



This concept and guide was developed with the LearningWheel© methodology in a multi-donor initiative, involving DFID, FAO, GTZ, IFAD, DEZA/SDC, World Bank, CTA and BMZ. The process was facilitated by PICOTEAM Members. PICOTEAM has applied the guide in several countries.

## **Guide to Rural Economic and Enterprise Development (2003)**

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## Summary

The recently revised rural development strategies of many international and national institutions have put renewed emphasis on poverty reduction through economic growth. Economic development in rural areas requires strategies that foster enterprise development, effectively functioning institutions and an enabling policy environment. Despite the considerable size of the non-farm rural economy, almost all economic activities in rural areas are linked, directly or indirectly, to agriculture, forestry and other natural resources. There is thus a need to enhance the sectoral linkages between agriculture, agribusiness (which has forward and backward linkages to agriculture) and non-agricultural economic activities.

This document presents a framework for fostering Rural Economic and Enterprise Development (REED). The framework is based on the analysis of successes and experiences of programmes and projects by an international group of practitioners from different professional backgrounds. They identified the following ten cornerstones for successful intervention:

- An enabling environment that provides for an attractive investment climate and fosters dynamic entrepreneurship;
- Adequate mechanisms and structures that address local needs;
- Active private sector institutions and linkages;
- Functioning and effective infrastructure (hard and soft);
- Access to integrated and open markets;
- Access to effective and efficient support services and resources;
- Adaptive management capacity and entrepreneurial competence within business and enterprises;
- Local organisations, groups and associations (representing the poor) as building blocks;
- Active participation in and ownership of development processes by well-linked stakeholders; and
- Ongoing learning from success and failure by all stakeholders.

Core elements, promising strategies and means of implementation, as well as links to case study material and other resources are presented in detail for each cornerstone.

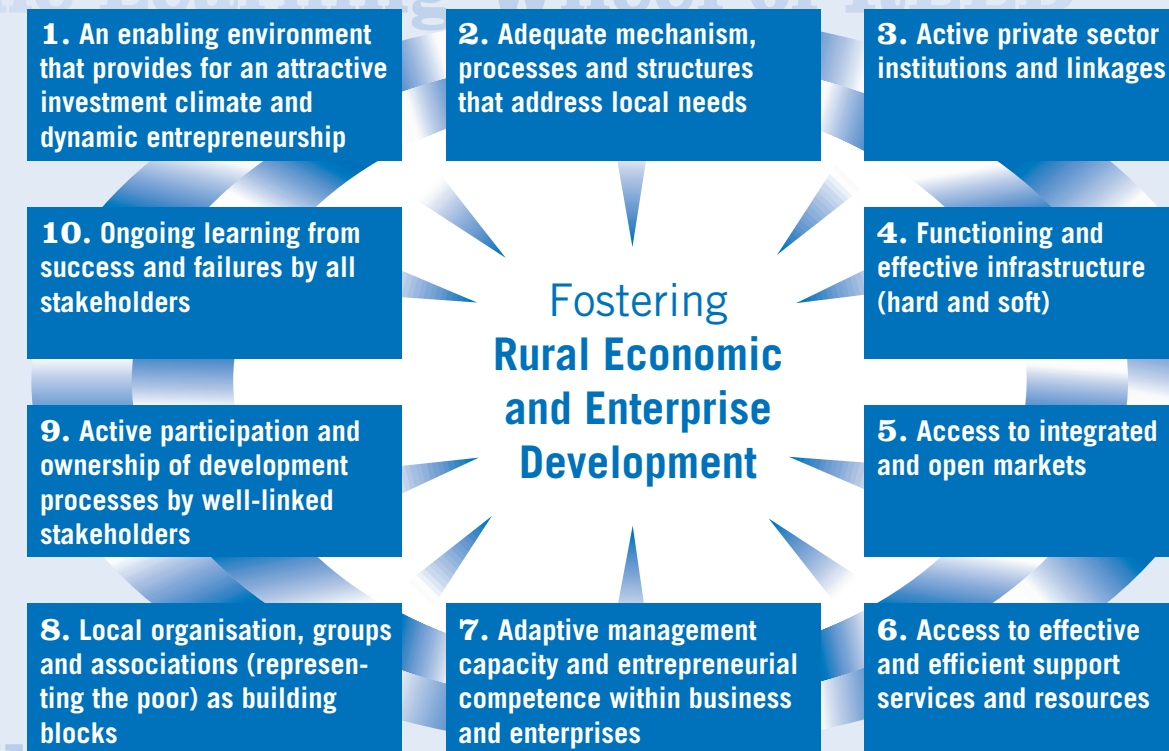
The framework is meant to be used as a tool for developing strategies and programmes, for analysing, prioritising and evaluating stakeholder interventions, and for creating a common vision among development partners. At the same time, the **Guide to REED** offers a platform for sharing and learning from case study experience through a web-based forum, which is under preparation.

This first edition of the **Guide to REED** is expected to be revised after field testing.

# Guide to Rural Economic and Enterprise Development

Working paper edition 1.0, November 2003

## The Learning Wheel of REED



## Guide to Rural Economic and Enterprise Development (REED)

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This document was prepared as a working paper for discussion and subsequent refinement. The content will be revised after testing the hypotheses and methodologies in particular settings.

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The views expressed in this paper are not necessarily those of the organisations involved in producing this document.

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|                 |  |
|-----------------|--|
| <b>ADAS</b>     | Agricultural Development Advisory Service  |
| <b>ASIST AP</b> | Advisory Support, Information Services and Training in the Asia-Pacific region                     |
| <b>BDS</b>      | Business development service   |
| <b>BMZ</b>      | Federal Ministry for Economic Cooperation and Development  |
| <b>CBO</b>      | Community based-based organisation(s)  |
| <b>CTA</b>      | Technical Centre for Agricultural and Rural Cooperation ACP-EU                                     |
| <b>DFID</b>     | Department for International Development, UK   |
| <b>FAO</b>      | Food and Agriculture Organization of the United Nations  |
| <b>GTZ</b>      | Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (German Agency for Technical Cooperation) |
| <b>IFAD</b>     | International Fund for Agricultural Development  |
| <b>ILO</b>      | International Labor Organization   |
| <b>LDC</b>      | Less Developed Countries   |
| <b>M&amp;E</b>  | Monitoring and evaluation  |
| <b>NGO</b>      | Non-governmental organisation  |
| <b>PDA</b>      | Population and Community Development Association/Thailand  |
| <b>PPP</b>      | Public-private partnership   |
| <b>PRASAC</b>   | Support Programme for the Agricultural Sector in Cambodia  |
| <b>PRSP</b>     | Poverty Reduction Strategy Paper   |
| <b>R&amp;D</b>  | Research and development   |
| <b>RBDS</b>     | Rural business development service   |
| <b>REED</b>     | Rural Economic and Enterprise Development  |
| <b>SDC</b>      | Direktion für Entwicklung und Zusammenarbeit, (the Swiss Agency for Development and Cooperation)   |
| <b>SE</b>       | Small enterprise   |
| <b>SME</b>      | Small and medium enterprise  |
| <b>TBIRD</b>    | Thai Business Initiative for Rural Development   |
| <b>WTO</b>      | World Trade Organization   |

## Preface

In the last few years, there has been a priority shift in the donor community towards systematically tackling poverty as the root problem of constrained development opportunities in large parts of the world. The Millennium Development Goals set clear objectives for halving poverty by 2015 and improving access to food and basic health and education services. Since the majority of the poverty is suffered by people living in the rural areas of LDCs (less developed countries), development of rural areas is regaining attention, which is reflected in the strategies of donors such as the World Bank and the European Commission.

A number of international and bilateral development organisations took the initiative to launch a consultative and learning process about approaches to rural economic development with a focus on agriculture-based enterprise development, involving field level practitioners, the private sector and NGO participants. This process was furthered by a workshop called **Fostering Rural Economic Development through Agriculture-based Enterprises and Services**, held in GTZ House in Berlin, Germany from November 20 to 22, 2002 ([www.gtz.de/agro-based-development/](http://www.gtz.de/agro-based-development/)).

The Berlin workshop brought together two distinct groups of practitioners, i.e., those primarily dealing with agricultural production and agriculture-related activities, and those supporting private sector development. The results of the workshop showed a broad awareness of the limitations of working in isolation and the significant potential for efficiency gains through cooperation between organisations and across disciplines and backgrounds. Despite large regional differences in economic development potential, the importance of agriculture as an engine of rural economic growth, and the size of non-farm sectors, it was felt that a conceptual framework for guiding and evaluating interventions to foster rural economic and enterprise development would be useful. Instead of relying on theory alone, the conceptual framework developed was based on an analysis of success factors in rural economic development, as well as lessons learned from failures.

This **Guide to Rural Economic and Enterprise Development** is based on the findings of a working group that was mandated by the participants of the Berlin workshop to elaborate and refine the

framework. Working group participants were Junior Davis (consultant for DFID), Andreas Gerrits (SDC), Rudolf Gsell (consultant for SDC), Justin Highstead (DFID), Ian Houseman, (consultant for DFID), David Kahan (FAO), M.S. Ashok (Cirrus Management Services Pvt. Ltd., India, consultant for DFID), Felicity Proctor (DFID), Jock Anderson (World Bank), Christian Lempelius, Anja Gomm, Rainer Neidhardt, Josef Grimm and Gerd Fleischer (all GTZ), Gesa Wesseler (CTA) and Jürgen Hagmann (Facilitator). Special thanks go to Wilhelm Elfring and Agnes Gerold for peer reviewing the final draft, to Daniel Bagwitz and Volker Steigerwald for helpful comments, and to Anne Denniston for editing.

The process of developing the **Guide to REED** was supported by the Deutsche Gesellschaft für Technische Zusammenarbeit GmbH, (GTZ, the German Agency for Technical Cooperation) in coordination with the Federal Ministry for Economic Cooperation and Development (BMZ), the Department for International Development of the United Kingdom (DFID), the World Bank, the Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD), the Swiss Agency for Development and Cooperation (SDC) and the Technical Centre for Agricultural and Rural Cooperation between the Africa Caribic Pacific group of states and the European Union (ACP-EU) Wageningen (CTA).



## Chapter 1: Background and rationale

The Rural Economic and Enterprise Development (REED) approach aims at diversification and innovation of the rural economy, increasing its market orientation, and fostering value addition to rural products. The intensification of agriculture and the transformation of agricultural and natural resource products will lead to additional non-farm employment, increased local incomes, and greater demand for local agricultural and non-farm products. REED therefore aims at stimulating and enhancing the sectoral links between agriculture, agribusiness (which forward and backward links to agriculture) and non-agricultural economic activities (including service provision).

REED views entrepreneurs and the private sector as the main drivers of sustainable rural development, and emphasises the importance of providing an enabling environment for market-oriented economic activities. However, REED also has a public policy element, which focuses on the provision of basic rural infrastructure (soft and hard) and services that foster poverty reduction and economic growth. Rural economic and enterprise development needs a policy environment conducive to fostering investment and increased effectiveness of existing public and private institutions. Public policy needs to strike a balance between the public interest in reducing poverty levels and improving the livelihoods of the majority of the population on the one hand and, on the other, stimulating efficient markets as a basic element of sustainable economic development.

Although agriculture remains the most important livelihood of the rural poor, REED has the potential to help them to diversify their income-generating activities by stimulating engagement in value addition to rural products and in non-farm production and services, which provide additional income opportunities and reduce household risk. It allows people to graduate from subsistence and food security activities to improved, diversified and sustainable livelihoods.

Such economic development and enterprise promotion strategies have to be linked to the poverty reduction efforts of the international donor community and national governments.

In many countries, the poverty reduction strategy paper process<sup>1</sup> has become the main instrument for channelling support to rural areas. The broad scope and focus of REED as outlined in this document are meant to guide and evaluate the 'pro-poor' rural development interventions that are components of PRSPs.

The scope of Rural Economic and Enterprise Development covers all economic development of rural areas. Welfare concerns (such as disaster mitigation, etc) and subsistence agricultural activities have been excluded from our definition, although their social and economic importance is undeniable, because these are catered for in other development programmes. Thus REED includes the promotion of on-farm commercial activities, as well as non-farm activities, by rural households and enterprises, which ultimately leads to the creation of new jobs, improved rural livelihoods and growth. The main focus is on promoting employment and generating income through micro-, small- and medium-sized rural businesses. Since most of the entrepreneurial activities in rural areas are based on agricultural and natural resource products, farm families can broaden their income strategies by including value-added operations. Thus market-oriented enterprise diversification occurs both on farm and off farm, i.e., within the farm household and amongst small- and medium-scale off-farm rural enterprises. REED also focuses on improving access of resource-poor rural households to labour markets.

The REED approach should be used by policy makers, national and local governments, development agencies, field level practitioners, the private sector and NGO participants, those primarily dealing with agricultural production and agriculture-related activities, and those supporting private sector development, who all need to consult each other and share experiences for better focus and greater impact in their interventions.

<sup>1</sup> Poverty Reduction Strategy Papers (PRSPs) describe a country's macroeconomic, structural and social policies and programmes to promote growth and reduce poverty, as well as associated external financing needs. They are prepared by governments through a participatory process involving civil society and development partners, including the World Bank and the International Monetary Fund. PRSPs provide the basis for international donors' concessional lending and for debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

This **Guide to Rural Economic and Enterprise Development** supports stakeholders involved in REED in participatory strategy development and knowledge management to address the critical challenges outlined above. It does this by providing access to the consolidated experience of practitioners from different professional and institutional backgrounds and enabling systematic identification of bottlenecks and entry points for intervention.

The **Guide to REED** has been elaborated along the lines of the Learning Wheel methodology.<sup>2</sup> The steps were as follows:

- Experiences from a broad range of projects and programmes from across the world were shared and systematically analysed for the factors of successful intervention;
- Key functions that should be provided by stakeholders involved in REED were identified and re-assembled into a set of cornerstones, which are critical entry points for intervention; and
- The components of the individual cornerstones were determined. They include core elements, strategies for effective implementation, practical case study material, and web site links.

Chapter 2 presents the ten cornerstones for successful intervention in rural economic and enterprise development. Chapter 3 describes how to apply them, and discusses areas and institutional settings where the **Guide** can make useful contributions to situation analysis, strategy development and evaluation. The Annex provides detailed information on implementation methods and links to case study information and other resources.

It is expected that further refinements will be made once the guiding principles have been validated by using this first edition of

<sup>2</sup> Hagmann, J. (forthcoming ): Learning Wheel – Creating common learning frames for joint action and knowledge management: A methodology for conceptualising experiences among multiple stakeholders. Some examples of LearningWheel applications are:

- \_ Framework for Strategic Planning  
[http://www.worldfishcenter.org/Pubs/corporate/muddy\\_waters/muddywaters.htm](http://www.worldfishcenter.org/Pubs/corporate/muddy_waters/muddywaters.htm);
- \_ Framework for Integrated Natural Resource Management  
[http://www.icarda.cgiar.org/INRM/INRM4\\_Site/INRM\\_All%20\\_2002.pdf](http://www.icarda.cgiar.org/INRM/INRM4_Site/INRM_All%20_2002.pdf);
- \_ Common Framework for Extension Reform  
[http://www.gtz.de/agriservice/resources/topics/snrd\\_june2000.pdf](http://www.gtz.de/agriservice/resources/topics/snrd_june2000.pdf).

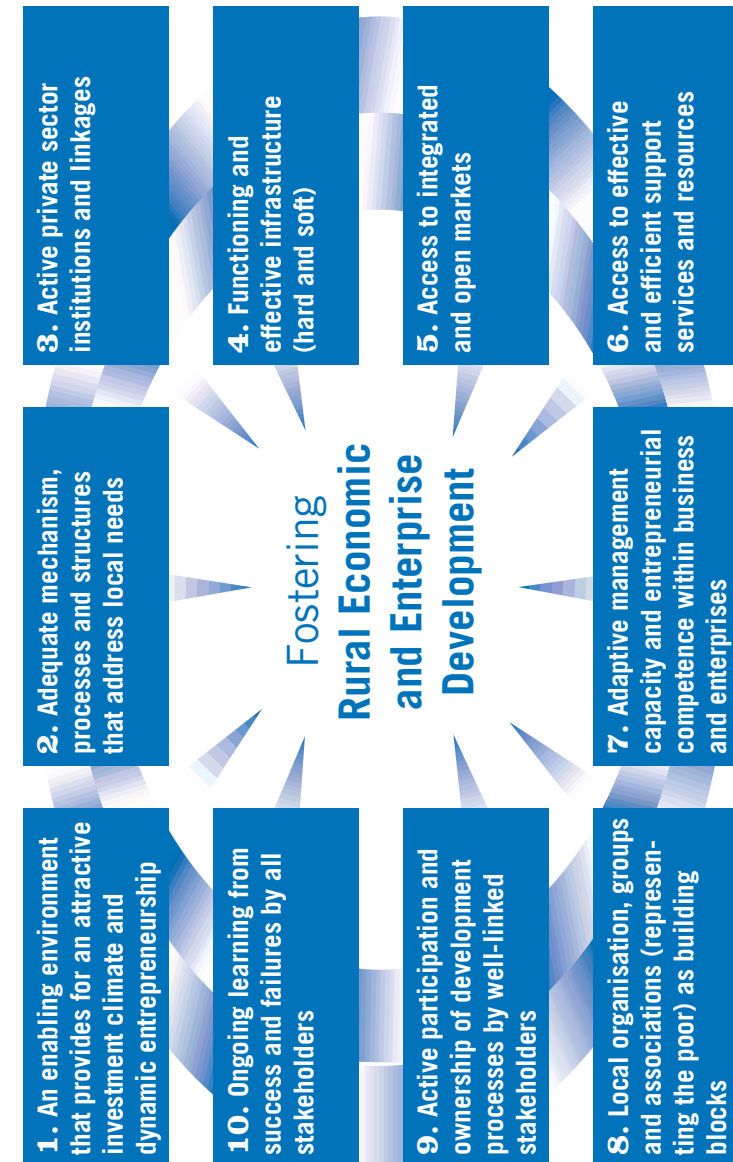
For more information please contact: JHagmann@aol.com.

the **Guide** to plan and evaluate policies, programmes and projects. Feedback in terms of providing new links and project suggestions will be highly appreciated.<sup>3</sup>

This document provides a conceptual frame for other approaches that address enterprise promotion and economic development in rural areas. An example of such an approach is the 'Blue Book' on business development services, compiled by an international working group.<sup>4</sup>

The **Guide to REED** is envisaged as an effective analytical instrument for assessing and improving policies, institutional development, and intervention programmes and projects for more system-based and comprehensive intervention by all partners. The information in the Annex enables stakeholders to identify the strengths, weaknesses and gaps of current interventions. For example, some programmes may have been exclusively focusing on entrepreneurship development while ignoring some other cornerstones in the system, such as the enabling policy environment, and vice versa. The application of the **Guide to REED** thus serves as a checklist for external and self-evaluation and for the planning and prioritisation of new activities.

## The Learning Wheel\* of REED



<sup>3</sup> Please address feedback to reed@gtz.de

<sup>4</sup> See Cornerstone 8: Local organisations, groups and associations (representing the poor) as building blocks

## Chapter 2: Conceptual framework for Rural Economic and Enterprise Development

The conceptual framework, building on the experiences and lessons learned from practical experience in rural projects, consists of ten cornerstones for intervention. These are clusters of successful elements of intervention approaches dealing with rural economic and enterprise development. Although there are many linkages and interdependencies between them, which do not allow one to draw clear lines between them, the cornerstones can be broadly classified into four categories:

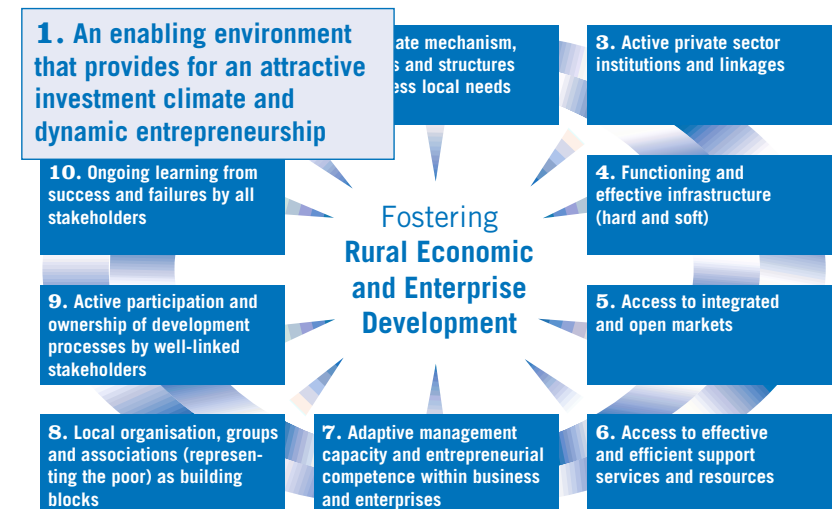
- policies and institutional framework,
- infrastructure, services and markets,
- entrepreneurial competence, and
- stakeholder involvement and linkages.

The cornerstones represent the core functions that must be provided for successful, self-sustaining rural economic and enterprise development processes. The framework is based upon the principle of systemic interaction, so that each of the cornerstones is critical for the success of policies, programmes and projects. They are fundamental functions, which are nevertheless interdependent and linked to each other. The framework thus facilitates the analysis of weaknesses and bottlenecks, and the identification of critical entry points and priorities for intervention.

For each of the ten cornerstones, the core elements, key strategies and ways of implementation have been identified in an iterative process, building on the collection of available information and experience-based knowledge. The format is open-ended, allowing the addition of new strategic elements and case study material.

### [Cornerstone 1]

An enabling environment that provides for an attractive investment climate and fosters dynamic entrepreneurship



### Why is this cornerstone important?

An enabling business environment is essential to the creation of a level playing field for all parties in rural economic and enterprise development. To be successful, rural entrepreneurs need transparent and consistently applied rules and regulations, as well as a positive attitude by society to their success. In an enabling environment, government would encourage local self-organisation, maintain an active dialogue with stakeholders, and ensure that local needs are addressed.

### What are we aiming at?

The main factors that need to be provided are the following:

1. a simple, easily accessible and applicable, legal, regulatory and fiscal regime that is favourable for enterprises, and that particularly enhances opportunities for the rural micro- and small business community;
2. a flexible response of the regulatory system to changing global and local realities;

3. the political will to protect and promote the interests of the poor and disadvantaged people who are involved in small- and microenterprises; and
4. timely and cost-effective systems for administration, implementation and delivery.

### Who are possible actors?

The main actors responsible for an enabling environment are the legislative bodies, national, regional and local administrations, sectoral line ministries, planning and policy units of the government, donor and development agencies, private sector organisations and business associations (corporations as well as less formal or informal entities), NGOs and civil society in general.

### What are the major issues/challenges?

The main requirements for an environment that enables an attractive investment climate and entrepreneurship are:

1. **to define the appropriate role of the government in fostering REED.** Political, legal and administrative elements that are harmful to the development of an enabling environment for rural enterprises should be gradually removed. This requires comprehensive reviews of policies that impact on the sector;.
2. **to enable governments to balance individual, often diverging, interests** for the benefit of the whole society, **and to formulate coherent policies** with particular attention to the poor and disempowered. Laws and regulations must be formulated and implemented in ways that are understandable, fair and transparent, and the way in which laws and regulations are administered is at least as important as their formulation and content;.
3. **to facilitate 'good governance'**. Its essential elements are transparent and competent public administration, participation of the people, accountability of public decision-makers, commitment and long-term attention. Good governance by governments, the corporate and the cooperative sector facilitates effective investment at small and medium enterprise (SME) level. In addition, wise and balanced fiscal policies and procedures are needed, taking into consideration the specific context of SME and REED

(such as widespread illiteracy, lack of bookkeeping skills, etc). They should provide incentives to entrepreneurs to invest in areas and sectors;.

4. **to ensure that small and rural enterprises can be competitive.** The rapid change of the business environment is a challenge because of increasing globalisation and competition from all over the world. Protection of local markets against imports would only delay this challenge. In international negotiations, a major issue will be to address the challenges of increasing non-tariff barriers to entry into the markets of industrialised countries. However, REED also has to ensure the competitiveness of small and rural enterprises in areas that are still relatively isolated and do not have access to distant domestic and foreign markets.

### What are promising strategies for creating an enabling environment?

The economic and market environment in many developing countries is distorted at present and will probably remain so for some time. As international markets move rapidly toward globalisation and integration, many countries with limited information, knowledge and capacity to analyse future scenarios are at a disadvantage. Rural producers in the process of graduating from subsistence livelihoods to higher levels of economic activity are sometimes more vulnerable and exposed to greater risks without their knowing it or having the means to cope. On the other hand, there are frequently underlying social issues critical to people's economic behaviour, for which governments and other actors have to develop locally appropriate initiatives (see Box 1).

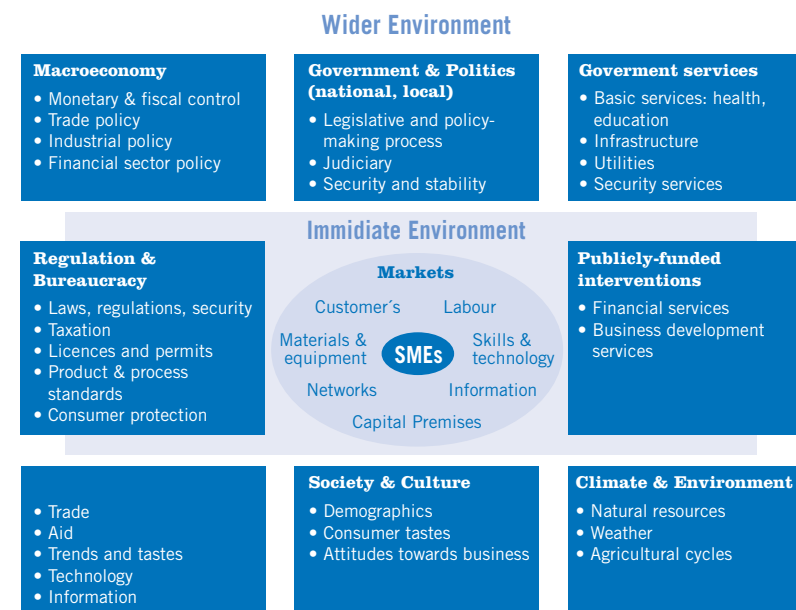
Harmonising public and private interests and formulating coherent policies is therefore a challenging task for any government. Easy access by the actors in the rural economy to information, knowledge, technologies and resources requires more than enactment of laws. Moreover, changes in governance and higher-level policies usually only have an impact in the medium or long term; in the short term, it is usually important for stakeholders and actors to adopt measures that allow for working within existing constraints and imperfections. However, various kinds of fiscal and

other measures can redress the adverse economic balance that underdeveloped rural areas and producers and consumers with low levels of literacy and awareness are facing.

### Box 1: An enabling Environment – Experience from Indonesia.

The Asian Development Bank distinguishes between a ‘wider’ and an ‘immediate’ environment for SME development, which allows for more comprehensive considerations.

A review of the literature on managing the growth of existing small businesses has revealed many different approaches but no overall convincing model of predictive ability. There is still little documentation of the outcome of policy implementation in creating a conducive or enabling environment for SME development.



Source: ASIAN DEVELOPMENT BANK (GFA, SC) SME Development TA: Indonesia – Policy Discussion Papers 2001/2002, see: [www.adbtasme.or.id](http://www.adbtasme.or.id)

**Table of Cornerstone 1: An enabling environment that provides for an attractive investment climate and fosters dynamic entrepreneurship**

| Content*                         | Key Strategies & Processes  | Possible ways to implement  |
|----------------------------------|---|---|
| 1. Good governance               | <ol style="list-style-type: none"> <li>1. Devolve resources and decision-making to the local level;</li> <li>2. Encourage local stakeholders to organise themselves into networks for information exchange and dialogue;</li> <li>3. Support the adoption and implementation of national laws and regulations at regional and local levels.</li> </ol>  | <ul style="list-style-type: none"> <li>• Advocacy, awareness and lobbying;</li> <li>• Building of capacities of local institutions, including associations and interest groups.</li> </ul>                                    |
| 2. Improved, reformed regulation | <ol style="list-style-type: none"> <li>1. Facilitate competition (especially where there are monopolies or oligopolies – state or private);</li> <li>2. Improve or create regulations appropriate to local capacities and realities (enforcement, enforceability, avoiding over-regulation and complexity, stability of regulatory measures).</li> <li>3. Balance public and private sector interests (for overall benefit).</li> </ol> | <ul style="list-style-type: none"> <li>• Training of local authorities to apply appropriate regulations;</li> <li>• Encouragement of consumer organisational development;</li> <li>• Promotion of self-regulation.</li> </ul> |
| 3. Taxation                      | <ol style="list-style-type: none"> <li>1. Develop a feasible, realistic taxation regime that favours the growth of rural enterprises;</li> </ol>  | <ul style="list-style-type: none"> <li>• Coordination of multilateral lobby</li> <li>• Improvement of statistics.</li> </ul>  |

\* Elements/Ingredients

| Content*  | Key Strategies & Processes  | Possible ways to implement   |
|---|---|--|
| »   | <ol style="list-style-type: none"> <li>2. Monitor the impact of new fees and levies in the context of decentralisation and income generation for local authorities.</li> </ol>  |  |
| 4. Licensing  | <ol style="list-style-type: none"> <li>1. Increase the capacity of local government to maintain an effective business registration and licensing system;</li> <li>2. Promote licensing to encourage market access;</li> <li>3. Ensure that licensing will not be used to restrict market access for competitors.</li> </ol>   | <ul style="list-style-type: none"> <li>• Review and simplification of licensing and, where possible, removal of inappropriate licensing.</li> </ul>  |
| 5. Tariff and non-tariff barriers removed to provide 'level playing fields' | <ol style="list-style-type: none"> <li>1. Improve awareness, information and knowledge in developing countries to enable them to protect national interests and to take advantage of external markets and globalisation;</li> <li>2. Reduce internal systemic deficiencies and corruption;</li> <li>3. Improve public awareness of any change in tariffs or fees to reduce corruption.</li> </ol> | <ul style="list-style-type: none"> <li>• Assistance in WTO negotiations;</li> <li>• Promotion of regional platforms to negotiation with the WTO;</li> <li>• Capacity building;</li> <li>• Transparency at national level about local fees and regulations</li> </ul> |

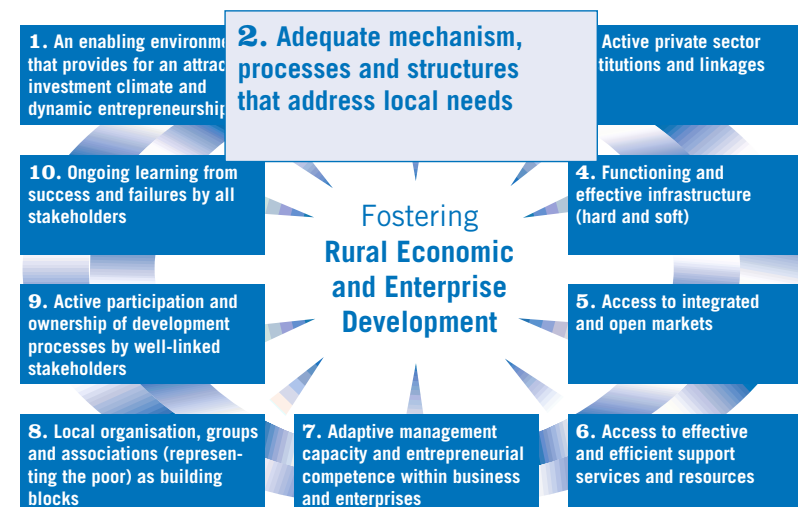
\* Elements/Ingredients



| Content*                             | Key Strategies & Processes  | Possible ways to implement   |
|--------------------------------------|---|--|
| » 6. Legal framework established     | 1. Review and evaluate a legal framework to promote a conducive business environment;<br>2. Establish and enforce secure property rights and contracts. | <ul style="list-style-type: none"> <li>• Interministerial group;</li> <li>• Legal and policy advisors;</li> <li>• Seconded senior officials;</li> <li>• Pressure from private sector.</li> </ul>             |
| 7. Incentives for private investment | 1. Create flexible policies to respond to market distortions;<br>2. Create credit or capital funds to promote private investment (seed capital).        | <ul style="list-style-type: none"> <li>• Tax cuts;</li> <li>• Appropriate subsidies;</li> <li>• Risk management tools;</li> <li>• Public investment in infrastructure;</li> <li>• Credit schemes.</li> </ul> |

**[Cornerstone 2]**

**Adequate mechanism, processes and structures that address local needs**



**Why is this cornerstone important?**

In many countries, the rural population, in particular the poor and deprived, cannot articulate its needs so its interests are frequently not taken into account with regard to an enabling business environment, an appropriate legal or regulatory framework, adequate business support services and an effective infrastructure.

**What are we aiming at?**

We want adequate mechanisms, processes and structures that address local needs by:

1. responding to and encouraging the self-organisation of rural entrepreneurs and expression of group interest at grassroots level;<sup>5</sup>
2. ensuring sensitivity to local realities and proactive government, private institutions, and service providers, paying specific attention to requests related to poverty, exclusion and deprivation, which inhibit economic choice and access;
3. ensuring demand-responsive service delivery;

<sup>5</sup> See Cornerstone 8: Local organisations, groups and associations (representing the poor) as building blocks

\* Elements/Ingredients



4. providing support to agencies to facilitate and foster the sustainable use of assets and capacities of rural producers, and orientating them to market demand (for goods, services and labour);
5. establishing mechanisms to enable local people to obtain access to finance, technologies, and advisory/support services;
6. accessing resources and support from governments, donors and NGOs, mainly in the start-up and stabilisation stages of enterprise development, in order to leverage larger amounts with comparatively small own resources.

### Who are possible actors?

Key actors in creating adequate structures are at the local level, such as business associations and government agencies, and they must be responsive and responsible to local people. These actors need to be effectively empowered, with genuine autonomy, adequate financial and human resources, and a strong mandate for a role in local economic development.

Decentralised government structures are often a practical way forward but their nature necessarily varies across countries and cultures. However, decentralisation is a political process and experience shows that its results, especially economic results, are not always satisfactory. Decentralisation policies may actually produce threats to the microbusinesses that make up a large and important part of the rural economy. The process usually becomes more meaningful when representation and space is provided for all people and interests.

The poor and disempowered have the potential to play economically active and viable roles. Public or donor funds should therefore be used to assist the poor who are structurally disadvantaged, by providing subsidies to 'kick start' the development of rural enterprises and other economic activities. This assistance can be justified if there are clear positive effects in a foreseeable timeframe. Such people must therefore find representation and have their voices heard in any decentralised arrangement.

### What are the major issues/challenges?

For effective mechanisms, processes and structures that address local needs, it is necessary:

- to develop approaches that build on local knowledge as well as expert knowledge outside the immediate local environment, e.g., market information for new products;
- to promote the positive aspects of decentralisation and avoid the pitfalls of poor coordination, low human resource capacity and skills, and lack of accountability.

### What are promising strategies?

Strategies for creating mechanisms, processes and structures that adequately address local needs include the following:

1. **lobbying to change fiscal policy and its implementation.** Fiscal policy and its implementation is frequently a problem, rarely resolved to the satisfaction of the affected rural entrepreneurs. It usually takes time and a number of iterative changes and political accommodations before meaningful levels of decentralisation and efficiency are achieved.
2. **allowing freedom of self-organisation and improving access to information.** These can lead to transparency and accountability. However, a number of facilitative actions are usually needed for this to actually happen, particularly in countries that have low levels of literacy and/or do not have strong civil society institutions.
3. **providing inputs, services and support to enterprises at cost.** Provision of inputs, services and support to enterprises should in principle be 'at cost' or on a profit oriented commercial basis, rather than below cost. However, some flexibility in this principle is usually necessary for some time to create an enabling environment for enterprises under gestation or incubation (especially where margins or value added are small or risks high) and where rural producers are minimally integrated into the cash economy.
4. **working towards having empowered and aware customers, served by competing private providers, efficiently overseen**

**by local business associations and government.** Experience shows that governments, NGOs and donors as direct providers of inputs, support and services are generally less efficient or sustainable than private providers. Private providers can, however, be exploitative and predatory in monopolistic or oligopolistic situations, especially when their customers are poor or disempowered.

**Table for Cornerstone 2: Adequate mechanisms and structures that address local needs**

| Content*                      | Key Strategies & Processes   | Possible ways to implement   |
|-------------------------------|--|--|
| 1. Effective decentralisation | <ol style="list-style-type: none"> <li>1. Make financial resources accessible to local authorities;</li> <li>2. Do local planning participatively;</li> <li>3. Develop capacities for local economic development;</li> <li>4. Coordinate local and central governments ('joined up government');</li> <li>5. Coordinate fiscal policies across local and central governments (avoid 'beggar-my-neighbour' policies);</li> <li>6. Ensure that decentralisation does not create barriers, impediments, or constraints (especially access to or movement of people, goods and services).</li> </ol> | <ul style="list-style-type: none"> <li>• Creation or change of legal provisions as appropriate;</li> <li>• Participation of different levels of government in financial planning;</li> <li>• Organisation of forums and committees, consultation with key stakeholders;</li> <li>• Creation of PRSPs at local level;</li> <li>• Decentralisation of capital fund management;</li> <li>• Training of local government units;</li> <li>• Creation of an appropriate tax regime (rates, collection, allocation of revenues for rural small, medium and microenterprises);</li> <li>• Organisation of units to coordinate cross-sectoral interventions.</li> </ul> |
| 2. Empowerment of communities | <ol style="list-style-type: none"> <li>1. Develop institutions that represent rural communities (including rural small-</li> </ol>   | <ul style="list-style-type: none"> <li>• Mobilisation and information of potential members;</li> </ul>   |

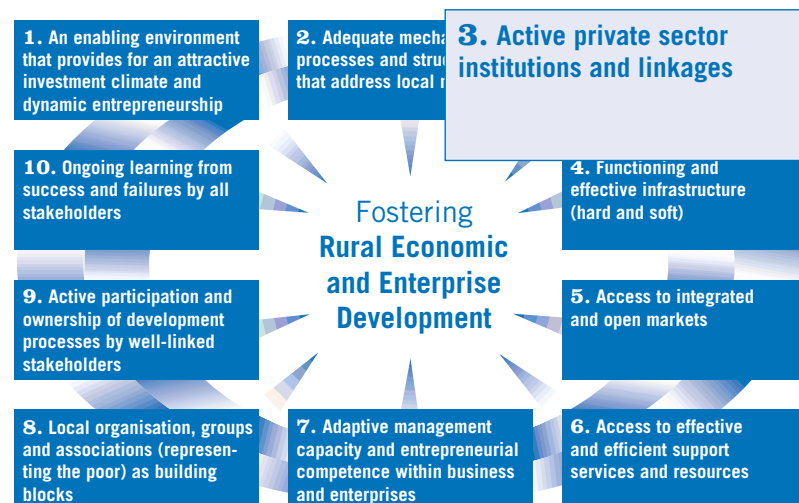


\* Elements/Ingredients

| Content* | Key Strategies & Processes  | Possible ways to implement  |
|----------|---|---|
| »        | <p>scale and micro producers) in local government as a means to lobby both locally and nationally;</p> <p>2. Make access to information and knowledge simple and inexpensive;</p> | <ul style="list-style-type: none"> <li>• Dissemination of know-how regarding institution building.</li> <li>• Democratisation of information;</li> <li>• Development of market information systems;</li> <li>• Building on existing local systems and practices of disseminating know-how and information.</li> </ul> |
|          | <p>3. Make space for people to articulate their needs through locally appropriate mechanisms;</p>   | <ul style="list-style-type: none"> <li>• Facilitation of forums and platforms;</li> <li>• Reduction or reform of over-regulation of local organisations.</li> </ul>   |
|          | <p>4. Build capacity of local communities to play an active role in economic development;</p>   | <ul style="list-style-type: none"> <li>• Training of community representatives in business development.</li> </ul>  |
|          | <p>5. Create mechanisms to hold local authorities accountable.</p>  | <ul style="list-style-type: none"> <li>• Freedom of information;</li> <li>• Transparency;</li> <li>• Community audit of accounts and programmes.</li> </ul>   |

[Cornerstone 3]

Active private sector institutions and linkages



Why is this cornerstone important?

In many countries, private sector organisations or institutions constitute the main supply and delivery channel for services to business and for ensuring that the interests of their members are represented at all levels. Private sector institutions like business associations, chambers, etc., that represent or service organisations are thought to be more flexible than public sector institutions in responding to the needs and interests of their members or potential clients. As representative bodies, they can link their members and clients to government or private service providers (promotion agencies, banks, entrepreneurship training institutions, consultant firms) and their services. They are frequently connected to or supported by international donors and NGOs to facilitate the supply of business development services or to provide their own.

What are we aiming at?

Active private sector institutions are expected:

1. to provide professional business development and information services to rural entrepreneurs and enterprises;

\* Elements/Ingredients

2. to respond to the local needs, gaps and problems of rural entrepreneurs as representative, lobbying and advocating bodies;
3. to develop or set professional standards, rules and norms;
4. to provide business-related technical or commercial services;
5. to run their services according to cost-covering and market-oriented principles.

Services are important to the livelihoods of many poor rural households. Some of them play a supportive role in developing key subsectors, such as transport. Since only a few of those services are currently accessible to enterprises in rural areas, there is a need to refocus urban service providers by marketing incentives or by initiating and facilitating the establishment of new service institutions adapted to rural economic and enterprise requirements and conditions.

### Who are possible actors?

Private sector institutions are trade associations, membership organisations (such as chambers of commerce), cooperatives and service-providing organisations and firms (such as consultants) serving the private sector, financial institutions, marketing boards, associations of input suppliers, and NGOs involved in the promotion of business and income-generating activities, etc. They provide services (e.g., business development services, financial services) or represent the interests of the different groups of the private sector by acting as lobbying or advocating agencies for the common interest of their respective members. They network, build alliances, facilitate access to inputs and final consumer markets, and provide other supporting services, such as training or various business services (auditing, information, consultancy, advertising). Some may act as arbitration or conflict moderation bodies. These actors should work according to the following principles:

- The offered services should be adaptive to local conditions (absorption capacity of clients), market/demand-driven, cost-covering (weaker rural producers and poorly developed areas could be considered for subsidies), socially committed and professional;

- Service-providers should continually develop their own learning culture, being entrepreneurial themselves in seeking (business) information and responding to innovations, and they should actively share this continuous learning process with their members or clients in a participatory way.

### What are major issues/challenges?

It is a major challenge to improve the purchasing power of rural small and micro enterprises and to facilitate their access to service providers. Small and micro enterprises situated in more isolated rural areas with weak market access have very limited purchasing power and hardly any positive service experiences to create the required demand for market-driven, commercially viable service providers.

Major issues on the demand-side are lack of risk-taking, awareness and entrepreneurial competence within rural businesses. In addition, there are issues related to the intensity of demand for business development services (BDSs) and the fact that much rural economic activity is not cash-, but barter-based.

Major issues on the supply side are subsidising, downscaling, adapting and recovering costs of services. Effective ways of creating subcontractual and contractual links between producers and processors have to be found.

Whether or not to create new businesses for service delivery or to support existing ones should be part of careful strategic decision-making.

### What are promising strategies for active private sector institutions and linkages?

This cornerstone indicates best practices, web page sources or practical experiences of experts that will help the design and implementation of new private micro and small business services to foster rural economic and enterprise development, or improve the effectiveness of existing private micro and small business service providers to do so. The generally weak, self-organised representative bodies of local business (chambers, associations) need guidance and support to enhance their professional competence and organisational capacity to effectively serve and advocate for their members and clientele.

Table for Cornerstone 3: Active private sector institutions and linkages

| Content*   | Key Strategies & Processes   | Possible ways to implement   |
|--|--|--|
| 1. Building capacity of private sector institutions to provide services to rural enterprises | <ol style="list-style-type: none"> <li>1. Triangulate different actors assessment of the capacity and competence of private sector institutions (demand and supply situation);</li> <li>2. Avoid crowding out;</li> <li>3. Encourage franchising;</li> <li>4. Provide grants or loans to promote rural business ventures.</li> </ol> | <ul style="list-style-type: none"> <li>• Organisation of individuals and focusing of group discussions, institutional mapping and self-appraisal or external assessment;</li> <li>• Use of interaction, moderation and facilitation methodology;</li> <li>• SWOT<sup>6</sup>/RAAKS<sup>7</sup> analysis;</li> <li>• Analysis of organisational governance;</li> <li>• Surveys of customer satisfaction.</li> </ul> |
| 2. Refocusing and/or creating new service provider institutions for rural areas              | <ol style="list-style-type: none"> <li>1. Facilitate demand-led and cost-covered representation of private sector associations.</li> <li>2. Foster competition among service providers.</li> </ol>   | <ul style="list-style-type: none"> <li>• Moderation of group building processes at cluster or trading levels;</li> <li>• Provision of information on the feasibility of refocusing urban-based service providers.</li> <li>• Information of potential users about supplied services.</li> </ul>  |

| Content*   | Key Strategies & Processes  | Possible ways to implement   |
|--|---|--|
| » 3. Enhancing professional competence and organisational capacity | <ol style="list-style-type: none"> <li>1. Develop professional standards and norms;</li> <li>2. Promote an attitude or culture of continuous learning (creating learning organisations);</li> <li>3. Facilitate cross-organisational knowledge sharing and learning.</li> </ol>                               | <ul style="list-style-type: none"> <li>• Strengthening of management skills through counselling;</li> <li>• Access to business information systems, technologies and web pages;</li> <li>• Public presentations of private sector institutions, 'open days', and directories of service providers and membership organisations.</li> </ul> |
| 4. Creating local business networks                                | <ol style="list-style-type: none"> <li>1. Organise round-table meetings of local entrepreneurs;</li> <li>2. Set up modes of cooperation amongst small-scale suppliers offering marketable volumes or services;</li> <li>3. Support commitment to the regional identity of producers and suppliers.</li> </ol> | <ul style="list-style-type: none"> <li>• Informal business talks under the chairmanship of the local parliamentarian, church leaders and/or elder statesmen.</li> </ul>  |

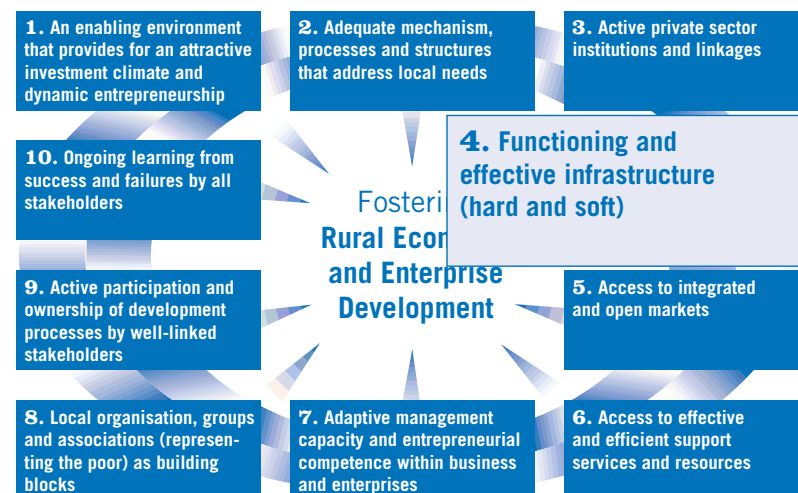
6 SWOT = Strengths, Weaknesses, Opportunities, Threats  
7 RAAKS = Rapid Appraisal of Agricultural Knowledge Systems  
\* Elements/Ingredients

\* Elements/Ingredients

| Content*  | Key Strategies & Processes   | Possible ways to implement  |
|---|--|---|
| » 5. Improving financial viability and sustainability | 1. Create awareness and understanding of the market cost of services and inputs;<br>2. Arrange financial support for emerging new services;<br>3. Develop services that are market-oriented and demand-driven. | <ul style="list-style-type: none"> <li>• Technical assistance and financial support to business service providers for studies on rural or weaker markets and cost-benefit analysis for refocused or new services;</li> <li>• Downscaling of existing services.</li> </ul> |
| 6. Creating links and networks among institutions     | 1. Facilitate the creation of apex bodies or fora;<br>2. Organise joint action to attract new funds.   | <ul style="list-style-type: none"> <li>• Creation or facilitation of local or regional network bodies for service providers and organisations of rural small-scale producers of non-farm goods.</li> </ul>  |
| 7. Lobbying   | 1. Facilitate professional lobbying efforts (R&D skills, tactics and strategies in negotiations).  | <ul style="list-style-type: none"> <li>• Creation or facilitation of policy fora for private sector SPs.</li> </ul>   |

[Cornerstone 4]

Functioning and effective infrastructure (hard and soft)



Why is this cornerstone important?

Infrastructure allows rural enterprises access to inputs and markets for their outputs.<sup>8</sup> The infrastructure should enable enterprises to minimise the costs of doing business and should, at the same time, facilitate the production process. Good infrastructure improves the quality of life of the rural population and has wider socioeconomic, environmental and health benefits. It is an important aspect of an enabling environment for investment. Investment in infrastructure encourages pro-poor growth, and improves opportunities for employment. People in rural communities would benefit from improved access to infrastructure and this should reduce the risks and transaction costs related to production and distribution, and lead to increased productivity. However, improved infrastructure, especially roads, also encourages competition and might erode the competitive advantage of some producers in isolated rural areas.

<sup>8</sup> See Box 2 overleaf for examples of hard and soft infrastructure

\* Elements/Ingredients

### What are we aiming at?

1. Creating access to functioning and effective infrastructure, both hard and soft. Most rural areas have an infrastructure deficit, and many sections of the rural population lack access to it. Even where there is some infrastructure, it is often badly managed and barely functional.
2. Improving the management and service delivery of existing infrastructure.

### Who are possible actors?

The main actors involved in providing functioning and effective infrastructure are:

- governments (at national and local level), e.g., regulatory bodies, state and parastatal service providers;
- the private sector (rural and urban enterprises, consumer organisations, utility service providers, large-scale investors);
- rural communities and their organisations and associations.

Ideally, rural enterprises should have ready access to rural infrastructure and should use it to conduct their business in the most efficient way. Local governments should support and invest in the development of new and enhanced infrastructure, and they should encourage infrastructure providers to deliver the required services. The private sector would then be encouraged to invest in rural infrastructure wherever it was appropriate.

### Box 2: Types of rural infrastructure

| Hard infrastructure  | SOFT infrastructure   |
|--|---|
| <ul style="list-style-type: none"> <li>• Electricity supply</li> <li>• Housing</li> <li>• Marketplaces</li> <li>• Offices and business premises</li> <li>• Roads and haulage providers</li> <li>• Other transport systems, eg, railways, air services</li> <li>• Sanitation and waste management</li> <li>• Schools</li> <li>• Shops and other ‘town’ services</li> <li>• Storage facilities</li> <li>• Supply of gas</li> <li>• Telecommunications</li> <li>• Water supply</li> </ul> | <ul style="list-style-type: none"> <li>• Financial and other business service-providing institutions, e.g., commercial banks, advisory services<sup>9</sup></li> <li>• Healthcare and other social/welfare systems</li> <li>• Informal savings clubs</li> <li>• Markets</li> <li>• Post and courier services</li> <li>• Training</li> </ul> |

### What are major challenges/issues?

The infrastructure cornerstone is about ensuring that rural enterprises are not disadvantaged compared to urban enterprises by having limited and inadequate access to infrastructure. In other words, they need infrastructures that will enable them to compete in local, regional, national and international markets. In looking at the rural infrastructure, it is important, not only to know what is available now, but also to understand what gaps there may be and to envisage what rural enterprises will need in the future.

<sup>9</sup> See Cornerstone 6: Access to effective and efficient support services and resources



The main challenges for functioning and effective infrastructure are therefore:

- to clarify the roles of the public and private sectors;
- to determine whether infrastructure development is a necessary prerequisite for enterprise development;
- to improve the efficacy of the existing utility service providers and to improve access of rural entrepreneurs to these services;
- to seek innovative, low-cost solutions (see Box 3);
- to promote investment in local infrastructure by rural enterprises themselves;
- to develop sustainable finance for the maintenance of the infrastructure; and
- to ensure that the infrastructure providers comply with national standards.

### What are promising strategies?

Functioning and effective infrastructure could be obtained by:

1. **developing utility service cost recovery schemes.** These are a promising alternative to state-subsidised service provision. Concepts of Build-Own-Operate (BOO) or Build-Own-Transfer (BOT) have been successfully introduced in rural areas. The management of the infrastructure is contracted to private entities responsible for maintenance and fee collection;
2. **transforming state utilities.** State utilities can be transformed in various ways, e.g., through total privatisation (selling of assets) or their conversion into public or public or private service companies offering more transparency related to costs. In some cases, policies that foster market entry of private investment might be a promising option (see Box 4).

### Box 3: Improving the population's access to employment opportunities and to economic and social goods and services through effective provision of infrastructure

The ASIST AP objective is to integrate local-resource-based strategies for sustainable pro-poor infrastructure provision into country investment programmes. To this end, it works with governments, development banks, donors and the private sector to maximise the impact of public investments on employment creation and poverty reduction. It works at both national and local level to influence policies, strategies and mainstream investment programmes. In the implementation of infrastructure works, the Advisory Support, Information Services and training in the Asia-Pacific region (ASIST AP) programme proposes a comprehensive approach based on four key elements:

- 1) local level participatory planning of infrastructure;
- 2) developing small-scale private sector enterprises;
- 3) cost-effective use of labour-based technology;
- 4) local level infrastructure maintenance.

The programme has been intentionally designed to be process oriented, in that it works in partnership with governments and donors to define with them what are the most appropriate inputs towards a more local- resource-based infrastructure strategy. In practice, this means that the programme effects change towards employment creation, local skills development, more equitable and fair working conditions, promotion of small-scale enterprises, transparency and participation in the identification of infrastructure and improved governance at the local level.

Source: ILO Advisory Support, Information Services and Training in the Asia-Pacific region (ASIST AP), supported by DFID and other donors.  
[www.ilo.org/public/english/employment/recon/eiip/asist/](http://www.ilo.org/public/english/employment/recon/eiip/asist/)



#### Box 4: Fostering competition of private infrastructure providers

Examples of innovative and best policy practices are:

- Nepal's de-licensing of small (1000 kW or less) hydropower schemes;
- Bangladeshi and Nepali programmes that foster market entry for wholesale small-scale power provision;
- Power wheeling and banking arrangements, which are available to renewable (and some conventional) energy-based power in many Indian states, and which facilitate risk mitigation and allow off-site self-provision and wholesale sales via the grid;
- Various lease and management contract schemes involving private players (mostly SMEs) for rural power generation and distribution in Nepal, and for water supply and power schemes in India;
- Licensing and related policies that enable legal multiservice-provision players in Bangladesh and India;
- Various policies facilitating collaboration between large- and small-scale providers, such as those for public telephone offices in all three countries.

Source: DE LUCIA AND ASSOCIATES, INC. Draft Viewpoint Note, August 2, 2001  
[http://wbln0018.worldbank.org/ppiaf/activity.nsf/files/A102699-M-MS-BP-8S-FR.pdf/\\$FILE/A102699-M-MS-BP-8S-FR.pdf](http://wbln0018.worldbank.org/ppiaf/activity.nsf/files/A102699-M-MS-BP-8S-FR.pdf/$FILE/A102699-M-MS-BP-8S-FR.pdf)

Table for Cornerstone 4: Functioning and effective infrastructure (hard and soft)

| Content*  | Key Strategies & Processes   | Possible ways to implement  |
|---|--|---|
| 1. Identifying the infrastructure required by rural enterprises | <ol style="list-style-type: none"> <li>1. Assess the existing infrastructure and identify gaps and the necessary improvements;</li> <li>2. Improve access to the infrastructure;</li> <li>3. Identify ways and means to reduce the costs of accessing the infrastructure.</li> </ol> | <ul style="list-style-type: none"> <li>• Survey of existing infrastructure and business needs;</li> <li>• Identification of priorities and contributions in multi-stakeholder forums;</li> <li>• Increase in the volume of goods or services using the infrastructure;</li> <li>• Provision of low-cost solutions to enterprise needs.</li> </ul> |
| 2. Providing the required infrastructure                        | <ol style="list-style-type: none"> <li>1. Encourage public and private investment in infrastructure;</li> <li>2. Privatise state utility service providers;</li> </ol>   | <ul style="list-style-type: none"> <li>• Development of sound proposals for new or improved facilities with benefits to rural enterprise and the public.</li> <li>• An independent regulatory body;</li> <li>• Invitations to tender for management of service delivery contracts.</li> </ul>   |
|   | <ol style="list-style-type: none"> <li>3. Promote local, self-funded facilities, e.g., collective or cooperative services;</li> </ol>  | <ul style="list-style-type: none"> <li>• Development of innovative schemes for self-funding.</li> </ul>   |

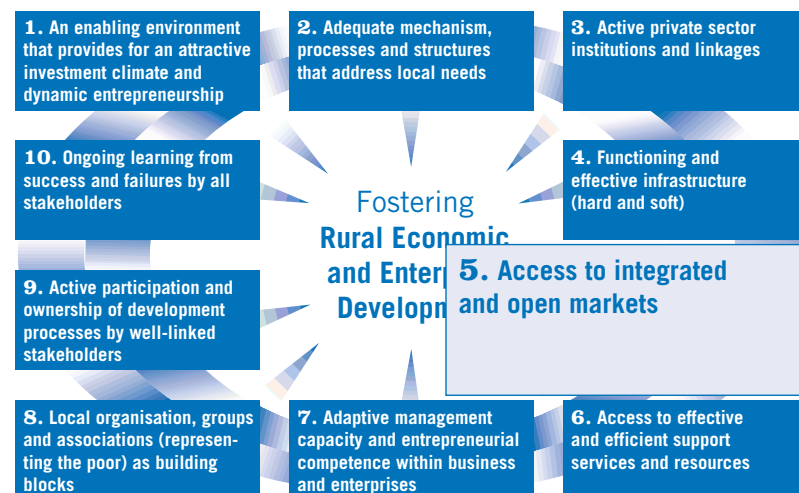
\* Elements/Ingredients



| Content*   | Key Strategies & Processes   | Possible ways to implement  |
|--|--|---|
| »  | 4. Establish facilities on a correct and legal basis, e.g., access.  | <ul style="list-style-type: none"> <li>Investigation into the local regulatory or legal position.</li> </ul>  |
| 3. Maintaining infrastructure                            | <ol style="list-style-type: none"> <li>Promote schemes to fund maintenance of local infrastructure (public and private);</li> <li>Promote innovative private management structures;</li> <li>Raise public awareness of the need for cost recovery services;</li> <li>Design a system for settling disputes settlement system between private and public partners during the period of operation;</li> <li>Guarantee the fulfilment of contract arrangements during the period of operation.</li> </ol> | <ul style="list-style-type: none"> <li>Schemes based on agreements with all parties, ie, management contracts;</li> <li>Public services offered by reliable private entrepreneurs;</li> <li>Cost structures and maintenance costs that are available to the public;</li> <li>Independent person (church) to act as arbitrator.</li> </ul> |
| 4. Integrating into bigger (wider) systems               | 1. Foster links and networking.  | <ul style="list-style-type: none"> <li>Involvement and representation of rural enterprises in the infrastructure planning process.</li> </ul>   |
| 5. Meeting required standards, e.g., quality, dimensions | 1. Ensure that all infrastructure developments meet the required standards.  | <ul style="list-style-type: none"> <li>Keeping up to date with standards;</li> <li>Development of new standards as needed.</li> </ul>   |

### [Cornerstone 5]

#### Access to integrated and open markets



#### Why is this cornerstone important?

Because of the fragmentation of local and regional markets, with insufficient access to information and other support services, rural entrepreneurs often have only limited or non-existent access to local, regional, national and international markets, for both the provision of inputs and the marketing of outputs.

Rural enterprises need opportunities to compete in a wider range of markets than those to which they have traditionally had access. Rural entrepreneurs should therefore have improved market access in order to take advantage of the potential benefits of trade and globalisation.

#### What are we aiming at?

Access to integrated and open markets could be achieved by:

- giving entrepreneurs market information showing the options and choices for interacting with a wide range of different buyers and selling outlets, in order to maximise their returns;
- giving rural enterprises better access to the often fragmented local and regional markets, and to more remunerative, non-local

\* Elements/Ingredients

markets so that they can benefit from existing demand and trade opportunities;

3. encouraging access by giving rural enterprises intensified and improved market linkages, a sound regulatory environment and a level playing field regarding taxation and subsidies.

### Who are possible actors?

The main actors are the rural entrepreneurs themselves, input suppliers (of raw material and equipment), and wholesale and retail traders. Local and national governments, being responsible for the regulatory framework that strongly influences the market structures, are also important, along with rural communities, transport companies and other actors involved in the market chain as importers.

### What are major challenges/issues?

Major challenges for access to integrated and open markets are:

1. to realise economies of scale for rural enterprises (volumes of production, transport, storage facilities);
2. to increase the bargaining and market power of rural enterprises. They have traditionally been price takers and the challenge will be to assist rural enterprises to develop their marketing and entrepreneurial skills in order to compete, not only in local and regional, but also in national and international markets;
3. to exploit the potential for processing and transforming (adding value to) local and regional agricultural products;
4. to increase access to market information, especially at low costs. Understanding how markets work, information about supply and demand, prices, quality standards and other issues related to market dynamics, all need to be made available to rural enterprises;
5. to overcome, through targeted assistance, the market distortions that prevent the poor from accessing markets;
6. to overcome disparities between the economic development of urban centres, peri-urban areas and more marginal rural areas, where there is noticeably less economic development.

### Box 5: Promotion of rural livelihoods – The case of the groundnut subsector in the Anantapur District of Andhra Pradesh in India

Groundnuts are the major source of livelihood in the Anantapur District of Andhra Pradesh in India, contributing nearly 70 percent of the total state production. The intervention was planned to look for ways of ensuring higher returns to the primary producers, as well as creating wage employment opportunities.

**Strategies for revival:** (1) Develop a complete understanding of the subsector, from production to final consumption, especially in relation to constraints faced by the different stakeholders, as well as the emerging opportunities due to changes in the global scenario; (2) Design pilot interventions revolving around relaxing constraints and/or tapping opportunities involving the various stakeholders, with management support by BASIX, a financial institution operating in the district; (3) Disseminate the experience of the pilot operations through a future search workshop involving various stakeholders, with the objective of specifying their future roles; (4) Scale up the interventions through building up local institutions, as well as continuing support of the stakeholders through a replicable model.

This ensures that the benefits flow to a large number of stakeholders, primarily the farmers, through two main programmes: **Productivity Enhancement** and **Provision of market links**. **Benefits** to the farmers through market intervention are: (1) higher returns through value addition and direct sale; (2) higher returns due to the reduction of malpractices during weighing and tax collection; (3) higher returns due to the elimination of middlemen and therefore the realisation of market prices; (4) overcoming the problem of delayed payment and the possibility of fake currency. Other benefits are to the decorticating unit and to oil millers, with further benefits from operations such as handpicking and grading.

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### What are promising strategies?

Strategies for improving access to integrated and open markets are:

1. **to establish local level group marketing.** In order to achieve economies of scale, rural producers should form associations, cooperatives, self-help groups, etc, allowing them, for example, to combine their resources for bulk buying of inputs at lower prices, or access to larger orders and new markets. An example is given in Box 5 above;
2. **to establish business clusters.** Shared use of technical equipment and infrastructure has proved to be an efficient way to improve access to market information and to reduce production costs;
3. **to improve communication technology.** Rural enterprises can exploit the opportunities in globalised markets when they have better access to market information;
4. **to promote interaction between market chain participants and develop a joint concept for value addition.** The concept of a value chain is an important contribution toward higher income for all partners involved (see example in Box 6 below).

### Box 6: Value addition in market chains – The case of silk products from Takeo Province, Cambodia.

Weavers of Takeo province in Cambodia are known for their craftsmanship in producing silk shawls. However, the average monthly salary is still below US\$50. The market is flooded by a single product with almost similar product definitions. International buyers cannot be reached for consignment requirements, and distributors rarely know anything about the product they are selling. Under the EU/GTZ project, PRASAC, a set of activities was developed, addressing weavers, input suppliers, wholesalers, retailers and designers.

All support measures are strictly based on the principle of low-cost interventions. They include the following: showing input suppliers better sources for raw products (metal reeds from Thailand, yarn from Vietnam); improvement of the looms that can be produced by local workshops; inviting wholesalers to production areas; bringing wholesalers, producers and designers together in a design workshop; producing PR-material about product quality and regional specifics.

It is important that all aspects are implemented at the same time and with the knowledge of all market chain partners (transparency!), otherwise additional effort at one level might not be honoured financially by the next level in the chain. Following the concept of value addition in market chains, a marketing problem or constraint is addressed by the entire marketing chain, not just by a single group. The market chain includes all vertically connected elements, from production to consumers. Each group adds a contribution to the common marketing aspect, resulting in products with higher marketing value and fair distribution of the benefits to all levels of the marketing chain.

Source: Enterprise development at PRASAC, supported by European Union/GTZ  
<http://www.prasac.org/>

Table for Cornerstone 5: Access to integrated and open markets

| Content*                   | Key Strategies & Processes  | Possible ways to implement   |
|----------------------------|---|--|
| 1. Access to markets       | 1. Promote and facilitate access to different markets;  | <ul style="list-style-type: none"> <li>• Provision of information and advice on market requirements.</li> </ul>  |
|                            | 2. Encourage diversification of production and differentiation of goods;  | <ul style="list-style-type: none"> <li>• Provision of information and advice on diversification options.</li> </ul>                                    |
|                            | 3. Promote collective action of rural enterprises for gaining economies of scale and increasing bargaining power in the market; | <ul style="list-style-type: none"> <li>• Encouragement of marketing and purchasing groups and cooperatives.</li> </ul>                                 |
|                            | 4. Provide information to consumers;  |  |
|                            | Promote the participation of rural entrepreneurs in public tendering.   |  |
| 2. Transparency of markets | 1. Provide easy access to market information;   | <ul style="list-style-type: none"> <li>• Collection, analysis and dissemination market information.</li> </ul>   |
|                            | 2. Enable enterprises to carry out their own market research;   | <ul style="list-style-type: none"> <li>• Facilitation of market research activities.</li> </ul>  |
|                            | 3. Develop an understanding of market processes and dynamics among enterprises.   | <ul style="list-style-type: none"> <li>• Participative analysis of markets and provision of training for it;</li> <li>• Subsector analyses.</li> </ul> |

\* Elements/Ingredients

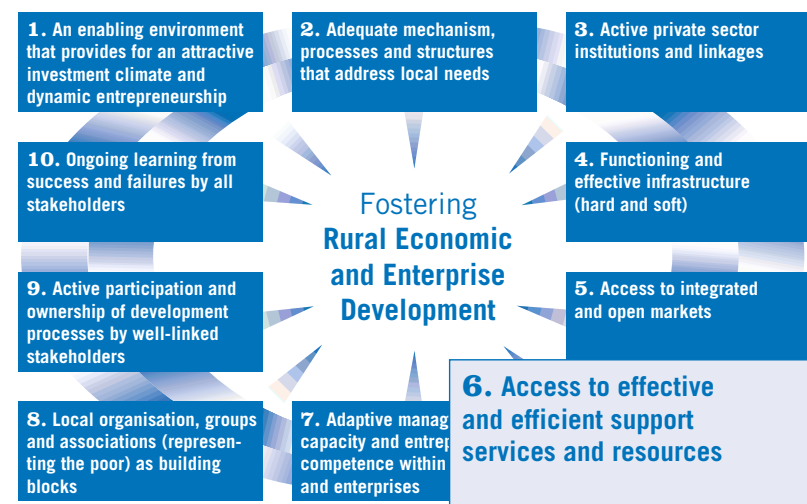
| Content*                  | Key Strategies & Processes  | Possible ways to implement   |
|---------------------------|---|--|
| » 3. Stability of markets | 1. Develop alternative marketing strategies, eg, contracts, new markets, added value; | <ul style="list-style-type: none"> <li>• Provision of legal, technical and business support services;</li> <li>• Advertisements and creation of public awareness.</li> </ul>   |
|                           | 2. Promote investment in storage and processing facilities.                           | <ul style="list-style-type: none"> <li>• Identification and sourcing of financial resources, and assistance with technical and business planning.</li> </ul>   |
| 4. Free and open markets  | 1. Promote the removal of barriers to and distortions in markets;                     | <ul style="list-style-type: none"> <li>• Lobbying of governments, trade associations, WTO, donors and the private sector.</li> </ul>   |
|                           | 2. Improve competitiveness of enterprises;  | <ul style="list-style-type: none"> <li>• Identification of the factors inhibiting competitiveness and of opportunities to increase it;</li> <li>• Reduction of production costs, improvement of quality, extension of the season and/or range of products.</li> <li>• Working with more than a single supplier in order to promote competition;</li> </ul> |

\* Elements/Ingredients

| Content*                                   | Key Strategies & Processes  | Possible ways to implement  |
|--|---|---|
| »  |   | <ul style="list-style-type: none"> <li>Treading lightly in markets with limited subsidies.</li> </ul>   |
|  | 3. Support rural enterprises to cope with market imperfections.   | <ul style="list-style-type: none"> <li>Working closely with other links in the market chain.</li> </ul>   |
| 5. Market chain integration and management | 1. Understand functioning of market chain operations and improve the efficiency and communication of the actors involved. | <ul style="list-style-type: none"> <li>Identification of neighbouring links in the chain and working closely with them.</li> </ul>  |
| 6. Market development                      | 1. Develop and promote products;  | <ul style="list-style-type: none"> <li>Provision of access to research and development facilities and funding;</li> <li>Feasibility studies and action research</li> <li>Trial marketing of new and existing products in new and existing markets.</li> </ul> |
|  | 2. Enhance product quality for new markets and develop value-added activities for improved market returns;                | <ul style="list-style-type: none"> <li>Research into and evaluation of new technologies, methods, markets and products.</li> </ul>  |
|  | 3. Identify new business opportunities.   |   |

[Cornerstone 6]

Access to effective and efficient support services and resources



Why is this cornerstone important?

There is room for much improvement in support services and resources and in access to them. For one thing, production activities are characterised by time lags; i.e., production of goods only generates returns when the goods are marketed at a later point in time, depending on the respective transformation process. Generally, insufficient self-financing capacity makes access to additional financing resources a precondition for growing enterprises.

Furthermore, the smaller an enterprise, the more it is forced to concentrate on its basic production activities. It does not have the (financial) capacity to employ accountants, designers, marketing managers, lawyers, etc. Small, medium and micro enterprises thus need access to external financial resources, assets and inputs in order to exploit economically viable opportunities. They need access to high-quality business development services (BDSs) to overcome human capital and information constraints and develop profitable activities. They also need 'bundles' of services provided in a timely and efficient manner.

\* Elements/Ingredients

The overwhelming majority of economic activities in rural areas have a link to agriculture and natural resource-based products and services so BDSs in rural areas should differ from BDSs in urban areas. Some of the reasons for this include:

1. demand for such services fluctuates seasonally;
2. the density of demand for BDSs in rural areas is low;
3. the rural economy is still partly based on barter and fewer monetary transactions so there is no cash available to pay for BDSs;
4. many transactions are kinship based;
5. rural enterprises have restricted access to reliable infrastructure and services;
6. access to government services and policy makers (representation of interests) is often very limited.

### What are we aiming at?

Rural enterprises need better access to services, even though these are often undersupplied and of inadequate quality in rural areas because of high transaction costs. The basic functions of this cornerstone are to ensure that enterprises have adequate support services for their planning and production processes, and the necessary resources to fulfil their production plans. The areas covered by RBDSs<sup>10</sup> would be technical and business aspects, legal advice and the provision of access to R&D facilities.

### Who are possible actors?

The main actors are rural enterprises, RBDSs and suppliers of physical inputs and financial resources, besides other actors such as local and regional governments, rural communities, R&D institutions and the media.

### What are major challenges/issues?

For more effective, efficient and accessible support services and resources, it is necessary:

1. to understand the extent to which rural small-scale producers are willing and able to pay directly for the services that they use or to find other sources of funding to ensure that the required level of service is provided;

2. to identify the circumstances and the appropriate level to which RBDSs should be subsidised to balance the increased cost of service delivery in rural areas;
3. to find effective ways to promote technological development and transfer it, with or without the use of subsidies;
4. to develop a suitable way to assess the entire value chain;
5. to ensure access to a larger capital base, particularly lending and working capital;
6. to extend commercial banks' direct involvement in SME financing and build their capacity to lend to SMEs;
7. to see whether wholly private sector markets can be developed for all types of services;
8. to examine the outreach and impact on the poor of the provision of business services;
9. to define the role of the state in facilitating service provision.

### What are promising strategies?

Business development services (BDSs) are the main means of making support services and resources more effective, efficient and accessible.

A key strategy is to establish new BDSs, or to adapt an existing BDS developed for urban areas to try to encourage self-help schemes for rural entrepreneurs, and to direct investment in their own local services. An example of linking rural producer groups with commercial banks in a marginal area is given in Box 7 below.

Rural BDSs should help rural enterprises to achieve their objectives through a programme of enterprise development and advice, supported by the supply of relevant information (see information provision through radio programmes, Box 8 below).



### Box 7: Small farmer – private banking sector linkage – The case of the dry zone of Myanmar

This study documents the experience of the FAO's Dry Zone Food Security project in Myanmar in facilitating links with private sector commercial banks, and draws lessons for replicability in other socioeconomic and biophysical contexts. In this scheme, self-help groups effectively transact with private sector banks within a risk-prone, semiarid and predominantly agriculture-based setting. Over the short term, the role of an intermediate facilitator body is critical in marrying the interests of both parties, and creating policies and procedures for longer-term sustainability of the linkage system. The intermediary body is responsible for group formation and development, the institutionalisation of self-management procedures and practices, and the design and introduction of financial packages wherein savings mobilisation is encouraged and linked to credit provision.

Although the performance of the scheme has been good, there are concerns about longer-term sustainability, particularly after withdrawal of the intermediary body. This requires the commitment of both parties: the farmers to maintain a fully functioning apex organisation, and the bank to operate policies and procedures for dealing with rural lending. Clearly, scaling up cannot be achieved without a solid farmer-based structure supported by a strong commitment from the lending institution to continue operations in the future.

A number of documents on the implementation process and impacts are available.

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See a more detailed description of the project in

<http://www.gtz.de/agro-based-development/english/papers.htm>

### Box 8: An information revolution for small enterprise in Africa – Experience in interactive radio formats in Africa

How can a commercial radio programme have significant impact on small enterprise development? In most developing countries, the small enterprise sector is the largest and fastest growing non-farm source of employment, yet the sector remains low-waged with poor working conditions. One major impediment to SE growth is that small, informal sector businesses are disconnected from mainstream economic markets and policy processes. Yet radio has long been effectively used to get information to illiterate and semiliterate populations. The ILO FIT programme has put these seemingly unrelated facts together to develop a sustainable business service to inform and mobilise small enterprise (SE) owners.

This working paper tells of the growth of independent radio for small enterprises in Uganda, and Ghana. It describes how the radio programme **Nekolera Gyange** (I Run My Own Business) was initiated, how it engaged and helped small enterprise listeners, and achieved commercial viability. The concept was transferred to rural Uganda and to Ghana, with adaptations along the way. To help others initiate similar programmes, the paper presents lessons learned and the FIT strategy for supporting the development of more commercial SE radio programmes around the world. It also highlights how the commercial SE radio programmes embody key guiding principles of the Donor Committee on SE Development.

Source: Mary McVay ILO 2002, <http://www.gtz.de/wbf/dokumente/WP27English.pdf>



**Table for Cornerstone 6: Access to effective and efficient support services and resources**

| Content*  | Key Strategies & Processes   | Possible ways to implement   |
|---|--|--|
| 1. Providing advice, information and specialised services | 1. BDSs Invest in rural business development services (RBDSs) to develop their capability and capacities;  | <ul style="list-style-type: none"> <li>• Encouragement of investment by assessing the need for services, the willingness of users to pay and the public/private mix of suppliers;</li> <li>• Surveys of user satisfaction with service provision.</li> </ul>   |
|   | 2. Improve and develop existing services;<br>3. Provide greater access to a wider range of sources of information;<br>4. Coordinate the activities of service providers. | <ul style="list-style-type: none"> <li>• Publication of the availability of sources and dissemination of information more widely through mass media and the Internet;</li> <li>• A coordination forum to try to bundle together similar services;</li> <li>• Provision of management services, piggybacking off financial services.</li> </ul> |
| 2. Developing the market for service provision            | 1. Create demand for services;<br>2. Address lack of supply in the market;<br>3. Promote competition and efficiency in the market;                                       | <ul style="list-style-type: none"> <li>• Vouchers for clients to buy services from private sector suppliers;</li> <li>• Creating awareness of service provision;</li> </ul>  |

\* Elements/Ingredients

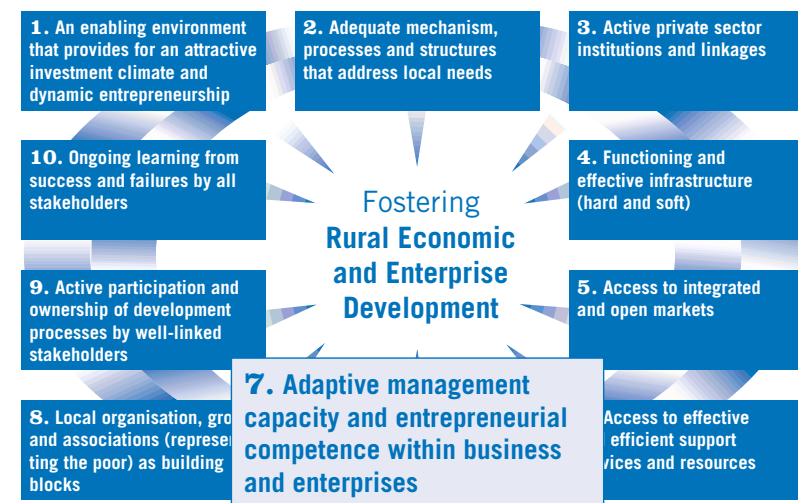
| Content*                                  | Key Strategies & Processes   | Possible ways to implement  |
|---|--|---|
| »   |  | <ul style="list-style-type: none"> <li>• Provision of social venture capital to increase the supply of services;</li> <li>• Subsidies for pre- and post-service delivery activities</li> <li>• Separation of the roles of service providers and facilitators</li> <li>• Development of transactional relationships with suppliers;</li> <li>• Promotion of farmer groups as service providers.</li> </ul> |
|   | 4. Provide BDSs to the most vulnerable.  | <ul style="list-style-type: none"> <li>• Provision of mechanisms for cross subsidization.</li> </ul>  |
| 3. Providing contracted business services | 1. Research the market for contract services and develop the capability to meet rural demand.                | <ul style="list-style-type: none"> <li>• Development and testing of pilot services and encouragement of local suppliers.</li> </ul>   |
| 4. Supplying inputs                       | 1. Encourage private sector suppliers and local suppliers to collaborate with rural small-scale enterprises; | <ul style="list-style-type: none"> <li>• Collaboration with local private suppliers, eg, through demonstration activities.</li> </ul>   |

\* Elements/Ingredients

| Content*                                      | Key Strategies & Processes  | Possible ways to implement  |
|---|---|---|
| »   | 2. Encourage the local production of inputs, eg, seeds, raw materials.        | <ul style="list-style-type: none"> <li>• Development, piloting and testing of market-useful technologies and then upscaling to meet demand.</li> </ul>  |
| 5. Access to financial resources and services | 1. Develop required and feasible financial services and products.             | <ul style="list-style-type: none"> <li>• Encouragement of financial service providers, eg, banks and insurance companies, to work with rural enterprises and offer them attractive services.</li> </ul> |
| 6. Access to R&D facilities                   | 1. Encourage researchers to address issues and problems of rural enterprises. | <ul style="list-style-type: none"> <li>• Collaborative programmes of work with researchers and business demonstration activities.</li> </ul>  |

[Cornerstone 7]

Adaptive management capacity and entrepreneurial competence within business and enterprises



Why is this cornerstone important?

The goal of this cornerstone is to support, at the level of rural businesses and enterprises, the establishment of effective management, which responds to and utilises the opportunities and challenges of the market forces. This will involve tailoring products and services to the demand in the market. A successful entrepreneur will have the technical and managerial competence to orient his/her demand for inputs and raw materials, the production process itself, and his/her product or service portfolio towards the realities of the market. S/he should be able to do so by establishing or joining networks or partnerships in order to be informed and to benefit from other initiatives.

What are we aiming at?

1. **Financial Support Systems:** It is crucial for rural enterprises to have access to appropriate (micro)finance systems. Such support

\* Elements/Ingredients

must reflect the specific needs of the respective group of enterprises (e.g., agricultural enterprises with seasonal production cycles) with regard to collateral requirements, duration of loans, repayment conditions, etc.

2. **Technical Support Systems:** A common problem with rural enterprises is that their products may not be technically refined enough to find a ready market. To sustain success in the market place, products have to be of a specific standard, which is difficult to achieve for people such as artisans, whose production techniques and technology may not always attain the standards demanded in urban areas or export markets.
3. **Business Support Systems:** Rural entrepreneurs come from a wide spectrum of backgrounds, and business principles are often new to entrants. They need relevant information, advice and training, provided in a tailor-made support system that caters for the specific needs of diverse rural entrepreneurs.

### Who are possible actors?

Many people who start small businesses try their hands at the business in the absence of other employment opportunities; i.e., they are often entrepreneurs out of necessity rather than out of opportunity. This means that they often have no background and tradition for running a business. Educational levels also vary widely.

Experience suggests that grouping entrepreneurs and rendering support accordingly can be quite successful. Classification, although very varied from country to country, could be into survivalists, microenterprises, and small- and medium-scale enterprises.

1. **Survivalists.** This informal group is usually made up of small-scale marginal farmers involved in trading as an additional source of family income, and seasonal or full-time hawkers, who sell fruit, other cheap merchandise and basic food items, etc. Another common business segment is made up of small artisans with a very limited and unsophisticated product portfolio. They are usually unsupported, inexperienced in business matters, and tend not to operate from any premises. Few of them find their way sustainably into the more formal sector of the regional economy. They have no access to outside support systems for

management or financial issues because they cannot offer any collateral to financial institutions. Only a few countries have financial products that reach this segment of the rural economy.

2. **Microenterprises.** There are two groups of microenterprise. Many microenterprises are run by farm families who are engaged in adding value to agricultural and natural resource products. This group needs support for both improving primary agricultural production and accessing technical, financial and organisational services for value-adding operations.

The second group is made up of individuals and groups who address some local demand for goods and services. They may be trading from fixed premises. However, their business ideas are often born out of desperation, so their initiatives are not founded on sound market and business analyses and are therefore often not economically feasible. Products are of a standard that targets only the local low-income groups, hence they only address a limited market, without much purchasing power.

Generally, only a small percentage in this business bracket has access to management, technical or financial support. Many of these enterprises are not willing or able to pay for services received.

3. **Small- and medium-scale enterprises.** Operators in this business segment have a degree of formality. They are 'bankable', although the size of the business and turnover vary widely. Most of them know how to access support, but the size of the business may not warrant buying into BDS support. Product refinement and marketing strategies are common needs.

### What are major issues/challenges?

Challenges for adaptive management capacity and entrepreneurial competence within business and enterprises are:

1. to coordinate and facilitate interventions and initiatives in rural areas. Specialised service providers may have special interests and may lack the ability to recognise what a rural business needs that is beyond their service portfolio;
2. to design appropriate training programmes that are demand-driven and can reach dispersed entrepreneurs (higher cost);

3. to ensure that training courses are low cost and that there is some cost recovery;
4. to decide the extent to which business training should be regarded as a public good, particularly amongst the poorest;
5. to decide how best to use the private sector as trainers;
6. to scale up and replicate at low cost;
7. to decide how best to provide management services through the private sector when there is a dearth of private sector entrepreneurs and management service providers;
8. to decide how best to provide entrepreneurial and management assistance, such as coaching, business counselling, piggy-backing on other services, and tapping into voluntary networks.

### What are promising strategies?

The support of rural enterprise development requires a broad spectrum of assistance. Some of it will be directed at but not limited to the entrepreneur. Besides enhancing the skills of the rural entrepreneur, some of the contribution needs to go towards appropriate support systems for coordination and facilitation, management and organisation, production and service generation, marketing, networking, financing and technology.

1. **Coordination and facilitation.** Such support is commonly rendered by NGOs, government institutions and donor-supported initiatives. It focuses on individual rural entrepreneurs or producers, groups, guilds and whole sectors of the local or regional economy. The role of coordination and facilitation is to identify, together with the entrepreneurs, the constraints to the successful operation of the businesses and to facilitate the provision of appropriate support.

Support is only meaningful if it is provided in the right context, format and time. Small entrepreneurs find it difficult to attend training courses and then apply the transferred know-how correctly in their enterprises. Careful scheduling of support according to the progress of the business is thus essential.

Also, although it depends on the size of the business, the rea-

lity is that the support or training of an emerging rural enterprise usually requires inputs from different service providers. A coordinator or facilitator should therefore be experienced in all aspects of business development and be able to advise entrepreneurs as an independent broker about which services to get where, when and from whom.

2. **Management and organisational support.** In this field, the professional competence of the rural entrepreneur needs to be strengthened with regard to decision-making, organisational development, and the acquisition of relevant business information about with regard to finance, technology, inputs and materials, marketing, etc. These skills can be obtained through formal training courses, experiential learning and the use of consultants, counselling and mentoring.

Rural small-scale entrepreneurs need to be able to react and adjust to changes in production conditions, resulting from internal or external factors.

The focus in strengthening the adaptive management capacity of a rural enterprise is to foster business skills in the entrepreneur to make informed decisions in all aspects of running the enterprise. These skills include accounting, budgeting, record-keeping, store-keeping, marketing, product design, etc.

Different levels and degrees of sophistication are required for management and organisational support if dealing with a broader spectrum of rural enterprise categories. Selective methods of support need to be applied for a diverse target group.

3. **Production and service generation support.** Since a support programme might cater for a wide spectrum of rural enterprises, implementation activities have to be able to vary. Employees or, in cases of component assembly, even supplier personnel, might receive training in order to achieve a standardised marketable product.

In this support bracket, it is necessary to assess the actual product(s) of a rural enterprise to see whether it should be further developed and differentiated for the rural, urban, national or international market. This entails creating the ability to iden-

tify and mobilise appropriate technologies and skills for product innovations.

4. **Marketing support.** A thorough analysis of the market should equip the rural business to establish market information systems that also 'map' competitors. Ideally, a system should be instituted that continuously provides such information that, which will help to establish and adjust distribution and marketing channels.
5. **Networking support.** Many entrepreneurs start off individually in their endeavours. It would often be beneficial for individual rural enterprises to form partnerships, either to offer a greater quantity of produce at a given time in urban markets outside of the region or locality, or in international markets, or to guarantee a more regular supply to the market, which is often needed throughout the year.

The support to the rural entrepreneur must therefore include establishing the 'personal worth' of the business. This will show the entrepreneur where the strengths and weaknesses may be, but also allow him/her to project them more accurately to partners and support services, e.g., for the mobilisation of external funds.

Furthermore, sharing information and experience between small rural enterprises would be mutually beneficial. Such an exchange can be carried out in the form of partnerships (cooperation, joint marketing, etc.), local clusters (product chains covering a bigger market segment, joint marketing, etc) and associations (lobbying, joint training sessions, etc.). It is obvious that networking would be beneficial for a small rural business; however, in rural areas, which are quite often characterised by poor infrastructure and communication facilities, such an activity requires facilitative support.

6. **Financing support.** Budgeting and cash flow generation are the most relevant support mechanisms to enable the entrepreneur to interact with financial service providers. Many support systems aiming at business establishment limit themselves to this type of support only.

However, there is in many countries a scarcity of other financial products appropriate for the needs and demand of rural small-scale enterprises. The main role players are commercial banks, whose product range is usually aimed at the formal established segment of the (urban) market. 'Small-enterprise-friendly' loan schemes are often operated by NGOs and parastatals but it is difficult for their outreach and product portfolio to help a broad clientele in rural areas.

The size and scope of an intervention determine whether the wide field of financial services is directed at the target group, by specific measures that adapt the services to the needs of the group, or whether the existing restricted financial services are just accepted as part of the conditions under which the rural entrepreneurs have to operate.

7. **Technical support.** Rural entrepreneurs often design their products without any relevant market analysis. Even if there is demand for a product, quality standards are often lacking and there is limited access to markets. Therefore technical support services are often essential to help refine products and to make them marketable in towns and the international market. However, such services are often only available for payment and are therefore not easily accessible, especially to the smaller rural enterprises.

#### Box 9: Successful in rural enterprise development in Vietnam

Business training has had a significant impact in the four communities of Yen Bai province. The business start-up rate is higher than typically expected for business training in rural communities. The combination of training and access to credit immediately after training is undoubtedly the main reason for a business start-up rate of more than 60 percent. The training has had an impact, not only on the number of business start-ups, but also equally on existing businesses and income-generating activities. All participants claim to

to be continued, see next page

have more money for their family per month, on average between VND100,000 and 300,000 (\$7 to \$21). This suggests that, although some participants do not start a full-time business, the management and financial skills they learn in a business-training workshop can be transferred to other economic activities. The extent to which this improvement derives from the training or from access to credit is uncertain, though a combination of the two is the most likely.

The types of business started are spread over the four business types (trade, manufacture, services and agriculture). Most of the business start-ups are unrelated to agricultural products, which suggests that there is potential for creating a diverse business market in these communities and that training material should stress the importance of non-farm business start-up. The new businesses are all household enterprises. More than 80 percent operate from the owner's home and employ between one and three persons other than the owner. More than 22 percent of them employ people from outside the family. Although limited, this indicates that a labour market is slowly emerging in the communities and that rural non-farm enterprises have the potential to expand job opportunities for other rural residents.

More than 80 percent of workshop participants took out a loan with the INDISCO Revolving Loan Fund, and more than 67 percent invested this in a non-farming business immediately after their training. All loans were small. More than 67 percent of investors are now making more money for the family due to their investment, and the remaining 33 percent of respondents stated that it was too early to say. It is significant that, of those entrepreneurs who invested in a non-farm business, a higher percentage made more money than those who invested in agricultural production, thus showing a strong correlation between improved income and non-farm investment, and also that non-farm investment gives a faster return on investment.

Source: Jens Dyring Christensen and David J. Lamotte (2000): A Study on the Impact of Business Training on Ethnic Minorities – Emerging Entrepreneurs in Rural Viet Nam, ILO/SEED WP 13

Table for Cornerstone 7: Adaptive management capacity and entrepreneurial competence within business and enterprises

| Content*                             | Key Strategies & Processes   | Possible ways to implement  |
|--------------------------------------|--|---|
| 1. Management and organisation       | 1. Enhance professional competence in major management functions in: <ul style="list-style-type: none"> <li>• Decision-making;</li> <li>• Organisational development;</li> <li>• Business information seeking with reference to technology, materials, etc.</li> </ul> | <ul style="list-style-type: none"> <li>• Support:                             <ul style="list-style-type: none"> <li>- Record keeping</li> <li>- Accounting</li> <li>- Budgeting</li> </ul> </li> <li>• Through:                             <ul style="list-style-type: none"> <li>- Training</li> <li>- Consultancies</li> <li>- Counselling</li> <li>- Mentoring.</li> </ul> </li> </ul> |
| 2. Production and service generation | 1. Develop the skill and know-how base of staff and suppliers of components;   | <ul style="list-style-type: none"> <li>• Sending staff to vocational training;</li> <li>• Use of the Internet, trade fairs, newspapers;</li> <li>• Use of the 'Farmer Field School' model (FAO).</li> </ul>   |
|                                      | 2. Develop ability to identify appropriate technologies and product innovations;   | <ul style="list-style-type: none"> <li>• Replication of successful cases.</li> </ul>  |
|                                      | 3. Develop and differentiate products;   |   |
|                                      | 4. Assess personal worth;  | <ul style="list-style-type: none"> <li>• Keeping a 'personal balance sheet'.</li> </ul>   |
|                                      | 5. Mobilise external funds.  | <ul style="list-style-type: none"> <li>• Cash flow analysis.</li> </ul>   |
| 3. Financing                         | 1. Generate budgeting and cash flow;   | <ul style="list-style-type: none"> <li>• Drawing up of budgets and offering training in cash flow generation and analysis;</li> </ul>   |

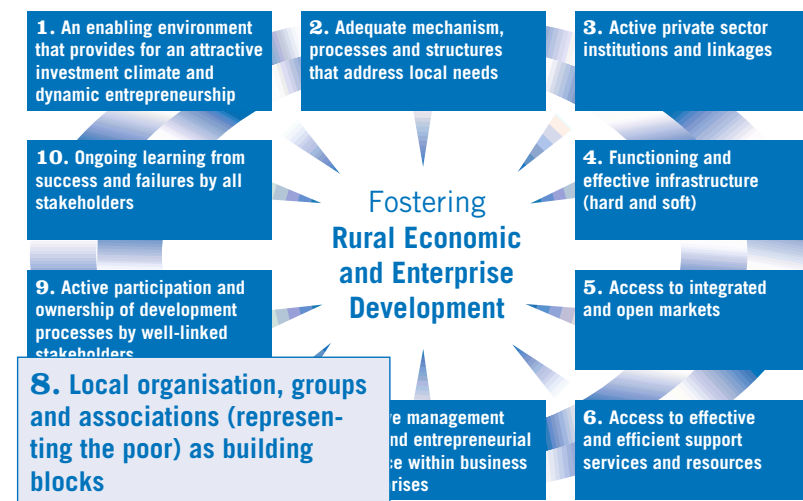
\* Elements/Ingredients



| Content*      | Key Strategies & Processes   | Possible ways to implement  |
|---------------|--|---|
| »             |  | <ul style="list-style-type: none"> <li>• Use of 'lessons learnt'.</li> </ul>  |
|               | 2. Support financial institutions in development of financial products (credit schemes, etc) appropriate for rural small- scale and micro-enterprises;<br>3. Support intermediaries (NGOs, parastatals). |   |
| 4. Marketing  | 1. Assess markets.   | <ul style="list-style-type: none"> <li>• Development of market information systems;</li> <li>• Mapping of competitors – existing and potential;</li> <li>• Investigation of distribution and marketing channels.</li> </ul> |
| 5. Networking | 1. Use joint facilities, share staff and other resources;<br>2. Create partnerships;<br>3. Form associations;<br>4. Create local clusters;<br>5. Create networks.  | <ul style="list-style-type: none"> <li>• Membership of social and professional associations;</li> <li>• Looking for subcontracting and franchising arrangements.</li> </ul>   |

**[Cornerstone 8]**

**Local organisations, groups and associations (representing the poor) as building blocks**



**Why is this cornerstone important?**

The degree to which the interests of poor rural entrepreneurs and wage labourers are taken into consideration by private and public institutions is frequently limited. There is little information about the specific needs, demands and potentials of these entrepreneurs. In some cases, the political will to promote the development of rural areas, increase incomes and improve the livelihoods is also lacking. There is thus a need:

1. to articulate and represent the interests of different groups (in particular poor rural entrepreneurs) for fair negotiation;
2. to create and strengthen local structures and organisations as the basis of channelling information, organising activities, dealing with collective action and promoting sustainability;
3. to give small and microenterprises opportunities to achieve economics of scale in input supply and marketing, as well as to improve market access through improved quality.

\* Elements/Ingredients



### What are we aiming at?

Local organisations, groups and associations should be building blocks for:

1. a range of organisational and operational options for rural enterprise access to financial or other resources and services, at all levels, but particularly at the micro-level;
2. inclusiveness of relevant actors, and accountable representation of different groups of rural entrepreneurs and wage labourers, particularly the poor;
3. facilitation of and support for informed and free choices by rural people. They should be able to make plans and arrangements in their own interests;
4. creation of links between rural innovators and entrepreneurs and their larger communities (a 'win-win' situation of giving and taking).

### Who are possible actors?

The actors in making building blocks of local organisations, groups and associations are individual entrepreneurs, self-employed persons and employees, rural communities and their representatives, government organisations at all levels, private sector organisations and associations (officially registered ones as well as less formal or informal entities), NGOs, donors and civil society in general.

Selection of 'beneficiaries' has all too often been top-down and overly favourable to the local elite, whereas participation in activities should be an organic and self-selecting process. Rules and constitutions for organisations should emerge organically from within the organisations, remain comprehensible to and implementable by members, and should not necessarily have to conform to norms and (legal) forms dictated by government or donor schemes and blueprints, however well-intentioned or perfectly designed.

### What are major issues/challenges?

The challenges to building up local organisations, groups and associations are:

1. the legal status of informal organisations;
2. to find the means to sustain and stabilise local organisations and bottom-up initiatives;
3. to ensure representation of the different groups of rural entrepreneurs and wage labourers (in particular the poor among them);
4. to find the means to make leaders accountable to their constituencies;
5. to effectively create apex or umbrella organisations that are able to bring together and aggregate demand;
6. to change poor rural persons from reactors to proactors;
7. to articulate demand and needs in terms of quality of demand, the depth to which underlying issues are analysed, and 'aggregation' of demand;
8. to enhance the negotiating capacity of rural people vis-à-vis unequal partners;
9. to allocate adequate time and to use the right methodology to create local groups and organisations;
10. to convince small and micro entrepreneurs to recognise their fellow entrepreneurs as potential partners and business associates.

### What are promising strategies?

Local organisations, groups and associations can be built up to represent the poor by:

1. **organising peer meetings.** Small and micro entrepreneurs can meet to discuss issues of common interest. Learning that most of the others have similar problems is normally the first step to organisation for self help. They realise that organising themselves in this way can help to overcome some of their problems through improved bargaining power and political strength.
2. **fostering the participation of women in organisational processes.** Women are often particularly good at getting other people organised but these capacities are frequently not used to the full extent in traditional, male-dominated, rural societies. It sometimes requires longer discussions with women and traditional leaders to secure strong participation of women or to help women to set up their own organisations.



3. **building capacity for organisation.** Small and micro entrepreneurs do not generally have special organisational skills and experiences. To gain the most benefit from forming an organisation, they need training and a certain amount of coaching to enable them to strengthen their group, interact with other stakeholders as peers, and create new and economically attractive opportunities based on cooperation between members.
4. **developing organisational visions, constitutions, culture and norms.** Organisations grow stronger if their members identify a shared vision. The development of such a common vision is therefore an important step for any new and dynamic organisation of small and micro entrepreneurs in rural areas, as it is for the most powerful associations of industrialists or landlords. An organisational constitution that motivates members to participate actively and to share experiences and resources keeps an organisation strong and forward moving. This has much to do with a culture of sharing and communication between members, where each member is treated with the same respect and consideration.

**Table for Cornerstone 8: Local organisations, groups and associations (representing the poor) as building blocks**

| Content*  | Key Strategies & Processes   | Possible ways to implement   |
|---|--|--|
| 1. Understanding organisational arrangements and options          | <ol style="list-style-type: none"> <li>1. Understand the existing local organisational situation, opportunities and challenges;</li> <li>2. Develop the best possible ways forward in the local context;</li> <li>3. Make space for new kinds of local organisations and collaborations through exposure to alternative ideas and arrangements.</li> </ol> | <ul style="list-style-type: none"> <li>• Identification and analysis of relevant traditional and modern organisations and institutions, and recent experiences;</li> <li>• Obtaining advice and support from expert or local opinion leaders;</li> <li>• Supporting exposures, peer-to-peer interaction, workshops, documentation, literature and advocacy (general as well as targeted);</li> <li>• Upscaling;</li> <li>• Participatory assessment of the actual and potential role of women as entrepreneurs and in the set up of organisations and networks.</li> </ul> |
| 2. Motivating self-mobilisation to create effective organisations | <ol style="list-style-type: none"> <li>1. Analyse the needs, investment and benefits of effective organisation;</li> <li>2. Offer a dynamic menu of choices to rural entrepreneurs, self-employed persons and other relevant stakeholders, supported by analysis and assessment;</li> </ol>  |  |



\* Elements/Ingredients

| Content*   | Key Strategies & Processes   | Possible ways to implement   |
|--|--|--|
| »  | <ol style="list-style-type: none"> <li>3. Use the organisational capacity of women;</li> <li>4. Foster the participation of women in organisation and training, or help to set up organisations of women where appropriate.</li> </ol>   | <ul style="list-style-type: none"> <li>• Reviewing of experience;</li> <li>• Encouragement of studies and exposure;</li> <li>• Promotion of people-to-people interaction.</li> </ul> |
| 3. Facilitating organisational development and strengthening | <ol style="list-style-type: none"> <li>1. Clarify and articulate organisational visions, purposes and objectives;</li> <li>2. Assess the feasibility of enterprises, organisations and collaborations;</li> <li>3. Select members or partners participatively, equitably and independently;</li> <li>4. Foster active participation of women in the organisation and give them training to improve their abilities and standing in the organisation;</li> <li>5. Develop organisational visions, constitutions, culture and norms;</li> <li>6. Mobilise resources and support (including financial, human, technical, advisory, training, materials and equipment);</li> <li>7. Plan, manage, monitor, evaluate, review and develop mechanisms for organisational development;</li> <li>8. Access external support for start-up and capacity building;</li> <li>9. Review the progress of organisational development;</li> <li>10. Provide targeted or customised support to specific units when necessary.</li> </ol> |  |



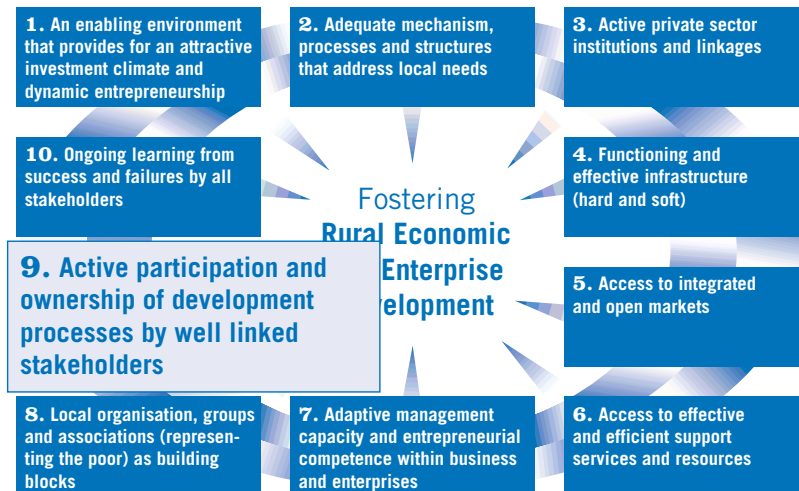
\* Elements/Ingredients

| Content* | Key Strategies & Processes   | Possible ways to implement   |
|----------|--|--|
| »        | <ol style="list-style-type: none"> <li>4. Ensuring that organisations, partnerships and networks graduate, and evolve to higher and appropriate levels of formalisation</li> </ol> | <ol style="list-style-type: none"> <li>1. Expand and strengthen links and collaborations, especially where complementary interests of disadvantaged people are involved;</li> <li>2. Formalise organisation, as appropriate;</li> <li>3. Facilitate linear integration and organisational development (eg, apex organisations);</li> <li>4. Seek representation and a voice in local and other levels of government;</li> <li>5. Widen and consolidate networks and forums;</li> <li>6. Consolidate vision, long-term strategies, plans, and resource mobilisation;</li> <li>7. Make sure that the economic benefits of self-organisation are fully recognised and explored by the members.</li> </ol> |

\* Elements/Ingredients

## [Cornerstone 9]

### Active participation and ownership of development processes by well-linked stakeholders



#### Why is this cornerstone important?

Active participation and ownership of development processes by well-linked stakeholders is important because:

1. full ownership of the initiatives by the stakeholders is the backbone of sustainability;
2. negotiations between representatives of public interests and private interests are central elements of REED processes;
3. platforms and forums for negotiation, where a common understanding and vision among the different stakeholders is created, are central to orienting their actions towards common goals and balancing competitiveness and collaboration;
4. promotion of rural enterprises and entrepreneur development is about change in and development of appropriate approaches, identifying the corresponding roles of all involved actors, and efficiently shaping their relationships and links. This requires a joint learning process that results in continuous improvement of the performance of all actors.

#### What are we aiming at?

In order to have active participation and ownership of development processes by well-linked stakeholders, we need:

1. space and incentives for business organisations, associations, networks and collaborations (at all levels, but particularly at the atomised and micro level) to develop through investing their own resources, and to be empowered to take economic risks;
2. opportunities for stakeholders to identify and articulate their own needs and priorities;
3. freedom, space and capacity to collaborate, negotiate, advocate, and resolve disputes internally;
4. facilitation and support from external agencies (government, private, NGO and international) to develop 'win-win' partnerships and solutions that are inclusive of poor and disadvantaged entrepreneurs;
5. freedom from over-regulation and dominance, especially unfair competition from and obstruction by governments, large corporations and the local elite.

#### Who are possible actors?

The actors are government organisations at all levels, private sector enterprises, organisations and associations (registered organisations, as well as less formal or informal entities), NGOs, donors and civil society in general.

#### What are major issues/challenges?

Active participation and ownership of development processes by well-linked stakeholders can only be achieved by:

1. **creating process-oriented, bottom-up approaches.** Over the last 50 years, there has been a clear trend from static and top-down approaches to process-oriented, bottom-up approaches but the reality that few externally initiated and controlled initiatives ever survive the end of the project is recognised today as never before;
2. **developing awareness amongst communities.** There is a need to develop awareness amongst communities that active partici-

pation and ownership of joint learning processes by well-linked stakeholders is a prerequisite to demand-led development. However, this requires low-cost ways of bringing entrepreneurs and other stakeholders together in order to put learning processes on a financially sustainable basis.

### What are promising strategies?

Strategies for active participation and ownership of development processes include:

1. **creating space and opportunities for primary stakeholders to make informed choices.** Primary stakeholders are people whose living conditions are concerned and businesses whose survival and growth is affected. They need to make the best possible decisions in their own interests and according to their own priorities with respect to the kind of activities they undertake and the organisations they wish to join or form. Organisations and associations need freedom to develop rules, criteria and norms appropriate to their agreed purposes and acknowledged needs. For self-help groups, the need may be for savings or credit or both; for a business, it may be a partnership; for a cooperative, it may be marketing; and for an association, it may be technical information. Interaction with peers is often a powerful and persuasive information tool;
2. **enabling secondary stakeholders to participate as equal partners in the initiated processes.** The role of secondary stakeholders (external agencies, including governments, donors and civil society) is to inform, challenge, support, facilitate and encourage. They must resist the temptation to prescribe, control or manage the primary stakeholders. They need to be willing to learn and modify their own views as much as they expect the concerned population to listen to them. They must not dominate the process, even unwittingly;
3. **lobbying for the state and other stakeholders to play their respective roles.** The government should ensure compliance with basic principles. Civil society acts as a check and a force for improvement. This mix is well established in developed countries. In developing countries, external donors and civil society

organisations have additional and special roles. They need to work together with, but often also challenge and stimulate, governments, each other and the direct and indirect target population, so that a productive ferment is induced.

A productive ferment fosters the emergence of organisations and processes where the risks correspond to the capacities and resources of primary stakeholders: People take responsibility for their decisions. This approach empowers primary stakeholders and assures sustainability.

4. **freeing secondary stakeholders from micromanagement responsibilities.** Secondary stakeholders can then devote their energies to facilitation, providing a more enabling environment and fostering higher level networks and integration with national and global markets;
5. **including big businesses and corporations.** Often, the growth of big businesses alongside networks of specialised and efficient micro-organisations produces growth with equity. In some situations, 'Greenfield investment'<sup>11</sup>, with big businesses encouraging the development of joint ventures and significant demonstration effects, may be emerging (see Box 10).

Many governments, and at least some donors and NGOs, would need much convincing, reorientation and especially support to refocus their human resources and rework their programmes for active participation and ownership of development processes by well-linked stakeholders. Special support is also needed for government functionaries at lower levels. The reduction of patronage and political control is usually obstructed by organisations and individuals with entrenched interests.

11 Entering a foreign market via foreign direct investment by setting up an entirely new plant.

**Box 10: The Thai Business Initiative In Rural Development (TBIRD) – Linking private companies with government agencies and village production groups**

The Population and Community Development Association (PDA) introduced the Thai Business Initiative for Rural Development (TBIRD) Programme in Thailand at the beginning of the nineties. The essence of TBIRD is to use private sector resources for the sustainable development of rural communities by providing management, marketing and financial know-how, as well as financial and human resources. Private companies are recruited to establish production units in rural areas and to participate in rural development together with government organisations. PDA has the role of a catalyst, motivating private companies to join the programme and helping them to select villages, and design, implement and monitor the projects.

The TBIRD project is nationally and internationally recognised as an excellent means of creating employment and income-generation opportunities in rural areas, slowing down the migration to the cities, which leads to social disintegration, environmental degradation and disproportionately rising infrastructure costs in the cities. By linking private companies with government agencies and villagers, TBIRD is also a pioneering effort in public private partnership (PPP). So far, more than 100 companies have joined the programme countrywide, and similar initiatives are under way in the Philippines and Indonesia. It is difficult to quantify the effects of the support projects (income-generating, environmental, educational or social) promoted by TBIRD in Thailand, but there are figures for 50 TBIRD industrial projects, which employ approximately 7,000 persons. Supposing the average wage of each employee to be THB3,500 (US\$83) per month, this would translate into a yearly sum of nearly THB300 million (US\$7.14 million). Moreover, there are sizeable multiplier effects reaped by the local economy, as people spend their money on food, consumer goods and services, and the total increase in income is estimated at roughly THB3 billion (US\$71.4 million). There is a big leverage effect of government and donor contributions in TBIRD style projects, while risk and cost are comparatively small.

For more information contact the website: [www.pda.or.th](http://www.pda.or.th) and click 'Business Initiative in Rural Development' or go directly to [www.pda.or.th/e\\_projec\\_tbird.html](http://www.pda.or.th/e_projec_tbird.html)

**Table for Cornerstone 9: Active participation in and ownership of development processes by well-linked stakeholders**

| Content*  | Key Strategies & Processes   | Possible ways to implement   |
|---|--|--|
| 1. Identifying stakeholders                                 | <ol style="list-style-type: none"> <li>1. Analyse stakeholder character;</li> <li>2. Facilitate stakeholder interaction at all levels;</li> <li>3. Ensure inclusive representation (especially of the poor, women, youth, socially disadvantaged and ethnic minority groups).</li> </ol>   | <ul style="list-style-type: none"> <li>• Identification of traditional and modern organisations through survey among key actors in the rural space.</li> </ul>   |
| 2. Building stakeholder convergence                         | <ol style="list-style-type: none"> <li>1. Involve the maximum number of stakeholders in the project cycle as early as possible;</li> <li>2. Ensure adaptive, flexible design, plans, implementation, management and monitoring;</li> <li>3. Make space and mechanisms for renegotiation and conflict resolution and management.</li> </ol> | <ul style="list-style-type: none"> <li>• Awareness-raising workshops amongst stakeholders;</li> <li>• Workshops during implementation to review the progress of the programme and outcomes.</li> </ul> |
| 3. Creating structured platforms and forums for negotiation | <ol style="list-style-type: none"> <li>1. Facilitate an interactive process that fully considers the interests of rural people and fosters their articulation;</li> <li>2. Facilitate transparent rules and systems, and functional or operational arrangements;</li> </ol>  |  |

\* Elements/Ingredients



| Content*                          | Key Strategies & Processes   | Possible ways to implement   |
|-----------------------------------|--|--|
| »                                 | 3. Build on existing platforms if possible, rather than creating new ones for specific purposes. | <ul style="list-style-type: none"> <li>• Training of local facilitators in government, private sector organisations and NGOs.</li> </ul>                           |
| 4. Creating networks for learning | 1. Identify and assess all potential stakeholders and resources available in the rural space.    | <ul style="list-style-type: none"> <li>• A directory of all stakeholders, services that can be provided and resources available to enhance performance.</li> </ul> |

**[Cornerstone 10]**

**Ongoing learning from success and failure by all stakeholders**



**Why is this cornerstone important?**

The implementation of REED is based on complex processes at different levels, involving a large number of different stakeholders (entrepreneurs, institutions, public decision-makers, donors, etc.). The outcome of these processes, based on the use of different instruments (negotiations at different levels, the use of the different capacities, potentials and information of the involved actors, etc) in a changing socioeconomic, political, natural and technological environment can only be planned and foreseen to a limited extent. The foundation of the REED approach is therefore the development of structures and mechanisms in which the performance of the whole REED process in a given rural region is regularly reviewed and the activities, roles, and relationships of different actors and their overall effectiveness are self-evaluated.

\* Elements/Ingredients

### What are we aiming at?

Stakeholders should assess together the performance of the actors in the change process, and accept both success and failure as learning tools, which can be built upon for:

1. **critical self-awareness** and evaluation of activities and their impact. This is the foundation for improvement of approaches and methods in their interventions;
2. **continuous, joint review of roles**, responsibilities and relationships between actors for effectiveness;
3. **analysis and documentation of the lessons** and insights gained in joint trying out by stakeholders of new ideas and ways of doing, promoting and supporting rural (small-scale) business. New activities are built on experience and this know-how should be managed and made available to other areas and groups in a usable form (knowledge management);
4. **bridging the isolation** of rural areas from access to knowledge and experiences and links to sources of innovation. This can be done through exposure to and sharing of available knowledge from many sources by implementing the **REED** approach;
5. **building upon existing modes of exchanging views and sharing knowledge**. Learning of individuals and organisations takes place in a continuous, dynamic process. Actors in rural areas are frequently disadvantaged, as activities may be isolated and remote. However, some rural communities have efficient existing modes of exchanging views and sharing knowledge, which should be build on ('small world phenomenon').

### Who are possible actors?

Actors are stakeholders at all levels, including individuals (entrepreneurs, traders, consumers, etc.), government institutions, the private sector and civil society in general. Forums on different levels should be created to provide the mechanisms and culture to learn from experience, success and failure. Relevant tools are documentation, participatory methods, electronic media (at an advanced stage) and joint review of existing approaches.

### What are major issues/challenges?

Institutionalised platforms and processes that facilitate access to experiences and structured ways of exchange should be made available. Those platforms would need an open and transparent atmosphere of exchange and a shared joint vision for improving the livelihoods in poverty-stricken rural areas by promoting and supporting rural enterprises. Practical ways have to be found to accommodate the additional costs of broad stakeholder involvement.



**Table for Cornerstone 10: Ongoing learning from success and failure by all stakeholders**

| Content*   | Key Strategies & Processes  | Possible ways to implement   |
|--|---|--|
| 1. Creating platforms for review, information exchange and learning mechanisms | <ol style="list-style-type: none"> <li>1. Initiate public meetings of concerned parties and stakeholders;</li> <li>2. Establish a core group of stakeholders for organising learning platforms and knowledge management systems (chambers, local development agencies, planning boards);</li> <li>3. Create a learning network among interested partners and stakeholders;</li> <li>4. Use the media to boost awareness of REED.</li> </ol> | <ul style="list-style-type: none"> <li>• Open hearings with the public on specific issues.</li> <li>• Local business improvement networks;</li> <li>• Exchange of experiences and knowledge in sector networks.</li> </ul> |
| 2. Agreeing jointly on vision and M&E framework                                | <ol style="list-style-type: none"> <li>1. Establish a mutually applied vision of the outcome of the implementation of REED and a related M&amp;E framework;</li> <li>2. Formulate a common framework for performance standards;</li> <li>3. Assess performance according to the M&amp;E framework;</li> <li>4. Hold workshops to review activities and results.</li> </ol>  | <ul style="list-style-type: none"> <li>• Agreement on what information to share;</li> <li>• Use of independent consultants as facilitators.</li> </ul>   |



\* Elements/Ingredients

| Content*   | Key Strategies & Processes   | Possible ways to implement   |
|--|--|--|
| » 3. Creating an effective knowledge management system | <ol style="list-style-type: none"> <li>1. Develop a system to collect, process and disseminate data;</li> <li>2. Process and document lessons and insights for broader application.</li> </ol> | <ul style="list-style-type: none"> <li>• Identification of appropriate structures, eg, for government, COB, tourism boards, etc;</li> <li>• Local economic forums (of local government, service providers, representative structures);</li> <li>• Simplified messages for effective feedback.</li> </ul> |

\* Elements/Ingredients



## Chapter 3: Guidelines for application

### 3.1 Relevance and applicability

The potential strength of the Rural Economic and Enterprise Development framework lies in its focus on development constraints within the rural space, based on a systematic analysis of the situation and subsequent joint learning by all stakeholders, instead of reliance on theoretical development concepts. The framework carries some explicit assumptions about how successful interventions foster economic development in rural areas so the individual cornerstones are related to:

1. shaping favourable conditions for rural entrepreneurs to increase their incomes and improve their livelihoods;
2. developing and supplying supportive infrastructure and services;
3. creating competence among rural entrepreneurs;
4. promoting and supporting active and effective involvement ('participation') of relevant stakeholders; and
5. improving the different types of existing and potential horizontal and vertical links between stakeholders (general communication, representation of interests, production activities, etc).

The **Guide to REED** can be applied at different levels, i.e., national and regional, because it is area-based. For example, many decisions concerning the political, economic and institutional environment for REED are made at national level. Decision-makers on public policies for rural areas are charged with designing strategies for rural development. Increasingly, this is done in a programmatic way, such as in interministerial committees for designing PRSPs, sector investment programmes (SIPs), and sector-wide approaches (SWAPs). The REED framework adds value to the planning process because it feeds the perceptions, needs and experiences of relevant stakeholders into the process in a systematic way.

Where the focus is on developing a certain region (at subnational level), regional development authorities should bring together relevant stakeholders and use the REED framework to create a dynamic environment for economic activity and to stimulate in-

novation (see Box 11 below). In this way, the specific characteristics of the region and the relevant framework conditions can be taken into consideration when elaborating and formulating key strategies, processes and possible ways to implement them, related to the individual cornerstones.

### 3.2 Process

The flexible framework is a simple tool that helps to organise the process of developing system-based REED interventions together with a broad range of stakeholders. However, the successful use of the **Guide to REED** relies on a carefully facilitated process that guarantees:

- the inclusion of all relevant stakeholders,
- an open, transparent and dynamic dialogue based on mutual respect, and
- the recognition of different roles and functions for each stakeholder in REED.

Individual projects should not strive to address all constraints at the same time. The **Guide to REED** serves as an instrument for prioritising interventions and continuously monitoring all cornerstones (see Box 11).

**Box 11:****Scenario for using the REED framework in a regional development setting**

The following steps are proposed:

**Step I.**

In a defined geographical area (e.g., district, province), stakeholders involved in REED will be identified and invited to a workshop.

**Step II.**

The framework will be applied to analyse the existing situation in that area and identify potential areas of improvement.

**Step III.**

Cornerstones, their interdependencies, strengths and gaps will be identified by detailed analysis and self-assessment. Some cornerstones might not require any action if they are already in place.

**Step IV.**

The gaps or shortcomings blocking the exploitation of the economic potential of the region will be analysed in detail and prioritised by their hindering effect in the system.

**Step V.**

Factors with the greatest negative impact should be addressed through intervention, but generally the stakeholders will analyse the required interventions strategically and rank them from highest to lowest likelihood of having positive impact or from least to most action involved.

**Step VI.**

Once the possible interventions are identified, implementation strategies can be planned and the roles of the different actors and their mutual expectations can be clarified. The implementation sequence will depend on the identified interventions for enhancing system capacity.

Within the cycle of typical government and donor-supported programmes and projects, there are several options for applying the **Guide to REED**. It can be used:

1. **as a diagnostic tool** for assessing the nature of the existing interventions in the rural space and identifying gaps and synergies for future project design;
2. **as a tool for developing strategies and designing new programmes and projects.** The Guide to REED should be used to analyse the current situation with participating stakeholders, to simplify the selection of appropriate partners and to prioritise core activities. The main areas of project intervention are defined on the basis of the joint analysis. Key functions and related possible partners are identified in an inclusive and rigorous process in which partners can benefit from synergies;
3. **as a tool for monitoring and evaluating on-going programmes and projects.** Implementation teams can use the framework to reflect on their intervention and analyse the state of the art for each cornerstone. This helps them to reach a common perspective on where they are, what they consider successful, and what the knowledge and design gaps are in their intervention so far. An iterative self-reflection (eg, every half year or annually) with the whole team and some stakeholders can be a powerful way of steering an intervention, and learning systematically together;
4. **as a knowledge management tool.** The lessons, experiences and methodologies or tools used to enhance each of these cornerstones can be collected, synthesised across programmes, and fed back into the framework in a rigorous and systematic way, enhancing learning in institutions and networks (e.g., through interactive websites);
5. **as a tool to create a common understanding and vision** among a diverse range of stakeholders and partners involved in implementing REED. The joint perspective of the stakeholders may be a precondition for successful changes. For example, if the cornerstone is 'active private sector institutions', the partners have to clarify what they mean by 'active' and set criteria.

### 3.3 Areas for further learning

During preparation of this document, the following gaps in knowledge appeared:

1. Little attention has been given so far to the coherence of policies at regional, national and international level and their impact on Rural Economic and Enterprise Development;
2. The role that agricultural policies play in fostering or hampering REED is poorly understood;
3. Despite the growing importance of globalised trade, there are no instruments to assess opportunities in the global market place for the benefit of rural enterprises;
4. Fostering an effective political or institutional environment for REED is another matter of concern. It seems to be difficult to provide feedback from field experiences in the rural environment into the political decision-making process to improve the enabling environment for the rural poor;
5. There is considerable knowledge of how to create and develop farmer groups and self-help groups. The difficulty lies in setting up apex group organisations and particularly in organising independently minded entrepreneurs;
6. Ownership of the planning and implementation process by partner organisations and target groups is another issue that needs to be addressed. Facilitating more real and effective participation (on more equal terms) of rural or local poor groups in project planning and implementation is a major challenge;
7. Effective knowledge management depends on willingness to share information on project monitoring and evaluation, rigorous impact assessment of REED interventions, and documentation of positive or negative field experiences. A more systematic inventory of success stories in rural economic and enterprise development is needed;
8. Shifting from competitive to cooperative thinking in the donor community is still a major issue. However, the REED initiative should be considered as an important step to overcoming this constraint.

Highlighting these unaddressed issues for further learning is the first step. Future research should address the current knowledge gaps and stress dissemination among relevant agencies and organisations. Focused case studies, conducted by independent analysts some time after projects or programmes have phased out, could prove rather useful. Examples of similar strategies that have succeeded or failed in different parts of the world would be particularly illustrative.

Through an interactive website ([www.ruralenterprise.org](http://www.ruralenterprise.org)), all identified cornerstones will provide open platforms and forums for sharing lessons learned from field experience, and call for additional information. Joint research initiatives by donors, research organisations and universities on 'unaddressed issues' will be encouraged and should eventually lead to filling some of those gaps. Results will be shared in the interactive website.

## Annex: Web site information – Case studies and experiences

### Note

This annex of the **Guide to REED** lists information sources on best practices, cases of successful implementation, and addresses of resource persons. It is meant as an additional source of information for practitioners in rural economic and enterprise development. The list focuses on information provided on internet-based web sites of organisations specialising in the relevant field. As more information relevant to REED becomes accessible, this will be included in the web site version of the **Guide to REED**.

The authors of the **Guide to REED** are not responsible for the content of external web sites.

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## [Cornerstone 1]

An enabling environment that provides for an attractive investment climate and fosters dynamic entrepreneurship

### Business enabling environment (general)

- SME development** is often restricted by weaknesses in local policies and the business-enabling environment.  
<http://wbln0018.worldbank.org/sme/countryhomepage.nsf?OpenDatabase>
- The non-farm sector and rural development** (IFPRI policy paper)  
<http://www.ifpri.org/2020/briefs/number47.htm>
- Rural off-farm employment and the role of agriculture:** Policies and prospects for poverty alleviation (FAO policy paper)  
<http://www.fao.org/es/seminar/reardon2.pdf>

### Legal framework

- Creating an enabling environment for micro and small enterprise (MSE) development in Thailand.** Working Paper 3 (Simon White 1999)  
<http://www.ilo.org/public/english/employment/ent/papers/thai3.htm>
- Indonesia:** Policy discussion papers 2001/2  
[www.adbtasme.or.id](http://www.adbtasme.or.id)
- Assessing government programs for micro and small enterprises**  
[www.iadb.org/foromic/Vforo/sections/presentations.asp](http://www.iadb.org/foromic/Vforo/sections/presentations.asp)
- Policy environment for promoting small- and medium-sized enterprises in Ghana and Malawi** (Dalitso Kayaluna / and Peter Quartey IDPM, University of Manchester, 2000)  
<http://idpm.man.ac.uk/wp/fd/fdwp15.pdf>

### Advocacy & lobbying

- Sri Lanka:** Participatory Appraisal of Competitive Advantage (PACA), an approach to assessing public and private sector interest. (ESSP Sri Lanka, Volker Steigerwald, [steigerv@sltnet.lk](mailto:steigerv@sltnet.lk), Daniel Bagwitz, [essp\\_daniel@sltnet.lk](mailto:essp_daniel@sltnet.lk)).
- Developing the knowledge base on women entrepreneurs:** SEED Programme, ILO, Geneva, 2000.  
<http://www.ilo.org/public/english/employment/ent/sed/pub/wedge.htm>

### Fostering competition (in rural economic development)

- 1. Competition, policy and rural poverty** (Philippines)  
<http://www.manilatimes.net/national/2002/oct/24/business/20021024bus11.html>
- 2. Enhancing the competitiveness of rural agroenterprises** through better integration of supply chains and delivery of effective business support services (research and actions).  
[http://www.foodnet.cgiar.org/PhAction/agr\\_bus\\_supp.htm](http://www.foodnet.cgiar.org/PhAction/agr_bus_supp.htm)
- 3. Case study: Sri Lanka** – From integrated rural development to the promotion of the regional economy.  
[http://cefe.gtz.de/forum/CaseStudy\\_SriLanka.pdf](http://cefe.gtz.de/forum/CaseStudy_SriLanka.pdf)

### Good governance

- 1. FES supports political institutions** in the fulfilment of their constitutional objectives in the democratic state of Botswana.  
<http://botswana.fes-international.de/GoodGov.htm>
- 2. Improving governance**, focus of ADB's poverty reduction strategy for Pakistan.<sup>1</sup>  
[http://www.adb.org/Documents/Reports/Poverty\\_PAK/chapter\\_5.pdf](http://www.adb.org/Documents/Reports/Poverty_PAK/chapter_5.pdf)

### Incentive systems (for small business creation and innovation)

**The World Bank's Development Marketplace is a programme that promotes innovative development ideas through early stage seed funding.**

<http://web.worldbank.org/WBSITE/EXTERNAL/OPPORTUNITIES/GRANTS/DEVMARKETPLACE/0,,menuPK:180652~pagePK:180657~piPK:180651~theSitePK:205098,00.html>

### Regulatory framework

- 1. Registration (of business)**  
[www.iadb.org/foromic/Vforo/sections/presentations.asp](http://www.iadb.org/foromic/Vforo/sections/presentations.asp)
- 2. Government procurement policies in Chile and Brazil**  
<http://www.imlt.org.na>  
(Institute for Management and Leadership Training, Namibia)
- 3. SME Regulations Series of Small Business Service Directories**

#### • Volume 1:

Introduction and Background to the Small Business Directory Series

<http://www.imlt.org.na/smevol1.htm>

Download as pdf-file: [smevol1pdf.zip](#) (565 KB)

Download as doc-file: [smevol1doc.zip](#) (414 KB)

#### • Volume 2: SME Database

<http://www.imlt.org.na/smee/data1Grid2.php>

### Taxation

**Simplified tax regimes for MSE** (Brazil, Argentina)

[www.iadb.org/foromic/Vforo/sections/presentations.asp](http://www.iadb.org/foromic/Vforo/sections/presentations.asp)

### WTO negotiations (non-tariff barriers)

**Non-tariff barriers** (particularly related to food & beverages)

<http://www.gmabrands.com/search/results.cfm> – search 'non-tariff barriers'

## [Cornerstone 2]

### Adequate mechanisms and structures that address local needs

#### Decentralisation

1. **UNDP** – United Nations Development Programme: A global analysis of UNDP support to decentralisation and local governance programmes, 2001. Institutional Development Group Bureau for Development Policy, September 2002.  
<http://www.undp.org/governance/docsdecentral/global-analysis-of-undp-support.pdf>
2. **Jordan Case Study**  
<http://www.magnet.undp.org/>  
For more detailed case studies, please visit <http://magnet.undp.org>, click on the Decentralised Governance Programme and then go to Case Studies.  
For further information, please contact:  
[Robertson.work@undp.org](mailto:Robertson.work@undp.org)
3. **Toolkit introduction**  
[www.worldbank.org](http://www.worldbank.org)
4. **Local democracy**, democratic decentralisation and rural development.  
<http://extsearch.worldbank.org/servlet/SiteSearchServlet?q=Decentralisation&submit.x=13&submit.y=8>
5. **Local government**. The Indonesia Rapid Decentralization Appraisal (IRDA) is a monitoring activity developed by the Asia Foundation and funded by the USAID in support of the decentralization efforts in Indonesia. May 2002.  
<http://www.asiafoundation.org/pdf/IRDA-1st-English.pdf>

#### Bottom-up communication

##### **Rapid Rural Appraisal (RRA)**

[http://www.rdiland.org/RESEARCH/Research\\_RapidRural.html](http://www.rdiland.org/RESEARCH/Research_RapidRural.html)

#### Local needs assessment

**Surveys on local needs:** Indigenous Peoples Development Plan (IPDP): Need-assessment surveys for identifying infrastructure development needs.

Contact: Centre for Action Research and Training,  
Bhubaneswar – 751016 Orissa, India.

Tel.: 91-674-441596, Fax: 91-674-440909,

Email: [cart@dte.vsnl.net.in](mailto:cart@dte.vsnl.net.in)

<http://www.kalinga.net/cart/activities.htm>

#### Local PRS process (development of local poverty reduction strategies and initiation of change processes)

##### **Regional rural development (RRD)**

Regional Rural Development – A regional response to rural poverty (1.614 Kb)

Dietvorst, Engel: Rediscovering the region – Anchoring national programs to regional priorities – draft (291 Kb)

<http://www.gtz.de/snrd/publications/publications.html#51>



## [Cornerstone 3]

### Active private sector institutions and linkages

#### BDS service providers

1. **Business development services for micro and small enterprises in Thailand.** Working Paper 1, July 1999.  
<http://www.ilo.org/public/english/employment/ent/papers/thai1.htm>
2. **Mali**  
<http://www.promali.org/guamina>

#### Chambers (commerce & industry)

The **ZDH Partnership Program**, Germany, co-operates with local chambers of commerce and industry and with industry associations in a number of Asian countries to strengthen their advocacy and services for small business/industry.  
<http://www.zdh-connect.com/>

#### Professional services (of chambers & business associations)

1. **How to guide business associations**  
[http://www.ifc.org/sme/html/how\\_to\\_guide.html](http://www.ifc.org/sme/html/how_to_guide.html) (BE Targets).  
For more information, please contact Irene Arias at [iarias@ifc.org](mailto:iarias@ifc.org)
2. **Developing and operating an information service for chambers and trade associations.** By Wong Chin Yeow.  
<http://www.zdh-connect.com/newsletter.htm>  
(click Publications, Paper No. 4)
3. **Income generating activities for CCI.** Study on services of chambers of commerce financed by specific fees.  
<http://www.zdh-connect.com/newsletter.htm>  
(click Publications, Paper No. 8)

#### Organisational capacity building

**Manual on organizing and managing CCI**  
<http://www.zdh-connect.com/newsletter.htm>  
(click Publications, Paper No.12)

#### Networks in BDS

1. **Ethiopian Business Development Services Network**  
<http://www.bds-ethiopia.net/index.html>
2. **Delivery channels**  
<http://www.ilo.org/public/english/employment/ent/sed/bds/donor/index.htm>

#### Self-organised business associations

1. **Ruanda**  
<http://www.pab-faab.org.rw/schedule.htm>

## [Cornerstone 4]

### Functioning and effective infrastructure (hard and soft)

#### Infrastructure development

1. **Physical infrastructure (definition)**  
<http://www.asiafoundation.org/news/news-views010401.htm>
2. **Small-scale infrastructure service provision in South Asia**  
[http://wbln0018.worldbank.org/ppiaf/activity.nsf/files/A102699-M-MS-BP-8S-FR.pdf/\\$FILE/A102699-M-MS-BP-8S-FR.pdf](http://wbln0018.worldbank.org/ppiaf/activity.nsf/files/A102699-M-MS-BP-8S-FR.pdf/$FILE/A102699-M-MS-BP-8S-FR.pdf)

#### Private sector development/investment

1. **Local Economic Development. LED toolkit.**  
[www.wiram.de/toolkit](http://www.wiram.de/toolkit)
2. **Rural territorial development in Chile**  
<http://www.RIMISP.cl>  
 Many documents, eg, Proy-97: Agroenterprise projects and sustainable rural livelihoods
3. **Rural agroenterprise development project**  
<http://www.rimisp.cl/proyectos/97/pmejoramiento/proprecib/p27.html> 05/14/01
4. **Supply chains:** Connecting private sector suppliers to rural customers, promoting robust supply chains for **rural water and sanitation goods and services.**  
[http://www.wsp.org/pdfs/global\\_sc\\_synthesis.pdf](http://www.wsp.org/pdfs/global_sc_synthesis.pdf)
5. **Rural water supply scheme in Cambodia.** Joint public/private investment, each scheme to supply water for 150 to 800 households.  
 Contact: GRET-KOSAN Mr Jean Pierre Mahé:  
[jpmahe@bigpond.com.kh](mailto:jpmahe@bigpond.com.kh);  
 Mr Ky Chantan and Mr Bun Hay Meng  
[Kosan@bigpond.com.kh](mailto:Kosan@bigpond.com.kh)

#### Privatisation

1. The **Rural Electrification** and Renewable Energy Development Project will extend the electricity system to nearly 700,000 remote households and small businesses. At the core of this expansion effort is a successful partnership between the Rural Electrification Board and the **Village Electricity Cooperatives,**

which ensures the efficient and reliable delivery of rural electricity.

2. **Investment climate and privatisation** (rapid response) – mainly on (rural) electricity markets.  
<http://rru.worldbank.org/>
3. **Privatisation toolkits**  
<http://rru.worldbank.org/Toolkits/index.htm>
4. **Equitisation** of TAN LAM coffee and pepper company, Quang Tri Province, Vietnam; transfer of plantation to small-holder, rehabilitation of coffee factory, quality improvement, and advisory service to province administration.  
 Contact: Mr Leuchtman; [gtztl@dng.vnn.vn](mailto:gtztl@dng.vnn.vn)

## [Cornerstone 5]

### Access to integrated and open markets

#### Business clusters

1. **UNIDO, cluster development** and BDS promotion: UNIDO's experience in India. Hanoi Conference, 2000.  
<http://www.unido.org/userfiles/RussoF/Hanoi.pdf>
2. **SME cluster and network development** in developing countries (manual).  
<http://www.unido.org/en/doc/view/4030>

#### Information and communication technologies (ICT)

1. **ICT and the private sector**  
<http://www.gtz.de/ict-privatesector/>
2. **Business information systems (BIS)**  
Enterprise Information Project (EIP) in Sri Lanka (At present under reconstruction). <http://www.eip.lk/>
3. **ICT Tools:** Hints to assess the e-readiness of a certain country, tips on internet use and data bases, as well as ICT-Manuals, Sourcebooks and Interactive CD-ROMs, construction of SME-Portals and the implementation of Business Information Services in development countries.  
<http://www.gtz.de/ict-privatesector/tools/tools.html>
4. **Case study:** IDRC Project: Strengthening **local telecentres** (Capacity development for Internet use in Latin America and the Caribbean – LAC)  
[http://www.idrc.ca/pan/pr04240\\_10\\_e.htm](http://www.idrc.ca/pan/pr04240_10_e.htm)
5. **Case study:** The Energy for Rural Transformation Project aims to develop **Uganda's rural energy and information/communication technologies (ICT) sectors** so as to bring about rural transformation.  
<http://www.worldbank.org/energy/recentprojects.html>
6. **Further information on ICT in rural development**  
[http://www.unesco.org/bangkok/education/ict/teaching\\_learning/development\\_prog/indiadevprojects.htm](http://www.unesco.org/bangkok/education/ict/teaching_learning/development_prog/indiadevprojects.htm)  
Click 'Village knowledge centers', etc.

#### Market information systems (MIS)

1. **The case of Grameen Phone:** Empowering the poor through connectivity. Grameen Phone presently has more than 820,000 subscribers, commanding 70 percent of the market share. (March 2003).  
[http://www.cisp.org/imp/december\\_99/12\\_99camp.htm](http://www.cisp.org/imp/december_99/12_99camp.htm)  
For more information: L. Jean Camp [Jean\\_Camp@harvard.edu](mailto:Jean_Camp@harvard.edu), Brian L. Anderson [anderson@UU.NET](mailto:anderson@UU.NET) or Chandler Burr, Grameen Village Phone. Its current status and future prospects, April 2002.  
<http://oracle02.ilo.org/public/english/employment/ent/papers/grameen.htm>

#### Marketing

1. **Marketing** (general)  
<http://oracle02.ilo.org/public/english/employment/ent/papers/bang-ide.htm>
2. **Market opportunities**  
[http://oracle02.ilo.org/dyn/empent/empent.Portal?p\\_prog=S&p\\_subprog=MO](http://oracle02.ilo.org/dyn/empent/empent.Portal?p_prog=S&p_subprog=MO)
3. **Market development**  
[http://oracle02.ilo.org/dyn/empent/empent.portal?p\\_docid=DONORMARKET&p\\_prog=S&p\\_subprog=BD](http://oracle02.ilo.org/dyn/empent/empent.portal?p_docid=DONORMARKET&p_prog=S&p_subprog=BD)
4. **Network for organic products**  
<http://www.gtz.de/organic-agriculture/deutsch/org/register.asp>
5. **Business linkage SBP**, South Africa/Tanzania  
[http://www.sbp.org.za/all\\_profile.htm](http://www.sbp.org.za/all_profile.htm)
6. Several international agencies and private international buyers are operating very useful and informative **virtual market places**, eg, International Trade Center, ITC  
<http://www.intracen.org>

## [Cornerstone 6]

### Access to effective and efficient support services and resources

#### Business development services (BDS)

##### 1. General BDS Resources

###### **SEEP<sup>2</sup> guide to business development services and resources**

<http://www.seepnetwork.org/bds.htm>

SEEP's practitioner-developed, web-based guide to the wide range of services and frequently asked questions about BDS.

##### 2. Committee of donor agencies on small enterprise development

[http://oracle02.ilo.org/dyn/empent/empent.portal?p\\_docid=DONORHEAD&p\\_prog=S&p\\_subprog=BD](http://oracle02.ilo.org/dyn/empent/empent.portal?p_docid=DONORHEAD&p_prog=S&p_subprog=BD)

This site hosts over 50 case studies of BDS programmes around the world, published between 1998 and 2000. Also includes the donor guidelines and analytical papers.

##### 3. ILO SEED Program: Boosting employment through small enterprise development

[http://oracle02.ilo.org/dyn/empent/empent.portal?p\\_lang=EN](http://oracle02.ilo.org/dyn/empent/empent.portal?p_lang=EN)

##### 4. ILO BDS Turin reader – by Mary McVay and Alexandra Overy Miehbrandt

<http://training.itcilo.it/bdsseminar/pdfres.htm>

A good, basic overview of the latest thinking in the BDS field.

##### 5. ILO international best practice in micro and small enterprise development

<http://www.ilo.org/public/english/employment/ent/papers/thai2.htm>

##### 6. Inter-American Development Bank (IADB), Sustainable Development Department

[http://www.iadb.org/sds/publication\\_area\\_SME\\_e.htm](http://www.iadb.org/sds/publication_area_SME_e.htm)

##### 7. Intermediate Technology Publications

<http://www.itdgpublishing.org.uk/>

Numerous books on development – search for 'Business Development Services'.

##### 8. USAID's microenterprise best practices project

<http://www.mip.org>

Click on 'Best Practices' then 'Publications' then 'BDS'.

##### 9. The World Bank: Small- and medium-scale enterprise development

<http://www.worldbank.org/html/fpd/privatesector/sme.htm>

Describes the World Bank's private sector strategies and contains some publications.

##### 10. Applying marketing research to BDS market development (Alexandra Miehbrandt, Ronald Chua).

<http://www.ilo.org/public/english/employment/ent/sed/bds/donor/hanoi.htm>

##### 11. The application of market-led tools in the design of BDS interventions or (influencing the price of soup in Nepal) (Jim Tomecko).

<http://www.ilo.org/public/english/employment/ent/sed/bds/donor/hanoi.htm>

##### 12. Sri Lanka: National site for business development services in Sri Lanka.

<http://www.bds.lk/>

##### 13. Voucher – PROSEDE is the first Voucher Program in Nicaragua with the objective of promoting the competitiveness of the small business sector through a market of BDS, (co-operation between the IADB, the Nicaraguan Development Institute (INDE) and GTZ.

<http://www.gtz.de/wbf/dokumente/Nicaragua-BDS.zip>

<http://www.gtz.de/wbf/wbf/bibliothek/detail.asp?number=874>

##### 14. ACDI/VOCA business development success stories

<http://www.acdivoca.org/acdivoca/acdiweb2.nsf/SuccessStories-ForEmbeddedView?OpenForm&SuccessStory=Business+Development>

- ACDI/VOCA Facilitates Trade with Egypt
- ACDI/VOCA Helps Veterans in Uganda Rejoin their Communities
- ACDI/VOCA: Building Business in Russia
- Kazakhstan Community Loan Fund Offers New Opportunities to Entrepreneurs
- Poultry Feed Company Initiates Sector-Wide Growth in Ganja, Azerbaijan

**15. BDS Training** 2003 – Springfield Centre. BDS Training Programme provides an in-depth focus on developing BDS markets.  
[http://www.springfieldcentre.com/training\\_bds2003.htm](http://www.springfieldcentre.com/training_bds2003.htm)

### Improvement and development of existing services

1. The Neuchâtel Initiative Group, an informal group of representatives of various agencies, reflects experiences and up-to-date thinking on objectives, methods and means of support for agricultural extension policies.  
<http://www.lbl.ch/internat/services/publ/default.htm>
  - Common framework on agricultural extension  
/Note de cadrage conjointe sur la vulgarisation agricole
  - Guide for monitoring, evaluation and joint analyses of pluralistic extension support  
/Guide de suivi, d'évaluation et d'analyses conjointes des programmes d'appui à la vulgarisation agricole
  - Common framework on financing agricultural and rural extension
2. Swiss Center for Agricultural Extension and Rural Development (LBL), Department for International Cooperation. Innovative approaches to financing extension for agriculture and natural resource management.  
<http://www.lbl.ch/internat/services/publ/default.htm>

### Micro(enterprise) finance

1. **CGAP<sup>3</sup> Working Group on Impact Assessment Methodologies**  
[http://www.cgap.org/html/p\\_occasional\\_papers.html](http://www.cgap.org/html/p_occasional_papers.html)  
eg. No. 4: "The Rush to Regulate: Legal Frameworks for Microfinance"
2. **Microfinance and gender**  
UNCDF – Increasing access and benefits for women: Practices and innovations among microfinance institutions – Survey results  
[http://www.uncdf.org/english/microfinance/reports/thematic\\_papers/gender/survey02/surveyresults.pdf](http://www.uncdf.org/english/microfinance/reports/thematic_papers/gender/survey02/surveyresults.pdf)

### 3. Microfinance/Alternative finance (YTDG)

<http://www.alternative-finance.org.uk/cgi-bin/keywordsearch.pl?language=E&keywords=BDS+for+Rural+Enterprise>

#### Case studies presented at the above website:

- a. A multidimensional strategy approach to improving small businesses' access to finance in Tanzania. By Tadeo Andrew Satta (May 2002).
- b. An analysis of the factors affecting the demand for savings services by rural savers in Uganda: A case study of Kibaale District. By Amos S. N. Bakeine (July 2001).
- c. BURO, Tangail's approach to product development – A case study from Bangladesh. By Graham A. N. Wright and Mosharraf Hossain.
- d. Banking on Africa – Commercial bank linkages with microfinance institutions. Pride Africa (2002).
- e. Cereal Banks in Honduras: Receipt of deposit as a method for improving liquidity at the local level. By Peter Moers, FUNDER (Fundación Desarrollo Empresarial Rural), Honduras. [Also available in Spanish].
- f. Commercial Bank of Zimbabwe and CARE Zimbabwe, Output to Purpose mid-term review of Credit for Informal Sector Project (CRISP). By Bannock Consulting, April 1998.
- g. Data on investment and returns in micro-enterprises II.
- h. Designing financial products for the MSE Sector.
- i. Financial Services Association (FSA) -Concept and implementation arrangements.
- j. Financial Services for the Rural Poor: Users Perspectives. Executive summary of a report on a UNDP study of users' perspectives on financial services, conducted by PromPT in rural Bangladesh in 1997.
- k. India's Regional Rural Banks (RRBs): The Forgotten Case in Financial Sector Reforms. By Dr Rakesh Malhotra (NABARD), April 2002.
- l. Institutionalization and development of saving habits through Bai-Muajjal Mode of Islamic Banking Finance (A unique means

- of mobilizing rural savings towards productive sources).  
By Dr. Mohammed N Alam, August 2002.
- m. Integrating Financial Markets.
  - n. Interest rates and their significance for microenterprises and credit programmes.
  - o. Lending rates for microcredits.
  - p. MicroFinance Visionary Showcase, by Zvi Galor.
  - q. Microfinance technology for poverty alleviation.  
By Dr. V. Rengarajan (July 2001).
  - r. Microfinancing for the crafts sector by Eco. Héctor Paúcar Neira and Eco. Lima, Peru: José A. Ramírez Flores, Banco de Materiales (1999).
  - s. Performance of India's Regional Rural Banks (RRBs): Effect of the umbilical cord. By Dr. Rakesh Malhotra (June 2002).
  - t. Perspectives on emergence and growth of micro-finance sector. By Dr. Naresh Singh, Associate Professor (Micro-Enterprise, Micro-Finance and NGO Management), Narsee Monjee Institute of Management Studies, Mumbai, India.
  - u. Principles of credit technology for SMEs provided by Eco. Lima, Peru: José A. Ramírez Flores, Banco de Materiales (2001).
  - v. Rural towns as partners in the utilization of financial credit: A viable option for accelerated development in Africa. By Napoleon Bamfo (Spring 2000).
  - w. SANMFI discussion paper.
  - x. Ten (Tentative) Commandments.
  - y. The Holy Grail of Microfinance: 'Helping the Poor' and 'Sustainable'? By Christopher Dunford. Small Enterprise Development, 11 (1): 40-44, 2000.
  - z. The importance of management information systems for successful MFIs.
  - aa. The World Bank and microfinance: An elephant trying to build a bird's nest. By D. Puglielli (1996).
  - bb. The role and impact of savings mobilization in West Africa: A study of the informal and intermediary financial sectors in Benin, Burkina Faso, Ghana, Guinea, Mali and Togo. Volume 1 – Final report. MicroSave Africa (March 1999).
  - cc. U.S. Agency for International Development.
  - dd. Vision of the Future for Microfinancing.
- 4. Microcredit, South Africa**  
The pro-poor microfinance sector in South Africa. For FinMark Trust by Bay Research and Consultancy Services, (December 2002).  
<http://www.alternative-finance.org.uk/cgi-bin/summary.pl?id=289&language=E>
- Technologies (for rural development)**
- 1. RISE-AT** – Regional Information Service Centre for South East Asia on Appropriate Technology. Collects and organises technological data and provides technology information to interested businesses and persons as well as information institutes. Alternative Technology Information. Entrepreneurship and technology training.  
<http://www.ist.cmu.ac.th/riseat/atinfo.php>
  - 2. ITC** – Intermediate Technology Consultants – has been working in the field of manufacturing and enterprise development for 30 years in South America, Africa and Asia.  
<http://www.itcltd.com/devservices.htm>
  - 3. ApproTEC** is a non-profit organization that develops and markets new technologies in Africa. These low-cost technologies are bought by local entrepreneurs and used to establish highly profitable new small businesses. They create new jobs and new wealth and allow the poor to climb out of their poverty forever.  
<http://www.approtec.org/index.shtml>
  - 4. South Africa's Technikons** (Universities of Applied Science) have considerable potential to play a critical role in **stimulating innovation and improving competitiveness**. The Technology Stations Programme (TSP) developed by DST will strengthen and accelerate the interaction between Technikons and enterprises. There are some interactions with rural entrepreneurs and input suppliers (eg, water pumps) for the rural economy.  
<http://www.tshumisano.co.za/Objectives.html>

5. **Village Earth.** Its mission is to achieve sustainable village-based development by connecting communities with global resources through training, consulting, and networking with organisations worldwide. AT Resources.

<http://www.villageearth.org/>

**Product catalogue for the sustainable village**

(more than 10,000 items)

[http://www.thesustainablevillage.com/products/prod\\_category.jsp](http://www.thesustainablevillage.com/products/prod_category.jsp)

– The World’s Largest Selection of Appropriate Technology and Renewable Energy Products.

## [Cornerstone 7]

### Adaptive management capacity and entrepreneurial competence within business and enterprises

#### Adaptive management

**Definition:** Adaptive management is a systematic process for continually improving management policies and practices by learning from the outcomes of operational programmes. Its most effective form – ‘active’ adaptive management – employs management programmes that are designed to experimentally compare selected policies or practices, by evaluating alternative hypotheses about the system being managed.

<http://www.for.gov.bc.ca/hfp/amhome/Amdefs.htm>

#### Entrepreneurial competence

1. **CEFE Entrepreneurship Training.** Competency-based Economies through Formation of Enterprise (website in English and Spanish. For full access, membership is required).  
<http://www.gtz.de/cefe/>
2. **MDF – Management Development Foundation.** Training in project management for local organisations.  
[www.mdf.nl](http://www.mdf.nl)
3. **ILO – InFocus Programme on Boosting Employment through Small Enterprise Development.**  
Web page: <http://www.ilo.org/sed>  
Or click directly to:  
[http://oracle02.ilo.org/dyn/empent/empent.portal?p\\_docid=DONORHEAD&p\\_prog=S&p\\_subprog=BD](http://oracle02.ilo.org/dyn/empent/empent.portal?p_docid=DONORHEAD&p_prog=S&p_subprog=BD)  
for more small business training programmes.
4. **ILO** has introduced the ‘Start and Improve Your Business’ methodology in more than 80 countries, most recently to help rebuild war-torn economies in the Balkans.  
[http://oracle02.ilo.org/dyn/empent/empent.portal?p\\_docid=SIYB-HEAD](http://oracle02.ilo.org/dyn/empent/empent.portal?p_docid=SIYB-HEAD)
5. **Rural development/management training.**  
IIRR (International Institute of Rural Reconstruction) courses.  
<http://www.iirr.org/html/Trainings.htm>



## [Cornerstone 8]

Local organisations, groups and associations (representing the poor) as building blocks

### Accountability

#### 1. Partners in Time?

NGOs, bBusiness and sustainable development, 1999.

<http://www.corporate-accountability.org/docs/UNRISD-d109-PartnersinTime-NGOs-Business-SD.doc>

#### 2. Case study: The Philippines.

Enhancing public transparency and accountability through civil society participation in monitoring government services.

<http://www.undp.org/governance/docsaccount/casestudy-philippines.pdf>

#### 3. UNDP

[http://www.undp.org/governance/publications\\_full.htm#bergen](http://www.undp.org/governance/publications_full.htm#bergen)

### Community development demand/need articulation, facilitation

#### 1. The Philippine Development Assistance Programme (PDAP).

[www.pdap.net/faq.html](http://www.pdap.net/faq.html)

### Leadership representation

#### 1. Evaluating IFAD's country programme in Sri Lanka – Fostering local organisations, local leadership, skills and linkages to service providers and policy makers, such mechanisms could help mobilise villagers and link them to public and private sector agencies.

[http://www.ifad.org/evaluation/public\\_html/eksyst/doc/profile/pi/lk.htm](http://www.ifad.org/evaluation/public_html/eksyst/doc/profile/pi/lk.htm)

### Local organisational development

#### 1. Linking informal and formal social security systems

<http://www.dse.de/ef/social/gsaenger.htm>

#### 2. FAO has published a resource book on small farmers groups and associations.

<http://ftp.fao.org/docrep/fao/003/X9121E/X9121E00.pdf>

## [Cornerstone 9]

Active participation in and ownership of development processes by well-linked stakeholders

### Learning platforms

#### 1. Committee of donor agencies for small enterprise development

[www.ilo.org/public/english/employment/ent/sed/bds/donor/index.htm](http://www.ilo.org/public/english/employment/ent/sed/bds/donor/index.htm)

#### 2. Microenterprise Innovation Project: Microenterprise Best Practices Project

[www.mip.org](http://www.mip.org)

Click 'Best Practices' then 'Publications' then 'BDS'.

#### The Best Practices Project is implemented by:

- a. evelopment Alternatives, Inc. (DAI). Micro finance, agro business, world wide.  
<http://www.dai.com/>
- b. ACCION International. Micro lending and financing, Latin America, Africa.  
<http://www.accion.org/default.asp>
- c. Foundation for International Community Assistance (FINCA). Village banking, micro finance, world wide.  
<http://www.villagebanking.org/>
- d. International Management and Communications Corporation (IMCC). Financing for small, micro, and rural enterprises; regulation, supervision and rehabilitation of financial institutions.  
<http://www.imcc.com/>
- e. Ohio State University Rural Finance Program (OSURF).  
<http://www.agecon.ag.ohio-state.edu/ruralfinance>
- f. Opportunity International. Works through indigenous partner organisations that provide small business loans, training and counsel.  
<http://www.opportunity.org/>
- g. The Small Enterprise Education and Promotion (SEEP) Network is an association of more than 50 North American private and voluntary organizations, which support micro and small enterprise programmes in the developing world.  
[www.seepnetwork.org](http://www.seepnetwork.org)



3. **Sector Network Rural Development in Sub-Saharan Africa (SNRD)** of GTZ-supported rural development projects in sub-Saharan Africa. **The network actively seeks linkages to other development institutions** (NGOs, research institutions, etc).  
<http://www.gtz.de/snrd/>
4. **GTZ Asia Online** – an online space of members of the **GTZ Rural Development Sector Network in Asia**.  
<http://www.gtz-asia-online.org/>

## [Cornerstone 10]

### Ongoing learning from success and failure by all stakeholders

#### Monitoring and evaluation (M&E)

1. **Monitoring and evaluation for the small business service sector.** A guide to success.  
[http://www.smepromna.com/pdf/Monitoring\\_and\\_Evaluation\\_SBS.pdf](http://www.smepromna.com/pdf/Monitoring_and_Evaluation_SBS.pdf)
2. **M&E Methodology** – Client satisfaction study in micro finance.  
<http://www.enterprise-impact.org.uk/pdf/CasheCareIndiaCaseStudy.pdf>
3. **Enterprise Development Evaluation Synthesis.** Recent DFID support for small and micro enterprises, especially through non-governmental organisations, has proved beneficial to the development.  
[http://62.189.42.51/DFIDstage/AboutDFID/files/nsc/ev\\_s618.pdf](http://62.189.42.51/DFIDstage/AboutDFID/files/nsc/ev_s618.pdf) – 394.7KB  
[http://62.189.42.51/DFIDstage/AboutDFID/files/europe/ev\\_617.pdf](http://62.189.42.51/DFIDstage/AboutDFID/files/europe/ev_617.pdf) – 181.7KB
4. **Kenya: BASE. The Kenya Rural Enterprise Programme's** Juhudi Credit Scheme (1998). DFID Evaluation Report 605.  
[www.dfid.gov.uk/policieandpriorities/files/africa/ev\\_605.pdf](http://www.dfid.gov.uk/policieandpriorities/files/africa/ev_605.pdf)

#### Enterprise assessment and survey tools

1. **A field manual for subsector practitioners** (Hagblade & Gamser, GEMINI, 1991).  
<http://www.pactworld.org/>  
Beyond credit: A subsector approach to promoting women's enterprises. By M. Chen. Ottawa, Canada: Aga Khan Foundation (1996).
2. **Participatory Rapid Appraisal.** Whose Reality Counts: Putting the Last First. By Robert Chambers.  
<http://www.itdgpublishing.org.uk/>
3. **General Small Enterprise Surveys.**  
<http://www.pactworld.org/>  
Look for GEMINI Baseline surveys published by PACT.
4. **BDS market assessment tools:** SME cluster and network development in developing countries: The experience of UNIDO. By G. Ceglie and M. Dini. Donors Committee

Conference in Rio, Brazil (1999).

<http://www.ilo.org>

5. **Action research:** The wheels of trade – Developing markets for business services. By M. Hileman and J. Tanburn. London: IT Publications (2000).  
<http://www.itdgpublishing.org.uk/>

### Impact assessment

1. **AIMS – Assessing the impacts of microenterprise services**  
[www.mip.org/pubs/pubs-def.htm](http://www.mip.org/pubs/pubs-def.htm)
2. **Impact assessment** of rural enterprise development projects. By Richard Bond [richard.bond@man.ac.uk](mailto:richard.bond@man.ac.uk)
3. **Improving the ability to assess impact.** Office of Evaluation and Studies – Work Programme 2002.  
<http://www.ifad.org/evaluation/oe/wp/2002/index.htm>
4. **EDAIS – Enterprise Development Impact Assessment Information Service, UK**  
<http://www.enterprise-impact.org.uk/informationresources/casestudies/agent.shtml>

### Case studies presented:

- a. Agribusiness Entrepreneur Network and Training (AGENT)
- b. Appropriate Technologies for Enterprise Creation (ApproTEC)
- c. CARE International South-West Africa Regional Management Unit (SWARMU)
- d. Centenary Rural Development Bank
- e. Central Region Infrastructure Maintenance Programme (CRIMP)
- f. Council for Economic Empowerment for Women of Africa – Uganda Chapter (CEEWA-UG)
- g. Credit for the Informal Sector Programme (CRISP)
- h. Foundation for Entrepreneurial and Business Development
- i. FSA International (Financial Services Associations)
- j. Microsave-Africa
- k. Mineworkers' Development Agency (MDA)

- l. “Money Matters” – EDA Rural Systems Pvt. Ltd. and IDPM Research
- m. Small Business Project (SBP)
- n. Small Enterprise Development Agency (SEDA )
- o. Self-Help Development Foundation (SHDF)
- p. SHARE Microfin – India
- q. SIDBI Foundation for Micro Credit – India
- r. Training for Enterprise and Exports in Malawi (TEEM)
- s. Zambia HIV/AIDS Business Sector Project in the Workplace (ZHABS)

### Stakeholder platforms

1. **The Consultative Group to Assist the Poorest (CGAP)**  
CGAP is a consortium of 29 bilateral and multilateral donor agencies who support microfinance.  
<http://www.cgap.org/>
2. **Committee of Donor Agencies for Small Enterprise Development**  
[www.ilo.org/public/english/employment/ent/sed/bds/donor/index.htm](http://www.ilo.org/public/english/employment/ent/sed/bds/donor/index.htm)
3. **NGO Steering Committee to the United Nations Commission on Sustainable Development**  
[http://iggi.unesco.or.kr/web/iggi\\_docs/04/952569032.pdf](http://iggi.unesco.or.kr/web/iggi_docs/04/952569032.pdf)
4. **The Adaptive Management Practitioners' Network:**  
Facilitating better management through peer mentoring and dialogue.  
AMPN is a collaborative among practitioners engaged in resource management and ecosystem restoration.  
<http://www.iatp.org/AEAM/describe.htm>
5. **Business Enterprise and Entrepreneurship Working Group of the UN ICT Task Force.**  
SME-Promotion, Economic and Employment Promotion  
[http://www.bridges.org/entrepreneurship/entrepreneurship\\_inventory.pdf](http://www.bridges.org/entrepreneurship/entrepreneurship_inventory.pdf)

## Learning

### 1. The Enterprise Development Website

An excellent gateway by Jean-Claude Lorin where websites on small business, finance, international trade, entrepreneurship, enterprise development and the economy are listed thematically and geographically. Each site is rated by EnterWeb.

[www.enterweb.org](http://www.enterweb.org)

### 2. Reviewed BDS Projects

Source: Mary McVay and Gail Carter, Business Development Services (2002). Achievements, trends, challenges – Results of a knowledge gathering exercise. The Committee of Donor Agencies on Small Enterprise Development Implementation Working Group, September 2002

[marymconvay@Mindspring.com](mailto:marymconvay@Mindspring.com)

The programmes reviewed in this study use a range of strategies to make services affordable to poor or under-served groups. In order of importance, they are:

- a. Working with buyers of SE products to increase sales, and/or provide ‘embedded’ services (SEPA, SERVVE, MBLP, ASOMEX, CI, INSOTEC, CECI/MARD, JOBS);
- b. Developing low-cost services, designed to meet needs of smallest entrepreneurs, to add immediate value. (ApproTEC, IDE, INSOTEC, CECI/MARD, SDC, Grameen Phone, SEEDS, BRAC);
- c. Delivering services through very low-cost, informal sector providers (SEPA, ApproTEC, IDE, INSOTEC, CECI/MARD, SDC, BRAC);
- d. Reducing costs by helping businesses access services through associations, groups, clusters (SERVVE, NASFAM, CI, ASOMEX, SEWA, JOBS);
- e. Temporary discounts for introductory services (Voucher Programs);
- f. Free services, paid for through advertisement by third party payers or larger firms. (ILO FIT Radio & Business Connect);
- g. Financing services through loans (BRAC, SEEDS, Grameen Phone/Bank).

## Knowledge management

### 1. Directory of Development Organisations

[www.devdir.org](http://www.devdir.org)

### 2. More information on the technical themes of BDS training

The BDS Turin Seminar home page.

Includes the latest available version of the BDS Seminar Reader, the presentations made in 2001, etc.

<http://training.itcilo.it/bdsseminar>

### 3. The Committee of Donor Agencies for Small Enterprise Development

Includes the BDS guiding principles and the many peer-reviewed case studies from the five Donor Committee Conferences.

<http://www.ilo.org/employment/sedonors>

The main Donor Committee site is now at [www.sedonors.org](http://www.sedonors.org)

### 4. The INTERCAMBIO competition on gender best practices in BDS

[www.intercambio.org.pe](http://www.intercambio.org.pe)

### 5. The ILO’s SEED programme IFP/SEED

Includes a range of downloadable publications, tools and research findings.

<http://www.ilo.org/seed>

### 6. The BDS Guiding Principles

<http://oracle02.ilo.org/images/empent/static/seed/donor/bds-donCom-guieng.pdf> (also in Spanish, Chinese, Vietnamese)

### 7. The Guide to BDS market assessment

[http://oracle02.ilo.org/dyn/empent/docs/F111PUB1694\\_01/PUB1694\\_01.pdf](http://oracle02.ilo.org/dyn/empent/docs/F111PUB1694_01/PUB1694_01.pdf)

### 8. Guide for Enterprise Support Agencies

ICT research: Information and Communication Technologies (ICTs) and Small Enterprise in Africa, Lessons from Botswana (2001).

<http://www.man.ac.uk/idpm/ictsme.htm>

### 9. The Practitioner Learning Program (PLP)

PLP is a SEEP Network initiative to foster industry learning in business development services (BDS) and microfinance.

[www.seepnetwork.org](http://www.seepnetwork.org)

## **10. Microenterprise Innovation Project: Microenterprise Best Practices Project**

[www.mip.org](http://www.mip.org)

Click 'Best Practices' then 'Publications' then 'BDS'.

### **Other relevant web pages with more general information**

- 1. The web page of the GTZ Asia** sector network on Economic Development and Employment Promotion.  
<http://www.gtz.de/wbf-asien/>
- 2. An information forum for SME Internet portals**  
[www.gtz.de/sme-portals](http://www.gtz.de/sme-portals)
- 3. Inter-American Development Bank (IDB), Sustainable Development Department**  
[http://www.iadb.org/sds/ifm\\_e.htm](http://www.iadb.org/sds/ifm_e.htm)
- 4. Intermediate Technology Publications**  
[www.oneworld.org/itdg/publications.html](http://www.oneworld.org/itdg/publications.html)  
Look for the category 'Business-Enterprise Development'.
- 5. International Labour Organization: SEED Program**  
This is the website of the ILO's SEED Programme: Boosting employment through small enterprise development. The site offers information on policy environment, market opportunities, business development, association building, informal sector, best practices, job quality and gender equality.  
[www.ilo.org/public/english/employment/ent/sed/index.htm](http://www.ilo.org/public/english/employment/ent/sed/index.htm)
- 6. Pact publications**  
[www.pactpub.com](http://www.pactpub.com)  
The USAID-sponsored GEMINI surveys are available through PACT.  
[www.mip.org/pubs/pubs-def.htm](http://www.mip.org/pubs/pubs-def.htm)
- 7. SDC small enterprise development website**  
[www.intercooperation.ch/sed/index.htm](http://www.intercooperation.ch/sed/index.htm)
- 8. Committee of Donor Agencies for Small Enterprise Development**  
[http://oracle02.ilo.org/dyn/empent/empent.portal?p\\_docid=DONORHEAD&p\\_prog=S&p\\_subprog=BD](http://oracle02.ilo.org/dyn/empent/empent.portal?p_docid=DONORHEAD&p_prog=S&p_subprog=BD)



