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Training and Technical  
Assistance for Microenterprises

A summary of Swisscontact's experiences  
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**TRAINING AND TECHNICAL  
ASSISTANCE FOR MICROENTERPRISES**

A summary of Swisscontact's experiences

prepared for the Swiss Development Cooperation  
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**Glossary:**

APA	aprender por acción (action learning)
APTAMAI	Asociación de Proprietarios de Pequeños Talleres de Mantenimiento Industrial
ATAMEMA	Asociación de Talleres Mecánicos y Metalúrgicos de Matagalpa
FUNDES	Fundación para el Desarrollo Económico y Social
ILO	International Labor Office
INTECAP	Instituto Técnico de Capacitación y Productividad
ME	microenterprise (1 to 5 employees)
NGO	Non governmental organization
SE	small enterprise (5 to 20 employees)
SHO	self-help organization
SINACAP	Sistema Nacional de Capacitación
SME	small and microenterprise (1 to 20 employees)
STEPP	small technical enterprise promotion program

## 1 Summary

"Training and Technical Assistance for Microenterprises (MEs)": Is it to be understood as teaching how to use the file a donor agency is handing over to the owner of a small workshop? Or does it mean to transplant simply and easily a scheme developed sometimes over centuries in the industrial world, e.g. in Switzerland?

Already the first, still timid steps Swisscontact undertook in this field in the beginning of the 80's - trying to follow former trainees on their way into self-employed professional activities - showed that the terms "training and technical assistance" comprise a much wider range of possible and necessary actions, based on the various difficulties small and microenterprises are facing. Each step further brought more questions, but also more wishes and expectations from the people. From the promotion of the general idea originated the direct consulting to show possible immediate improvements. From there again arose questions how to facilitate the initiative of the entrepreneur to improve his situation on a self-help basis and how to assist the process of institution-building through self-help groups. Later we came to realize that a financial input, i.e. access to credit, though often needed to support development, must be based on the entrepreneur's own potential and initiative and can in no way come through the easy door from outside.

Each step on our way made it clearer that the needs and interests of the concerned "target group" must be at the root of our assisting, training, consulting and facilitating activities. The following review of Swisscontact's experience is therefore also guided by the very people we are cooperating with. It is them who are guiding us on the way to assist them in their best interest, i.e. in their search for a sound economic development.

## 2 Introduction

### 2.1 Main objectives of Swisscontact

Since its establishment in 1959 Swisscontact, Swiss Foundation for Technical Cooperation, has been pursuing the objective of contributing to the achievement of a self-reliant development in Asia, Africa and Latin America through the education and promotion of professionally competent people. The following principles are the major guide-lines:

- Contribution to the establishment of a middle class through vocational training and the promotion of small and microenterprises
- Encouraging self-help in the technical field
- Close cooperation with local partners
- Know-how transfer in technical training courses and in industrial management

Already in the seventies, Swisscontact looked for ways and means to assist the graduates of training centers in setting up their own business. But only in 1982 such a project was started in Costa Rica.

Swisscontact has always tried to assist partners in third world countries by offering know-how from Switzerland, i.e. mainly technical training the way it is carried out in our country.

In Switzerland 97 % of all non-agricultural enterprises engage less than 50 employees, while offering approx. 50 % of all job opportunities. This was an additional factor why Swisscontact started promoting small technically oriented enterprises.

Small enterprises are an important factor in any country thanks to many assets like flexibility, innovation, decentralized structure etc. On the other side they are also quite vulnerable, because they often lack know-how and financial resources.

About 80 % of the enterprises Swisscontact assists are microenterprises (MEs) with 1 to 5 employees. The other 20 % belong to the category of small enterprises (SEs) with 6 to 20 employees. We are convinced that MEs have a better chance of building SHOs if they cooperate with SMEs; therefore we shall use in the following the abbreviation SME for small and microenterprise for our activities which are mostly directed towards MEs.

## 2.2 Management of small and microenterprises (SMEs)

The most commonly agreed upon principles of management are planning, organization and control of resources, production and marketing.

For the owner of a typical SME it is impossible to have gone through the necessary training for all the above mentioned managerial tasks. Alone and without collective services it will become more and more difficult for SMEs to survive. Therefore they are obliged to cooperate with others or form self-help organizations (SHOs). This is where Swisscontact would like to assist.

## 2.3 Small Technical Enterprise Promotion Program (STEPP)

### 2.3.1 History

A former apprentice of an agro-mechanics training center which was established with the help of Swisscontact started his own business in 1981 in Costa Rica. He worked under very unfavourable conditions in a leased workshop. He obviously found it difficult to organize the work of his ME with two employees. He knew colleagues who were in the same situation. This marked the beginning of the "small technical enterprise promotion program" (STEPP) with a group of small-scale entrepreneurs who were well trained, experienced and motivated. Over a period of about five years the original approach was modified and evolved into the following concept.

### 2.3.2 Concept

#### Target group

The support is primarily directed to small technically-oriented workshops, in other words clearly not to the traditional sectors of small-scale trade, arts and crafts, or the hotel and restaurant business. The owner must, however, work in the enterprise and earn his livelihood there.

#### Objectives

- Increase of income and financial independence
- Improvement of workmanship and increase of productivity
- Promotion of self-help organizations (SHO)

#### Ways and Means

- Assistance in the set-up of regional and/or national self-help organizations (SHO) and training of the consultants required.
- Promotion and organization of courses, seminars and exchange of experience for: management, work organization, advanced technical training, calculation, fundamental business principles.
- Services such as: calculation of standard prices, procurement of technical literature, purchasing benefits, advertising, joint purchasing of raw material etc., central accounting as well as personal advice for investments and other specific problems.
- Granting very small loans and offering guarantees or borrowing facilities.

### 2.4 Different approach in each country

In Costa Rica the "small technical enterprise promotion program" (STEPP) started thanks to the motivation of trained agromechanics. To become operational APTAMAI (Asociation de Proprietarios de Pequenos Talleres de Mantenimiento Industrial) was set up. The initiative of the workshop owners and the methodology of "action learning" guided the project in finding the appropriate means.

As a result of these experiences in Costa Rica Swisscontact has thereafter tried to find already existing structures which are representing MEs. Either a chamber of commerce and industry (in two cases: Ecuador, Bolivia) or a metal-industrial association (in the Philippines). Their rather meagre resources limit the development of the program; but maybe for the good of it.

In four countries (Guatemala, Nicaragua, Sri Lanka, Indonesia) we cooperate with government agencies that have as their main objective the professional training of youths. Together technical training centers were set up. Since the promotion of MEs has become very much "en vogue" such institutions are interested to assist MEs. Whether they

are in the long run an ideal partner we do not know. In any case, the participatory approach is not their strongest side but they have more financial and technical resources than associations representing MEs.

## 2.5 A handbook for assisting small enterprises

A handbook "Development of Enterprises" has been written by Walter R. Keller a consultant of Swisscontact. It deals with the development of small scale technical workshops. Many practical experiences have guided the author in writing this book and compiling a number of checklists and forms. They are useful aids for those who have to examine or start a project. It contains short but important measures of the various project phases (preliminary study, project planning, organization, execution of project).

The manual is based on the concept of Swisscontact and the experience in such projects in Central America which the author visited many times and helped to guide.

The Swiss Development Cooperation has financed this manual substantially. It can be ordered for Frs. 20.- at:  
SKAT, Bookshop, Varnbuelstrasse 14, CH-9000 St. Gallen/Switzerland

## 3 Brief description of three projects

### 3.1 Three projects in Central America

Country	Costa Rica	Guatemala	Nicaragua
Name	APTAMAI	Talleres rurales	ATAMEMA
SME's association	APTAMAI	not yet formalized	ATAMEMA
Partners	APTAMAI	INTECAP Fundacion del Centavo	SINACAP
Staff	9	7	3
Members	325	212	76
Branches	10	9	1
Target group	technical workshops	technical rural workshops	metal-working workshops in Matagalpa
No. of employees	1 to 20	1 to 10	1 to 10
Beginning of activities	1981/82	Aug. 13th, 1985	Aug. 24th, 1986

#### Legend:

APTAMAI	Asociacion de Proprietarios de Pequenos Talleres de Mantenimiento Industrial
ATAMEMA	Asociacion de Talleres Mecanicos y Metalurgicos de Matagalpa
INTECAP	Instituto Tecnico de Capacitacion y Productividad
SINACAP	Sistema Nacional de Capacitacion
SME	small and microenterprise (1 to 20 employees)

## 3.2 Overview of STEPP activities and services / countries

Activities/Countries	C.R.	Nica.	Guat.	Bol.	Ecu.	S.L.	Indo.
=====							
Institutionbuilding:							
nationwide	X		P		E		
regional, local	X	X	X		E		P
Training of consultants	X	X	X	X	X	P	X
Individ. consulting	X	X	X		P	P	X
Action learning	X	X	X		P	P	P
Training programs for MEs	X	X	X		P	P	X
Guarantees for loans	P		X		X	X	X
Granting small loans	X				B	B	B
Joint purchases	X	X					
Discount on purchases	X		X		P	P	
Newsletter	X	X	X		P	P	

## Legend:

C.R. = Costa Rica    Ecu. = Ecuador    X: actual activities  
 Nica. = Nicaragua    S.L. = Sri Lanka    E: already existing  
 Guat. = Guatemala    Indo. = Indonesia    B: local banks  
 Bol. = Bolivia    P: planned action

## 3.3 Comments

The main activities vary according to the development of the program:

- in the beginning the general idea must be promoted. Experience proved that the best way is to group entrepreneurs in so-called APA-sessions (Aprender Por Accion, a methodology promoted by ILO and equivalent to "action - learning"). There the entrepreneurs may - if they want to improve their situation - agree on their needs and priorities. However, this process takes time and without their own motivation no promotion program can develop.
- the second step is to show that consultations can immediately improve the MEs situation (workshop-organization, work instructions to the workmen, improvement of equipment, safety measures, procurement of technical literature, evening courses, development of cost consciousness).
- only now the process of development on the basis of self-help can begin and lead to economic success. As soon as the entrepreneur is motivated to improve his situation the consultant can offer opportunities to learn individually, in groups and by action learning. (Not only technical but also administrative know-how, e.g. introduction of simple cost- and revenue controls, post calculation and time control etc.). This may later on lead to assistance for credit applications.
- a further step will be the building up of well guided and organized self-help organizations (SHO) on the basis of APA-experience; first informally but later in a legalized structure. Only then and according to needs comes the forming of nation-wide professional associations with the desire to take influence on national politics

according to their proper interests. The most difficult part seems to be the establishment of sound organizational and financial structures.

- In many countries banks are not interested in giving credits to MES because their demand is too small (between 100 and 4.000 US\$) or they do not belong to the manufacturing sector. Therefore Swisscontact has financed a revolving fund of 70.000 US\$ which APTAMAI manages according clearly established rules. Already 105 members have received a credit over an average amount of 1.500 US\$ at a rate of interest of 19 to 23 % in Costa Rica, which is the bank rate offered to manufacturing enterprises. In Guatemala, Ecuador, Bolivia and Sri Lanka Swisscontact offers guarantees to banks. However, it took a long time to hand out the 100 % guaranteed 15 credits to MES. The problem of the extremely difficult access of MES to banks has to be solved; otherwise the development of the MES will be restricted too much. However it seems not the best solution to offer credits through SHOs.

### 3.4 Number of activities and participants 1987

COSTA RICA	technical		administrative		t o t a l	
	events	particip.	events	particip.	events	particip.
Courses	13	217	12	165	5	382
Seminars	0	0	5	102	11	102
Lectures	10	187	1	15	25	202
Gen. assembly					1	99
T o t a l	23	404	18	282	42	785
Fellowships			1	4	1	4
<b>GUATEMALA</b>						
Courses	10	107	5	86	15	193
Seminars			4	36	4	36
T o t a l	10	107	9	122	19	229
Fellowships		1		26		27
<b>NICARAGUA</b>						
Courses	3	55	1	18	4	73
Gen. assembly					3	45/65/40
T o t a l	3	56	1	20	9	223
Fellowships		1		2		3

### 3.5 Comments

#### Costa Rica:

The number of APTAMAI members increased 1987 only by 15 % to 325 but the training activities have tripled. It was a year of consolidation. Over 600 individual consultations have been carried out by the technical staff.

### Guatemala:

The number of members increased by 270 % to 212; the training activities developed likewise. Despite the fact that quite a number of courses and about 1000 individual consultations have been realized, a survey shows that of the 212 workshops only:

- 15 % control their inventory
- 10 % know their costs and calculate their prices accordingly
- 7 % have a complete set of papers for their accounting.

However, 12 months earlier the percentages were still much lower. The improvement of their technical capacity was significantly better.

### Nicaragua:

On Aug. 24th, 1986 the association ATAMEMA was founded by 42 members. By December 1986 already 80 entrepreneurs signed their membership card. One year later the number of associates decreased to 75 (- 5%) due to external factors. On the other side the training and APA-activities have been very intensive; even a leaflet is distributed. The development of ATAMEMA could be an example for the so-called "bottom-up" theory and in fact the local support for the program is strong.

### 3.6 Activities of members in Guatemala, Costa Rica and Nicaragua

Activity	Guatemala		Costa Rica		Nicaragua	
	no.	%	no.	%	no.	%
Automechanics	97	46	107	33	37	49
Auto bodywork	11	5	21	6	16	21
Welding, fabrication	58	27	63	19	12	16
Agromechanics	7	3	13	4	2	3
General mechanics	3	1	58	18	7	9
Electromechanical	24	11	20	6	1	1
Refrigeration	11	5	22	7	0	0
Electronics	0	0	17	5	0	0
Electr. installation	0	0	4	1	0	0
Foundry	1	0	0	0	0	0
<b>Total</b>	<b>212</b>	<b>100</b>	<b>325</b>	<b>100</b>	<b>75</b>	<b>100</b>

## 4 Self-help organization (SHO)

### 4.1 Action learning as starting point

Potential members of a SHO in a town are invited to participate at a meeting. We usually invite 30 entrepreneurs with a preferably homogenous background and the desire to achieve, but hope that only about 10-13 participate which is the ideal number for action learning. After the first ice-breaking session the problems the group wants to discuss have to be prioritized and analysed followed by their exchange of experience and ideas. Finally the corresponding actions have to be planned. In over 10 to 15 weekly meetings of approx. 3 hours, the entrepreneurs discuss solutions to practical problems. However for specific topics specialists are invited. If the meetings are useful to the participants they will be interested to organize informal and later formal associations.

#### 4.2 The formation of self-help organizations (SHOs)

On the basis of informal meetings (action learning) formal SHOs have developed. Of course efforts of the Swisscontact representatives and some financial help have eased the path. But in the long run a SHO has to rely on local resources and support.

The establishment of a SHO requires some patience. The "real" problems arise later when members of the SHO want to participate, enjoy the services and benefit without paying for them. This is even more so if a foreign development agency is helping.

#### 4.3 Finances

Every project has to fight the initial expectations that it should spend a lot of money, give free of charge technical assistance or "at least" provide soft loans. We have committed many errors because of our desire to accelerate the development of the program. While we are learning to become more patient, our partners realize that only through their proper efforts they can advance their project.

Some international lending institutions almost force the SHO to a much too fast growth, because small packages for credits and funds for technical assistance are not available.

There are other ways to generate income:

- quotas from members, e.g. regular payments for non-specific services etc.
- fees covering all costs of specific services, e.g. feasibility studies, joint purchase of raw material and equipment, literature, accounting, credits etc.
- donations

The easier way is to receive donations, then to charge membership quotas and fees for providing credits with interest rates below the market rates. Billing specific services seems to be the most difficult task but must be introduced early enough to ensure a dynamic, financially sound and independent SHO.

The structure of APTAMAI members in Costa Rica shows more or less the following pattern:

Income:	Members:	employees:
middle	3 %	15-20
low	17 %	5-15
very low	80%	1-5

Obviously the financial situation of APTAMAI would be different if there were less members with very low income which are often MEs.

## 5 Training of entrepreneurs

### 5.1 Training needs

Introductory remark: All SME-promotion activities are oriented towards small entrepreneurs, but most of the courses (especially technical) are open to their employees as well. The SMEs cannot survive if they do not adapt to the changing technologies.

A brief survey in Costa Rica showed the following up-grading and technical assistance needs:

- new technics and processes in all technical fields related to workshop activities
- technics of trouble shooting
- appropriate installation and exploitation of machinery and equipment
- optimal investments in equipment, raw material etc.
- introduction of new products (for export as well as for the substitution of import goods)
- procedures for easy determination of costs and prices of products and services
- quality control
- money management with high inflation rates
- marketing technics
- rhetoric and propaganda in own matters
- management of SHO
- optimal handling of administrative matters
- instructions on how to obtain and manage credits

Last year the following courses and number of courses ( ) have been offered in Costa Rica:

#### technical:

- special welding (6)
- basics of engines (3)
- technical drafting (3)
- industrial hydraulics (1)

#### administrative:

- internal control (6)
- management (2)
- manager and client (2)
- human relations (1)

A survey in Sri Lanka showed that the most important problems the workshop owners faced were - listed according to their priorities - the following: technics, money, management, education, equipment, building, jobs, tools, land, skill, finances and training.

Not mentioned were: workshop organization, improvements of the workshop building, tools and simple gauges, the setting of goals as well as the concentration of all efforts and their achievement.

The organization, management and control of SHOs have to be learned as well.

There are many needs but not enough resources. Priorities have to be set and technical assistance has to work accordingly.

## 5.2 Training possibilities

Basically there are two possibilities: individual consulting or training in groups.

The SHOs either offer individual on the job consulting through their technical assistants or request such help for the entrepreneur from other institutions. This is also the case in Guatemala, where INTECAP assisted last year 150 SMEs through approx. 1000 individual consultations with an average cost of US \$ 10 each.

For the training in groups Swisscontact has so far cooperated with the following organizations in almost all projects:

- government training centers mainly for technical subjects
- government agencies (social security etc.) for specific matters
- private enterprises (Bosch for injection pumps etc.)
- private schools for administration, accounting etc.
- NGOs or Federation of NGOs that offer services to their members
- foreign donor agencies for fellowships (USAID etc.)

The income of small entrepreneurs often is reduced to zero when he is not present in his workshop. Therefore training programs have to take place on weekends and should not last more than three days.

## 6 Training of consultants

### 6.1 On the job

Without qualified consultants a self-help organization (SHO) cannot survive. On the other hand qualified personnel is rather expensive. Therefore the SHO is already in a clinch between the need to raise funds and pay enough for their consultants.

Consultants must have a basic education in mechanics (technician level) and several years of experience in well managed companies. Then they are guided by the project in their daily work. But in order to structure the on the job training, specific up-grading programs should be offered. Unfortunately a comprehensive and suitable training scheme for SHO-managers and consultants has not yet been found.

### 6.2 Training facilities

Last year APTAMAI consultants participated at 6 seminars :

- creativity and decision making in small enterprises and their needs for up-grading (3 participants)
- administration of revolving funds (2 participants)
- institutional planning (1 participant)
- up-grading for NGO-managers (1 participant)
- formulation of projects (1 participant)
- training program for consultants, s. below (5 participants)

The needs are usually very specific and the offered programs too general, too costly or far away. But it is most important that consultants are up-graded. All consultants of the four Swisscontact projects in Latin America followed further training last year.

We have found in many countries various opportunities to train consultants though not specific and comprehensive enough. Therefore we have carried out (together with FUNDES) a 5-week-training-program of 266 hours for 16 participants according to their needs:

- identification of needs	10 hours
- consulting technics, communication	35
- general introduction in SME-management	7
- human relations	10
- workshop organization	42
- accounting, control	25
- cost calculation	32
- marketing	32
- planning	10
- feasibility studies of new projects	15
- simulation play: the manager	37
- promotion of small enterprises	11

## 7 Results

### 7.1 Institutional level

The results of the promotion of microenterprises (MEs) consist mainly in the following:

- a clearly defined concept based on technical and administrative training and up-grading. The original ideas - mainly based on providing easier access to credits - were adapted in the course of a learning process.
- a participatory approach towards the MEs. Instead of teaching the entrepreneurs individually (training, consultations) how to improve their business we are convinced, that only a participatory approach on the basis of self-help groups can lead to lasting improvements.
- functioning and legally approved organizational infrastructure on a national level in one country and on a local level in four countries (all together about 23 formal and informal self-help groups). First local self-help groups have to develop. They might set up a national organization, but only according to their needs.
- a sense of responsibility and pride for technical, financial and social progress of the MEs. Symbols of such progress are e.g. the monthly newsletters (in Costa Rica, Nicaragua and Guatemala) and their decision to pay for the organizational structure through financial contributions. But Swisscontact still has to subsidize SHOs with monthly payments of up to 80% of the current expenses.
- motivated and skilled teams. There are 6 teams working and we hope to start more projects.
- credits and guarantees for loans are offered in a range not covered by banks (\$ 200 to \$ 4000). Maybe SHOs should offer only technical assistance without providing credits, but if banks are not willing to help other institutions have to do it.

## 7.2 Individual level

Swisscontact is still looking for relevant criteria for measuring the effects of the promotion of SMEs. However, some remarkable statements can already be made:

- over 300 new jobs have been created by the entrepreneurs we are cooperating with
- over 700 entrepreneurs meet in 24 informal and/or formal groups
- over 120 credits with an average of approx. US\$ 1.500 (180,000 US\$) have been offered to entrepreneurs for feasible projects in three countries with interest rates between 15 % and 23 % p.a. Until now only one entrepreneur has failed to pay back.
- significant technical improvements in many workshops as well as financial consolidation of SMEs are obvious
- the endeavor to improve managerial competence is remarkable
- the consciousness of the need to concentrate efforts for their common cause in a participatory way for social, technical and financial development without waiting for outside help (central government etc.) has grown.

## 8 Issues

### 8.1 Local and international partners?

- Universities, colleges and technical training centers as partners for the up-grading of consultants and entrepreneurs? We have made some very encouraging experiences in some countries but are still far away from a comprehensive training program.
- A new international training center? We wonder if this conference or some of its participants would initiate a training center for consultants. Swisscontact is not looking forward to a sophisticated management school but for some practically oriented training that will enable the consultants to do a good job helping SMEs. Such a center could be collecting information, analyzing the various sometimes isolated activities and make know-how available to SHOs.
- How can local banks become partners of SMEs and SHOs? Unfortunately banks very often do not seem to be interested and do not show their responsibility as a promoter of local and regional development. Sometimes their resources are scarce and their banking experience is only quite recent. However, local banks could and should play an important role in assisting SMEs, because they control one of the production factors and often discriminate SMEs. Government owned banks have funds but lack initiative, interest and do not seem to belong to the tertiary sector offering services to their clients, the SMEs. What can be done to improve this situation?

- **Credit lines also for repair workshops.** Credits are very often restricted to manufacturing enterprises. However, technical repair shops are of great importance for maintaining capital goods (tractors, trucks, machines) but they are discriminated by international lending institutions. Could this be changed?
- **Industry as a partner?** Is it possible to motivate large companies to help the SMEs? Could SMEs become important subcontractors to the bigger enterprises? Should and could local solidarity between big industry and SMEs be supported?

## 8.2 Finances

- How can **financially sound SHOs** be established? Many members still doubt if their SHO will survive because in the past they have seen many projects come and go without lasting effect.
- How does **foreign funding** influence the character of the SHO? Will it spoil the local initiative and responsibility? Should a SHO receive in the long run funds for assisting MEs? Do development agencies direct their activities too much towards the poor and small workshops without financial means to support in the long run a SHO? Which is the optimal proportion of foreign financial help with regards to the local contribution?
- How should the **membership structure of SHOs** be composed in order to assure its financial viability? Are MEs able to pay for technical assistance and services? How much?
- Should SHOs offer **small credits** (\$ 100 to \$ 1.000)?