Feasibility Assessment Tool

Private Sector Engagement Toolkit:

Purpose

Evaluate a potential private sector partner for feasibility on the administrative, fiscal, technical, legal, political, and social/ethical levels.

Description

A feasibility assessment shows the likelihood that engaging with a specific private sector partner will adequately support the program goals. It also looks at what challenges may arise and what steps can be taken to mitigate these challenges. The Feasibility Assessment Tool is not intended to gauge the likelihood of success of the overall program/intervention; that should be completed as part of the program design.

The feasibility assessment is complementary to, yet different than the due diligence process. Due diligence determines whether we would want to partner with a particular private sector firm based on the risk that partnership might present. The feasibility assessment explores whether that partner has the expertise, standing, and orientation to be a successful. It is much more oriented to whether they can meet the strategic program goals. (See the *Due Diligence Assessment Tool* for more information about the due diligence process.)

Similar to due diligence, feasibility is not "black and white." Assessing it is qualitative and there may be a range of answers to our questions. Feasibility is also not static. Changes to the program goals and activities, the external environment, or the focus or structure of a private partner, may change the feasibility of a particular partner and engagement. Therefore, assessing feasibility is an ongoing activity whenever the context changes, not only completed for Partner Assessment (stage 3).

Feasibility assessment is not necessarily a one-step process. There may be circumstances when an abbreviated feasibility assessment is used as a way to narrow potential partners into a short list of promising candidates, who then can be assessed in more detail. For example, we might start with a feasibility survey to a number of firms focused on how a firm is managed (administrative feasibility) and how their products are regarded (market feasibility). With those results, we might select the best candidates and do a more in-depth survey focused on their manufacturing process (technical feasibility), and evaluate their finances (financial feasibility).

Engagement Stage(s) this Tool Supports

Feasibility Assessment Report that documents the assessment findings and indicates areas of concern requiring additional action. (See appendix A for a sample *Feasibility Assessment Report*.)

	ENGAGEMENT STAGE					
TOOL	Context Analysis	Assessing a Specific PSE Opportunity	Partner Assessment	Partnership Development	Engagement Agreement	Ongoing Management
Feasibility Assessment			•			

Stage 3: Partner Assessment; Completes a comprehensive appraisal of potential program partners

Key Activities

1. Analyze the need and define the feasibility assessment objective
2. Develop feasibility criteria and indicators
3. Create feasibility survey
4. Conduct research
5. Analyze findings
6. Report results

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1. Analyze the need and define the feasibility assessment objective

Identify the need for the feasibility assessment and articulate a clear objective. The "need" summarizes why we need to complete a feasibility assessment. The "objective" outlines what we hope to accomplish with the assessment. In some circumstances (such as when the assessment is being used to compare different private firms) it may be appropriate to make the assessment comprehensive and structured. In other instances (such as when our partnership options are limited to a single firm) it may better to make it more targeted and informal. The assessment objective should always be based on the need.

2. Develop feasibility criteria and indicators

Develop a list of feasibility criteria and indicators to understand the overall viability and probability of success of the engagement. The specific criteria should be based upon the context and the issues being explored. Since we have a program concept articulated at this stage, we should consider important program elements such as objectives, activities, past experience with this partner, and engagement goals.

There are seven categories of feasibility. The list of criteria may emphasize some of these categories and entirely bypass others depending upon the context. For example, if our program goal is to connect smallholder farmers to a large grocery store chain, we would assess the feasibility of the grocery store chain. That assessment might be more focused on administrative and financial feasibility and less so on their technical and political feasibility.

The criteria - and indicators - may address elements of multiple feasibility categories (see sample 1). Regardless, aspects of all seven feasibility categories should be considered. Table 1 defines the categories including relevant types of data.

Table 1:

Feasibility Category	Goal	Types of Data Gathered
1. Administrative Feasibility	To evaluate whether the private sector partner has the internal organizational and managerial capacity to meet the program goals.	Internal management structure of the firm ; organizational structuring; ownership structure; Board configuration and their role; governance issues such as, how decisions are made, what kind and how often strategic planning is done, and others. This may also include the firms' experience with similar programs as our engagement.
2. Financial Feasibility	To understand financial or fiscal strengths and/or challenges associated with our private sector partner.	Is the firm profitable, are they financially sound, what level of debt do they have, do they have sound financial management and reports, can they afford the investments our partnerships might require.
3. Technical Feasibility	To evaluate whether our potential partner has the technical competency to meet our program requirements.	Does the firm demonstrate expertise in their business sector; are their products and service well regarded; do they innovate as necessary; are their equipment and facilities adequate; do they have adequate staff both in numbers and training to support our program.
4. Market Feasibility	To assess whether the firm has an appropriately strong position in the market, and their relationship to other market actors.	Is there demand for the firm's product and services; are they successful, do they have a good reputation and get good references, do they have adequate linkages to other small enterprises, are they considered a "lead firm".
5. Legal Feasibility	To understand the legal or regulatory issues our partner has faced in the past, and any legal or regulatory issues related to our potential engagement.	Does the firm have past legal issues; will our relationship create new legal or regulatory issues; can they handle the legal infrastructure required for the partnership; how are they registered and are there any problems with their registration that might create risks for the program?
6. Political Feasibility	To assess how the potential private partner functions in the political	How is the firm regarded by the government; do they have political enemies; do they have government

	environment, and to understand the impact of their political standing on our program goals.	contracts; are they affiliated with a particular political party; will our engagement with this firm be seen positively or negatively by the government and/ or the local community.
7. Ethical/Social Feasibility	To assess whether our potential private partners' values, both demonstrated and expressed, align appropriately with our values and mission.	What is the firm's commitment in serving the poor; their interest and incentives in the partnership; their experience working with other local and international NGO's.

For each proposed criteria, **feasibility indicators** need to be created. Below are a sample criterion and the associated indicators from a feasibility study to identify a private firm that could function successfully as a lead firm. These indicators span multiple feasibility categories including market feasibility, administrative feasibility, and financial feasibility.

Sample 1

Criterion 3: Willingness to invest resources in improved products/relationships that will yield benefits over medium term

The lead firm should demonstrate willingness to spend time, effort and capital sourcing alternative improved products recommended by Mercy Corps, and to build productive and sustainable relationships with downstream MSEs. Indicators for this criterion will include:

3.1. Previous examples of lead firm investment to expand market reach
3.2. Lead firm pronouncements about willingness to invest to achieve medium-term goals
3.3. Lead firm credit lines to downstream clients

3. Create Feasibility Survey

The Feasibility Survey is the primary tool that will be used to gather data for this assessment. The survey should be developed after the criteria and indicators are finalized, and each indicator and criteria will be answered by one or more survey questions such that:

Survey Question(s) → Indicator → Criteria

See appendix B for a sample survey.

Below are suggested topics to include in a Feasibility Survey. Not all of these topics will be relevant for all feasibility assessments and the specific topics and questions should be determined based upon the criteria and indicators developed for the assessment. It is possible not all this data will be available, especially for small or local firms. Therefore it is important to develop questions that are answerable given the context. Even if a question seems answerable, it may be that the data we get is vague or incomplete. In all these situations, it is important to remember that feasibility is cumulative and will be assessed looking at all the criteria. So unless a specific criterion is crucial for our decision, we should avoid getting delayed due to missing or incomplete data.

1. Background Information
    a. Interviewer information: name, date of interview
    b. Firm information: firm name, address, contact information, respondents name and position
2. Interviewee Information:
    a. Ownership structure: who are the owners, legal ownership structure
    b. Other businesses they own: linkages to this business
    c. Other business investments
3. Basic Business Information:
    a. Type of business: general business sector

b. Years in business:
c. Products and Services: products/services produced or provided
d. Mission and Differentiation: what makes them unique and/or successful
e. Innovation: new products created, business expansion to new products or sectors
f. Competitive environment: how tough and with who do they compete

4. Operations Information:
   a. Workplace: rent vs. own, single or multiple locations
   b. Management Structure: how is the firm organized
   c. Infrastructure: office equipment, vehicles
   d. Technology: Use of computers, other relevant machinery and technology
5. Staff Information:
   a. # of staff:
   b. Full-time or Part-time:
   c. Gender: employees or ownership, percentages
   d. Training of staff: hiring requirements, ongoing training
   e. Language: adequate fluency in the required language
6. Sales Information:
   a. Customers: who do they sell to
   b. Geographic reach: where do they sell
   c. Marketing: types of marketing
   d. Credit: offered to customers, discounts, rebates
   e. Customer support: type of support, warranties, repairs
7. Supplier Information:
   a. Who do they buy from: X key vendors
   b. What do they buy: are the products for resale, for manufacturing, internal use
   c. Imports or domestic purchases: how local is their procurement , do they import
8. Financial Information
   a. Accounting System: computerized or manual.
   b. Financial Reporting: breadth and frequency
   c. Loans/Debt: bank, MFI, or personal loans
   d. Bank Accounts: with what bank and for what purpose
   e. Insurance: what kind do they have
9. Other Business Practices
   a. Registration: if not registered, why?
   b. Trade Association Membership: is there a group relevant to them and are they members.
   c. Government contracts: when and for what services.
   d. Past or current legal issues: with who and the resolution
   e. Reputation: how are they regarded in the community
   f. BEE: obstacles to doing business they have encountered
   g. Commitment to our mission: examples of how this is demonstrated
   h. NGO partnership experience: including contact information if possible
   i. Interest in a MC partnership: response to our program concept

4. Conduct Research:

- Interviews with the private firm will be most helpful because the assessment is focused specifically at the firm level (completed at the Partnership Assessment stage). Ideally those interviews should take place with the owner or senior leadership.
- Other Key Sources: This includes customers, suppliers and business partners of the private sector actor. It also includes government sources and other development actors, direct experience, market observation, web research

5. **Analyze Results:**
After the research is completed, the results should be analyzed. If the assessment involved discussion with multiple firms, results can be compiled to simplify comparisons among firms. (See appendix A for a sample *Feasibility Assessment Report*.)

6. **Reporting:**
A *Feasibility Assessment Report* should be created which at a minimum should include the following:
   - Background Information
     - Person completing the report, Date completed
     - Private sector firm name and address.
     - Contact information for primary contact
     - Description of the firms operations
   - Description of the need and goal of the feasibility objective. This could include a short overview of the program concept. (from step #1)
   - Research methodology describing who we talked to and how we did our research
   - Description of the feasibility criteria and indicators. (from step #2)
   - Research Results. The exact format of this will be dependent upon the scope of the research and the context. (from step #4)
   - Summary Assessment. (from step #5)

   If a feasibility survey was developed (step 3), a sample of that should be included as an annex.

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