the sense that there was no clear pattern of performance improvement in all four districts.
- *SMEs' access to international markets.* The activities developed as part of this component (such as training for participation in international trade shows and their actual presence in Italy) were assessed as very important by interviewed participants in preparing and encouraging companies to participate in trade shows. Although some of the participants were not ready to actively export

³ A copy of the original logical framework can be found in annex VII of this report.

outside their city or state, participating in trade shows educated them in product development and presentation, international trends, and best practices in selling and exporting.

More detailed analysis and examples of the outputs and outcomes for each industrial district, including the logical framework, are explained in the tables of the *Program Results by District* in the annex section and also in Section 5 (Key Evaluation Findings) of this report.

The original budget of the program was \$4,105,000, of which \$2,075,000 (50.55 percent) was to be contributed by MIF and \$2,030,000 (49.45 percent) by the SEBRAE, with the following components breakdown: (i) strengthening “industrial district” dynamics component (\$432,000 MIF, \$404,000 SEBRAE); (ii) information and market access component (\$1,014,000 MIF, \$827,000 SEBRAE); (iii) organization of production component (\$368,000 MIF, \$367,000 SEBRAE); and (iv) access of SMEs to international markets component (\$300,000 SEBRAE). The remaining balance of \$393,000 was distributed among executing coordination (\$288,000) and evaluation and auditing (\$105,000).

The program’s final budget (see annex IX) showed a significant overrun of the planned budget in the amount of \$1.88 million, which was covered by the SEBRAE. The overrun was due to the addition of one new industrial district to the program (Tobias Barreto) and also to the extension of the program’s execution term from 36 to 55 weeks. The SEBRAE bore 65 percent of the program’s \$5.98 million budget while MIF assumed the rest (35 percent).

3. Impact Evaluation Questions

The data and information used for the analysis were gathered from various sources, including program documents and reports, interviews, and statistical information included in the monitoring surveys. For the collection of the qualitative data, the evaluators prepared three types of in-depth interview guides, one for stakeholders, one for the beneficiaries, and one for companies that did not participate in the program. The guides were structured around five specific dimensions that are the center of the analysis and also the framework used to develop the six general impact evaluation objectives of the assessment. The five dimensions are⁴:

1. Scope and strategic relevance. This dimension was aimed at assessing existing conditions in the SMEs, such as changes in the institutional and operational framework originally planned for the development of the program, beneficiaries’ interest in program activities, and beneficiaries’ assessment of the rationale for those activities. The questions focused on identifying: (i) clarity of task objectives; (ii) relevance of the task to the country and to the company’s productivity, management, and internationalization; (iii) degree of government interest in the program; (iv) reasons for participating in the program; (v) degree of support received from the technical assistance consultant; and (vi) factors addressed by the activities.

⁴ The questionnaires, guidelines, and surveys are detailed in annex III of this report.

2. *Internal quality.* The focal points of this dimension were how well the program was executed and the content, quality, and scope of the activities linked to the objectives of specific components and to other country priorities. Questions were designed to gauge (i) the quality of activity design and implementation; (ii) the quality of content and analysis; (iii) the quality of conclusions and recommendations; (iv) the quality of capacity building efforts; and (v) the quality of the dissemination and scaling-up efforts (as appropriate).

3. *Likely impact.* This dimension explored judgments on the potential impact of program tasks and activities in relation to achievement of the program's goals (outputs and outcomes), the program's strategy for maximizing impact, the sustainability of that impact, and capacity building efforts, among others. The questions focused on identifying: (i) the long-term impact of the program on the participating SME; (ii) beneficiary needs at the beginning and the end of the program; (iii) current beneficiary needs; (iv) program outputs and the likelihood of meeting program indicators and objectives; and (v) likely impact on stakeholders.

4. *Dialogue and dissemination.* This set of questions probed how and to what degree government officials and other stakeholders were partners and active participants in the task under review. The questions focused on: (i) the quality of government and stakeholder participation in implementing the program; (ii) the quality of partnership with donors; (iii) the quality of partnership with other donors; and (iv) the quality of efforts to disseminate and scale up program results (as appropriate).

5. *Inputs and processes.* This section assessed the program's financial and human resources as well as the processes followed by stakeholders and beneficiaries to carry out the program. It also explored the quality of the team and the quantity and quality of services provided. Among the questions posed were: (i) Was enough time allotted to complete the task? (ii) Were resources used effectively? (iii) What lessons did participants learn?

4. Description of Evaluation Methodology

The evaluation methodology was structured around three objectives:

- To identify and measure the outcomes among participant SMEs according to the indicators set in the logical framework and the research work plan.
- To assess whether the objectives were achieved for each of the program's four primary components.
- To identify the strengths and weaknesses that, together with the impact evaluation, will be used by MIF for the purposes stated in the program's terms of reference, and draw conclusions or recommendations for enhanced performance.

In pursuit of these objectives, the evaluators structured the impact assessment around three phases, each with specific objectives, as shown in table 6 below.

Table 1: Objectives throughout assessment phases

Assessment phase	Objectives	Actual Timeframe
Phase I: Review of Project’s background, methodology and processes:	To collect and examine documents and data related to the design and execution of the project in its four components, including background documents, databases, performance indicators, semiannual activity reports, monitoring surveys, consultant reports, mid- and end-term evaluation reports, project completion report, and relevant correspondence, among others.	12 weeks
Phase II: Identification / Analysis of outputs and outcomes	To meet with the firms that participated in the project and with relevant stakeholders and to conduct in-depth interviews to a selected sample of beneficiaries to identify the program’s impact, outputs, and outcomes. The evaluators tried to survey beneficiaries and nonparticipating companies to assess the program’s impact, level of satisfaction with program implementation, and comparable results, however as explain in this report different factors prevented the completion if this activity.	12 weeks
Phase III: Assessment of Project Impact and Dissemination	To integrate within a final report, case study, and video, the overall assessment of the project in achieving the six general objectives implemented under the four primary components, with particular reference to lessons learned, areas of strength, and areas needing improvement for later use by MIF.	8 weeks

The methodological approach used in the evaluation was flexible, and some adjustments to the original timeframe were necessary to compensate for delays in gathering and collecting information from sources, including the executing agency, and for the time it took to complete efforts trying to implement the survey.

The evaluation included in-depth interviews with more than fifty stakeholders and beneficiaries—including six MIF/Inter-American Development Bank (IDB) staff members and twelve Brazilian Microenterprise and Small Business Support Service (SEBRAE) staff members—and more than thirty participants across the four industrial districts. But gaps in the data that were made available for the evaluation, such as the program’s budget, limited the scope of the evaluation, particularly with respect to the assessment of the ratio of cost to outputs and cost to outcomes. Additionally, the monitoring surveys conducted during the program yielded ambiguous results from some participants, and a lack of participation prevented a designed survey from being completed⁵. Thus, evaluators used information from the interviews and data from the final report to fill in gaps.

⁵ A survey of all participants was designed as part of the research plan and sent by e-mail to a list of “most active” and “less active” participants provided by each local SEBRAE office, between April and July 2010. The survey was sent to 161 companies in Nova Friburgo, to 26 companies in Campina Grande and to 33 companies in Paragominas. In spite of efforts to get an answer from the beneficiaries (including weekly follow-up phone calls and, in the case of Nova Friburgo, the hiring of a local consultant to personally follow up with invited companies), only six surveys were completed. Factors that may have discouraged the completion of this survey include: (i) the lack of a consolidated list of companies with a clear differentiation of who were more active participants and who were not; (ii) discrepancies between the number of participants for each district in the final report with those in the lists provided by the local SEBRAE’s offices; (iii) lack of interest on the part of beneficiaries; and (iv) lack of information about the activity, component, and, in some cases, the program in which the SME participated (some of the

The different activities developed as part of the assessment are mentioned below:

Figure 3: Activities performed

Review of Project's background, methodology and processes	Identification / Analysis of outputs and outcomes.	Assessment of Project Impact and dissemination.
<ul style="list-style-type: none"> ✓ Checked availability of documents and data for evaluation. ✓ Prepared research plan. ✓ Reviewed and examined all relevant documentation leading to the approval of the operation and its execution, including the PPMR, mid-term and final reports. ✓ Conducted in person and phone interviews with SEBRAE's and MIF staff involved in project design and execution. 	<ul style="list-style-type: none"> ✓ Prepared fieldtrip visit to 3 districts in Brazil and interview with program stakeholders, beneficiaries and control group according to research plan. ✓ Performed phone interviews with the district that wasn't visited ✓ Prepared In-depth interview guide and survey questionnaire. ✓ Conducted over 25 in person and 16 phone interviews with program participants and non participants in Brazil. 	<ul style="list-style-type: none"> ✓ Assessment of situation after project for each of the 4 primary components of the project, including problems solved and its effects on SMEs competitiveness. ✓ Assess project's outputs and outcomes compared to original goals. ✓ Prepared 5-pages case study and 10-minutes video.

PPMR = project performance monitoring report.

The assessment methodology also combined the general framework for the project lifecycle analysis with the study of four key elements across each of the program components. Figure 4 below shows the scope of the analysis for each of the four key elements.

Figure 4: Key elements of review of program components

Beneficiaries	<ul style="list-style-type: none"> • Impact on number of beneficiary enterprises participating in the program • Impact on building trust and social capital among beneficiary enterprises • Impact in terms of business practices and long term business outcomes, such as sales, employment, productivity, profits, and other performance indicators
Sustainability	<ul style="list-style-type: none"> • Assess the sustainability of observed Program results • Assess the sustainability of the Industrial Districts and continuous improvement after the Program reaches its end • Transferrability of lessons learned to other programs • Cost per outcome achieved
Demonstration effect	<ul style="list-style-type: none"> • Has Program influenced SEBRAE's/other institution's/national development policy? • How does this impact compare to Program goals/projections? • Has Program served as base to SEBRAE's and other institution's programs in other regions of Brazil? • Has SEBRAE embraced this Program as their main SME competitive capacity improvement mechanism?
Plausible attribution	<ul style="list-style-type: none"> • Impact on Regional Industrial Development Policy and national APL policy • Extent to which the Program facilitated cooperation between SMEs and other firms belonging to the industrial district • Identify and measure outcomes among participant enterprises and, to the extent possible, plausibly attribute observed outcomes to Program activities

participants reached by the evaluator were not able to identify or relate activities in which they had participated to MIF-PROMOS-SEBRAE program).

5. Key Evaluation Findings

5.1 General Overview

The Program for Development of Industrial Districts ATN/ME-7927-BR refers to MIF's intervention aimed at supporting SMEs operating in different sectors across four diverse regions and towns in Brazil: (i) Nova Friburgo, a village with Swiss and other European influences and a cold climate, located in the mountains; (ii) Tobias Barreto, a very poor region with a broad spectrum of participants, including artisans and SEs, with modest education levels; (iii) Campina Grande, closer to the coast and warmer than Nova Friburgo, with a history of economic relevance that couldn't be sustained; and (iv) Paragominas, a region which suffers many land- and environment-related conflicts.

The overall objective of the program, as established in the Donors' Memorandum, was to help increase the competitive capacity of SEs that produce goods and services in select industrial districts. The program initiated actions to strengthen business cooperation and help mitigate basic obstacles confronting the SEs and the productive workforce, taking advantage of business opportunities related to existing technological capacity and applying lessons derived from international experiences.

Throughout its 55 months of operation (September 2002–April 2007), the program assisted at least 591 SMEs across the 4 industrial districts where it was executed (300 in Nova Friburgo, 150 in Campina Grande, 75 in Paragominas, and 66 in Tobias Barreto) with a total expenditure of \$5.98 million.

The program followed the usual MIF program results/logical framework, and reasonably succeeded in its goals of providing training and TA activities and promoting participation in trade shows (as explained in section 5.2.3). It helped many beneficiaries in the areas of: (i) brand adoption, introduction of innovations, and employee productivity (categorized under the program's "organization of production" component); (ii) participation in cooperative activities and access to service providers (under the "strengthening industrial district dynamics" component), (iii) increasing sales (under the "information and market access" component).⁶ The program did not have a significant impact in helping SMEs better access international markets.

The Donors' Memorandum did not reflect one of the MIF's and SEBRAE's main program objectives: to raise SME development to the highest level of policy discussion in Brazil. This objective included the promotion of a nationwide consensus among different public and private sector institutions to support SME development. In this context, the MIF and SEBRAE also envisioned a methodology for SME development in Brazil using the conceptual cluster model of the 1960s as a reference.

⁶ The program categorized SME participants into two groups for monitoring purposes: (i) those that actively participated in the program's activities and (ii) those that did not (participated in some activities though). In many cases, production-related indicators (productivity, production volume averages, brand adoption) showed better results than process-related indicators (participation in cooperative activities and collective organizations, access to service providers) among the most active participants. The absence of a conclusive pattern across districts—and a lack of comprehensive data (for Paragominas, for example)—reflects the diversity of participant SMEs and also of the industrial districts where the program was implemented.

Although these implicit objectives did not affect the program’s performance, and actually succeeded in shaping the national discussion around SME development, they lack clarity and so could have affected the program’s overall performance and impact.

In general, the program reflects the conditions of Brazil—a vast country with diverse regions, diverse economic development conditions, and both formal and informal companies with significant differences in skills and capacities. Chief among the conditions of the program are: (i) the broad, generic terms of the program’s objectives; (ii) the execution of the program by a resourceful and strong leadership agency (for SME development, the biggest of its kind in Latin America) with a general developmental and support role (compared with sector-specific institutions); (iii) the use of a relatively standard “one-size-fits-all” approach to the four select districts; and (iv) a centralized plan with decentralized execution along the course of the program’s life cycle, especially its design and execution.

To a large extent it seemed as if the program fell into the SEBRAE’s standard operating mode (which includes programs and activities aimed at supporting micro and small enterprises across different sectors and regions in Brazil), making it difficult for MIF to follow its usual rules and guidelines for supervision, monitoring, and impact assessment. It seemed as if the SEBRAE, in its overall approach to execution, was undertaking the program as part of a mainstreamed programmatic effort while MIF initiative (and its ensuing reporting arrangements) was structured as if it were a self-contained project (with its own target beneficiaries, funding, and so on). In practice, MIF effort was embedded in the larger SEBRAE cluster-support effort, and thus was regarded by beneficiaries as well as by the SEBRAE as part of a broader approach, without distinguishing the source of funds (whether from MIF or others). This embedded condition made it difficult to conduct monitoring and evaluation (M&E) activities as well as an assessment of the program’s impact and plausible attribution.

5.1.1 Strong Points

The program served as a pilot for what later became the Brazilian cluster-related programs, a.k.a. APLs, with its lessons defining a public policy discussion that framed a national debate around SME development.

The APL is defined as a social and economic geographical area historically built upon a group of similar businesses operating in interrelated upstream and downstream links creating an interdependent production chain, through the exchange of goods and services in a geographical area under competitive and cooperative conditions. As a consequence of the dialogue and dissemination activities explained in Section 5.2.4 (Dialogue and Dissemination) of this report, the Ministry of Industry and Commerce included the APL’s development as part of its 2004–07 Multiyear Plan.

Even though the scope of the different and specific activities were not clearly defined at the program’s outset, as the program gained traction the *“We were painting, trying to touch the reality”*⁷ approach

⁷ Expression used by the program’s National Coordinator meaning the experimental character of many of the activities designed along the program execution in order to fulfill the program’s main goal and objectives.

that activated many of the components development helped in adjusting many of the activities according to SMEs' needs and capacities, responding to market needs for which many of the interviewed beneficiaries expressed a good level of satisfaction. In this sense MIF's intervention was helpful in filling market failures that were preventing SMEs across the four industrial districts from accessing potential beneficial advisory services, guiding them through a process that helped in improving their production skills and capacities. The program also showed tangible results in the form of incremental outputs and outcomes (though varying among different beneficiaries), as explained in section 5.2.3 Likelihood of Sustained Impact of this report.

5.1.2 Areas Needing Improvement

In some cases, designed activities were out of reach of participants' knowledge absorption capacity and skills.

Utilizing the same set of activities in each industrial district, the program tried to support SME development by addressing its major constraints. But the program was in itself relatively small (compared with the SEBRAE and other institutional programs in Brazil), and its prospects of fueling growth were limited by factors such as (i) budget, (ii) the program's length, (iii) the type of beneficiaries reached (many were informal companies staffed by workers with low levels of education), (iv) different districts' realities and (v) different sectors' development levels and needs.

5.1.3 Systemic Lessons

Interventions at the SME level, covering a wide scope of participants in different sectors and regions, should address the managerial and operational needs of individual companies by recognizing differences and introducing custom-made solutions for each sector/region using a flexible approach that recognizes and responds to specific contexts.

Interventions with very general goals (for example, increasing competitiveness or revenues) that do not clearly articulate how these goals will be met, face the risk of delivering diffuse results and unclear impacts. The interventions that appear most effective are those with a clear and measurable definition for success for the SMEs (for example, accessing a loan, increasing sales to a particular buyer).

In countries such as Brazil, where levels of SME formalization are low and there are well-known differences in economic development among regions, MIF needs to consider following up its interventions with comprehensive, long-term support (whether financed by MIF itself or other donors) in the form of services or TA to strengthen managerial capabilities. For many of the beneficiaries the program was a one-time intervention (in various cases a short training workshop operated through the service providers or the SEBRAE itself). While even this serves as a useful starting point for building a beneficiary's capacity, it is not likely to have a meaningful impact. It seems that the most active participants were relatively few compared with those that had participated only in one activity (i.e., the less active participants). It is understandable that under the SEBRAE's policy to serve all participants, activity levels will vary. But different circumstances need to be identified and addressed from the beginning of the program to enable the appropriate responses.

Some of the critical factors affecting the program's outputs include: (i) its complexity (in terms of diverse regions and participants) and the lack of specificity in its framework of activities and monitoring tools during the first year, given that this was an innovative initiative; (ii) the execution delays experienced in the first two years of the program due to poor understanding of complex management and fiduciary procedures on behalf of the executing agency staff; and (iii) the need for more investment to mobilize beneficiaries toward active participation in the program.

The critical factors affecting the program's outcomes include: (i) insufficient involvement of local science and technology institutions in matters regarding SME and APL development, (ii) lack of time for SMEs and institutions to adapt to the program structure, which in turn affected the implementation of activities aimed at accessing national and international markets; and (iii) an overall low level of entrepreneurship among program participants.

5.2 Assessment of Program Results

SEBRAE's and MIF's objective of promoting a public policy debate was clearly accomplished. From the outset, the SEBRAE and MIF clearly envisioned the intervention as an initiative to put SME development at the highest level of public policy discussions, in turn raising public awareness at the national level. Although it was not reflected in the Donors' Memorandum, for the SEBRAE and MIF the program was implicitly part of a broader pilot-objective-type of intervention aimed at positioning and building consensus nationwide and promoting public policy discussions to support SME development. The program also succeeded in creating a methodology that did not previously exist in Brazil for the development of SMEs through the APL model, which was subsequently used by different public and private institutions in Brazil such as state governments, the Ministry of Industry and Commerce, and the State Federations of Private Industries.

The program was the pilot for the development of the APLs in Brazil. Once the first 100 APLs were created (around 2005–06), a national debate about this concept started with the participation of the Ministry of Industry. By the end of the program in 2007 there were more than 100 APLs, and today there are more than 900 across Brazil. While several factors led to their expansion (such as workshops, discussion forums, informal and formal discussions with policy makers including the Ministry of Industry and Commerce, and the publication of a methodology for the development of APLs), the project was certainly instrumental in enhancing awareness and thus contributing to the growth of APLs in Brazil.

Results vary across participant types and activity levels and across districts. The program's impact (as recognized by interviewed participants) in terms of improved operational conditions and performance can be recognized in various areas, such as sector governance (in the form of the creation of organizations such as the Fashion Council in Nova Friburgo) and productivity improvement. Most of the interviewed beneficiaries cited evidence of specific production and sales results and improvements in the different program components in which they had participated. But according to the monitoring

surveys of the less active participants group, beneficiaries showed better performance in specific indicators, as explained in section 5.2.3.

Stakeholders and participants also recognize knowledge absorption (in the form of entrepreneurial skills) as one of the main impacts of the program. For many of the interviewed participants it was the first time they had been exposed to the various activities related to the improvement of their competitiveness, and although they did not get specific results from all the activities (such as the generation of new sales following their participation in international missions), they recognized that participating in the program “broadened their perspectives.”

In spite of MIF’s efforts to work with a control group and monitor the program’s impact using baseline indicators, once the program started, divergence between the SEBRAE’s program approach and MIF’s guidelines and procedures affected the program’s M&E, rendering comparisons between the two groups of limited value. The absence of a real control group (that is, a group of SMEs isolated from the group of participants for purposes of comparison) makes assessment difficult. Given the SEBRAE’s policy of working with any company willing to participate to any extent in the program and the intervention of various sources of support (such as the APEX, Banco do Brasil, the National Industrial Training Service (SENAI), and municipalities, among others), including MIF’s, it is difficult to identify enterprises that genuinely were not part of MIF’s initiative. That said, the program’s classification of participants into “more” and “less” active groups is helpful to the impact assessment analysis in providing additional information under the mentioned limitation context. Additionally, the fact that each industrial district has a very different history, culture, and economy created a set of complexities in program execution that could have been addressed better at the design phase.

5.2.1 Strategic Relevance

- **Program was part of the SEBRAE’s strategy to support SME development through an experimental methodology, using some cluster models as references.** The program was in line with the SEBRAE’s aim to evolve from being just a service provider to SMEs to an economic and business development agency that creates favorable conditions for SME development. Prior to the program, the SEBRAE executed a similar program called the DELIS (Desenvolvimento Local Industrial y Focalizado) project, which gave it some idea of the type of support needed by SMEs in Brazil. The industrial districts’ program had a significant experimental character and focused on SMEs with little previous exposure to program components. It extrapolated and created new lines of thought for the adaptation of the traditional cluster concept to Brazil’s realities. The Chamber of Commerce of Milan, through the PROMOS, significantly contributed to the development of the general program framework and components based on Italian’s cluster development experience of the 1960s, and the SEBRAE contributed to its adaptation to Brazil’s context. MIF provided the technical support, experience, and standards needed for project design and management.

- **Identification of participant industrial districts was done through a combination of ad hoc and technical factors developed by the SEBRAE.** Although some previous studies were conducted for the selection of the participant industrial districts, and some of the criteria used for the identification and selection of participant regions included technically relevant factors (such as readiness in terms of ongoing or previous efforts to build social capital, specific market/sector focus, labor skills, and access to financing)⁸, the SEBRAE explicitly decided to work with less developed industrial districts (which were similar to the average districts and regions in Brazil), where chances for success were relatively small but there was still a high learning potential. Other criteria such as interest and commitment were also used for the selection of the districts.
- **The phrasing of objectives (their consistency at different levels, coherence, and the possibility that they be translated into operational goals) leaves room for improvement.** The objectives and tasks of the program were defined in general terms in the Donors' Memorandum, and the initial performance framework did not reflect the activities that were later carried out (as actual activities were specified only in the second year of program execution), making it difficult to compare the outputs to the original framework.

5.2.2 Internal Quality

- **The program started with a diffuse set of activities. It was not until the second year, as the program gained traction, that the activities were linked to major program objectives.** As a result of the way project objectives were defined, the link between the objectives depicted at the outset and the implementation arrangements evolved largely in an experimental mode. Clear activities and outputs were not defined at the outset but were clarified and adjusted as the program was executed. As the program faced each district's different realities and it became evident that some activities were out of reach for some beneficiaries, attention was focused on intermediate outcomes. This situation was reflected in the monitoring surveys⁹ that were conducted (to set a control group and baseline indicators) in 2004, two years after the program had started.
- **In general, beneficiaries had a favorable opinion of the quality of activities; however, some activities exceeded the beneficiaries' experience and capacities.** In the view of the interviewed participants, while many intervention activities were reasonably designed in terms of length and budget, some TA was judged as too sophisticated for the level of development and knowledge-capture capacity of the participants (for example, wood furniture companies and fashion designers with few design skills and no previous export experience or international exposure trying to export to other countries). In this sense, activities such as product development and

⁸ In May 2000 SEBRAE invited all its state offices to submit proposals describing the businesses conglomerates that operate in each of them. Out of 29 proposals received and considered, SEBRAE selected 7 districts for deeper analysis, choosing Nova Friburgo, Campina Grande and Paragominas as the 3 districts for the program. Tobias Barreto was added as the fourth district once the program was underway.

⁹ Described in section 5.2.3—Likelihood of Sustained Impact.

production organization provided by the SENAI and SEBRAE were very frequently regarded as among the most significant benefits of the program. The national and regional fairs, according to interviewed participants, were effective in generating new sales and increasing client bases (especially in the cases of Campina Grande and Nova Friburgo). Presumably, a more flexible approach to beneficiaries with different needs could have enhanced the project impact.

- **The program’s budget and duration fell short of completing all planned activities to reach cluster self-sustainability in consonance with each district’s level of development.** The intervention time frame (originally three years) may have been too short for cluster development; it is estimated that at least five years would have been needed to reach a self-sustained development level and to improve the prospect of long-term impact and sustainability (through more participation in international fairs and trade missions and continuing product improvement). This is particularly significant considering that some of the industrial districts were in a pre-clusters condition. Each district started from a different level of competitiveness and development (in terms of transaction costs, environmental impact, coordination among actors, and M&E).

5.2.3 Likelihood of Sustained Impact

- **The program’s general outputs significantly vary by industrial district, with patterns that make conclusive analysis and interpretation difficult.** The diverse nature and level of development of each region translates into different outputs for each industrial district. In the case of Nova Friburgo and Campina Grande, for example, social capital and governance building in the form of the Fashion Council and the CAD-CAM design center, respectively, are among the most relevant impacts of the program (as judged by interviewed participants and stakeholders). Another outcome was Nova Friburgo’s positioning as a credible lingerie-manufacturing region with good design and quality. Today about 33 percent of total lingerie production in Brazil comes from Nova Friburgo compared to less than 20 percent at the program outset. Impacts in the form of formalization of companies, size pattern tables (mainly in shoes), production organization, production costing, and production mechanization in all the industrial districts were also observed, especially in the less active group of participants.

Following is an analysis of major outcomes in each industrial district according to the monitoring surveys conducted by the SEBRAE.¹⁰ Based on these surveys and other information available (including the program execution assessments and the interviews conducted with beneficiaries and the SEBRAE staff in each of the industrial districts), the evaluators identified the main

¹⁰ The program conducted five monitoring surveys for each industrial district between July 2004 (for period -1 and 0) and November 2006 (for period 5) tracking results (mainly related to production and sales) and processes (related to participation in collective efforts) indicators. The surveys were applied to two groups of SMEs: (i) companies with very active participation in the activities of the program and (ii) companies with little participation in the activities of the program. Although the groups’ classification implies some differentiation in the SMEs’ level of participation, what is considered “very active” or “less active” participation in the program is not clearly defined.

program activities that contributed to the observed outcomes, as explained below. The absence of information from a group of nonparticipants and the ambiguous outcome results observed in the less active group of participants surveys do not allow a conclusive analysis of the impact of MIF intervention on beneficiaries.

NOVA FRIBURGO

In the case of Nova Friburgo, activities related to the strengthening of the industrial district dynamics component (such as the creation of the Fashion Council, exports consortium, and participation in different technical committees, trade shows, and business missions) contributed to a higher rate of participation of companies from the most active and less active group of participants in cooperative activities and collective organizations, and increased their access to service providers (as shown in table 2). But other impact-related indicators, such as average wages of workers and brand adoption, showed either a decline or a similar participation of SMEs throughout the program.

In regard to the information and market access component, activities such as the national positioning of Nova Friburgo's trade show FEVEST as a relevant and important fashion show, the development of market research to understand consumer trends within the Brazilian market, the development of new distribution channels, and the publishing of Nova Friburgo's lingerie Web portal (www.intimafriburgo.com.br) contributed to an expansion of sales to other states.

Finally, activities related to the organization of production, such as management training programs, product development, and production systems, contributed to an increase in the most active group of participants' production volume, productivity (in number of pieces per worker), and sales to other states.

Table 2: Nova Friburgo Monitoring Survey Results

Program Component I - Strengthening Industrial District Dynamics (% of SMEs that participated in the activity)

Indicators	Focal			Sample		
	Period -1	Period 4	Period 5	Period -1	Period 4	Period 5
Participation in Coop Activities	0,00%	15,38%	11,63%	0,00%	3,42%	6,03%
Participation in Collective Organizations	52,50%	76,92%	65,12%	5,36%	63,25%	56,03%
Access to Service Providers	0,00%	58,97%	32,56%	0,89%	17,09%	12,93%

Program Component II - Information and Market Access (% of SMEs that participated in the activity)

Indicators	Focal			Sample		
	Period -1	Period 4	Period 5	Period -1	Period 4	Period 5
Sales Same City	n/d	11,43%	17,48%	n/d	12,63%	21,70%
Sales in State	n/d	17,37%	16,19%	n/d	19,34%	18,55%
Sales other States	n/d	46,13%	42,00%	n/d	44,97%	41,02%
Sales other Regions	n/d	22,11%	19,83%	n/d	23,00%	15,49%
Exports	n/d	2,96%	3,96%	n/d	0,06%	2,84%

Program Component III - Organization of Production (absolute number and % of SMEs that participated in the activity)

Indicators	Focal			Sample		
	Period -1	Period 4	Period 5	Period -1	Period 4	Period 5
Avg Production Volume	18.568	26.131.58	31.616	12.739	18.948	27.411
Avg # Employees	26	24	22	12	14	16
Level of Formalization of Enterprise	97.50%	94,87%	100,00%	71.43%	77,78%	85,34%
Level of Formalization of Employees	95.00%	92,31%	100,00%	68.75%	81,20%	89,66%
Quality System Adoption	0.00%	2,56%	0,00%	5.35%	0,00%	0,00%
Brand Adoption	0.00%	89,74%	97,67%	3.57%	69,23%	76,72%
% Companies Access Credit	n/d	23,08%	20,93%	n/d	7,69%	12,07%
Innovations Introduced	0.00%	76,92%	67,44%	1.78%	58,97%	37,93%
Productivity (Pieces/worker)	713	1091	1449	1 062	1363	1700
Avg Wage (R\$)	555.06	410,88	508,88	535.18	452,95	502,23
Avg Margin	43.86%	43,73%	44,21%	26.49%	43,46%	46,48%

Source: Final Report - Nova Friburgo, Jan 2007

CAMPINA GRANDE

In the case of Campina Grande, activities related to the strengthening of the industrial district dynamics component—such as the agreement by the SENAI¹¹ and the union of the Paraíba shoe industry (SINDICALÇADOS) to create the CAD-CAM design center in Campina Grande; the Patos city business center, and a new industrial center in Campina Grande—contributed to a higher rate of participation of companies in cooperative activities and collective organizations, and increased their access to service providers (as shown in table 2).

In regard to the information and market access component, activities such as participation in national trade shows, the creation of the Calçados da Paraíba Web portal (www.sebraepb.com.br/calçados/institucional/htm), a market intelligence study conducted in the north of Brazil, and the training of 23 shoe designers by Milan’s Poli Design Institute contributed to an expansion of the number of companies exporting to the same city and state.

Finally, activities related to the organization of production, such as management training programs, product development, and production systems contributed to an increase in the most active group of participants’ production areas such as production volume, productivity (number of pieces per worker), and sales to other states.

¹¹ The National Industrial Training Service (SENAI) is one of the most important national centers for knowledge applied to industrial development generation and dissemination in Brazil. The SENAI is part of the “S” System of the Brazilian Confederation of Industry (CNI). The SENAI supports 28 industrial areas through human resource training for the productive sector. It is one of the most important institutions in the country, providing formal training for specialized workers in different sectors.

Table 3: Campina Grande Monitoring Survey Results

Program Component I - Strengthening Industrial District Dynamics (% of SMEs that participated in the activity)

Indicators (# companies)	Focal			Sample		
	Period -1	Period 3	Period 4	Period -1	Period 3	Period 4
Participation in Coop Activities	0	25	6	0	5	6
Participation in Collective Organizations	23	34	22	20	32	25
Access to Service Providers	0	38	22	0	24	26

Program Component II - Information and Market Access (% of SMEs that participated in the activity)

Indicators	Focal			Sample		
	Period -1	Period 0	Period 4	Period -1	Period 0	Period 4
Sales Same City	N/A	9%	12%	N/A	15%	22%
Sales in State	N/A	4%	10%	N/A	13%	13%
Sales in the Region	N/A	62%	67%	N/A	33%	58%
Sales other Regions	N/A	23%	11%	N/A	32%	6%
Exports	N/A	1%	1%	N/A	8%	0%

Program Component III - Organization of Production (absolute number and % of SMEs that participated in the activity)

Indicators	Focal			Sample		
	Period -1	Period 3	Period 4	Period -1	Period 3	Period 4
Organization of Production						
Total Production Volume	308.410	415.354	216.100	201.854	190.789	237.180
Total # Employees	473	1292	815	622	602	625
Level of Formalization of Enterprise	65,50%	71,40%	68,96%	24,60%	19,70%	15,38%
Level of Formalization of Employees	71%		70%	25%		37%
% Companies Access Credit	21%		13%	7%		3%
Innovations Introduced	0%		35%	0%		16%
Productivity (Pieces/worker)	652,03	321,48	265,15	324,52	316,93	379,49
Avg Wage (Registered Employees R\$)	254,67	354,64	364,29	318,33	437,5	385,38

Total Sales (in R\$)

	Period -1	Period 0	Period 1	Period 2	Period 3	Period 4
	Total Sales	Focal				
R\$		R\$	R\$	R\$	R\$	R\$
943.066,00		1.881.341,32	2.176.276,00	1.821.300,00	2.557.037,16	1.880.446,17
Sample						
R\$		R\$	R\$	R\$	R\$	R\$
877.685,00		1.516.482,33	2.356.835,00	2.302.396,00	1.166.222,61	1.264.119,93

Source: Period 4 Evaluation Report from Campina Grande, September 2006

TOBIAS BARRETO

In the case of Tobias Barreto, activities related to the strengthening of the industrial district dynamics component, such as the creation of a district forum, a service center for artisans, and

the collective brand “Mãos de Sergipe” contributed to an increase in the number of SMEs participating in cooperative activities and collective organizations (as shown in table 4).

In regard to the information and market access component, activities such as participation in the Fashion Rio trade show in 2006, the development of a differentiation market strategy, and the participation of 20 SMEs in 2 national and 1 international trade show contributed to an increase of the number of companies selling within the same city, same state, other states, and also exporting outside Brazil.

Finally, activities related to the organization of production component, such as product management training programs (to more than 40 companies) and TA to more than 25 SMEs in production manufacturing did not have the same impact that the component had on the other two industrial districts mentioned above—indicators such as production volume and productivity decreased.

Table 4: Tobias Barreto Monitoring Survey Results

Program Component I - Strengthening Industrial District Dynamics (% of SMEs that participated in the activity)

Indicators	Textile				Artisans	
	Focal		Sample		Focal	
	Period -1	Period 4	Period -1	Period 4	Period -1	Period 4
Participation in Coop Activities	0%	7%	0%	8%	8%	68%
Participation in Collective Organizations	8%	6%	3%	0%	0%	0%
Access to Service Providers	0%	19%	0%	0%	7%	20%

Program Component II - Information and Market Access (% of SMEs that participated in the activity)

Indicators	Textile				Artisans	
	Focal		Sample		Focal	
	Period -1	Period 4	Period -1	Period 4	Period -1	Period 4
Sales Same City	25%	60%	35%	37%	28%	37%
Sales in State	14%	10%	14%	10%	39%	32%
Sales in the Region	47%	29%	30%	27%	28%	24%
Sales other Regions	12%	1%	21%	26%	4%	6%
Exports	0%	0%				

Program Component III - Organization of Production (absolute number and % of SMEs that participated in the activity)

Indicators	Textile				Artisans	
	Focal		Sample		Focal	
	Period -1	Period 4	Period -1	Period 4	Period -1	Period 4
Total Production Volume	95.000	310.000	131.110	50.039	550	806
Total # Employees	317	648	505	240	98	118
Level of Formalization of Enterprise	45%	57%	11%	1%	0%	100%
Level of Formalization of Employees	2%	24%	15%	0%	N/A	N/A
Brand Adoption	0	2	9	-	1	-
% Companies Access Credit	0%	15%	0%	4%	40%	40%
Innovations Introduced	0	26%	0	6%	24%	44%
Productivity (R\$/worker)	1250	1400	1800	490	216,02	142,14
Avg Wage (R\$)	460	280	390	90	62.5	121.32
Avg Margin	29%	28%	13%	-14%	3.43%	4%

PARAGOMINAS

In the case of Paragominas, the evaluators did not receive any monitoring reports (they were not found either by the national SEBRAE office or provided by the local office); only qualitative reports were made available. Activities related to the strengthening of the industrial district dynamics component—such as the creation of an Industrial District Forum, the formalization of Para’s Furniture and Wood Products Industry Association (APIMOVEIS) that started making collective purchases of raw material with a 30 percent cost savings, the publication of a Web portal (www.moveisparagominas.com.br) for sales purposes, an almost 60 percent index of SME participation in the industry’s collective efforts, and the creation of a sales consortium of seven SMEs—contributed to a higher participation of SMEs in collective production efforts such as manufacturing, product development, access to credit, and collective purchases.¹²

With regard to the information and market access component, activities such as the organization of five sector trade shows (Expomóveis) in Paragominas, participation in trade shows across Brazil and in Italy, and the development of new sales and distribution channels contributed to a sustained high level of direct sales to final consumers and a diversification of distribution channels.

Finally, the activities related to the organization of the production component, such as factory manufacturing layout, training in administrative management, and training in wood processing and finishing contributed to an increase in the production volume of wood products, productivity, and sales.

- **While program outcomes clearly translated into meaningful results for interviewed beneficiaries, there were differences between most active and less active participants.** Almost all of the interviewed participants attributed most of the improved indicators to program activities (for example, an increase in the number of products produced per day with the same

¹² For the monitoring surveys, Paragominas used disaggregated indicators, not comparable with the ones that were tracked in the three other districts mentioned.

workers, an identification of product costs and profit margins per line of production, and the improvement of product design capabilities). But based on the monitoring surveys, there is no conclusive evidence on at least some of the component indicators that could be compared between the more and less active participants.

In the case of Nova Friburgo, for example, out of 17 indicators measured, the group of most active beneficiaries did better in only 8 of them; the group of less active beneficiaries showed better performance in 9 indicators. The areas where the most active beneficiaries exceeded the other group were the following:

- In the case of the organization of production component: brand adoption, innovations introduced, and productivity.
- In the case of the strengthening industrial district dynamics component: participation in cooperative activities and access to service providers.
- In the case of the information and market access component: sales in same city (although the difference is small), sales to other states, and to a lesser extent exports

The surveys did not track indicators for the access of SMEs to international markets.

These examples illustrate that survey differences between and within the industrial districts were small and did not show any clear pattern that would help to explain their differences. This limitation in the analysis is due to the way the program was executed. The program was not a “differentiated” effort in the sense that all the support focused on a group of beneficiaries comparable with a group of companies not exposed in any way to the program activities. The execution was instead directed to any company that wanted to participate, regardless of its level of participation. This is part of the program’s reality and cannot be changed.

- **Outcome results had been sustained by some program beneficiaries, while some institutional and collective efforts had lost footing.** In-depth interviews conducted with different beneficiaries across all four industrial districts showed a high level of satisfaction with program activities and overall results; interviewed beneficiaries showed sustained levels of production indicators particularly in areas such as productivity (pieces per worker), factory layout, and sales. But there were some areas where the achieved impact had lost footing. Participation in cooperative activities and collective organizations was decreasing in the case of the Fashion Council, which today is playing a less influential role in the lingerie sector of Nova Friburgo. Also, four years after program completion, some of the positive expectations that existed in regard to the SEBRAE’s continued support of the sectors seem to be diminishing. In districts such as Nova Friburgo and Paragominas, the SEBRAE’s budget to finance sector activities had decreased by 15 to 25 percent, and the original involvement and support of other organizations such as the APEX, SENAI, and financial institutions had also waned.

There is a general consensus that the program was helpful in “*opening participants’ horizons,*” as stated by one of the program’s national directors. In many cases the interviewed beneficiaries stated that participating in trade fairs and TA introduced them to an industry reality unknown before joining the program. Also, TA in quality and customer service reset standards to a higher level and encouraged participants to believe that they could do better, strengthening their confidence. The program seeded curiosity and interest among participants to continue learning, improving, and growing even after its completion.

- **Unaddressed externalities have also affected program performance and the sustainability of the impact on beneficiaries.** After the program ended, factors such as the Brazilian real revaluation and the Arcos do Fogo operation in Paragominas affected companies’ performance in terms of exports, imports of competing products, and also general operations.¹³ Other conditions expressed by interviewed beneficiaries such as lack of financing for asset expansion (in the case of Paragominas, Nova Friburgo, and Tobias Barreto), and more recently, qualified labor, investment in management training, working capital and association strengthening, access to technology, environmental management, and a stronger push toward the formalization of companies (as in the case of Nova Friburgo) have inhibited further cluster development and in some cases put the cluster at a crossroads. More explicit attention paid to the vulnerabilities of the concerned sectors and a focus on mitigation plans might be helpful ingredients in the further development of the beneficiaries.

5.2.4 Dialogue and Dissemination

- **The program was successful in positioning SME development on the national public policy agenda and in creating and developing the concept of the APL in Brazil.** Perhaps the most important impact and program success, as recognized by the main stakeholders, is the positioning of SME policy discussion at the national level and the development of the APLs in Brazil. The leadership of the project prepared various papers on the subject, thereby contributing to its enhanced conceptual understanding in Brazil. What was an experimental approach in developing Brazil’s own cluster model became a vigorous SME development reference that since program execution has contributed to the development of more than 900 APL initiatives, implemented and supported by different public and private institutions across Brazil.

One of the factors that contributed to this was the SEBRAE’s active implementation of presentations, and participation in workshops, seminars, and conferences in Brazil aimed at discussing the APL model and the importance of supporting SME development. Today there are more than 900 APL initiatives across Brazil and almost all the institutions related to SME development work around the APL concept.

¹³ Operation “Arco de Fogo” was a police action initiated by the federal government in 2008 to combat the illegal deforestation of the Amazon region.

The program also contributed to the identification of opportunities aimed at the design and implementations of a postgraduate degree in the form of an MBA in management of APLs, with the participation of SEBRAE and ECLAC

- **SEBRAE's broad scope of activities and programs, together with that of other national and regional economic development agencies, provided an additional level of support to SME development.** The program was implemented in the context of several other interventions conducted by the SEBRAE, which was already spending between \$4 million and \$5 million in some states, and also different economic development institutions (such as the Banco do Brasil, Brazilian Development Bank (BNDES), SENAI, Banco do Nordeste, and APEX), that operated in tandem and provided further support to the program's participants. In some cases these parallel interventions helped strengthen sector governance by funneling human and financial resources toward specific and coordinated SME development goals (Nova Friburgo's Fashion Council is the most conspicuous example). But it is difficult to isolate the impact of each of these programs in order to clearly identify MIF intervention's reach, scope, and beneficiaries. Many of the interviewed beneficiaries, for example, could not easily identify the sponsor institution or the source of funds for the activity they were participating in.

5.2.5 Roles of Stakeholders and Beneficiaries

- **SEBRAE's recognition and experience in working with SMEs helped it effectively reach out, motivate participants, and facilitate the implementation of the program.** The SEBRAE's nature and strong positioning among SMEs in Brazil helped it manage a program throughout the country. In all four districts entrepreneurs gave the SEBRAE a positive appraisal as the executing organization, and most still think of it as an important business partner.
- **By partnering with MIF, the SEBRAE gained access to international project management experience; added value came in the form of best practices for project design, implementation, and M&E.** MIF added value by contributing to the technical design of the program based on its experience and project framework methodology. Through partnering with MIF, the SEBRAE gained project management experience (such as in M&E) and the program gained credibility, relevance, and visibility. There was, on the other hand, little technical-sector-related MIF involvement in the program, and limited substantive involvement during execution to sharpen feedback and develop an M&E framework more focused on the experimental character of the project.
- **PROMOS played an important role in the design of the program and the implementation of many TA activities.** According to interviews with the PROMOS and SEBRAE's representatives involved in the program design and negotiations at the time, the general idea was to transfer the Italian industrial cluster development experience to Latin America through the Brazil

program. In this sense, the PROMOS played an important role in designing the original scope of the program with the expectation of creating a favorable environment to promote investment and trade alliances between Italian and Brazilian companies. Meanwhile, Italy was to become one of MIF donors.

- **Beneficiaries' role was limited to program participation with little impact on program design and execution.** With the exception of Nova Friburgo, where participants through the Fashion Council introduced some adjustments to the program execution, the beneficiaries' role was limited to participation in the program activities designed by the PROMOS and SEBRAE (at the national level). This top-down approach did not address the beneficiaries' specific needs from the beginning, which resulted in delays and later adjustments.

6. Lessons and Implications

- **Alignment of MIF norms and procedures with those of local partners could enhance the synergy and strategic fit of the program.** The strategic direction of MIF operations needs to be clearly aligned with those of other entities, whether multidonor or local institutions, to allow for more effective program execution. Where weaknesses are identified, MIF program could emphasize strengthening the capacity of local institutions to handle their own fiduciary, managerial, and other responsibilities. This is particularly important when the operation is facilitated by a major institution with its own policies and practices, such as the SEBRAE, which has a fairly developed capacity to absorb necessary institutional assistance. Alignment and agreements on norms, procedures, and other types of program management arrangements in the design stage of the intervention could contribute to efficient program development and maximize its impact on beneficiaries and its overall performance.
- **MIF interventions will achieve sustained impact when program outputs and tasks are embedded within broader long-term initiatives.** Effective and efficient interventions have a clear set of tasks and activities defined at the outset and clearly described in the Donors' Memorandum. When these and their associated risks are broadly identified and discussed by potential beneficiaries and stakeholders in the design phase, they can be embedded in specifically designed mitigation efforts to enhance the chances for sustained impact even in the face of adverse conditions. Although it may be difficult to anticipate changes in the business-enabling conditions that affect beneficiaries' performance, different tools can be useful in developing new skills and strengthening SMEs' capacities. Support in the form of capacity building and direct assistance in beneficiaries' operational, financial, or managerial systems—to be provided under changing conditions—might help SMEs overcome adverse situations for which they have not developed the appropriate skills during MIF intervention. This support should be available in follow-up activities with implementation assistance 12 to 24 months after the program completion and should consider the different levels of development and needs of the beneficiaries.

- **Clearly differentiate intervention components and activities from others that could be under implementation by the executing agency.** In interventions where the executing agency is a strong organization (in terms of national / local leadership and scope of programs and activities developed), it is important to clearly differentiate MIF intervention from other programs or projects being implemented by the executing agency so that the beneficiaries can easily distinguish the activities in which they participate and the attribution of any potential impact.
- **The most effective interventions feature some key success factors.** Successful programs share some common characteristics that balance good design structure with efficient execution. Chief among these are to: (i) address the managerial and operational needs of companies; (ii) provide comprehensive support to reach long-term sustainability; (iii) identify clear and measurable objectives and specific activities at the outset of the intervention; (iv) develop long-term partnerships with effective intermediaries such as financial and training organizations with the capacity of complementing or working with a broader framework of needs; (v) set intermediate milestones reflecting more explicit outcomes for the development of a resilient results framework, enhancing the program’s overall impact, particularly when institutional and policy-strengthening goals are improving the enabling environment for broad sectors (in this case, SMEs); and (vi) work with business membership organizations to increase their capacity to continue providing services after the program intervention.

7. Recommendations for Future MIF Programs

In future interventions, MIF may want to consider:

- Improving coordination within the IDB and across other institutions to maximize complementarities and the alignment of assistance and thus enhance synergy among individual programs.
- Analyzing existing conditions to identify critical areas that could affect the program’s effectiveness, in particular systemic up-front diagnosis of SME needs and the activities that would better contribute to SME development, keeping in mind conditions such as the uneven economic development of the regions or cities reached by the intervention and the stages of development of different sectors/clusters and participants.
- Tailoring programs and projects in the design stage to adapting strategies to the circumstances of the country and its diverse local conditions—in other words, moving from “good practices” to “good fits.” This is particularly important in programs with diverse participants, where focusing on risk assessment and mitigation arrangements will provide additional support for sustained impact and SME development.

- Reaching agreements on baseline indicators, beneficiaries' participation, control group definition, M&E, and associated arrangements with the executing agency in situations where the program may be considered part of a mainstream programmatic effort so that MIF can, at the very early stages of the program design and execution phase, make specific contributions to maximize impact and, where necessary, agree on corrections mid-course.
- Introducing greater focus on performance benchmarks as a basis for disbursements (that is, releasing funds upon achieving agreed-upon milestones rather than reimbursing particular expenses or inputs), thereby reducing line-item controls while introducing flexibility into programs to respond to emerging lessons.
- Strengthening the development of a more deliberate or explicit review of project performance at different levels of the operation, to enable different levels of management within MIF/IDB as well as the local authorities to interact, learn, generate feedback from and to the project, and go through regular self-assessment, not only on fiduciary processes but also on technical aspects of the sector.
- Paying attention to the vulnerabilities of the concerned sectors and focusing on mitigation plans might be helpful ingredients in the further development of the beneficiaries need to be considered to avoid the potential adverse effect that externalities play in risk assessment.

Experimental programs with a significant learning element and objectives to sharpen government and policy actions, need to address areas such as greater emphasis on design, execution and supervision of activities related to public policy promotion. They also need to focus on measuring the changes observed and follow-up, using relevant tools and indicators such as policy changes (such as change in regulations, incentives, administrative bodies) and its results.

7.1 Potential for Program Replication and Scalability

Replication of this program in other Latin American countries is possible by focusing on strengthening the potential executing agency capacity in areas such as (i) identification of and agreement with the intermediary organization on areas in need of support (such as appraisal capabilities, fiduciary responsibilities, organizational requirements, and so on) to enable greater alignment between the local organization's and MIF's efforts; (ii) identification of beneficiaries' needs in each region and development of differentiated tasks to strengthen SMEs' capacities to facilitate an appropriately differentiated approach to cater to different capabilities and development needs; (iii) promotion of public policy dialogue and awareness to support SME development by providing, where necessary, appropriate analytical work or studies; (iv) delegation of responsibilities so that local offices of the executing agency have the capacities and tools to manage program challenges at the district level; and (iv) up-front risk assessments and the development of capacities to effectively deal with externalities that emerge during the program's execution.

There are also other ways to replicate and scale up the program with a similar scope and framework by: (i) working with one sector at a time (either the same as or similar to those where the industrial district program took place) with a similar program structure (i.e., similar components and tasks); (ii) using committed intermediaries to identify high-potential SMEs and their critical development needs; (iii) working with a strong executing agency with the capacity to provide long-term support and services to the beneficiaries; (iv) developing replicable tools that can be customized to the local context based on country, sector, and beneficiary needs; and (v) training local service providers while also stimulating demand for their services to help beneficiaries overcome challenges and obstacles after the program ends.

To promote its aim of furthering policy discussion of SME development, an intervention will achieve greater impact by leveraging strong local institutions with the capacity to draw the attention of local and national public and private institutions through the use of tools such as discussion forums, workshops, seminars, and the publication of papers and materials related to the experience obtained through the intervention, as well as the methodologies used. In doing so it is important to leverage many of the activities aimed at this goal on a well recognize institution with the capacity and prestige to position and promote public policy discussion for the development of SMEs and to call together different public and private institutions related with SME development.

8. Conclusions

The industrial district program had a positive impact on SME beneficiaries in terms of supporting specific production and management areas. Almost all interviewed (most active) participants expressed their general satisfaction with the program for “opening their vision” of key development factors. They also showed positive performance results in areas such as increased productivity, improved production efficiency, and increased sales. The program also promoted policy makers’ awareness of the importance of supporting SME development and creating vehicles to foster cluster development in Brazil under the APL concept.

The program made a significant contribution to the development of the APL concept in Brazil. As a pilot program with the objective of promoting SME development, the program clearly succeeded in positioning and promoting the development of the cluster development model for Brazil in the form of APLs. The program stimulated and contributed through dialogue and dissemination activities the framing of a national debate, with the participation of the Ministry of Industry, which included the nationwide development of APLs as part of its 2004–07 Multiyear Plan. By the end of the program there were more than 100 APLs; today there are more than 900 APL initiatives across Brazil and almost all the institutions related to SME development work around the APL concept. While a series of factors led to this expansion, the project was certainly instrumental in enhancing awareness and thus contributing to the growth of APLs in Brazil.

The general terms of the program (particularly in the design phase) leave room for the following improvements: (i) the use of a differentiated approach for the same components in each industrial

district based on a clear diagnostic, (ii) a clear delineation of the tasks and activities to be developed for each component and district from the beginning of the program, (iii) the clarification of the different categories of participants and the M&E to be used to track their performance so that definite interpretations of performance and impact can be made, and (iv) the adjustment of future MIF programs (that are similar in nature) to the realities and challenges that emerge from interventions under these conditions to ensure further development of sectors and participants after the program's completion.

Some externalities played a critical role affecting program performance and the sustainability of the impact on beneficiaries. Factors such as the Brazilian real revaluation and the Arcos do Fogo operation in Paragominas affected companies' performance in terms of exports, imports of competing products, and also general operations. Other conditions such as lack of financing for asset expansion and qualified labor, investment in management training, working capital and association strengthening, access to technology, environmental management, and a stronger push toward the formalization of companies have inhibited further cluster development and in some cases put the cluster at a crossroads.

On the whole the industrial district program achieved moderately satisfactory results, with several areas of the project showing good potential for improvements. Following are two rating tables for each of the dimensions assessed that can be used to facilitate transparency and eventual comparability with other MIF programs. The impact scores range from 1 to 6, according to the following scale: 1 (Highly satisfactory): Project exceeded outcome results and impact expectations for the assessed dimension. 2 (Satisfactory): Project fully met expectations and defined goals and objectives for the assessed dimension. 3 (Moderately satisfactory): Project met the expected results to a good extent and had a relatively low impact for the assessed dimension. 4 (Moderately unsatisfactory): Project met a few of the expected outcome results and had a relatively low impact for the assessed dimension. 5 (Unsatisfactory): Project impact of assessed dimension is well below outcome results and impact expectations and had a relatively low impact for the assessed dimension. 6 (Highly unsatisfactory): Project is considered a failure in the assessed dimension. For a definition of each of the dimensions, please see section 3 (Impact Evaluation Questions) of this report.

The scoring has been assigned by the evaluator based on his educated judgment and extensive experience assessing many types of programs for multilateral organizations over many years. The scoring, although not completely exempted by an element of subjectivity, is based on the methodology used by the evaluator to assess the impact of different programs and projects.

Table 5: Impact evaluation rating results

Program dimension	Impact score	Reasons for impact (or lack thereof)	Alignment of dimension with evaluation objectives
SCOPE AND STRATEGIC RELEVANCE	3	The program framework was defined in general terms and the way it fell into SEBRAE's operational mode made it difficult to monitor impact on	Program's objective and component design did not reflect main beneficiaries

Program dimension	Impact score	Reasons for impact (or lack thereof)	Alignment of dimension with evaluation objectives
		<p>beneficiaries. Program starting situation in each district and diversity of beneficiaries needs were not clearly reflected in program design.</p> <p>PRO: Program was aligned with SEBRAE's new strategy supporting SMEs in areas no one was attending.</p> <p>CON: Lack of specific and detailed activities generated delays in the execution and did not allow for proper follow up.</p> <p>CON: Beneficiaries diversity with lack of detailed monitoring of participants made difficult program impact evaluation.</p>	<p>needs (according to their different realities) and ways to support their production and managerial development.</p>
INTERNAL QUALITY	3	<p>Program activities designed for all type of participants without adequate differentiation of beneficiaries needs, skills and knowledge absorption capacity decrease quality of program.</p> <p>PRO: Activities helped "open horizons" of beneficiaries.</p> <p>CON: Many beneficiaries where not ready to participate and take advantage of tools offered in activities.</p> <p>CON: Some of the original activities had to be redefined with the subsequent delays and costs increases.</p>	<p>Unclear diagnostic of beneficiaries' preconditions allowed implementation of several activities out of reach of beneficiaries in terms of needs and skills.</p>
LIKELY IMPACT	3	<p>"One size fits all" approach that allowed all the companies that wanted to participate in any activity diluted impact and beneficiaries' learning.</p> <p>PRO: Allows for a broader reach out of beneficiaries.</p> <p>CON: Monitoring and performance indicators show a different view of original program framework.</p> <p>CON: Diversity and complexity of program management and follow up made it difficult to adequate program activities to specific needs in each industrial district.</p>	<p>Way beneficiaries participated in program makes it difficult to monitor impact. Results vary per district with no clear pattern on overall production improvement and other indicators to draw precise conclusions.</p>
DIALOGUE AND DISSEMINATION	2	<p>Program interacted and reached out different public and private sector institutions in different areas and was successful in promoting national awareness about SME development and contributing to creating Brazil's APLs.</p> <p>PRO: Program interacted in each industrial district</p>	<p>Program was successful in adding up financial resources and joint efforts with other public and private institutions underway at the time of the program. Program conducted</p>

Program dimension	Impact score	Reasons for impact (or lack thereof)	Alignment of dimension with evaluation objectives
		<p>with different public and private organizations in areas such as financing, business climate and policy making and training.</p> <p>PRO: Strengthening of sector governance and participation in cooperation and collective efforts educated beneficiaries about importance and challenges of strengthening industrial Districts Dynamic.</p> <p>CON: Sustainability of several of the cooperation and collaborative efforts seems to be fading out due to new challenges of sectors and lack of support from SEBRAE.</p>	<p>effective activities (forum discussions, workshops, presentations) to position SMEs development and APL concept. Program was successful in structuring design and use of support from other intermediaries.</p>
STAKEHOLDER AND BENEFICIARY ROLES	3	<p>MIF role was largely fiduciary with little capacity to follow up execution of such a diverse and complex program. Beneficiaries had little participation on program activities design and execution. Program was significantly executed as per SEBRAE's standard. PROMO played an important role in program design and service provider for many of the activities.</p> <p>PRO: SEBRAE had offices in each state and some of the industrial districts that helped the execution of a broad and complex intervention.</p> <p>CON: MIF value added in terms technical knowledge and/or improvement of enabling conditions was nonexistent.</p>	<p>Program was significantly influenced by SEBRAE with MIF participation focusing largely on fiduciary aspects. Beneficiaries had little impact on program and activities design. Five years after program completion not all the same type of activities/services are being provided.</p>

Table 6 below shows the rating results for each of the sub-categories of each program dimension showed in table 10.

Table 6: Dimension sub-categories rating results

Program dimension	Sub-category	Impact score	Reasons for impact (or lack thereof)
SCOPE AND STRATEGIC RELEVANCE	Clarity of task objective	3	The objectives and task involved in the program were not clearly and detailed set in the Donors' Memorandum
	Relevance of the task to MIF's Assistance Strategy for the country	2	Program introduced SEBRAE to MIF project design and management standards in an area that was relevant for SEBRAE'S development.
	Details on how the task was underpinned?	4	The program was defined in broad terms without precondition diagnostics on beneficiaries needs. No participation of

Program dimension	Sub-category	Impact score	Reasons for impact (or lack thereof)
			beneficiaries. Top-down approach.
	Degree of client interest	2	The client was an important driver of the effort.

Program dimension	Sub-category	Impact score	Reasons for impact (or lack thereof)
INTERNAL QUALITY	Quality of design and implementation as a process	3	The focus of execution was not clear at the beginning, only after the second year the program started to focus on some specific activities.
	Quality of content	3	“One size fits all” approach did not consider specific needs and different level of development and knowledge absorption capacity of beneficiaries.
	Quality of capacity building efforts	3	Relevant seminars, meetings and international tours were helpful to expose local producers to new processes and other countries’ experiences, however some participants did not many requirements to succeed.
	Quality of conclusions and recommendations of the end process	3	Although conclusions and recommendations were in line with the general program objectives, they missed the analysis and recommendations of some key factors that affected program execution, M&E and impact.

LIKELY IMPACT	Are the output(s) likely to meet the objectives and success indicators defined at the inception?	3	The initial framework was largely designed in terms of general goals and tasks, thus leave room to improvement in terms of identifying specific and itemized outputs.
	Likely impact on changes in government policies and programs	2	Program raised awareness on the importance of supporting SME development and contributed to the development of the APLs in Brazil.
	Likely impact on MIF’s strategy and operational products	3	With a more explicit review of this type of programs the experience could feed into MIF’s policies, procedures and progress, including its impact on MIF’s strategic and operational products.
	Likely impact on donor community and other donors’ programs	3	With greater attention of donor efforts on poverty reduction, environmental issues, etc. it is conceivable that efforts to support the sectors of the program may take a second place in the aid effort.

Program dimension	Sub-category	Impact score	Reasons for impact (or lack thereof)
DIALOGUE AND DISSEMINATION	Quality of client participation in implementing the task	2	Local SEBRAE offices worked in close coordination with beneficiaries. SEBRAE's wide presence in Brazil contributed to implementation of a wide scope intervention.
	Quality of consultation with other key stakeholders in the country (e.g. legislators, local government officials, civil society groups, local academics, private sector, etc.) in designing the task	3	Collaboration with other public and private institutions such as APEX, Banco do Brazil, SENAI at the national level and with municipalities, and public and private organizations at the local level in each district.
	Quality of partnership with other donors	2	In the case of SENAI, SEBRAE and other institutions worked in tandem to provide technical assistance and create different collective effort in each district.
	Quality of the dissemination and scaling-up efforts (if any and relevant)	2	Several seminars and workshops held nationally and promotion of public policy discussions about SME development importance. Important contribution to development of APL concept in Brazil.
STAKEHOLDER AND BENEFICIARY ROLES	SEBRAE's role	2	Significantly influenced program execution
	MIF's role	3	Largely limited to fiduciary aspects of the program. Limited value added in terms of technical or sector issues.
	Beneficiaries' role	4	Little participation in program and activities design.

9. Annexes

Annex I: Case Study.

Annex II: Individuals interviewed.

Annex III: Research Plan. In-depth interview guides: Stakeholders, beneficiaries and control group.

Annex IV: Interview and discussion notes.

Annex V: Organizations Potentially Interested in Replicating the Industrial Districts Program.

Annex VI: Project Background Documentation Relevant for Impact Assessment and Bibliography.

Annex VII: Program's logical framework.

Annex VIII: Summary of Program's outputs.

Annex IX: Program's final budget.