

PVO
REPORT ON THE
SMALL ENTERPRISE DEVELOPMENT
WORKSHOP

OFFICE OF PRIVATE AND VOLUNTARY COOPERATION
BUREAU FOR FOOD FOR PEACE AND VOLUNTARY ASSISTANCE
AGENCY FOR INTERNATIONAL DEVELOPMENT

OCTOBER 31 - NOVEMBER 2, 1983
WASHINGTON, D.C.

PREFACE

This report provides an important benchmark in our learning process about the role of private and voluntary organizations (PVOs) in promoting and developing small enterprises.

Over the past three years the Office of Private and Voluntary Cooperation, Bureau for Food for Peace and Voluntary Assistance (FVA/PVC) of the Agency for International Development has sponsored a series of field studies of small enterprise projects assisted by PVOs. On October 31 - November 2, 1983 this culminated in a workshop of some 58 people including PVO representatives, donors, evaluators and other specialists who met in Washington, D.C. to review lessons learned from experience to date and to recommend future action.

The first two days of the workshop were organized into separate plenary sessions and small groups focussing on four questions:

- 1) What are the benefits of small enterprise development?
- 2) What works? At what cost?
- 3) What is the PVO role in small enterprise development?
- 4) Where do we go from here?

A final half-day provided an opportunity for ad hoc groups to separately discuss topics such as measurement of benefits and creation of an integrated methodology to collectively assess economic and social/political dimensions of small enterprise development in the future.

The workshop was successful in beginning to answer the above questions. More importantly, it has stimulated discussion between A.I.D. and other agencies about greater PVO involvement in income-generating activities and small enterprise development abroad.

Tom McKay, Director of FVA/PVC, told the assembled gathering that this was the first workshop sponsored by the Agency on small enterprise development and the role of PVOs and noted that PVC focused on this sector because of its importance to income generation in local development situations assisted by PVOs. He said it was of prime importance for the workshop to produce a product to share with field staff of PVOs and A.I.D. as well as other practitioners. This report is our product.

In her opening remarks at the workshop, Julia Bloch, Assistant Administrator of FVA, said the recommendations of the participants would be taken very seriously. She emphasized, the workshop "...is both an end and a beginning--the end of several years of collaborative efforts by FVA, A.I.D.'s Bureau of Science and Technology, the Bureau for Policy and Program Coordination/Office of Evaluation, and the private and

voluntary organizations, to systematically evaluate work in this sector. It is also the beginning of an opportunity to apply lessons to future small enterprise projects."

In organizing the workshop we made a special effort to have people from a broad spectrum of experience. We sought and were successful in gaining the participation of economists and non-economists who have been key contributors to the small enterprise literature, representatives of donors and PVOs, evaluators and evaluatees. This spread of viewpoint produced an interesting chemistry in which few assumptions were left unchallenged. However, the task of writing up this summary, you will appreciate, has been demanding.

Robert Hunt has taken on the difficult task for us in this report of summarizing the discussions and recommendations that flowed from the workshop. We asked him to do this because he wrote the earlier issues paper on small enterprise development, he participated in one of the evaluations in the field, and, along with Peter Kilby, he prepared one of two pre-workshop papers analyzing the results of the evaluation series.

We expect that this document, and efforts to follow up on its recommendations, will help sustain the momentum of the workshop. We hope that the substantial energy participants put into the event will be amply rewarded.

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REPORT ON THE SMALL ENTERPRISE WORKSHOP
October 31-November 2, 1983
Prepared for the Office of Private and Voluntary Cooperation
by Robert W. Hunt

Summary and Recommendations

A workshop on PVO small enterprise (SE) projects was held in Washington, D.C. from October 31 to November 2, 1983. The major goals of the workshop were to review recent assessments of SE projects, particularly those of PVOs, and to make recommendations to donors and PVOs concerning the project activities which should be supported in the future. Discussion at the workshop was organized around questions dealing with benefits to be sought in SE projects, best means of producing desired benefits, comparative advantages of PVOs in small enterprise promotion and the ways in which major donors might best support its development in the future.

Conclusions on benefits:

1. Benefits to be sought should include economic improvements in the performance of firms, and expansion of their linkages with the local economy.
2. Social benefits are important. These include community or human resource development and political changes. Beneficiaries need to influence policy making if their efforts are to be self sustaining.
3. The sequence of benefits can be critical. Opinions differ on the priority to be accorded economic and social outcomes -- and whether they will be contradictory or complementary?

What works to produce benefits:

1. PVOs can promote and implement highly cost effective small enterprise projects.
2. Ample credit, supplied through well managed financial institutions, is a critical factor in business survival and success.
3. Technical assistance (training and extension services) can be an integral part of SE projects. Such assistance is most effective when carefully tailored to specific needs, limited in scope and duration, and carried out by individuals with skills appropriate to the specific tasks at hand.

4. Project impact may be maximized while effectively limiting costs if financial (and technical) assistance is:

A. given to those types of firms most likely to generate economic linkages (e.g., larger firms, industrial and service rather than trading enterprises);

B. provided on a repeat basis to firms which repay earlier loans;

C. jointly administered by well organized beneficiary groups, particularly when member firms are very small and entrepreneurs guarantee each other's accountability; and

D. provided at rates covering inflationary effects on the local economy.

5. Among the factors which can make SE projects more equitable, and cost effective at least in the longer run, are:

A. efforts to increase inputs by beneficiaries into project design and implementation activities;

B. assistance in the development of institutions which can mediate with the government and with market institutions in behalf of SE;

C. efforts to provide a supportive network (local, national and international PVOs as "umbrella groups") to give visibility and support to project activities and highlight policy changes desired by SE;

D. the targeting of assistance (via limits on loan size, etc.) to the poor and to those with the more entrepreneurial dispositions; and

E. a concentration on means for channeling some returns from enterprise development to collective (community) activities.

Comparative advantages of PVOs

1. The workshop provided an opportunity for assessing most of the reputed advantages of PVOs for carrying out development projects. Characteristics such as flexibility, low personnel costs, and a capacity to work over extended periods with the poor while gaining their trust, were seen as of particular importance in explaining the relative success of several PVO projects that were evaluated.

2. PVO disadvantages were also considered: field staff may have insufficient technical expertise to assist small entrepreneurs; as organizations they often tend to give too little attention to issues of financial management; and operations may be too small to provide more than minimal assistance to a tiny percentage of potential beneficiaries. There were indications, however, that small firms often need advise which is not very technical.

3. Despite the limitations, the most striking evidence presented from the evaluations completed for the workshop was that PVO SE projects can be quite cost effective.

Future prospects and recommendations

To take advantage of the body of knowledge and experience represented by the PVO SE projects, major donors and PVOs should consider the following actions. They should:

1. further refine, apply and disseminate the methodologies of experienced PVOs working with small enterprise projects;
2. encourage additional workshops, especially in the field, to apply experience gained from use of the refined methodologies;
3. support the publication of a "how to" sourcebook for PVOs interested in promoting and assessing SE projects; and
4. support individual PVOs in their efforts to scale up programs that assist small firms, through international collaboration with larger donors, governments, and international business organizations (including trade associations).

I. Introduction: Basic Workshop Purposes and Goals

The workshop on Private Voluntary Organizations (PVOs) and small enterprise development represents the culmination of over three years' effort by the Bureau for Food for Peace and Voluntary Assistance and the Office of Private and Voluntary Cooperation of the Agency for International Development (A.I.D.). Over that period several evaluations of PVO small enterprise projects were conducted by PVC and meetings held to review the findings. These findings were supplemented with evaluation data generated by other A.I.D. offices and from other development agencies, so that a substantial body of current information pertinent to the voluntary sector and enterprise development was assembled.

A workshop to consider lessons learned and appropriate future directions was held in the fall of 1983, in Washington, D. C. Participants represented PVOs, A.I.D., other donors, and evaluators. The following purposes were set down for the workshop:

1. To review recent assessments of small enterprise development experience and debate the lessons learned.
2. To assess under what circumstances PVOs are most effective in doing enterprise development projects.
3. To determine the degree to which SE development is a good investment for PVOs and donors seeking to promote socio-economic development in developing nations.
4. To assess criteria and methods for the evaluation of PVO small enterprise projects.
5. To make recommendations to PVOs concerning the design and evaluation of future SE projects.
6. To make recommendations to donors with respect to future support for PVO small enterprise development.

As a means for accomplishing these tasks four questions were provided as the focus for work during small group and plenary sessions of the workshop. They were:

1. What are the major potential benefits of small enterprise projects?
2. What works best in small enterprise projects to produce these benefits?
3. What advantages do PVOs have in the creation of these benefits?
4. What are the ways in which A.I.D. and other donors can assist in the future to increase the capacity of PVOs to develop effective small enterprise projects?

Two papers were used to introduce the workshop discussions. One, by Robert Hunt, summarized lessons learned from a large number of small enterprise projects, including several PVO projects evaluated by the Agency for International Development. The other, by Peter Kilby, provided a series of lessons from many of the same projects based on an application of benefits analysis.

Hunt's paper provided a listing of generalizations about the relative significance of different credit and technical assistance packages in the promotion of small enterprise development. These generalizations indicated the relative importance of various project inputs. He discussed how the significance of inputs varies with competing priorities among possible benefits. This assessment produced several possible rankings of SE project inputs, reflecting differing assumptions about the importance of economic growth, equity, participation, and the development of market and community institutions. Concluding sections in the paper dealt with current, more integrative enterprise development projects. These more holistic projects better handle the contradictions plaguing more narrowly focused interventions. They better fit their setting and contribute to the process of institution building.

Kilby's paper offered a concise measuring rod to assist in the explanation of the variance in performance among projects in terms of a variety of causal factors. His measure was net economic benefits, or additions to national income. With it he sought to achieve two objectives: first, to compare the benefit-cost ratios of small enterprise projects with aid programs in other sectors; and second, to develop a specially tailored approach to small enterprise

which might serve as a standard methodology for the future. Using these tools Kilby provided a rigorous, comparative analysis of several small enterprise projects. His findings provided positive conclusions about the significance of past accomplishments by PVO small enterprise projects. They represent strong evidence in behalf of the potential contributions of PVOs, suggesting that these organizations can work effectively with the poor and produce benefits efficiently.

The two days of discussion at the workshop drew on the basic research of the Kilby and Hunt papers and was organized around the four questions discussed above.

II. Benefits and the Means of Producing Them

During the small group and plenary sessions of the workshop, discussions of benefits were widely focused. This reflected the great diversity in project types and approaches to development of implementing agencies, mostly PVOs. Major points made regarding benefits were as follows:

1. Small enterprise project benefits should include improvements in business performance (jobs, income) and the expansion of the local economy. They should also include improvements in community welfare through impacts on social and political institutions in the immediate target area and beyond.
2. Some differences among participants emerged when efforts were made to deal more specifically with these benefit categories. The main differences were centered around the approaches of those most concerned with social change, on the one hand, and economic on the other:
 - a. Were there situations when one category of benefits were to be seen as more important than others?
 - b. Was it, alternatively, preferable to see benefits in a comprehensive sense, and to resist making sharp distinctions between social and economic issues?
 - c. How might social and economic changes reinforce each other? There was evidence in the workshop documents that attention to social change can produce significant economic returns.

3. It is difficult to reach consensus on benefits because differing perceptions are rooted in the basic values of the analyst. Some prefer to talk in terms such as "unit costs" and others in terms of "empowerment". More effective steps must be taken to bridge differing conceptions and develop a common approach to project design and evaluation.

Economic Perspectives on Benefits

There was general agreement among the workshop participants that small enterprises are a highly significant part of current and future efforts to deal with the problems of poverty and unemployment in the developing world. These small firms provide means for involving the poorest of third world peoples as owners and employees in business activities which are often critical income sources. Data collected by Carl Liedholm and associates at Michigan State University among others indicate that in many parts of the world as much as 50 percent of rural income comes from some type of small business operations. Moreover, cross-national data indicate that these business operations are becoming increasingly significant, even where there is competition from urban sectors. One of the summary papers prepared for the workshop suggested that technological changes leading to greater global interdependence will increase the need and opportunities for small firms in the future. Small entrepreneurship tends to thrive when economies are in transition. Thus, PVOs and other donors seem likely to be more involved with the small enterprise sector as they seek means for dealing with world poverty.

Workshop discussion on small enterprise development and the PVO role began with the question of benefits. For most workshop participants, the most critical outcome to be pursued in small enterprise projects is the economic performance of the firm itself. Improving firms at a reasonable cost clearly is primary, since all else turns on it. The discussion of specific indicators of performance, therefore, concentrated on such factors as income generated, jobs and wages produced, production and sales increases and profits. Following from the Kilby paper on benefits analysis, used to introduce the workshop, there was also attention to benefits derived from the impact of assisted firms in the broader marketplace. Among these factors were the amount of backward and forward linkages produced by new business purchases, and by additions to local income generated by expanded economic activity. Also included

are benefits to consumers resulting from the lowered prices produced by the greater efficiency and competition among assisted firms, as well as training provided to departed workers. Some, but fewer, references were made to national economic impacts, such as potential foreign exchange savings generated by local production. If the connection between the development of informal and small sector enterprise on government import policies was not always obvious, the opposite seemed clearer: where and when governments needed to restrict imports, informal sector enterprises in particular were likely to do well.

It was difficult for participants to agree on means for ranking various outcomes. They did however, show widespread agreement on the importance of all of these benefits. In particular, they appreciated the conclusion that it is normally the impact of a project beyond the individual firm which determines its ultimate success or failure.

Social and Political Benefits

None who spoke of the economic benefits of projects argued for their being sufficient in and of themselves. Many expressed strongly a concern that economic benefits be accessible over time to the poorest of potential and functioning entrepreneurs, and through them to a broad spectrum of society. In addition, most participants expressed an interest in the pursuit of a range of noneconomic benefits, and in seeing that potential beneficiaries had access to project outputs. They were also greatly interested in understanding the relationships among non-economic and economic activities. Many of those participants involved with rural small enterprise development seemed particularly concerned with the need to consider the impediments which social structural obstacles place in the way of equity and of project sustainability. These concerns stimulated an assessment of priorities. They included a discussion of acceptable "lag time" for the introduction of economic or social concerns which had been minimized during early stages of a project.

To be specific, there were at least three types, or levels, of concern raised: individual, community, and institutional (or political). Individual factors were strongly emphasized as a means for assessing project and business success. There was particular interest in project impacts on the basic attitudes of the businessman or woman. In one of four workshop small group discussions, the exposure of the entrepreneur to new attitudes, philosophies and skills was ranked second in

importance as a benefit, following only the development of the firm. These were seen as related to enterprise development and, ultimately, to the chances for self-reliance. In another of the small groups, similar concerns were raised, with the emphasis placed on individual hope and self-esteem as central to personal and enterprise development. Another of the groups emphasized attitudinal changes in combination with economic developments. Here most fundamental of benefits was an increase in the amount of free choice and self direction possible for project beneficiaries. There was, in short, strong support for the notion that the entrepreneur and entrepreneurial attitudes were central to small business success, and particularly to their capacity to contribute to economic development.

Attention was also focused on basic health and nutrition services at the community level; the development of outreach efforts to the very poor, particularly women; and advancing educational opportunities as relevant benefits for project planners and managers to pursue. Several references were also made by the participants to the need to pursue other community benefits. These included a reduction in the concentration of economic power, improvement in family life through the growth of job security for workers (with the likely effect this would have in reducing urban migration), and an increase in overall community "solidarity."

It was evident to many with long working experience in the sector how damaging negative government actions could be. Consequently, there was an extended discussion of the ways of influencing public policy. Perhaps the clearest of the "political" benefits considered was the formation of beneficiary (or solidarity) groups. These groups were seen by those participants stressing financial aspects of projects as having the potential to contribute to enterprise growth, particularly when involving informal sector firms. Several project evaluations have indicated how cost effective solidarity associations can be in processing applications for assistance, following up on borrowers, and providing informal extension services. Other participants, however, saw these groups more as ends in themselves. They appreciated the significance of the economic contributions of solidarity groups, but argued that individual empowerment and, more broadly, institutional development were themselves primary outcomes to be sought. Most important was the conclusion that they should be given high priority even where there was a price to pay in terms of

other benefits foregone. Work summarized in the workshop paper prepared by Robert Hunt indicated that many designers and managers of small enterprise projects are seeking additional means for broadening the range of benefits sought. This would serve to make projects more equitable and thus more congruent with the value premises on which many PVO small enterprise projects rest. But it could also assist them to become more sustainable.

III. What Works: Major Factors that Create Benefits

Major inputs associated with small enterprise projects over the years have been focused on credit, technical assistance, training, and institutional development. Participants considered ways of putting these various inputs to work for greatest effect. The discussion produced the following general conclusions. Some, as might be expected, point to issues for continuing debate.

1. PVOs can promote and implement highly cost effective small enterprise projects.
2. Ample credit, supplied through well managed financial institutions, is a critical factor in business survival and success.
3. Technical assistance (training and extension services) can be an integral part of small enterprise projects. Such assistance is most effective when carefully tailored to specific needs, limited in scope and duration, and carried out by individuals with skills appropriate to the specific tasks at hand.
4. Project impact can be maximized while effectively limiting costs if financial (and technical) assistance is :
 - a. given to those types of firms most likely to generate economic linkages (e.g., larger firms, industrial and service rather than trading enterprises);
 - b. provided on a repeat basis to firms which repay earlier loans;
 - c. jointly administered by well organized beneficiary groups, particularly when member firms are very small and entrepreneurs guarantee each other's accountability; and
 - d. provided at rates covering inflationary effects on the local economy.

5. Among the factors which can make small enterprise projects more equitable, and cost effective at least in the longer run, are:
- a. efforts to increase inputs by beneficiaries into project design and implementation activities;
 - b. assistance in the development of institutions which can mediate with the government and with market institutions in behalf of small enterprise;
 - c. efforts to provide a supportive network (local, national and international PVOs as "umbrella groups") to give visibility and support to project activities and highlight policy changes desired by small enterprises;
 - d. the targeting of assistance (via limits on loan size, etc.) to the poor and to those with the more entrepreneurial dispositions; and
 - e. concentration on means for channeling some returns from enterprise development to collective (community) activities.

Credit and Technical Assistance as Factors in Small Enterprise Development

Efficient credit programs are a centerpiece of most successful small enterprise projects. A lending process, which is built on a well trained, indigenous staff and which favors industrial or service firms because of their greater potential for backward linkages, will contribute a particularly cost effective basis for promoting enterprise and local development.

Several of the workshop participants regarded these conclusions as reinforcing their relatively negative view of the contributions of technical assistance, the other major input into small enterprise projects. They felt that research and experience had failed to suggest instances where this assistance was vital, or had changed entrepreneurial behavior so as to produce better business results. Training programs and various extension efforts were tolerated by participants in many cases only because loans were contingent on the completion of training activities or the acceptance of advisory services. Little evidence existed to indicate that the resources of time

and money expended on training were worth the costs, even when these costs were minimal. Formal training for owners of microsector firms was particularly ineffective. Alternatively, extension services were rarely cost effective since it was difficult to have staff qualified to offer appropriate advice for the varieties of firms needing it. Judith Tendler, based on her own evaluation experience with a PVO project in Brazil, and the results suggested by Kilby's workshop paper, concluded that most successful small enterprise projects have had no technical assistance components.

These views did not represent the consensus of workshop participants. Training and extension services did have strong proponents. Many were especially impressed with the assistance offered to microenterprises through the process of organizing beneficiary groups. Skills were transferred in this fashion, but also a sense of social and political efficacy. Beneficiary groups were also capable of institutionalizing an informal process of training and mediation, and thus continuing over extended periods to assist with technological transfer and training. This assistance would be both inexpensive and effective.

In addition, there was recognition even by some critics that projects assisting new enterprise formation should offer advisory services. Assistance in working out formal project plans was most likely to be of use in these cases. There is evidence that when those starting firms are required to go through careful planning exercises, the results are quite beneficial. Where the firms were larger than microenterprises, introductory business courses were also likely to be helpful. Those with most experience in the development of entrepreneurial training programs went even farther, arguing that the effectiveness of these programs has been demonstrated for even informal sector entrepreneurs.

Concerns with general social and political questions, and particularly the issue of equity, were introduced often in the discussion on the determinants of project success. They were a part of the discussion of cost effective credit programs. Kilby's working paper demonstrated some of their relevance within a larger set of factors influencing the relationship between credit and economic change. He noted that the ability of individual entrepreneurs, the state of the external economic environment, and any number of governmental policy decisions could be vital in determining how adequate a response a small

enterprise owner could make to credit or technical assistance policies. Chronic and high levels of inflation, for example, made even the best designed credit program unlikely to generate sufficient benefits at an adequate cost. Rates of 40 to 100 percent need to be charged in these cases. The absence of appropriate social conditions similarly made the effectiveness of solidarity groups doubtful. Where solidarity associations were effective, and the costs of establishing and sustaining them relatively low, a number of supportive conditions usually existed. These included a supportive government and a pre-existing market for products produced by group members. Also helpful in these cases was at least a minimal level of acquaintance among group members and common experience in the same or similar lines of business. Groups can affect cost dramatically but their capacity to do so without long-term institution building efforts rests on circumstances which are rare and difficult to create.

Other environmental factors affecting the relationship of credit and project success included the degree to which basic infrastructure, especially roads, had been developed. Moreover, there was (again) the issue of public policy. Changes in rules relating to import requirements could, for example, all but overshadow small enterprise projects in terms of impacts.

Additional Factors in Enterprise Development: Entrepreneurship, Institutional Development and Public Policy.

During the small group and plenary discussions, several other factors were advanced as antecedents to project success. Among them were entrepreneurship, institutional development (seen by some as related to but still larger than the discussion of solidarity associations had suggested), and public policy. A variety of discussions were held during the course of the workshop on public policy questions, focused in part on the comparative significance of policy changes and project efforts for small enterprise development. The main discussions of public policy, however, came during the analysis of causal factors. Here attention was directed toward means for making policy changes and project inputs commonly supportive of enterprise development efforts.

A number of the participants stressed personal attributes as means for explaining the variation in entrepreneurial energy and business success. Some participants with recent experience in using applied behavioral science techniques in small enterprise development saw motivational factors (particularly the need for achievement) as critically important. In

combination with a number of other personality characteristics, it appears to explain why people take risks in starting firms and why some succeed more than others. There is evidence that training programs used to increase the level of this need among owners and potential owners can be quite cost effective, and produce a better return on project investment than other forms of assistance. Some participants thought this training would be of particular use to the poorest of microsector entrepreneurs, especially when it is combined with efforts to develop solidarity groups. Together, the training and group dynamics could create the protection and self confidence which make an important difference to inexperienced and exposed entrepreneurs. Others argued more strongly for the introduction of behavioral science factors in project selection processes. When credit and technical assistance need to be rationed, it makes sense to use what we know about the measurable signs of perseverance, risk taking and creativity in people. Cost effectiveness may be enhanced dramatically if resources go to those with the greatest self motivation.

Others stressed the central role of institution building and development in explaining the differing successes of enterprises and small enterprise projects. We fail, for instance, to recognize the potential for associations of small entrepreneurs to assist with management and mediation. Many who had worked longest with enterprise development projects in Africa, felt the real need was some means for assigning value to the development of institutions supportive of small enterprise goals. The amount of institutional "value added" is critical as a means of predicting the sustainability of businesses and organizations which support them.

Beneficiary associations, for instance, are often the only means for assuring that the poor, and especially women entrepreneurs, can be reached by credit programs. A greater willingness by development agencies to recognize the up-front costs associated with institutional development is needed. Workshop participants with the most experience in the establishment of beneficiary ("solidarity") associations stressed these cost factors. Too often the development of these groups has been treated as a secondary facet of project activity, and the sad record of failure in the creation of these bodies illustrates how costly such supposedly affordable efforts are.

Others at the workshop took particular note of the relationship of institutional and policy issues. How might governments be encouraged to provide the type of leadership and organizational support to facilitate small enterprise development? Alternatively, how can projects be defined and

managed to strengthen relationships with government so that financial and other forms of assistance might be provided? When can government agencies be allies with small business in the competition with more powerful interest groups? Some participants actually felt that anything keeping projects free of government contact and influence was more likely to further project goals. Most felt the opposite was true. Evidence was presented to suggest the benefits to be gained from the creation of advisory and policy groups to develop support among influential individuals and groups and make projects more responsible to the needs of clients. Others saw greater return still from effective beneficiary associations. As they grew in number and size, and gained capabilities for generating information on their sector, they could have a major influence on policy questions and cause governments to take more interest in this sector.

IV. Enterprise Projects and PVO Comparative Advantage

Strong opinions were generated on central questions for the workshop: what special contributions might PVOs make to small enterprise development? When and where were they effective; and were there circumstances when voluntary sector organizations might have an advantage over other developmental institutions in the pursuit of these goals?

Participants were well aware there is substantial variation among PVOs in terms of their strategic and tactical approaches. Some wondered whether these organizations were similar enough so that a discussion of their comparative advantage as donor institutions made sense. These concerns conditioned the discussion and provided a useful reminder of the complexity of the tasks of assessment. However, for most of the participants these arguments were overdrawn. A good deal has already been learned from existing analyses of PVO enterprise projects. The evaluations completed for the workshop, and the comparative analyses of the results of these evaluations, clearly indicated that important policy lessons can be drawn from this research. More was possible and is needed, given the growing interest of all donor agencies in income generation projects.

Many of the attributes most typical of PVOs were then discussed in the workshop sub-groups and plenary sessions. These included limits on available resources and size of field staff, and the substantial decentralization commonly permitted in the operation of their project. PVOs also tend to concentrate attention in relatively few sites and nations and work in certain regions and communities over extended periods

of time. This provides them with considerable experience in specific areas of activity. They also are likely to have highly motivated staff members, willing to work with the poor and to accept relatively low salaries.

Kilby's workshop analyses suggested that factors such as these do provide meaningful advantages for PVOs and may explain their especially favorable performance with informal sector enterprises. One of the workshop small groups attempted to produce an overall list of specific comparative advantages of PVOs, which they ranked as follows:

1. Flexibility
2. Capacity to produce trust among beneficiaries in target communities. (PVOs are seen as more neutral than governments; more concerned with development in the community.)
3. Capacity to work at community levels; to generate local collaboration.
4. Ability to mobilize human resources; to encourage participation by beneficiaries in projects.
5. Ability to serve as a bridge between beneficiaries and their community, on the one hand, and government on the other.
6. Willingness and capability to specialize in areas of particular competence rather than trying to do everything a multipurpose development agency does. (PVOs were seen as likely to become repositories of knowledge and experience in particular types of project activity.)
7. Ability to keep costs down, particularly because of lowered staff costs.
8. Tendency to keep equity concerns more central in development efforts; more likely to be motivated by "conscience" than other development agencies.
9. Willingness to bear risk; to start new, experimental projects.
10. Less subject to political controls and intervention than are projects of public development institutions.

In plenary discussions of comparative advantages, related and summary observations were offered. There were references by PVO participants to the importance of viewing these organizations as potential "learning groups." Many PVOs working with small enterprises, for instance, had started over a decade ago with little knowledge of how small business could be assisted. They were risk takers and most made numerous errors. But they had learned from these actions, and eventually adapted. Examples were offered of basic changes in PVO policy and management styles directly linked to lessons learned from failures. Current successes, as documented in the evaluations done for FVA/PVC, suggested that these adaptations are associated with these successes.

This experimental, action research process was seen as leading to developmental efforts which placed a high premium on combining effectiveness and efficiency in project implementation. Projects must actually deliver services to the poor, and thus be effective in reaching their targets. But they must also be efficient, since projects which did not minimize costs of delivery and of benefits derived are not likely to survive. Such a composite effort took longer, and required a different means for the calculation of costs. But as a consequence, projects were more likely to "fit" the environment in which they were placed; and to be both sustainable and equitable because they became integral parts of the recipient society. Political involvement was sometimes needed to accomplish these ends. Successful PVO projects often featured efforts to provide "umbrella" networks of local and even international associations to carry out brokerage and mediating activities in behalf of indigenous organizations and beneficiaries.

On the basis of perspectives such as these, PVO comparative advantages are related to their relative ability to perform what are commonly seen as "entrepreneurial functions". The experience of PVOs with the most background in small enterprise development, such as ACCION, PFP and Technoserve, provided examples. Representatives from these organizations gave repeated evidence of how their activities have become more comprehensive. Political and social processes are increasingly a part of their strategic and tactical analyses. Yet, their own observations and the evidence presented in the workshop suggests that these changes have generally reduced costs and increased the spread of benefits. These representatives felt, in short, that their organizations have learned a good deal about developing sustainable projects through a process of experimentation and risk taking. They felt that such experimental and innovative approaches to

projects are now more the mode within the PVO community. This explains the willingness of many PVOs to commit themselves to approaches emphasizing effectiveness with the poor, even if short term results seem less impressive from the point of view of conventional evaluation models. What they stressed was an assumption that PVOs have the capacity to make the difficult link between effectiveness and efficiency in small enterprise (and other) development projects. If other research bears them out, they will have much to teach about small enterprise development.

Some participants expressed doubts about these accomplishments and the claim for PVO comparative advantage:

1. A number felt that most PVO field staffs were insufficiently trained to handle the technical problems associated with enterprise development, even if highly motivated to deal with these difficulties.
2. Several of the participants expressed a concern that PVO operations are often too small in size to have more than a limited impact on the local economy and on public policy.
3. The issue of clarity and "hard-headedness" was raised as well. PVOs are sometimes criticized for development activities which fail to stress cost factors sufficiently, and which rely heavily on promises and appreciative statements by beneficiaries as the basis for assessment. It is appropriate to argue for including personal, social and political gains in the calculation of benefits and in the determination of factors likely to bring change. But participants in some small group discussions felt that in many PVO projects such outcomes are substituted for the hard calculation of costs and for the creation of realistic operational standards.

The predominant view at the workshop was that many of these criticisms were applicable to projects of all donors, and were more typical of PVCs in the past than at present. Certainly the evidence presented in papers and through oral presentations at these meetings suggested that voluntary agencies can be extremely effective in areas of activity where broad expertise is required. In any event, the major conclusions on the relevance of PVOs and their cost effectiveness would come with further work based on the standards and guidelines produced during the workshop, and on the evaluation work being done at present within A.I.D. and the development community.

V. Future Prospects and Recommendations

The PVO workshop was integrative and catalytic. It served to identify common themes in past and current small enterprise projects of private voluntary organizations and to document the innovation and learning which had occurred as well as the difficulties and failures. The apparent successes of many current PVO small enterprise projects gave perspective to all these varied developments. They served to illustrate the importance of learning through doing --and of stepping back to assess development activity through a larger lens.

The discussion also highlighted dilemmas which donors faced as they consider how to assist small enterprises. Granting bodies realize these businesses are needed and do exist in remote and poor areas, tend to promote employment, and also use scarce capital more efficiently than larger businesses. The question is how best to reach them? Results from this workshop indicate that PVOs have significant advantages in this effort, but perhaps need to find better means for coordinating and up-scaling their activities. This is necessary if they are to develop effective programs reaching large numbers of entrepreneurs and having wide impacts on the economy. Information on successful projects should be disseminated widely within the PVO community so that overall program costs might be improved, and comparative findings generated. Encouragement should also be offered for PVO innovations in the area of institution building. Of particular interest are those networking activities designed to support projects which encompass large numbers of entrepreneurs and several levels of economic and social activities.

Specific recommendations included the following:

1. Efforts should be made to utilize the approaches to evaluation presented at the workshop to assess the impact of additional PVO small enterprise projects. The goal would be to build a stronger body of case material on private sector projects so as to contribute more fully to one of the workshop's central goals: the determination of what types of PVO small enterprise projects are most effective. A related, and equally important goal, would be to refine a cost effective methodology for evaluating PVO small enterprise projects.

To accomplish these goals, A.I.D. could provide resources for a number of complementary activities.

- a. It would be useful to evaluate additional PVO small enterprise projects using a composite methodology which draws on benefits analysis and broader systems concerns. It might also be useful to conduct follow-up evaluations on those projects already reviewed for the workshop. Some projects were

only three or four years old and data on the later progress of these efforts would be useful as a means for assessing the conclusions and methodologies from the earlier assessments. Savings would also be inherent in the ability of evaluators to draw on the data already available on these projects.

b. These evaluations should be published as a series of case studies by A.I.D.'s Evaluation Office (PPC/E) or others. These would supplement the workshop materials which FVA/PVC has sent to interested donors, and will continue to send upon request.

c. A second workshop might be organized in a year to review these works and to refine further the evaluation methodology. This evaluation material could be set down in a systematic fashion and serve as a guideline for A.I.D. in the assessment of future small enterprise funding requests. It could also be published and disseminated, perhaps as a package with the results from the PISCES project which aims at the production of summary materials generally similar to these.

2. These efforts could be furthered by the institution of a working group on the design, implementation, and evaluation of small enterprise projects. It would include representatives from several PVOs working in the area of small enterprise development, and others active in the development potential of PVOs. It would be managed largely by PVOs themselves, and draw on resources generated within that community. The major purpose of the working group would be to review current knowledge on the comparative impact of PVO small enterprise projects, and to generate discussion within the development community on means for generating more theoretical and applied knowledge on the subject.

a. Much of the working group's activity would involve the circulation of materials already developed by individual PVOs, particularly as they relate to questions of design, management and evaluation. These materials could be supplemented as opportunities allowed, as with the completion of additional evaluations of A.I.D. sponsored PVO projects.

b. An early goal would likely be the development of a "cookbook" on small enterprise project design, implementation and evaluation which would provide guidance for those PVOs developing new income generation programs. This should increase the dialogue within the voluntary sector on development goals and procedures.

3. Longer term projects would include PVO efforts to work with other parts of A.I.D., as well as the the World Bank and private businesses concerned with small enterprise development. Many of these organizations are interested in the development of the poorest economic sectors of society, but have difficulty in reaching this target population. They also find it inconvenient to deal with smaller PVOs, even though many of them are effective in reaching the poor.

a. Efforts to define cooperative strategies might therefore provide a means for coordinating small enterprise activities in specific nations and regions, and allow for the packaging of grants and loans in ways necessary for larger donors. It should also make it possible for PVOs to relate their efforts more closely to the national development strategies of recipient nations.

b. PVOs might also become more directly involved with international and domestic chambers of commerce and trade associations. These organizations, while committed to improving opportunities for member businesses, are not well prepared to take on development tasks. They could, however, be effective allies for PVOs in applying a broader strategy of small enterprise development. They could also sponsor efforts to disseminate S.E. project methodologies developed in PVO projects within recipient nations. Chambers might sponsor training programs for bankers and extension agents in S.E. promotion.

SMALL ENTERPRISE WORKSHOP
LIST OF PARTICIPANTS

PVO Representatives

<u>PVO Representatives</u>	<u>Organization Represented</u>
1. Jeffery Ashe	Accion International/AITEC
2. Robert Hancock	Institute for International Development
3. David Befus	Institute for International Development
4. Ronald Howard	Opportunities Ind. Centers, Intl.
5. Ralph Perkins	Opportunities Ind. Centers, Intl.
6. Andrew Oerke	Partnership for Productivity
7. George Butler	Partnership for Productivity
8. Edward Bullard	Technoserve
9. Thomas Franklin	Private Agencies Collaborating Together
10. Larry Campbell	Helen Keller International
11. Suzanne Kindervatter	Overseas Education Fund
12. Shirley Buzzard	Foster Parents Plan
13. Alex Costas	Salvation Army World Service Office
14. Avinash Deolalikar	Volunteers in Technical Assistance
15. Lewis Townsend	Pan American Development Foundation
16. Pablo Stone(Obsrver)	Pan American Development Foundation
17. Lawrence Correia(Obsrver)	Pan American Development Foundation
18. Fernando Cruz-Villalba(Obsr)	Pan American Development Foundation

Resource People/Donors

1. Robert Hunt	Illinois State
2. Peter Kilby	Wesleyan
3. Judith Tendler	Tendler Associates
4. Susan Goldmark	Development Alternatives
5. Peter Fraser	Development Associates
6. Robert Nelson	Illinois
7. Carl Liedholm	Michigan State
8. Barbara Aycock	Peace Corps
9. Dennis Anderson	IBRD (World Bank)
10. Price Gittinger - Wed. only	IBRD (World Bank)
11. J.D. von Pischke - Wed. only	IBRD (World Bank)
12. Rodrigo Tamayo	Inter-American Dev. Bank
13. Anne Ttere	Inter-American Dev. Bank
14. Bruce Mazzie	Management Systems Intl.
15. Fred O'Regan/Doug Hellinger	Development Gap
16. Michael Tiller/Marshall Bear	Appropriate Technology
17. Cheril Jones(C server)	Creative Associates
18. Carolyn Rose Avila(Obsrver)	Creative Associates
19. Maryanne Dulansey(Obsrver)	Consultant

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Mission Representative

- 1. John Pielemeier, Dep. Dir. Liberia

AID/Washington Representatives

- 1. Julia Bloch** FVA
- 2. Thomas McKay** FVA/PVC
- 3. Austin Heyman* FVA/PVC
- 4. Ross Bigelow** FVA/PVC
- 5. Steve Bergen* FVA/PVC
- 6. Judith Gilmore** FVA/PPE
- 7. Michael Farbman* ST/MD/ESE
- 8. Jennefer Sebstad* ST/MD/ESE
- 9. Robert Young ST/MD/ESE (Observer)
- 10. Christine Adamczyk* PPC/E
- 11. Frances Johnson AFR/DP (PRE)
- 12. Hank Smith AFR/DP
- 13. Bryant George ASIA
- 14. Bill Miner/Bernie Salvo NE/TECH
- 15. Cressida McKean* PPC/WID
- 16. Thomas Luche* FVA/PVC
- 17. Debbie Mace* FVA/PVC
- 18. Ronnye McIntosh FVA/PVC
- 19. Paul Bisek* FVA/PVC
- 20. Carla Maged* FVA/PVC
- 21. Carole Millikan* FVA/PVC
- 22. Lou Faoro ST/MD

Other Observers

- 1. Sherry Grossman FVA/ACVFA
- 2. John Halpern Intern/Philippines
- 3. Bert Champman Intern/FVA/PVC
- 4. Tim Schierbeek Intern/FVA/PVC
- 5. Lori Forman AA/FVA

**AID/W Presenter *AID/W Small Group Facilitator

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AGENDA

SMALL ENTERPRISE WORKSHOP
October 31 - November 1, 1983

Location: American Institute of Architects
New York AV and 18th
Washington, D.C.

Time Monday, October 31

8:30 Registration

9:00 Welcome - Julia Chang Bloch, Assistant Administrator, Food
 for Peace and Voluntary Assistance (A/FVA)

9:15 Opening - Thomas McKay, Director, Office of Private and
 Voluntary Cooperation (FVA/PVC)

9:30 Presentations: What have we learned about Small Enterprise
 Development?
 a. Peter Kilby (30 minutes)
 b. Robert Hunt (30 minutes)

10:30 Housekeeping - Ross E. Sigelow, FVA/PVC

10:35 Coffee

10:50 Small Group Discussions (Session I)
 Topic: What are the benefits of small enterprise development?

 1. Economic Benefits (Employment, Income, Alternative
 Credit Sources, Linkages, Productivity, etc.)
 Group A - Board Room (window side)
 Group B - Board Room (wall side)

 2. Social/Political Benefits (Skills Training/
 Extension, Motivation, Institution Building, Policy etc.)
 Group C - Conference Room 1
 Group D - Executive Dining Room

12:30 Lunch - provided at AIA

1:30 Plenary Reports and Discussion (Session I)
 Chair: Judith Gilmore, FVA/PPE
 Group A-Rapporteur
 Group B-Rapporteur
 Group C-Rapporteur
 Group D-Rapporteur

2:15 Plenary Topic: What works? What are the costs?
 Chair: Robert Hunt
 Panel of Evaluators of Small Enterprise Projects

3:00 Break

3:15 Small Group Discussions (Session II)

5:00 Close

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Tuesday, November 1st

- 9:00 Housekeeping
- 9:05 Plenary Reports and Discussion (Session II)
- 10:00 Plenary Discussion
Chair: Andrew Oerke, President, Partnership for Productivity
Panel of PVO Representatives
Topic: What is the role of PVOs in Small Enterprise Development
- 10:45 Break
- 11:00 Small Group Discussions (Session III)
- 12:30 Plenary Reports and Discussion (Session III)
- 1:00 Lunch - provided at AIA
- 2:00 Plenary Discussion: Where do we go from here?
Recommendations for Future Action
Chair: Thomas McKay, Director, FVA/PVC
- 2:15 Small Group Discussions
- 3:45 Break
- 4:00 Plenary Reports and Discussion
- 4:30 Closing Remarks: Thomas McKay

Wednesday, November 2

- Morning Ad Hoc Sessions as desired by participants

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FEEDBACK FROM SMALL GROUPS
SMALL ENTERPRISE DEVELOPMENT
WORKSHOP

Four small groups (A,B,C,D) met during the Workshop to address the following questions about small enterprise development:

Session I: What are the benefits of small enterprise development?

Session II: What works and what are the costs?

Session III: What is the role of PVOs?

Session IV: Where do we go from here?

The answers to these questions are neither definitive nor conclusive. Rather, they suggest the thoughts of participants at the workshop, for consideration by the reader. This is a composite summary of the feedback on the four sets of questions.

Session I: What are the benefits of small enterprise development?

Most important benefits?

1. Income/employment generation (growth with equity)
2. Policy level change (import substitution, foreign exchange savings, export promotion, bias toward manufacturing firms, etc.)
3. Increased production
4. Self Perception of the individual/group awareness
5. Impact on local organizations and governments
6. Increased household welfare/choice of consumer
7. Self reliance of entrepreneur
8. Equity
9. Empowerment

Main contributing factors to these benefits?

1. Policy change
2. Entrepreneurship
3. Institutions
4. Participation
5. Credit
6. Management expertise
7. Technology transfer
8. Scale of activity
9. Capacity of organizations to learn
10. Efficiency of projects in reaching the poor
11. Benefits exceed costs, per project and per beneficiary

One group suggested a pattern of benefits, per table, page 2, ranging from the least tangible, in the upper-left-hand corner, to the hardest outputs, in the lower-right-hand corner.

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Appendix C

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	Hope	Solidarity Groups	Human Capacity Development	Participation in Government	Empowerment Linkages	Social Political/Econ Stability	Community Quality of Life	Social Cohesion
Reliability	Self Esteem	Mechanisms	Institutional Development	Mobilization	Cooperation	Control of Economic Family Life	More & Better Goods & Services	Capacity to Influence Policy
	Human Resources	Programs	Community Development	Participation in Economy	Viability	New Jobs	Increased Family	Wider Knowledge
				Social Activism	Group Activities	New Credit		Increased Choices
				Increased Skills			Incomes	Better Education
								Health Facilities
								Roads

Session II: What works and what are the costs?

What works?

1. In the early stages, PVO must develop trust with entrepreneurs.
2. The incentive for repayment of loans by borrower is availability of more credit.
3. Borrower must have stake/make contribution to enterprise.
4. Project should fill gaps as needed.
5. Training is the key: should be appropriate, practical, focused on the individual, staged over period of time, and foster networking.
6. Impact depends on sector, political situation.
7. PVOs can bring in knowledge/resources, work with local leadership.
8. There is no single or simple solution.
9. Simple business planning works.
10. Within credit institutions need capacity to do economic analysis.
11. Management capability should be transferred to local organization.

How can beneficiaries be linked to the broader economy?

1. Working with individual entrepreneurs may be a preamble to setting up a local institution/beneficiary group.
2. Enterprises may flourish when the economy is disrupted and the need for change is evident.
3. Beneficiaries groups may work where there is social cohesion, costs can be reduced, there is a mechanism to overcome risk, and prospective borrowers can be screened. Established groups seem to have the "social glue" and best develop the links.

What role can national economic policy play in project design and implementation?

1. National plans in credit, training, technical assistance, technology, and other components of entrepreneurial development should influence good project design.
2. Policy change may not be an essential goal for a pilot project.
3. Entrepreneurship and motivation may overcome policy obstacles. Training in these areas may help.
4. Some countries have not provided adequate policy guidance for entrepreneurship development.
5. Entrepreneurs may have inadequate knowledge of the policies or regulations affecting them (credit, marketing, etc.).
6. Policies often respond to specific and/or local demands for change.
7. Policy change can be a negative factor for entrepreneurs.

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Session III: What is the role (comparative advantage) of PVOs?

Advantages?

1. Able to respond flexibly to local needs.
2. Perceived by community as neutral/legitimate.
3. Are operational at the community level; may have leverage with umbrella groups.
4. Can mobilize resources, both human and material.
5. Bridges private sector and government.
6. Are freer of some political constraints.
7. Have potentially low per project cost, compared to government.
8. Are socially conscious/concerned with equity.
9. Able to bear risks better than banks.
10. Have specialized/experienced in SE (some PVOs).
11. Share/collaborate/network with other PVOs.
12. Reach target populations not touched by other delivery systems.

Disadvantages?

1. Have small staff and resources.
2. May have limitations in technical competence.
3. Work more at micro rather than policy level.
4. May not be business minded or "hardnosed."
5. Focus on needs of poor rather than profitability in project.
6. Have "do-gooder" image.
7. Have potentially high per beneficiary cost.
8. May find it difficult to disengage from project to encourage self sufficiency (though there are many exceptions).
9. May have trouble satisfying donors.
10. Often lack hard data for project monitoring.

Session IV: Where do we go from here? Recommendations?

Conclusions?

1. The major interest of PVOs and donors in small enterprise development should be economic impact among the poor.
2. All things being equal, consumer benefits should be emphasized over project benefits.
3. Goods and services that are needed should be the focus of SE projects.
4. Support groups for entrepreneurs are needed.
5. Existing enterprises should be given priority assistance over new enterprises.
6. Both economic and social criteria should be used as bases for evaluation of SE projects (including factors such as value added, export promotion, etc.).
7. Managerial assistance is more needed than the transfer of technology.
8. Project maturity should be an evaluation selection criterion.
9. Empowerment is a key to successful projects.

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10. Self-sufficiency may not be the goal of every project. Project subsidization may be justified for purposes of demonstration, for example.
11. SE project evaluations should be done by independent professionals.
12. The demand for entrepreneurial development far exceeds support from PVOs, donors, etc.

Recommendations?

1. Produce a summary Workshop report; get outside feedback; and distribute.
2. Evaluate SE projects before and after interventions.
3. Do economic analysis using the Kilby methodology, incorporating social/political criteria.
4. Support self-generating projects and local capacization of entrepreneurs.

AD HOC SESSION
WEDNESDAY, NOVEMBER 2, 1983
8:30 - 11:30 AM

Subject: Benefit Measurement

Participation: Peter Kilby, Wesleyan (Chair); Dennis Anderson, IBRD; Jeffery Ashe, AITEC; Paul Bisek, FVA/PVC; Thomas Franklin, PACT; Judith Gilmore, FVA/PPE (recorder); Price Gittinger, IBRD; Susan Goldmark, DAI; Carl Liedholm, Michigan State; Carla Maged, FVA/PVC; J. D. von Pischke, IBRD; Judith Tandler, independent consultant.

Discussion: As substantial portion of the early discussion of this group focused on the methodology used by Peter Kilby in his paper, Searching for Benefits, and relationship to classical benefit-cost analysis.

Peter Kilby set forth those assumptions of his benefit calculation method which are the most "arbitrary" in the sense that the profession has little hard data as to their empirical accuracy.

1. Causality.

It is assumed that observed increases in sales of the assisted firms (to which all benefits are in one way or another linked) occur as a result of the provision of loan finance. In those cases where control groups are available (a minority of cases), it is the differential sales increase or decrease that is attributed to the loan.

2. Opportunity cost of labor.

It is assumed that expansion of the informal sector does not entail the loss of output elsewhere. This happens either through the existence of unutilized labor time (undesired leisure) for those currently working, or through the ladder of job step-up in which the vacated job is taken over by someone previously engaged in a less productive activity, and so on down the ladder until the final person who is vacating a state of pure unemployment.

3. Excess capacity

It is assumed that a significant number of producers in the economy possess a degree of excess capacity so that project-generated demand for their output, either supplying intermediate inputs to the client firms (backward linkage) or catering to the additional consumer

spending derivative from the new wage and profit income (income multiplier), results in additional output rather than a switch in output from another use.

4. The above assumptions apply only to the "maximum" estimate. Where there is direct or indirect evidence that they do not apply, lower figures that seem reasonable in light of available evidence are applied in the "most likely" estimates.

With respect to the causality assumption, various "external" causes were discussed. Mr. Kilby noted that projects had shown net benefits both during times of boom and recession. Judith Tendler felt that the state of the economy frequently had a larger impact than the loan, particularly when things were bad and import shortages restricted output of formal sector producers so that microenterprise, not using imported inputs, gained a larger share of the market. Carl Liedholm noted that to the extent the income elasticity of demand for microenterprise products was negative, demand for them would increase in times of recession. Susan Goldmark stated that, in the case of Upper Volta, new roads could well have produced most of the benefits that were attributed to the loans. Mr. Kilby responded that external conditions were just as likely to decrease benefits as to increase them--if bad times "subsidized" microenterprises, good times "taxed" their benefits for exactly the same reasons; that new roads brought new competition from producers in the larger cities just as much as they opened up new local markets. He acknowledged that external factors are indeed very important, that they should be described with as much detail as possible, and that a judgement on their impact should be reflected in the "most likely benefit" estimates.

Regarding the opportunity cost of labor, Price Gittinger noted that in most benefit-cost analyses the assumption, whether it be nil or significant, was usually quite arbitrary. For the informal sector he felt that zero opportunity cost was not unreasonable, save at times of peak labor demand in the farming cycle; since most SE activities are reduced during these periods, the zero assumption is acceptable. Judith Tendler noted that for UNO's entrepreneurs, the assumption clearly did not hold since they had all left decent jobs to establish their firms. Mr. Kilby acknowledged that a better assumption was that in most of the cases the entrepreneurs did have significant alternative earning opportunities. Carl Liedholm reported that their Sierra Leone data indicated that even the non-entrepreneurs had a year-round opportunity cost and that it was well measured by the wages they received. He suggested that this wage rate be taken as the opportunity cost for, at least, the minimum benefit estimate. Mr. Kilby agreed.

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As to the existence of excess capacity, everyone agreed that while the assumption was not unreasonable, we have little knowledge. Carl Liedholm reported that in both Jamaica and Sierra Leone virtually all the surveyed small enterprises stated they could expand their output if the demand were there. Foreign exchange shortages can also work to prevent further utilization of capacity, particularly in the large-scale manufacturing sector.

Several other matters were discussed. Everyone agreed that the consumer benefit should be only the "welfare triangle" or consumer surplus on the increment in sales. Mr. Kilby used the entire price reduction as a benefit and since the difference in price on the pre-existing output was an income transfer (the price gain to the consumer offset by a reduction in the profit margin of the entrepreneur), the consumer net benefit was overstated. Mr. Kilby later explained that his measurement was correct in that the reported profit gain was what the entrepreneurs actually received, net of any lost profit they would have earned if there had been no price reduction. Hence the entire price reduction is the proper measure. It was also noted that price reductions via competition are likely to entail gains in efficiency in both assisted and unassisted enterprises. The estimated consumer benefit is too low in that it omits both the efficiency gain and the welfare triangle for the unassisted producers.

The final technical item that was discussed was inflation and omitted benefits from diversion of the loan finance to other uses. Mr. Gittinger stated that IBRD had no really satisfactory way of treating the issue and that it seemed to be handled satisfactorily in the report. Inflation redistributes income to the borrowers at the expense of the project (whose real finance is eroded), competitors and would-be future borrowers. Mr. Liedholm suggested that benefits from diversion be assumed to be just equal to capital erosion.

In a philosophical vein, Judith Tendler wondered whether benefit-cost evaluation methodology might divert attention from the primary issue of how to make existing financial markets more responsive to the informal sector. Rather, emphasis should be placed on identifying cost effective models for servicing large numbers of borrowers. The consensus of the group was that both approaches are necessary, that they are complementary, not competitive. It is essential to know how productive assistance to the SE sector is as well as how to create self-sustaining financial institutions. We need to do more work on both fronts.

Appendix D-2

AD HOC SESSION
WEDNESDAY, NOVEMBER 2, 1983
9:00AM- 12:00N

Topic: Systems Methodology

Participants: Andy Oerke, Partnership for Productivity/International (Chair), Sheri Berenbach, PFP/I, George Butler, PFP/I, Shirley Buzzard, Foster Parents Plan International, Bob Hunt, Illinois State University (Recorder), Francis Johnson, AFR/DP, Cheryl Lassen, PFP/I, Debbie Kennedy, FVA/PVC, Bruce Mазzie, Management Systems International, and Fred O'Regan, Development GAP.

Discussion: This working group met at the offices of PFP/I in Washington to consider methodologies for assessing the impacts of small enterprise (SE) projects. The primary goal was to begin the process of developing a more comprehensive evaluation framework. It would include, but broaden, the dominant approaches to evaluation.

The group set the following agenda:

- (a) To state general directions for the evaluation of small enterprise projects and particularly for those designed and managed by PVOs.
- (b) To develop a preliminary set of categories and specific indicators for use in evaluating small enterprise projects.
- (c) To undertake case studies designed to illustrate the utility of the alternative methodology, particularly as a means for expanding upon standard analyses of benefits and costs.
- (d) To provide a working paper:
 1. integrating economic and social approaches to SE evaluation, for use by development professionals in the design, implementation and evaluation of enterprise projects;
 2. and specifying for project designers and managers the theory and development of more successful projects and stages through which they tend to evolve.

Participants hoped that the group could continue to meet to facilitate the completion of the projected activities. Others from the PVO, donor and academic communities could be invited to participate as appropriate. The ultimate purpose of the working group would not, however, be to create a permanent association. It would be to produce materials illustrative of a broader evaluation methodology for use by the development community at large --and thus to facilitate development learning.

To begin, the working group summarized its concerns regarding the SE workshop discussions of the substance and methodology of development. Subsequently, specific options for future efforts were listed, along with a set of indicators for a more systemic evaluation of development projects. These conclusions and proposals are reported here.

I. Commentary on the Small Enterprise Workshop

For group members, the concerns for developing additional indicators of SE development were crystallized by the paper prepared for the workshop by Dr. Peter Kilby. The benefits analysis Kilby offered was of real importance and PVOs need to accommodate the concerns and the methodology he has expressed. This conclusion was reinforced by the breadth of his analysis, and the recognition that it encompassed economic and social factors often omitted in standard benefits analysis. Clearly, SE projects must maximize impact per dollar spent; and they must lead to more productive firms.

Still, the Kilby analysis was also incomplete. This was made clear during the discussions of his analysis in the workshop sessions, where it was evident that the approach depicted development in a fractionalized way. (His methodology is not alone in this.) In such approaches outcomes are viewed separately from the processes for achieving them; tangible and economic benefits are ranked over others; short-term impacts are highlighted. The sum is an implicit theory of development reflecting value premises and strategic implications open to question --but seldom questioned. . The theory needs questioning first in terms of its implications for equity, as this is of primary significance to PVOs. The voluntary sector provides over a billion dollars a year for development work and taps an American constituency for assistance closely identified with basic needs approaches to the problems of poverty. It needs questioning, as well, on economic grounds. The data provided in the benefit/cost analysis suggests that PVOs can do quite well in minimizing costs and producing benefits despite their tendency to mix social, political and economic factors in their development activities. The working group wants to understand the ways in which the methodology of project design and evaluation can be made more holistic; and thus responsive to normative concerns and the pursuit of growth with equity.

Some Implications and Costs of Benefits Analysis.:

1. Those using benefits analysis in workshop discussions tended (as Kilby had) to evaluate beneficiary participation in terms of their short-term, mainly tangible, impacts. There was some concern, for instance, with the effect of beneficiary groups in reducing project administrative costs; and a companion

interest in the potential for these groups to expand the range of creditors reached. However, there was little apparent interest in the value of participation per se. There were no stated procedures for calculating when such involvement might legitimately be viewed as a substitute (even temporary) for financial considerations.

2. The method was also relatively insensitive to differences in the contexts in which projects operated. Even when differences were noted they were not incorporated in the final benefit and cost assessments. High start up costs might be treated as inescapable in a given project, but concluding discussions of benefits and costs failed to mention these obstacles, and the project's comparative ranking suffered.

Results from one of the projects evaluated for the workshop illustrate this principle. A solidarity association of beneficiaries appeared to contribute greatly to the positive outcome, as measured in benefit/cost terms. However, assessments of this project (confirmed in other social research) also suggest that was easier to form the associations in this particular project setting. It was implemented in an urban area, with beneficiaries who knew each other and had shared experience in similar lines of business. This does not reduce the significance of the accomplishments. It only serves as a reminder of the need to account more precisely than most evaluation methodologies do for the costs of building a supportive institutional base for project activities.

Summary question: If the action of beneficiaries where they can act collectively reduces costs, what are the implications in cost terms of ignoring the potential benefits of such action where organizing is more difficult?

3. Some participants at the workshop suggested dealing with these matters through a process of weighting. Projects begun where poverty was greatest and organizational experience was least would receive more credit per unit of assistance delivered than others. But there was little comment on how this would be done, except to suggest figures greater than one as possible weights. What is needed is a theoretical framework to give guidance in strategic and value terms; and this framework should be systemic in scope. Enterprise projects should be evaluated on their impact, over an extended time period, on individual entrepreneurs, their firms, and the marketplace to which they relate. Assessments should also deal with impacts on the political system in which the entrepreneurs operate, and the broader community in which they live. Evaluations of this sort should promote more general learning about development.

3. This highlighted another point. Most standard evaluation methodology suggests that alternative evaluation techniques are somewhat "soft" since they treat quantitative and conventional cost factors less rigorously. The fact is that costs are really minimized only in projects which bring sustainable development. A successful "systems" methodology would be deeply concerned with costs, but would evaluate them in light of a much broader range of choices, and more extended perspective on the processes of change. For economic as well as for social reasons, a more systemic evaluation methodology is justifiable.

II. Proposal for Developing and Testing A Systems Methodology

The working group outlined several preliminary tasks. First is the construction of a matrix to suggest both the dynamics and the ends of development. This will draw largely on the range of outcomes suggested above (individual, firm, market, political system and community), with the second dimension consisting of differences in project inputs (credit, training, institution building). These efforts would be followed by the creation of a testable set of indicators to illustrate the various calls in the matrix. Among the indicators would certainly be those proposed by Peter Kilby, supplemented by those reflective of social and political changes.

Subsequent steps depend on the interests of participating PVOs and others. It would be possible to develop a testable guide to evaluation, or a more general "cook book" on starting and implementing successful small enterprise projects. Other complementary possibilities include the reconstruction of data from several completed project evaluations. These could perhaps include those of the DDF (ACCION) in the Dominican Republic, NCKK (D-GAP) in Kenya, PFP (Upper Volta), and the Manila Community Services Corporation (ATI). These assessments could be edited to provide a body of case literature organized around the evaluative mode devised in step one.

There could also be an undertaking to collect a fairly extensive sample of cases, from a number of PVOs, and covering a range of project types. Considerable reliance would be placed on the original matrix to suggest project types, though other issues would surface--such as the need to look at different types of donor strategy, and to deal with women's projects. This sample of potential cases could be assessed through a review of available materials. The goal of these activities would be to produce a research agenda for the PVOs, and AID. This in turn might lead to the development of system of data collection geared to the provision of information compatible with the systems matrix so that a broad scale assessment of differing efforts could be produced. It could lead as well to a set of specific guidelines for project designers and managers. Collectively these materials might be the basis for future workshops on SE project design, management, and evaluation.

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AD HOC SESSION
WEDNESDAY, NOVEMBER 2, 1983
9:00 - 10:30 AM

Subject: Training and Motivation

Participation: Robert Nelson, University of Illinois (Chair)
Barbara Aycock, Coordinator, Small Enterprise
Development, Peace Corps/Washington
Ross E. Bigelow, FVA/PVC (Recorder)

Discussion:

Though a small group, we had a useful discussion focussing on the development of the Peace Corps' small enterprise development program.

Barbara Aycock said the Peace Corps only recently created a Small Enterprise Development Coordinator position in Washington. Small enterprise development (SED) is important to Peace Corps. Some 400 of the 5,000 volunteers abroad are in business-related assignments, but none have heretofore been trained in SED. Most come from academic backgrounds in economics or business. Few are practically equipped to handle consulting or training functions in the remote areas of the world in which they serve. The exceptions are older volunteers who come to Peace Corps with experience in the business world. Therefore, the need for training in small enterprise development is evident.

Peace Corps plans to have its first training in this area in Ecuador in February 1984. Partnership for Productivity (PFP) has won the bid in a recent competitive selection process. Volunteers in Ecuador will be working both directly with entrepreneurs and through various Chambers of Commerce in the country. The training will last two weeks focussing primarily on business skills.

Aycock said she wanted greater impact on Peace Corps Directors to mount SED training and develop programs in this arena. Aycock's role is largely central and advisory, although she plans to travel to Ecuador and other PC countries to assist in SED activities.

Nelson urged PC to have a long-term strategy in each SED country, which goes beyond volunteer placement to institutionalizing enterprise activities. Aycock said she liked that idea since the Peace Corps' Country Management Plan (CMP) was unlikely to go that far. Bigelow encouraged Aycock to develop a strategy of this sort in one the upcoming training sessions, e.g. Ecuador. He also suggested that Peace Corps develop a long-term strategy which takes cognizance of the USAID Country Development Strategy Statement and the Country's own Five-Year Plan, of course.

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Nelson asserted that working directly with individual entrepreneurs is a waste of time. Volunteers could get greater leverage in SED through umbrella organizations. He said the target of Peace Corps needs to be higher. We need to think in terms of 20-40 years, he said, to have impact. Bigelow mentioned the Vocational Improvement Center program sponsored by the Ford Foundation in the 1970's as an example of an SED program which had a long-term strategy and tapped the motivation of a wide spectrum of Nigerians to ensure the project would be institutionalized. Local officials, ministry leaders, training specialists, industry, teachers and entrepreneurs all had a significant stake in that project, and that is why it succeeded, Bigelow contended.

Nelson said he was not a devotee of motivational training per se. Rather he felt the profit motive provided adequate incentive for most entrepreneurs, and he gave some examples from small business training experience in the States and overseas.

Nelson told Aycock that entrepreneurial training changes target groups at different stages in a project:

1. Training to raise awareness of a) groups of elementary and secondary school students, at say a self employment option for a "career day" event, b) polytechnic students, c) women's groups (e.g. there are some 5,000 such groups in Kenya);
2. Orientation training for those who choose entrepreneurship, say a one-day or two-day session;
3. Implementation training for entrepreneurs who are starting up enterprises, working with small groups or individuals to overcome problems of getting appropriate government certificates to start a business, finding suppliers, identifying markets, etc.;
4. Operations training, providing very targeted assistance either on the job or inservice (e.g. working with the Chambers of Commerce);
5. Expansion training, providing guidance for expanding successful enterprises.

Nelson emphasized that good curricula were needed at all stages to ensure that the training was useful.

The meeting concluded with all agreeing that training had an important role to play in developing entrepreneurial skills. Nelson and Aycock may talk further about future collaboration.

"Searching for Benefits"
Peter Kilby

Executive Summary

This study examines five microenterprise lending projects, four of which were designed and implemented by PVOs. The purpose of the study is to draw lessons as to what in these assistance programs has worked and what has not. More concretely, we seek to explain the variance in performance among projects in terms of such "causal factors" as choice of economic activities to support, location of project, the presence of certain external factors (e.g., low inflation, high rate of GNP growth), choice of delivery system, the extent of complementary technical assistance and the special uses of PVOs.

The standard of performance from which all conclusions derive is not related to such conventional norms as loan default levels or the economic viability of the project in terms of interest income coverage of administrative costs. Rather the measuring rod permits us to achieve two secondary objectives. First, we can compare the benefit-cost ratios of small enterprise projects with aid programs in other sectors. Second, it provides us with an opportunity to develop a specially-tailored approach to small enterprise which might serve as a standard methodology for evaluating all such projects in the future.

Microenterprise establishments provide part or full-time employment for a sizeable fraction of the non-farm labor force in most LDCs. These one-to-five person units are ubiquitous, found in town and village and operating in the areas of services, transportation, manufacture and distribution. Utilizing simple artisan technology, frequently operating in make-shift quarters with an investment ranging from a few hundred to a few thousand dollars, they provide a wide array of goods and services to the bulk of the nation's households. Because of their large numbers, relatively modest incomes and the fact that they are far removed from the normal pathways of access to scarce developmental resources, producers in this sector are attractive targets for an equity-oriented aid strategy. Owing to their comparative ability to work with the poor and the unorganized, PVOs are well-suited to execute such projects.

A central feature of many microenterprises is that they represent but one of several commercial activities being pursued by the family household. The "family firm" might, for instance, be engaged in farm cultivation, trading and artisan manufacturing. It is the fungibility of capital and labor between the diversified activities of the family firm that is the source of the survivability of the microenterprise. At the

same time this fungibility -- particularly the diversion of loan finance to non-designated uses -- creates difficulties both for running loan schemes and for evaluating them. The evaluation difficulties stem from a lack of recorded information among client firms and vaguely-defined boundaries between family activities, on the one hand, and the severe problems of estimating those benefits arising from non-designated uses of the funds, on the other.

The method of estimating benefits is, in broad terms, as follows. For each of the five country projects -- Upper Volta, Honduras, Dominican Republic, Brazil, Peru -- thorough field evaluation reports provide data for a sizeable sample of client firms on increases in sales, profits, wages and employment. A minimum set of benefit estimates cover only wages and profits of the client firm population, with a deduction for the opportunity cost of labor. For the maximum benefit estimate additional elements are added: the income generated indirectly in supply firms and firms catering to the new income-derivative consumer demand and the value of reported price reductions as a consumer benefit. Equity considerations are dealt with by weighting benefits accruing to the very poor by a factor of 1.5. The third benefit estimate is constructed between these two polar extremes by factoring in judgments about probable biases in the data, the effects of external considerations (e.g., the influence of a new road, a balance of payments crisis), and other omitted factors.

One chapter is devoted to each of the projects, with a description of project design and implementation, followed by a step-by-step construction of the three benefit estimates. The final chapter presents the comparative analysis and the lessons that flow from it. The major findings are as follows:

1. All of the projects enjoy a benefit-cost ratio greater than unity with internal rates of return ranging from 19% to over 200%. These rates of return place microenterprise lending project schemes among the most successful categories of foreign aid programs of all types.

2. None of these projects is successful as measured in conventional terms of interest income covering administrative costs and capital erosion. Indeed in only one case (Peru) does interest income fully cover administrative expenses. The lesson to be drawn is that self-sufficiency or project sustainability, while highly desirable, should not be equated with economic success, or rather that the lack of it indicates an unsuccessful project.

3. Among the five projects, those with extremely high performance levels obtain the bulk of their benefits from

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output response in the client firms. But for the moderately successful projects a critical proportion of their benefits come from unseen external economies -- backward linkages, the income multiplier and consumer benefits. There is an important lesson for project design with respect to the first and third of these external economies. Although very numerous, retail trade establishments normally create no new backward linkages; therefore, projects that exclude trading firms as clients will have a higher benefit-cost ratio. Consumer benefits via competition-induced price reductions only occur where client firms constitute a significant proportion (say 20%) of the suppliers in the market in which they compete; thus projects situated in localized market areas will enjoy a higher benefit-cost ratio.

4. High rates of inflation are powerfully detrimental to project performance. In the great majority of instances where inflation exceeds 40%, government or PVOs are reluctant to set loan interest charges equal to the rate of inflation. Negative real interest rates impose a heavy cost in capital erosion and, at the same time, reduce measurable benefits by creating an incentive for the borrower to direct loan proceeds to non-productive inflation hedges.

5. Small enterprise loans produce benefits in periods of economic contraction and in periods of economic expansion. The benefits are larger in expansionary phases.

6. With respect to the loan delivery system, very simple systems are the most cost-effective and, by virtue of greater timeliness in disbursement, yield greater benefits to the borrower. Such simple systems involve relatively few visits, do not require extensive documentation of past business performance and do not attempt an in-depth evaluation of the proposed use of funds. With respect to loan pay-back, strict policies of repayment enforcement are essential, including recourse to the law courts. Other incentives for prompt loan repayment include the prospect of repeat loans, loss of national consumer credit standing and the use of collateral.

7. Despite the appeal of technical assistance as a way to strengthen the borrowers' managerial and technical capacity the record in these projects and elsewhere is that such assistance does not reduce the cost or permit more rapid expansion for the vast majority of its recipients. By adding substantially to costs, technical assistance worsens the benefit-cost ratio. In the Brazilian case, where 30% of project expenditures were devoted to management training seminars and individualized bookkeeping assistance, these efforts did not lead to a perceptible change in the behavior of small firms. On the other hand, management assistance appears useful in preventing

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the failure of new firms and for assisting larger microenterprises which are involved in major organizational changes or expansion.

8. While PVOs are not the only agency to design and implement successful microenterprise projects, they do possess a number of special attributes which give them an impressive comparative advantage in this area: by virtue of continuity in this field an ability to learn from past mistakes, strong motivation to work at the local level with the poor and unorganized, a favorable perception by the client population and a degree of freedom from local political pressures, and a strong cost advantage with respect to both expatriate and local personnel.

"Voluntary Agencies and the Promotion of Enterprise"
Robert W. Hunt

Executive Summary

Note: The paper summarized here was written expressively for the small enterprise workshop. Its first purpose was to detail lessons learned from recent evaluations of SE projects, particularly those of PVOs. It was also to illustrate ways these lessons were being applied. The review and analysis were to allow workshop participants to focus more clearly on issues such as the sources of project success, the comparative advantages of PVOs in promoting small business, and the role donors can play in supporting effective SE projects.

Interest in the role of private voluntary organizations (PVOs) in small enterprise development is stimulated partly by concern for identifying new means for dealing with global poverty. Small enterprises (SE) are relatively easy to start, and as means through which even very poor individuals can channel funds and effort to increase income and security. They are also more likely than larger firms to provide employment for other poor individuals either directly, or through indirect impacts on local economies. In this way, they may bring new resources to the poor relatively efficiently; and they may also help to establish a base for subsequent economic expansion.

PVOs may be, for a number of reasons, well positioned to facilitate the development and positive impacts of SE. PVOs tend to operate over extended periods in the same areas, and to employ people who are highly motivated for work with the poor and willing to accept relatively modest salaries. In addition, PVO project managers usually have freedom to handle activities on site, in part because of the inclination to advocate projects which respond to locally felt needs. Finally, resources are usually quite limited and this provides additional encouragement for working with the more deprived, since the interest of established classes in project activities tends to diminish with the level of available resources.

Central questions for development agencies are: Do PVOs and SE enterprise projects generally promote growth and equity? Do PVOs have a special capacity for promoting SE projects?

Recent work designed to answer these questions includes evaluations of SE projects conducted by major international donors. There are also a number of recent evaluations of PVO small enterprise projects conducted by A.I.D., the World Bank, and by the PVOs themselves.

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Results from these studies suggest that SEs can be successfully promoted through the use of credit facilities and a variety of technical assistance programs. The latter include extended and short-term training as well as consultancy services. Where these programs have been most successful in promoting new firms, employment and income, they have been well administered over extended periods of time by well trained, cost conscious project personnel. Successful projects have also had available regular information on their impact, sometimes through the efforts of beneficiary associations. Finally, assistance to small or medium sized manufacturing firms has been found particularly related to the generation of new employment and to linking of beneficiary firms to other sectors of the economy. Tiny firms and trading enterprises of all sizes are less likely to generate employment or economic linkages.

These findings indicate the potential significance of SE for the development of a modern economy. They are also troubling in that they appear to imply relatively little concern for equity. Consequently, governments, and PVOs especially, have begun in recent years to seek means for increasing the potential for SE (income generation) projects to affect a broader range of beneficiaries. Experiments have been made with the grouping of clients, with the decentralization of project activities to ease the process of reaching the poor, and with the careful tailoring of resource packages and the requirements for assistance to increase the probability that poorer entrepreneurs will benefit.

Much of the debate over current and prospective PVO involvement in SE development, and over the potential of SE for poor societies, is consequently focused on the issue of costs. What price must be borne to see that projects do benefit those most difficult to reach? Since SE are often highly efficient in the use of capital, are there in fact economic as well as political and social benefits for doing so? Still other critics wonder whether any type of PVO small enterprise project is going to matter very much, even if efficient -- given the limited resources of these donor bodies.

These questions indicate the need for systems-wide evaluations of SE development. Without them there can be no end to debates over specific outcomes. Is employment production more valuable than the development of new firms? What are the comparative costs of credit programs or training efforts; and when are loans to first time borrowers truly significant so as to overcome other cost problems? Some public development agencies, including PVOs, are pressing for the consideration of a greater range of social, economic and political factors than have typically been identified in enterprise projects. They seek means for assessing these impacts in a manner which assures their relative equality with

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the shorter-term economic changes normally central to the determination of impacts and the assessment of costs. Relevant inputs and outcomes are the extent of empowerment of beneficiary groups and the distribution of beneficial social and economic changes throughout targeted communities.

Development projects which do not accommodate and/or seek to influence systemic factors are less likely to have an effect on poverty. Many economically efficient projects are unsustainable since they mainly reinforce systems of inequality and offer few incentives for change the poor. Economic and social factors must be weighed together.

Evaluations of SE projects suggest how these broader social and institutional concerns are affecting particular PVO projects. For instance, two evaluations of the Opportunities Industrialization Centers International (OICI) and its entrepreneurs training programs have highlighted the potential of a comprehensive institutions building effort. OICI spends considerable time and resource for each training project in establishing advisory and policy making bodies to insure the availability of expert advice on training and on business opportunities.

Other organizations, such as those associated with the Sarvodaya Shramadana in Sri Lanka, the UNO project in Brazil, PFP's work in Upper Volta, and the Manila Community Services, Inc. in the Philippines are involved in activities even more broadly focused than these. Not only are issues of equity central to the conception of benefits, but a range of social and political factors are assessed both as outcomes to be pursued and as causes of project success. Such projects are concerned with networks, and finding a range and variety of organizational supports in local, national and international environments.

It is possible for these "systems" projects to be small and simple. The key is not comprehensiveness but the creation and cataloging of links among social, economic, and political factors associated with change in a given setting. The simpler the better, given inevitable cost constraints. What is crucial is that successful PVOs seem more often to be displaying entrepreneurial characteristics in their design and implementation of enterprise projects. They are looking relatively less at the firm and more at relationships which both facilitate its development and channel the resources produced to create significant and sustainable changes beneficial to the largest possible public.

Appendix G

THE SMALL GROUP PROCESS USED AT
THE SMALL ENTERPRISE DEVELOPMENT WORKSHOP

Overview

The Small Enterprise Development Workshop, held October 31 - November 2, was limited to two-and-a-half days to permit participation by top PVO staff and busy resource people. We made extensive use of small groups to maximize use of the limited time and allow everyone to be involved. Plenary sessions preceded and followed these groups, to introduce topics and consolidate group findings, respectively.

Process Used in the Small Groups

The small group process was adapted to our own needs from earlier FVA Bureau experience. It had been used in the FVA/FFP Title I Conference held in January 1983 in Reston, Virginia.

Our process was rather structured. Questions were set for each of four small groups made up of ten to twelve people each. Small group sessions lasted only about 1 to 1 1/2-hours. In the first of four sessions the groups started by quickly recording answers on cards which were then posted on the wall for all to see. These carded answers provided the basis for discussing, sorting and drawing conclusions. In the other three sessions, flip charts were used by each group recorder to synthesize ideas generated by the group. Both the card and flip chart methods seemed to work adequately. Rapporteurs made short summaries back to plenary on the findings of each of the small groups.

Ad hoc sessions were formed by participants on the morning of November 2 to focus on benefit measurement, a systems methodology, and training. These meetings were originally considered "extra," intended to provide opportunities for participants to delve into more detail on topics of special interest. In the end, however, they turned out to be quite central to achieving workshop purposes.

Conclusions/Recommendations on the Process

-- The small groups helped us achieve our objectives of efficient time use and full participation at the workshop. The participants generally liked the small group process.

-- The questions addressed in the small groups needed to be more precise or the time to answer them longer. Although participants liked the process, they generally felt pressured. Next time we would pose fewer questions and try to make them more precise. More time for ad hoc sessions could also reduce the pressure.

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-- Discussion was dominated, it appeared, by those who had read most carefully. Although the Kilby and Hunt papers were mailed out in advance, those who did not read them were handicapped in discussion of the questions posed for each small group. Getting all participants to read is a common challenge for workshop organizers. Next time summaries of the papers will be provided.

-- Most rapporteurs did a good job of verbally reporting small group ideas back to plenary. However, the written record keeping by the groups ranged from excellent to fair, allowing some important thoughts to be missed. Next time we need to ensure a better written record of discussions, perhaps by contracting for the services of recorders.

-- We were fortunate to have many key resource people, PVO leaders and donor representatives involved in the workshop. A network of people concerned with small enterprise development has emerged and should be utilized in future.

-- Participants generally liked the plenary sessions, especially the opening and closing. There was a sense we were making progress toward learning something useful and practical about small enterprise development.

-- The ad hoc sessions on the final morning turned out to be essential to workshop success. These sessions were necessary, since recommendations for future action only really emerged then. Next time we will plan things this way.

-- Even though we have consolidated many learnings from the sector, there is an evident unsated demand for information on small enterprise development. This is so within A.I.D. and among the PVOs. FVA/PVC as well as other elements of A.I.D. will need to gear up to meet increasing demands for this kind of information.

Attachment: Small Groups and Questions

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EVALUATION BY PARTICIPANTS
 SMALL ENTERPRISE WORKSHOP
 Washington, D.C.
 October 31-November 1, 1983

Questions:

1. Did the workshop meet your expectations?

Yes 13
 No 2

2. What did you think was the strongest part of the workshop?

Small group sessions/process	6
Plenary sessions	4
The Kilby paper	4
The Hunt paper	2
Good resource people, participated	2
The opening plenary session	1
The closing plenary session	1
The Liedholm findings	1
Full participation of top AID staff	1
Good AID support staff	1
Sufficient agenda structure	1
Everyone participated	1
PVO effectiveness assessed	1
Studies circulated in advance	1

3. What did you think was the weakest part of the workshop?

Questions/tasks were too broad/imprecise to be covered in time available	8
Small groups needed better format	3
Some rapporteur feedback was hard to follow	2
Major papers lacked summaries	1
Not all small group ideas generated were recorded	1
Overall forum discussion was limited	1
Participants were not familiar with literature	1
More participation by practitioners needed	1
Workshop served FVA needs more than PVOs or field	1
Workshop purposes were not fulfilled	1
Workshop groundrules not communicated	1

4. Were the logistical arrangements satisfactory?

Yes 15
 No.. 0

5. What improvements in logistics were needed?

No responses

6. Recommendations for future such workshops?

Do another workshop within the year	3
None	3
Have donuts/bagels with morning coffee	2
Continue post-workshop assistance of experts	1
Set up on-going working groups by topic	1
Have more active group leaders	1
Rotate participants in small groups	1
Better prepare points to be discussed in sm.group	1
Have different questions for different groups	1
Have concrete conclusions at workshop end	1
Have a longer workshop	1
Include more PRE representatives	1
Have clearer workshop purposes	1
A good beginning: keep it up!	1

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