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ASSISTING WOMEN ENTREPRENEURS AMONG CENTRAL AMERICA'S RURAL POOR

OEF/INTERNATIONAL'S SMALL ENTERPRISE DEVELOPMENT EXPERIENCE IN CENTRAL AMERICA

DRAFT REPORT

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I. Introduction and Program Description

A. Introduction and Summary Findings

Despite the greatest of intentions, the vast majority of development resources are captured by those who already posses skills, contacts and assets. Simply stated, these persons are the easiest to reach. Nowhere is this more pronounced than in the politically sensitive and assistance-rich region of Central America. In terms of international standards of poverty, this region is blessed with abundance. Yet, while some sectors of the population are moving forward, benefiting from the rich natural resource base and infusion of assistance, others are being left behind.

OEF/International stands firmly in its commitment to reach those outside the development assistance "safety net". OEF works with persons who are doubly disadvantaged: rural women. OEF's services tap the economically and socially disenfranchised. Through an integrated assistance approach, OEF facilitates women's productive activities. OEF's training offers women skills, decision-making capacity and an enabling spirit. OEF technical support assists women to up-grade the technology of their production, permitting them to reach beyond marginal modes of production. OEF's credit facilities, work in tandem with the local banking system to open up credit channels to those who have never had access to such services in the past. Combined, these services are emerging as a comprehensive approach for stimulating small enterprise development among this heretofore marginal population. OEF aims to reach those outside of the social and economic arena and support their personal growth, household income, and ultimately to strengthen productivity in the rural regions of Central America.

OEF/International's commitment to women's economic productivity has evolved over the last 12 years. In 197 , the OEF/International Board of Directors adopted a mandate to " ". This policy direction, reflecting ....., has shaped OEF's programming since that time. While initially OEF's focus was on pre-entrepreneurial income generating projects, in response to women beneficiaries' expressed priorities, OEF has taken steps to strengthen their methodologies and enhance the economic impact of their business development programs. In Central America, OEF's small enterprise development portfolio has included: Operational Program Grants in Honduras and El Salvador, a regional Washington funded Cooperative Agreement with activities in Costa Rica and Honduras; and, an additional pilot sub-agreement in El Salvador. Combined, this has allowed OEF to assist more than 590 women while developing their small enterprise methodology in three different country settings.

On the basis of this experience, OEF has made important headway toward establishing a comprehensive and integrated approach responsive to the needs of poor rural women. Experience to date has laid important groundwork, however, program performance can be significantly improved. There remains much for OEF to do to enhance the regularity and quality of field results

attained through their programs. OEF must adapt their methodologies to boost client business performance. Organizational and management systems must be reviewed in order to enhance the reliability of field results among different program sites. Furthermore, OEF must consider ways to significantly increase the number of clients reached and improve the cost competitiveness of their services. Program recommendations, arising from a recent AID sponsored evaluation and derived through this field analysis, are aimed to assist OEF to meet these new levels of challenge.

This study aims to document OEF's small enterprise development experience to date in Central America. Viewing OEF in a comparative context, this report: describes the existing OEF small enterprise development methodology; analyzes program benefits and costs; and, defines issues and programmatic direction for the future. Principal findings and conclusions of this study are:

Principal Findings

- CEF/International has conducted four small enterprise development programs in Central America including two USAID Mission financed grants (Honduras, El Salvador), an AID Centrally funded regional Women in Business Project (Costa Rica and Honduras) and a pilot Women in Business Project (El Salvador). Combined, OEF has assisted 590 rural women, providing $187,335 in credit for small rural enterprises. 77% of OEF clients are effectively engaged in enterprise start-up or expansion in conjunction with OEF services.

- Client performance has varied significantly accross program sites reflecting the difficulty of the different economic contexts, the performance of project staff, and the mix of credit and non-financial assistance provided. The overall drop-out rate is 23%. In Honduras, 39% of participants have either suspended their economic activity or never initiated one. This is also true for 17% of the Costa Rican clients and 3% of the El Salvadoran smalll enterprises assisted by OEF.

- Cost effectiveness has been a principal shortfall of OEF's small enterprise programs to date. When considering total project costs in relation to number of beneficiaries served, OEF's cost per client was $4,070 for the regional Women in Business Project, $4,601 for the Salvadoran Displaced Women's Project and $6,603 for the Honduran Pig Project. Examining the Women in Business Project alone, field based recurrent operating costs were $1,164. By revising OEF's operating and management structures and by funding local OEF affiliates directly, cost per beneficiary could be brought down to as low as $530.

- OEF's experience to date assisting enterprise development among poor rural women has represented a significant institutional investment. OEF has demonstrated that by coupling human resource and confidence building methods with basic business training and complementing this training with credit and technical assistance, rural women can successfully manage small enterprises. OEF's program methodologies evolved from group operated small enterprises to individual micro-enterprises. Training materials have been refined, effective credit delivery mechanisms conducted in collaboration with the commercial banking systems are in place, and follow-up technical support has been instituted. Local OEF affiliates with the capacity to implement the small enterprise programs are either established (Honduras) or in formation (El Salvador, Costa Rica). Building upon this methodological and institutional groundwork, OEF will be in the position to attain operating efficiencies and to address the cost effectiveness constraints presented above.

OEF Clients

- The OEF client population includes women ranging from 14 to 64, 25% of whom are heads of households, 14% illiterate, 28% who lack basic numeracy skills, and 79% who have never received credit in the past.

- 55% of OEF assisted enterprises have operated for two years or less, having started in conjunction with this program. 47% of OEF clients are engaged in food transformation, 25% conduct small livestock projects, 13% are engaged in agriculture and 25% pursue artisan production or commerce.

Application of OEF Methodology

- OEF's groups established through a pre-training organizational phase provide an important institutional framework for future enterprise support. Training introduced confidence building processes, around real business opportunities, preparing women to conduct their business. OEF will soon complement their feasibility study and marketing training with a much needed business administration module.

- OEF has been able to effectively work through the commercial banking system operating gurantee scheeme, bank administered revolving loan funds, and/or to channel clients to existing commercial bank lines of credit. Bank fees range from 1.5-2% on capital lent. Collaboration with the banks is contributing to the women's familiarity with the banking system and the banks familiarity with the women as potential small business clients. $186,745 has been lent to 86

enterprises including micro-enterprises and group operated small businesses.

- Technical support has proven critical to assist women to upgrade production technologies and the productivity of their businesses. Technical guidance has also provided important supervision to loan clients enhancing the probability of client success. OEF both contracts its own technical advisers and coordinates technical services with other existing technical supporrt agencies.

OEF Methodology in Comparative Perspective

- OEF's integrated approach to enterprise development including organization, training, credit and technical assistance has proven effective at assisting poor rural women to start-up or conduct micro-enterprises. The Minimalist credit approach delivered through solidarity groups would not service this dispersed rural female population as it does not reach women without existing businesses and fails to provide the training and technical support requisite for these fledgling micro-enterprise efforts.

- A review of the Small Enterprise Development literature indicates that the OEF methodology is not easily categorized within existing frameworks. Methodological frameworks established within the PISCES Studies demonstrate an urban bias and exclude rural programs from their framework. The PISCES Phase II Experience Typology of Micro-Enterprise Projects include rural programs, but do not adequately address the OEF approach. The ARIES 'Strategic Overview Paper' identifies the OEF methodology within their MODEL IV including integrated and sequenced training, technical assistance and financial assistance for individuals. However, ARIES examines this methodology exclusively as it services more established urban or semi-urban entrpreneurs. In ARIES jargon, OEF uses "Model 4" to reach 'Beneficiary Level I".

- A significant finding from the OEF experience is that poor rural women can successfuly engage in micro-enterprises. an underlying assumption of the PISCES Phase I, PISCES Phase II, and ARIES studies is that they most apropriate typr of program for the very poor are community development and/or group production activities. Ironically, such activities yield little income for the very people who need income the most. OEF experience indicates that there is a minimum threshold of household resources necessary for the success of micro-enterprise activities. However, that threshold is much lower than many would have anticipated. By designing an assistance strategy specifically for the objective of

meeting this population, a greater number of beneficiaries can be assisted to increaase their assets and income.

Benefits

- Management training has resulted in improved management practices for the majority of OEF participants. 80% of OEF clients are now able to calcualte their business costs and 72% establish their pricing strategies on the basis of costs. 60% have introduced improved marketing practices.

- 88% of the enterprises assisted by OEF which are currently in operation are generating profits. It appears that OEF clients are either performing reasonably well or they have had to cease business operations. 68% of OEF clients have increased their sales with 45% increasing sales by 100% or more.

- 64% of OEF assisted businesses have more than doubled their assets since enterprise start-up with 87% of all enterprises registering some increases in assets. 75% provide employment to family members and 28% employ paid labor.

- 88% of OEF's women entrepreneurs now participate in major household decisions and enjoy their family's support for their enterprise.

- 88% of the women with on-going enterprises are experiencing increases in household income. Increased income has translated to more food for 82% of households, better clothing for 57%, home improvements among 35% and better educational opportunities for 50% of participating households with on-going enterprises.

Cost-Effectiveness

- Principal features contributing to OEF's high cost per beneficiary has been: costs associated with developin methodologies, field testing training materials, supporting local instituion building, Washington based management and oversight costs, a field staffing pattern which has included a disproportionate share of senior personnel, and the incorporation of non-essential program features into OEF's small enterprise programs. Features which will permit OEF to significantly reduce its costs include the direct funding for local institutions, the development of an extension outreach capacity which can signficantly increase the number of clients reached, and the fact that OEF may now draw upon trained personnel and refined field methodologies.

- The cost/benefit ratio of the existing projects is negative with a revised staffing pattern which would permit a significant increase in the number of clients reached would

result in a positive ratio of (To be completed).

- When comparing OEF's costs with other small enterprise development organizations which provide training, technical support and credit, OEF are dramatically high. When considering only recurrent field operating expenses, OEF's WIB projects operate at $1,164 against Carvajal's Ecuador project with $160 per client and Panama's APEDE project with $240. These costs however do not reflect the additional costs associated with operating in rural areas, facilitating business start-up and operating in a more expensive country context. ADAPTE which offers a similar package of services operates at $809 per client. If OEF can attain the program efficiencies outlined in the revised cost/benefit scenario, cost per client would drop to $530 allowing OEF to enter a competitive range. The current OEF cost/benefit structure is completely outside acceptable ranges.

- OEF small enterprise programs may not be able to attain total self-sufficiency. Nevertheless, OEF must become responsible for containing their costs, ensuring quality results, and for managing a range of income sources which can ensure a critical share of locally generated income. Potential income sources include client fees, services to other agencies and local private donations in addition to a portion of program expenses met through donor grant support. Dependence on a single donor for an exorbitanty expensive assistance methodology will impede the viability and sustainability of OEF small enterprise development assistance.

Program Issues

- David Korten has established a widely adopted framework for small enterprise programs noting their evolution from developing effective methodologies, refining program efficiencies and ultimately expanding program operations. The OEF experience points to an initial exploration phase which must be completed before program effectiveness can be attained. During this exploration phase, organizations such as OEF have had to define their values and program objectives. Only once an organization has clearly set-out to promote viable enterprise development can it hope to attain effectiveness, efficiency and expansion.

- OEF experience points to the complementarity between financial and non-financial assistance. The appropriate mix of these two forms of services is largely dictated by the level of enterprise and aspirations for enterprise growth. Enterprise growth will encounter a cieling with credit or training alone. While it is not essential that one program provide the complete mix of services, a combination of services is required for effective enterprise growth.

- To date, OEF project results have not been consistent with 39% of all clients either not identifying an enterprise or the enterprise ceasing operation. To address this performance level, OEF is encouraged to become more pro-active and to identify viable enterprise opportunities which can be made available to participating women through technical packages disseminated through an extension capacity. This would call upon OEF to turn more entrepreneurial themselves in their approach to assisting women to develop viable enterprises. Furthermore, a Debt Capacity worksheet could help OEF to steer women away from potentially unsuccessful ventures.

- Very poor women with severe personal problems have proven themselves the least capable to benefit from OEF small enterprise development services. OEF is not prepared to 'write-off' such very poor women, nor are they in a position to jeopardize their projects by incorporating women with few prospects for success. OEF is encouraged to pilot test a number of methods which would be specifically designed to reach the poorest of the poor. Furthermore, OEF will need to balance their portfolio among the client sub-populations in order to arrive at reasonable levels of risk.

- OEF's experience with group-operated small to medium scale enterprises and individually operated micro-enterprises has demonstrated the difficulty and expense of supporting group small to medium scale operations. Small to medium scale enterprises are more capital intensive, require greater start-up investment and have been conducted with steep debt-equity ratios. Small to medium scale operations sell to broader markets requiring more up-front marketing analysis, feasibility studies and ultimately require more sophisticated management for successful operations. Such group operated enterprises face their greatest chance for success when concentrated within one industry sub-sector. In most cases, the individual micro-enterprises have proven easier to support and generate greater income for their owners. Group benefits, however, can be attained by collectively assisting individual micro-enterpreneurs through group procurment, marketing assistance and other forms of enterprise supports that can be channeled through the training group network established through OEF micro-etnerprise programs.

- A number of management and operational features have inadvertently worked against the effective management of OEF enterprise assistance programs. A gap between authority and responsibility among regional and national management has hampered accountability for field results. Furthermore, staffing patterns which involve multiple specialists has

obfuscated the line of accountability between service delivered and ultimate client performance. A revised management and staffing pattern which emphasizes the role of local institutions in project assistance can contribute to the regularity of field performance. Furthermore, OEF will want to introduce an extension capability along with an enhanced program support capacity to extend the range and quality of their services. Most importantly, however, there is no one ideal staffing pattern which OEF must adopt. Rather, OEF needs to recognize client performance as the ultimate criteria for judging program results while devolving to field managers the authority and responsiblity requisite to adjust field methods until desired results can be attained.

B. Background

1. Central American context for Rural Women

Women in Central America are particularly in need of development assistance. In Honduras and El Salvador, only 30% and 21% respectively of female children attend primary school (WB, pg 198). Without elementary education, women's earning capacity is constrained. According to household surveys in Costa Rica, women predominate among the lowest-income wage earners. Furthermore, between 1970 and 1980 women's wages fell even further behind those of their male counterpart's. (ICRW Pg 10).

The gravity of this trend in wages is further exacerbated by the rise in the percentage of women headed households. As of 1985, 22% of all Costa Rican households were headed by low-income women (ICRW pg 11). With the regional economic crisis precipitating a decline of household incomes for the rural poor, pressures are leading to increased male labor migration. The incidence of women headed households is expected to rise in the future.

While called upon to play an ever increasing role in meeting household expenses, women in rural areas receive fewer services to prepare them to carry-out this role than their male counterparts. A study of six rural Peruvian communities revealed that 88% of the women had never been offered any agricultural extension services or advice. A 1981 FAO study showed that women made up only 8.5% of the participants in national dairy training programs through-out Latin America. And despite the prevalence of women in small scale agricultural activities in Costa Rica, statistics from the Costa Rican National Training Institute demonstrate that women comprised only 9.3% of those trained in agriculturally-related areas and made up only 26% of students receiving all training.

Honduran women face yet other levels of constraints. Although a 1962 agrarian reform law gave widows and unmarried women with dependents the right to own land, married women however, cannot administer property or own land. As such, if as a result of male out-migration, the wife becomes the farm manager she is not eligible for many credit programs and other forms of agricultural assistance. A review of OEF clients has demonstrated that this land tenure arrangement has been a significant constraints on women's agriculturally related production.

In past decades, women's productivity was not considered economically essential. However, when combining the incidence of increased women headed households, with the rise in out-migration of male labor, women's economic role has shifted significantly. Now that rural women assume a significant role as the provider of basic family needs and as a contributor to overall rural productivity, upgrading women's capacities to assume these functions has become a critical development priority which can no longer be overlooked.

2. OEF's Evolution: Beyond Income Generation

Throughout its forty years dedicated to promoting women in development, OEF International's technical assistance has evolved in response to the needs of low-income Third World women. In the 1960's OEF trained leaders of voluntary agencies engaged in social welfare programs. By 1970 OEF's training was re-oriented toward community development and more than 1,000 local organizations received training in self-help community development.

Each phase of OEF programming has yielded important lessons, contributing to the body of OEF methodologies and technical resources. OEF's Human Development Project, conducted in San Jose, Costa Rica 1977-1979 was a turning point for the institution. This project combined vocational training and employment with a participatory training approach to build women's confidence and strengthen their problem solving capabilities. Working in conjunction with the Costa Rican Federation of Voluntary Agencies, OEF assisted 16 affiliated local NGOs to conduct community development and income generating projects. The Human Development Project produced the resource and training materials, which once further tested and refined in Honduras and Thailand, became OEF's community development guidebook "Women Working Together for personal, economic and community development". Building upon this experience, OEF collaborated with the Women's Bureau of Sri Lanka from 1980-1982 to train and provide community organizing resources to Bureau field agents. The results of this collaboration is presented in the compendium, "Navamaga".

Whether in Costa Rica, Honduras, Sri Lanka or Thailand, women's needs to increase household income has been a paramount concern. Yet, initial experience showed that the first training materials oriented toward supporting "income generating activities" were not sufficient to prepare women to successfully compete in the market-place. Through the Women's Bureau, more than 1,000 Sri Lankan women became engaged in 'income generating activities'. Yet, as their production increased, women confronted marketing and distribution constraints. Women's income generating projects in Peru inadequately identified viable business ventures. In Morocco, as in all locations, there was a need for simple management and accounting training materials. OEF had an important decision to make. If it was to successfully respond to women's need for increased income, a more comprehensive businesslike approach would be required.

By 1983 OEF launched their small enterprise program, which consciously aimed to meet the requirements for effective business development. Retaining the essence of the human resource and confidence building methodologies first applied by OEF in Costa Rica in the late 1970's, OEF's methodology has now expanded to include four principal components: Organization, Training, Credit and Technical Support. This methodology has been tested in the Central American countries of Costa Rica, Honduras and El Salvador and represents the evolution and development of OEF's thinking and experience, worldwide, over the past decade.

3. OEF's Small Enterprise Development Portfolio in Central America

While the Central America Small Enterprise Development Program entail one integrated programming approach, in practice OEF has taken advantage of several independently funded projects to implement and develop this methodology. Specifically, the OEF Central America small enterprise development project portfolio has included Operational Program Grants in Honduras and El Salvador, a Centrally funded Regional Women in Business Project conducted in Costa Rica and Honduras, and a 9 month pilot project in El Salvador. In all countries OEF has concentrated in rural areas. In El Salvador, OEF has adopted the additional challenge of operating in conflicted zones. Presented below is a brief description of each project.
Please see Table .

a) Honduras: Small Scale Livestock Project (Pig Project)

Initiated in 1983, the Pig Project is an industry-specific project which groups women producers for the purpose of commercial scale piglet production and/or pig fattening enterprises. Pork production is sold to a local meat processing facility. While today this program includes 106 women engaged in xx group enterprises, OEF overcame a series of hurdles which slowed project performance and outputs (Redesign of household production to collective production; change from local varieties to imported strains; reorientation of marketing outlets; shifting of local NGO counterparts.) Following the initial USAID grant funding, the OEF local affiliate ODEF has received financial support to "consolidate" the progress of the groups to date.

b) El Salvador: Displaced Women's Enterprise Development Project (MUDES)

Assisting families displaced through the civil conflict in El Salvador, MUDES was intended to facilitate the transition from a relief to an entrepreneurial orientation. OEF has supported the formation and operation of 5 collectively run enterprises engaging 62 displaced persons. Loan guarantees to this population have been coordinated through local participating banks. Operating within conflicted zones, with a socially and economically uprooted population, OEF has sought to foster group cohesion, internal discipline and confidence in the future. OEF has attained partial success toward these goals.

c) Costa Rica and Honduras: Women in Business (WIB)

Shifting from collective production to micro-enterprises, the WIB regional project provided OEF the opportunity to systematize their small enterprise development methodology. This project, supported through AID Latin America Bureau central funding, originally contemplated an exchange between US and latin

women entrepreneurs and the establishment of Women in Business Councils of elite businesswomen leaders. In practice WIB has assisted poor rural women through organization, training, credit and technical support to rural women micro-entrepreneurs. WIB has operated in Costa Rica and Honduras under a regional management structure based in Costa Rica. Program performance has varied between the two countries, representing in part the differences in the two country contexts. Altogether, WIB has assisted 378 women entrepreneurs.

d) El Salvador: Women in Business

OEF's institution-building and base of experience garnered through the MUDES project have been drawn upon for a 9 month pilot project which introduced the WIB women's micro-enterprise methodology. To conduct this project OEF has collaborated with the International Executive Services Corp within a USAID supported Small Enterprise Development Pilot Project. Operating in the same conflicted zone as MUDES, through this program OEF services both the regular residents and the displaced persons of this region. Given the short time horizon of this activity, OEF did not operate its own credit program, but instead channeled clients to subsidized credit lines already available in the local banking system.

In summary, together these four projects have provide OEF the opportunity to develop their small enterprise methodology. Experiences with the Honduran Pig Project and the Salvadorean Displaced Women's (MUDES) projects laid the groundwork for the subsequent Women in Business Activities. By operating the WIB methodology in three country settings OEF has learned which programmatic features must be adapted to each setting, and is now ready to address a new level of programmatic challenges. When considering all projects combined, OEF has reached over 590 rural women, lent more than $187,335 and has dedicated combined 13 project years in pursuit of effective small enterprise development for rural women.

TABLE 1

OEF'S SMALL ENTERPRISE DEVELOPMENT PORTFOLIO IN CENTRAL AMERICA

Honduras

1983-1987

Small Scale Livestock Project
Location: Eastern Region
Number of Beneficiaries: 106
Number & Value of Loans: 10 Loans, Total $98,500
Projects: Group small enterprise
Sector: Swine production
Funding source: Mission funded OPG

1985-1988

Women in Business
Location: Eastern Region
Number of Beneficiaries: 217
Number & Value of Loans: 25 loans, Total $16,000
Projects: Individual Micro-enterprise
Sector: Principally food transformation, and other artisan production.
Funding source: Same as WIB below.

Costa Rica

1985-1988

Women in Business
Location: Central Valley
Number of Beneficiaries: 161
Number & Value of Loans: 47 loans, Total $33,900
Projects: Individual Micro-enterprise
Sectors: Principally animal husbandry, food transformation and agriculture.
Funding source: LAC Bureau Cooperative Agreement

El Salvador

1985-1987

Displaced Women's Enterprise Development Project
Location: San Vicente
Number of Beneficiaries: 62
Number & Value of Loans: 4 1.Loans, Total $38,345
Projects: Group Small Enterprise
Sectors: Animals & food processing
Funding Source: Mission funded OPG

1986-1987
(9 months)

Women in Business Pilot Project:
Location: San Vicente
Number of Beneficiaries: 44
Number & Value of Loans: Not applicable
Projects: Individual Micro-Enterprise
Sectors: Principally food transformation, and artisan production
Funding Source: Sub-agreement IESC OPG

D. The OEF Integrated Assistance Package contrasted with the "Minimalist" Approach to Credit.

OEF/International's small enterprise approach has been specifically designed to foster the economic empowerment of poor rural women. Often, this methodology is compared to what has become known as the "minimalist" model typically conducted by local organizations which employ the "solidarity group" approach. The 'minimalist' strategy: works in urban or densely populated rural areas where women are most accessible; focuses on profitable, though economically marginal petty commerce; lends to existing businesses only; provides only working capital; lends on the basis of group guarantee as opposed to project assessment; and, relies on credit and peer support as the primary inputs needed for business growth. In short, the 'minimalist' credit approach represents a commercial bankers ideal response to this target population as it minimalizes the lenders risks and transaction costs.

When developing its approach to small enterprise development, OEF considered various features of the 'minimalist' approach. However, when defining their overall program objectives, OEF recognized that the minimalist model could not serve them effectively. In its place, OEF considered its program objectives and designed a methodology which was specifically intended to meet these objectives.

TABLE 2

OEF's Program Objectives and Methodological Features

1. To assist poor rural women who are currently economically marginal.

   - Emphasis on training and skills transfer
   - Participatory methods which build self-confidence, decision-making capacity and basic business skills.
   - Feasibility study and investment plan development serve as a focal point for learning by doing within the training format.

2. To enhance women's income levels through entrepreneurship.

   - Technology up-grade to increase the profitability of existing women's businesses.
   - Credit is made available for fixed capital and working capital, start-up and existing businesses.

3. To increase women's economic opportunities

   - Where women had previous skills without operating a business OEF engages in business start-up assistance.
   - Where few economic opportunities exist, OEF helps to develop technical packages for viable enterprises.
   - Women are encouraged to pursue non-traditional

activities which add value to the local economy.

4. <u>To increase women's access to institutions</u>

- o Credit is provided in coordination with local banks.
- o Technical support is coordinated with other existing sources of technical assistance.

In contrast, the minimalist model as applied by many programs would not have contributed to OEF's broader goals as it:

- Concentrates on the more accessible women in urban areas or the densely populated rural asian settings and thereby does not reach rural latin americans.
- Assists existing businesses only, therefore excluding women who do not have on-going businesses.
- Does not assist women to test the feasibility of their proposed business or to plan for business growth.
- Does not prepare women to up-grade the technology and profitability of their business.
- Does not support women to move out of economically marginal petty commerce.
- Extends working capital only thereby inhibiting women's capacity to mobilize fixed assets.
- Does not assist women to graduate to the commercial banking sector.
- Does not link women to technical assistance sources.

OEF recognizes that the minimalist credit approach effectively meets the needs of a certain sector of the micro-enterprise population and that its application differs to some degree from one country to the next. However, when defining a methodology appropriate to the needs of rural women in Latin America, a more integrated and intensive assistance package has been developed.

II. Application

OEF/International's small enterprise methodology has evolved during its years of implementation. Initially, the Honduran Pig Project and Salvadorean Displaced Women MUDES project concentrated on group enterprises and loan guarantees. More recently, OEF has shifted its focus to individual micro-enterprises and revolving loan funds. The OEF small enterprise methodology is still under active review and analysis. Differences at each program site are evolving in response to the specific economic and institutional environment and the varying performance of clients. What works in Costa Rica does not always work in Honduras, and vice versa. Despite these variations, a core methodology is emerging through field experience. In all cases, OEF's methodology for small enterprise assistance is grounded in four key elements: Organization, Training, Credit, and Technical Support. Presented below is a general discussion of OEF's Small Enterprise Development Methodology.

A. OEF's Small Enterprise Development Methodology

1. Organization:

OEF begins its work by identifying a specific region of the country, and subsequently defines target zones for operation. In these regions, a survey is conducted of the existing women's businesses and the potential demand for OEF services. Specific communities are then selected on the basis of a minimum a threshold of women's economic activities and community response.

Before providing services, OEF personnel visit community leaders to seek the name of potential women participants. Local government officials, local representative of ministries and prominent women professionals (e.g. nurses, schoolteachers) are approached as a source for referrals. Through these initial referrals, OEF is able to identify a small number of women. Each member of this small group introduces OEF to other relatives, friends or neighbors who may be interested in the program.

OEF staff members visit each potential participant in their home to discuss the program and review the requirements. In order to join the program, the women must meet three criteria:

1. Participants must have former experience in their chosen economic activity. (It is not necessary that they have an existing business.)

2. Proposed economic activities must demonstrate potential financial viability.

3. Participants must commit their time and effort for the duration of the program.

While firm criteria for business type or sector has not yet been determined, in most instances OEF gives preference to

women engaged in agriculture, livestock, and/or food processing activities (rural based productive activities). Generally, the program is reluctant to assist retail commerce though different forms of services are performed by OEF clients (restaurants, juice stands, etc.) Men participate in some instances, but do not reach 10% of the beneficiary population within any program site.

Once 15-20 women in a specific community have expressed interest in the project, OEF schedules the first organizational meeting. This meeting provides the opportunity to explain fully the program and to elicit a firm commitment among participants. If on the basis of this first meeting, fewer than 15 participants attend and express interest, OEF personnel continue to seek-out additional women participants and a second organizational meeting may be necessary. The group selects one of its members to serve as a Coordinator. ~~(ES)~~ Subsequently, the Coordinator acts as a liaison between the community and the program, facilitating communication and effective follow-up.

2. Training: Training is the foundation for the OEF Small Enterprise Development Methodology. Spanning 12-16 weeks, training is the principal assistance provided to all program participants. It is conducted at a convenient site located in the general vicinity of the community and is scheduled in the afternoon hours deemed appropriate by participants. The group formed during the organizational phase participate together in the full sequence of courses. In most instances, one trainer conducts all courses, thereby enhancing the continuity and trust among the participants and the facilitator.

The OEF training curricula is specifically designed to impart basic business concepts while cultivating self-esteem and essential attitudes needed for business success. Designed for use by illiterates, the power of the training is that it focuses on women's actual business opportunities. Business theory is viewed integrally with business practice. Small group discussion is interspersed with learning aids such as games and group exercises, which communicates new ways of thinking and problem solving. Classroom sessions are mixed with field trips to visit markets, on-going businesses of OEF graduates and/or others and to local banks. The training approach involves women in an active pursuit of their business placing the entrepreneur into contact with future suppliers and buyers. It is learning by doing. The result is not only increased knowledge, but enhanced confidence needed to effect improved business operations.

To date, OEF has trained more than 590 women in Central America. For the two thirds of OEF clients who do not seek credit assistance, training is the principal service provided. This training has translated into concrete results for some women entrepreneurs. Typically, one Salvadoran weaver learned how to approach Hotel owners and to sell her cotton blankets under contract. Her current customers are those she identified during the marketing training field trip. Another Honduran woman, through the training found that:

"I owned a plantain chip machine and produced plantain chips to sell in my village. During the training course, I

TABLE

Business Skills for Third World Women Entrepreneurs
Training Curriculum

Course	Training Objectives:
1. Human Resource Development (15 Hours)	
2. Doing a Feasibility Study (25 Hours)	o Why do a feasibility study. o Choose a Product or Service to Sell o Find out if people will buy your product or service o Determine how the business will operate o Calculate business expenses o Estimate sales income o Decide: Is this business a good idea.
3. Market Strategy (15 Hours)	o The Marketing Game o What is Effective Marketing o A Marketing Story o Visiting Local Businesses o Creating Marketing Messages o Expanding our Business o Developing our Marketing Plans
4. Credit (12 Hours)	o What is Credit? o OEF's role in the credit process o Visit to the Bank o Preparation of the Investment Plan
5. Administration (15 Hours)	o The Concept of Administration o Internal Organization o Financial records (Bingo) o Business Planning o SWOT (Strengths, Weaknesses, Opportunities & Threats)

realized that the business was not making money and I said: 'Why am I doing this? This is crazy.' I am getting out of this business and try something new". The training course provided her with an open forum to discuss honestly the potential for a new business. OEF training helped this woman to change her business, and to commercially exploit homemade cheese.

3. Credit

OEF has extended 86 loans, worth $186,745 to women in Costa Rica, Honduras and El Salvador. OEF has lent to individually owned and group enterprises. Individual business loans have averaged $680 while group enterprise loans for livestock production have averaged $9,850. Most financing includes both fixed asset and working capital components. Typically loan terms are extended from 12 to 24 months. However for some projects with high fixed capital costs loan terms have been extended up to 5 years. Usually, an initial grace period is offered, and the repayment schedule is pegged to the projected revenue cycle of the business. Interest rates range from 13-16%, which while just below commercial bank rates are competitive with other targeted credit lines for small producers available through the banking system.

OEF Credit programs work in partnership with local commercial banks. In all cases, bank officials have expressed their enthusiasm for the OEF collaboration citing it as an example of their community service, a means for identifying new clients in rural areas, and/or a method to improve borrower supervision. For OEF, the bank collaboration has reduced credit administration requirements and ensured a disciplined relationship with the borrower. More importantly, this collaboration has assisted women, who heretofore had remained outside the commercial banking channels, to gain first hand experience with the banking system. Three different models for bank collaboration have been tested and are currently in operation:

Bank Administration: Proving to be the most successful of the arrangements, OEF has entered into agreements with the Banco de Costa Rica and the Banco de Occidente de Honduras. For an administrative service fee of 1.5% and 1% respectively, the bank disburses and collects loans paid from an OEF Revolving Loan Fund. In this arrangement, OEF earns 12-14% interest on its outstanding loans while assuming responsibility for assisting clients to develop their financing applications, for supervising loans and for collecting bad loans.

Bank Guarantee: OEF has established a guarantee fund in conjunction with the Pork Project in Honduras and Displaced Women's Project in El Salvador. In this instance, the Bank lends its own money to the participants which is secured through an OEF

established loan guarantee.

TABLE

OEF Credit Assistance

	C.R. (WIB)	Hond. (WIB)	Hond. (PP)	E.S. (MUDES)
Total No. Loans	47	25	10	4
Total Value Loans	33,900	16,000	98,500	38,345
Avg Loan Size	721	640	9,850	9,586
Interest Rates	18.5%	16%	16%	15%
Bank Credit Admin. Fee	1.5%	2%	2%	2%
% Loan Fund in Arrears	22%	13%	?	?

While initially requiring a 100% guarantee, banks are currently 20% exposed on OEF loans. Similar to the arrangement above, OEF assists clients to develop their loan requests and supervises borrowers. However, in this arrangement OEF is not able to earn interest on US Dollar guarantee deposits. Where local currency has been used for the guarantee, deposits have earned from 8-10%, still below the potential earning when OEF lends directly.

Bank Referral: For the El Salvador Women in Business Project OEF does not have its own loan fund or guarantee fund. However, OEF has assisted program participants to successfully access credit lines available through the banking system for small producers. OEF provides the same service it provides elsewhere in assisting women to develop their loan requests and supervising loans. Local banks have welcomed OEF assistance to clients, stating that their technical support has been an important ingredient in the bank's decision to lend to individual borrowers. To date, however, OEF has not been compensated for this service.

Regardless of the arrangement with the commercial bank, through the training process, OEF clients gain a realistic assessment of their existing or proposed business and develop a loan request under the supervision of the instructor and technical advisor ~~(CR)~~. Loan requests are presented to OEF where the staff Credit Specialist reviews the application. Where necessary, additional information is sought.

In all three countries, the in-house credit specialist has developed parameters for successful loan applications per project activity. For example, poultry projects, to be successful in one country may need to operate at a specified volume. Given local costs, this volume may be different from one location to the next. By establishing such guidelines, the Credit Specialist can efficiently evaluate the financial feasibility of individual loan requests.

Once the Credit Specialist is satisfied with the loan request, a Credit Committee is then convened including a representative of the Bank and OEF Regional of Local Project Management. Borrowers are invited to attend the Credit Committee in order to defend their loan application and answer questions as necessary. The Credit Committee meets periodically, in response to the flow of loan requests emanating from the training activities. Loan approval and rescheduling of loans must go before the credit committee. The bank official assigned to the credit committee has been a representative from the bank's commercial loan division. Interestingly, representatives from participating banks in Costa Rica and Honduras commented that the OEF clients compared favorably to many of the standard loan applications they receive from their regular clients.

Credit supervision is currently conducted by the Credit Specialist and Technical advisors. However, OEF has begun introducing a new program element to enhance the administrative support of borrowers. OEF will train a community volunteer in financial administration. This "barefoot bookkeeper" will

receive a small stipend from the program in order to regularly monitor the financial performance of the enterprise during the first six months following loan disbursement. This individual, as a community resource, will be available to advise borrowers on financial administrative matters as the need arises.

4. Technical Support

Follow-up technical support is an integral feature of the OEF small enterprise development methodology. Although women borrowers have some prior experience, in most cases the proposed business will entail up-graded technologies. Indigenous swine are replaced with improved strains, new egg layer varieties are introduced, commercial scale ovens for baked goods are installed, etc. Technical advisors visit and supervise the projects of all women participants. Technical support begins while the participant is attending training and is first developing her loan request. Periodic technical assistance visits are then made for participants with or without loans for six months following the training activity. After that period, technical advisors can be made available upon the request of a participant.

OEF maintains a small number of part-time Agronomists and Food processing specialist on retainer. These individuals are selected on the basis of their capacity to establish good rapport with the clients and their broad technical background. Advisors are expected to support a range of activities. Specialists contracted by OEF on a part-time basis are complemented by services made available through other government agencies and vocational training programs. In all countries, OEF has established collaborative relationships with the Ministry of Agriculture, National Training Institutes, and other governmental para-statals or development assistance agencies. For example, a group of bakers have received training in pastry production techniques from the National Training Institute of Costa Rica. The Honduran Swine Projects have benefited from technical advise in the construction and maintenance of bio-gas digestors from a para-statal rural technology program. The Technical Assistance coordinator at each program is responsible for coordinating the services of the in-house technical advisors and the services of other organizations.

When visiting businesses, the Technical Advisors first conduct an overall assessment of the technical assistance needs. This forms the basis of a Technical Assistance Plan which highlights priority assistance areas. Follow-up assistance is then tracked in relation to this initial plan and recorded in client files.

Where possible, OEF technical personnel have developed technical resource materials. In Honduras, training has been conducted by OEF advisors in swine production. In El Salvador, an Agriculture and Livestock reference guide has been prepared by the in-house Technical Specialist as an aide to the other program staff.

The technical support provided by OEF serves two very critical functions. First, it assists women to significantly

enhance their productivity through technological improvements--helping them to break-out and move beyond simple cottage level production technologies. Second, the technical support provides OEF with reasonable security of the borrowers business success. Overall, a significant share of OEF's portfolio is lent to high risk sectors such as agriculture and livestock. Accurate technical guidance, when needed is critical for overall project success.

B. Organizational and Institutional Features

Today, similar staffing patterns are used in Costa Rica and Honduras to conduct the OEF small enterprise methodology. A Regional Project Director works closely with Country Project Managers, Technical Assistance Coordinator, Credit Specialist and 2-3 Trainers. In general, a different staff member is responsible for each of the program components. For example, the Credit Specialist is responsible for reviewing credit applications and for loan supervision. The Technical Assistance coordinator supervises technical assistance follow-up, drawing upon in-house consultants and technicians seconded from other institutions. In Costa Rica one staff member is responsible for organizing in new communities, while in Honduras and El Salvador, all staff members are involved in this organizational phase. In El Salvador, a different staffing pattern is maintained and each staff member is assigned to provide all facets of project assistance to an individual group. Currently all staff are based in the project headquarters. In Honduras and El Salvador, headquarters are situated in the regional market towns of the targeted rural areas while in Costa Rica, the Project Headquarters are located in the Capital City.

OEF's small enterprise development activities began as OEF projects in Honduras and El Salvador, and as a regional project including both Costa Rica and Honduras. A Regional Director, responsible for providing technical guidance and general oversight for the small enterprise projects in all three countries has been based in Costa Rica. In 1988, the Regional Director assumed the additional responsibility for managing the Women in Business project in Costa Rica. The Honduras project, was the first of these to establish itself as a local organization. ODEF (Organizacion de Desarrollo Empresarial Feminina) is legally constituted as a non-profit local organization with its own Board of Directors. While ODEF was one of the first projects to grow into a local independent organization, this has not happened without growing pains. OEF International and ODEF learned much in the process which has been of service to others. OEF/Salvador is a more fledgling organization. Legal statutes have been submitted to the government for approval and a Board has been identified. In Costa Rica, while there have not yet been formal steps to constitute a local indigenous OEF affiliate, this is now being contemplated and is likely to occur within the year. As the Women in Business regional project and the Salvadorean projects are winding-up, donors are increasingly stating their preference to

work with independently established local affiliates. To build upon the experience and momentum already established in the field, OEF/International is currently planning to work in tandem with these local affiliates for future project implementation.

C. The OEF Methodology in Perspective

A review of recent literature in the small enterprise development field points to the similarities and differences of OEF's programs in relation to others in the region. Lassen's "Systems Approach for the Design and Evaluation of PVO Small Enterprise Development Projects" describes a continuum of target populations and the levels and types of services appropriate to meet their needs (Lassen, 84). We consider this framework for analysis to be particularly insightful. (See figure 1). Within this context, OEF could be 'pegged' as reaching those micro-producers ranging from occasional cash earnings to small rural businesses. Commensurately, OEF's services include: credit education, basic money and business management training, skills training and basic technical improvements, and organization.

The seminal PISCES Studies have been particularly rich in defining methodological frameworks for analyzing assistance to small enterprise (Farbman, 81). A principal limitation to the PISCES work, however, has been its concentration on urban programs. PISCES frameworks in most cases, exclude rural programs, thereby contributing toward an urban bias. In Table 3 we further adapt Ashe's "Characteristics of Beneficiaries" framework from the PISCES Phase I Studies. The original framework included two classes of beneficiaries, the "Established Urban Dwellers" who Ashe defined as "less difficult" to assist and the "Recent [Urban] Migrants", those "more difficult" to assist. An adaptation to this framework would include the "Established Rural Dwellers" who make-up the OEF clientele. The lack of "urban experience" and distance from urban settings require that these entrepreneurs target their production to more dispersed rural markets, thereby reducing their opportunity to join the profitable petty commerce sector. With little to no prior business or credit experience, this population requires additional basic training and orientation to effectively participate in an increasingly competitive marketplace. Furthermore, in many instances, this rural population which in many instances is just emerging from subsistence agricultural activities, is just learning to mobilize surpluses toward off-farm productive activities. Please see Table x.

In terms of the "Typology of Micro-Enterprise Projects" presented in the PISCES Phase II Experience, no single column would adequately describe OEF's methodology. Once again, borrowing from Ashe's framework, the specific features of the OEF Small Enterprise Development model are compared with Ashe's Simpler Project , the model largely adopted to implement the popular 'minimalist' credit approach. OEF's Small Enterprise

Figure 1

Diversity of Approaches to Small Enterprise Development

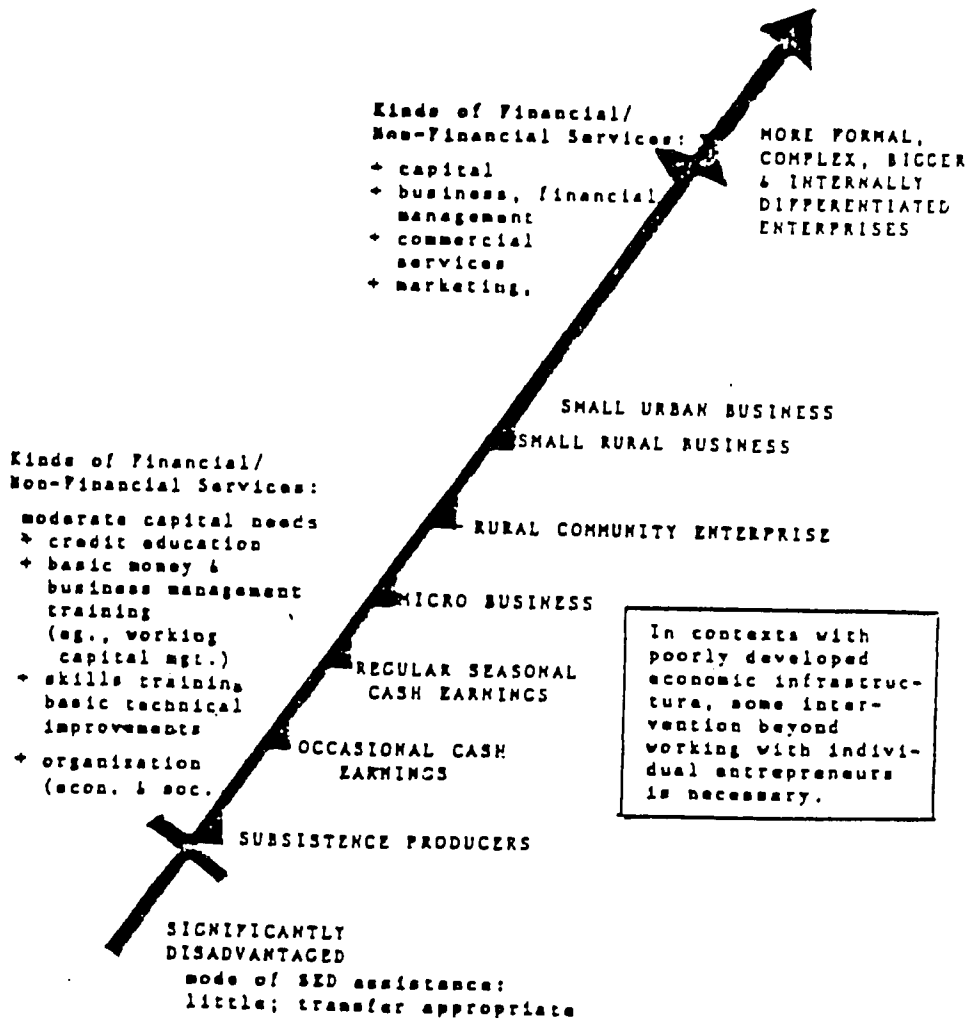


TABLE 3

CHARACTERISTICS OF BENEFICIARIES

	Urban Experience	Knowledge of Business	Income	Education	Residence
PROVIDING ASSISTANCE LESS DIFFICULT	Established Urban Dweller — "street smart" — good contacts with suppliers, buyers, money lenders, officials, etc. — oriented to urban values	— grew up in community surrounded by business activity — parents work as artisans or vendors — worked with business from early age — grasps concepts of credit, costs, markets, etc. — has developed marketable skills	Near Poverty line: — can meet basic needs of family at low level — some capacity to reinvest savings — access to basic services	Basic reading, writing, and arithmetic skills	— lives in central city — markets, supplies, and raw materials close at hand
	Recent Immigrants: — little urban experience — few contacts outside of family or recent migrants like themselves — oriented to rural values	— parents are farmers — no personal business experience — little exposure to business activities in rural community — little grasp of concepts of credit, markets, etc. — few or no marketable skills	Extreme Poverty: — fundamental concern is day to day survival — almost no capacity to save and reinvest — little access to basic services	Illiterate	— lives in settlements distant from city — transportation to markets costly and time consuming
PROVIDING ASSISTANCE MORE DIFFICULT	Established Rural Dwellers -Lack urban experience -Lack access to urban based marketing and distribution networks -deep rural values oriented toward risk aversion	-engage in farming like parents and family members -no personal business experience and knows few with such experience -little to no exposure to viable commercial enterprises -rarely exposed to commercial concepts of profit & markets. -little exposure to commercial credit -possess skills which are not commercially oriented	-fundamental concern is growing sufficient food to feed family -principal savings are food and not cash -pressure on any income to meet immediate sustenance and well being needs -little to no access to services which do not extend to rural areas	Some literacy or illiterate Some numeracy or lacks basic numeracy skills	-lives in rural villages distant from market towns -poor roads and few public transport services to reach markets

Development model would fall between Ashe's two categories: Moderately Complex and Somewhat Complex. OEF strengthens "existing cottage producers" and in some cases new business start-ups. OEF works with very small farmers close to subsistence, and generally those who are outside of the cash wage system. In Central America OEF's producers operate in dispersed rural settings without the advantage of concentrated markets and commercial infrastructure which aids producers access to regional markets. OEF's objectives go beyond those of assisting 'incremental improvement of existing viable enterprises" to supporting clients who are starting or entering more profitable businesses with the potential to contribute to increased rural productivity. Please see Table .

The more recent "Strategic Overview Paper" prepared by the ARIES Project, attempts to categorize small enterprise assistance programs in terms of the mix of services provided by the projects. Within that framework, OEF's assistance methodology would be grouped under MODEL 4: "Integrated and Sequenced Training, Technical Assistance and Financial Assistance for Individuals." According to the authors of the ARIES paper, in this methodology "riskworthy clients are effectively identified and as a result, credit programs tend to have considerable potential to assist the enterprises most likely to survive and grow."

ARIES identifies this model with the Carvajal Foundation DESAP program which operates out of Cali, Columbia. In fact, the OEF approach shares many common principles with the Carvajal Foundation: Training is a central element to the core methodology; technical support is interspersed with training and credit; lending is coordinated through outside commercial lenders. There are however some very fundamental differences between the two programs in the definition of the target population and the basic goals of the program. Carvajal services established small businesses and aims to assist their growth. OEF works with emerging rural micro-enterprise and cottage enterprises and aims to increase economic opportunities and income for poor disadvantaged women. In ARIES jargon, OEF uses "Model 4" to reach "Beneficiary Level 1."

Utilizing a similar form or mix of services as the Carvajal Foundation, OEF has adapted the content of the program towards its own goals. Training, while including basic business skills, also is designed to build confidence and decision-making skills. Credit amounts are smaller according to the business needs of clients. Existing and start-up businesses are included. Group support is encouraged among trainees, which is not as evident among the Carvajal Foundation clients. Community volunteers supplement the extension activities.

A significant finding from the OEF experience is that poor rural women can successfully engage in micro-enterprises. An underlying assumption of the PISCES Phase I, PISCES Phase II, and ARIES studies is that the most appropriate type of program for the very poor are community development and/or group production activities. Ironically, such activities generate very little income for the very people who need this income most. The

TYPOLOGY OF MICRO-ENTERPRISE PROJECTS

COMPONENTS:	SIMPLER PROJECT	MODERATELY COMPLEX	"SE" Small Enterprise Development Projects	SOMEWHAT COMPLEX
TYPE OF ECONOMIC ACTIVITY STRENGTH-ENED	Existing, viable enterprises--e.g., street food vendors, cottage producers w/ up to 5 employees, services.	Same	Productive rural based enterprise which adds value to local economy In many cases new business start-up	Very unproductive businesses, or marginal activities. In some cases new businesses start up.
LEVEL OF CLIENTS	Urban slum dwellers, landless rural poor, supplementary income sources of very small farmers. Income close to subsistence.	Same	Landless rural poor and small holders Some have no other household income. ENterprise income principal source family sustenance	Income well below minimum or subsistence wage. Minimal skills.
SETTING	Urban areas, rural areas with high population density. Local markets growing or at least stable.	Same	Dispersed rural villages with low population density. Dynamism of local markets vary accross regions.	Same, but rates of sub-employment and unemployment may be higher. Local market adequate.
BASIC OBJECTIVES	Incremental improvement of existing viable enterprises oriented to local market. Minimum inputs to reach maximum number of clients at lowest possible costs consistent with good management.	Same, except added simple inputs to further stimulate business growth and encourage social impact.	Assist poor rural women to engage in productive activities to increase household income, quality of life and rural productivity.	Upgrade very marginal activities, provide training for starting or entering more profitable businesses. Link clients to social services, general community upgrading.
OUTREACH/ PROMOTION	Self-promoting: word of mouth after initial outreach.	Same	Program staff promote program through local leaders and existing women entrepreneurs	Intensive work with very poor and destitute clients to get to know them individually; referrals from other agencies, direct outreach in the community.

Berenbach's adaptation to Ashe, J.A. PISCESII Experience 1985

TYPOLOGY OF MICRO-ENTERPRISE PROJECTS (cont'd)

COMPONENTS:	SIMPLER PROJECT	MODERATELY COMPLEX	[illegible] Small Enterprise Development Project	SOMEWHAT COMPLEX
SELECTION:	Reputation in the community. Self-selection through continuing participation. Minimal up-front analysis of business viability. Most all enterprises receive some assistence.	Same.	Reputation in the Community and self selection. Enterprise opportunities are screened by staff to identify parameters for successful enterprises. Most receive training and technical support	Chosen often after working with project staff for an extended period.
CREDIT	Short-term working capital. Loans gradually increase in size after previous loan successfully paid. Initial loans in the $10 - $100 range. Some longer term loans after business has proven itself.	Same, but more long-term loans requiring more analysis and follow-up.	[illegible]king capital and [illegible]edit for fixed capital [illegible]ailable. Existing and [illegible]tart-up enterprises [illegible]nanced. Women assisted to conduct their own [illegible]nalysis of project viability	Same, but with group businesses, larger loans, more up-front analysis and more follow-up.
ORGANIZATIONAL ASSISTANCE	Orientation of self-formed credit guarantee groups.	Same, plus perhaps [illegible] formation/training of community selection committees, formation of associations, etc.	Groups serve as basis of peer support and for business training. Barefoot bookeepers receive additinal training.	Same, but in addition often long-term work with groups to start collective businesses.
MANAGEMENT ASSISTANCE	None, other than facilitating the exchange between business owners, and through conversations with staff on how the new loan will be used.	Same, except for the minority of businesses that are expanding significantly. Bookkeeping/marketing assistance, etc. If possible owners pay for help.	[illegible]change between [illegible]siness owners. [illegible]hnical assistance helps producers to [illegible]nficantly up-grade their technology and [illegible]nage risk of productive [illegible]tivities.	Considerable business orientation before loan given for business start-up, intensive follow-up.

Berenbach's adaptation to Ashe, J.A. The Pisces II Experience 1985 Page 32

OEF experience does indicates that there is a minimum threshold of household resource necessary for the success of micro-enterprise activities. However, that threshold is much lower than many would have anticipated. By designing an assistance strategy specifically for the objective of meeting this population, a greater number of beneficiaries can be assisted to increase their assets and income.

III. Benefits

A. Who are the Beneficiaries?

OEF beneficiaries are almost exclusively women located in rural villages and/or near market towns. On the basis of a 240 enterprise survey conducted as part of this study in Costa Rica, Honduras, and El Salvador, the following characteristics of OEF clients can be established:

- They range in age from 14 to 64.
- 25 % are heads of households as the sole supporters of their families.
- 14 % are illiterate
- 28 % lack basic numeracy skills
- 79 % have never received credit in the past

The following vignettes, developed by Cheryl Lassen as part of her recent evaluation of the WIB project provide examples of the range of benefits women have attained through OEF small enterprise development assistance in the region. Two vignettes have been selected because they demonstrate women with successful projects, two who have attained moderate success, and one who is not successful. The benefits to the participating women vary in accordance with the success of their enterprises.

Antonia Quiros, Egg Producer

Antonia is in her late fifties. Her life was dedicated to raising four children. She had never completed elementary school. Her husband earns a modest wage on nearby coffee farms. It was a major decision for Antonia to plan a poultry project and take out a loan for C 42,000 ($545). With it, she built a new chicken coup and bought 100 21-week-old hens. Antonia's project has been very profitable so far: she is able to pay all of her expenses including a loan payment and save C4500 a month toward building a second coop and adding another cycle of layers. Her nephew has a car and helps her haul feed plus transport her eggs to the market held twice weekly in a nearby secondary city, where she can sell all she brings. In addition to the training,credit and technical assistance of OEF, Atonia attributes her success thus far to the decision to purchase 21-week-old hens. One week after she got them, some of the hens were already beginning to lay eggs, and within three weeks they were all laying. She paid more than $4.00 per hen, which is much more than the cost of a day old chick at $.40, but she did not have to feed and raise the chicks for 22 weeks before they became productive. Of the 100 layers purchased, Antonia still has 94 birds, and 91 produce daily-- which is an excellent production rate. Since December she has saved C14,000 ($182) , and soon she and her husband will begin to purchase materials to build a second coop in the little yard they have. Antonia realizes that for her business to be

viable in the long run, she must work up to a size of 500 birds and several production cycles underway at once, with adult hens separate from growing chicks. Assuming she has the land for the coops and does not enter major technical or marketing problems, she can attain this size in three years. She and her husband are quietly awed. They have never possessed a productive asset like this before.

Vera Zanabria, Pastry Maker

Vera, a wiry young woman in her 20s has a nervous energy and a sparkle in her eyes when she talks about her business. She makes fried cakes, meat pies and other hor d'oeuvres that are cheap, popular snack foods. She learned this skill early on from her mother. Three years ago, desperate for income, she started making and selling cakes from her home and earned about C4000 ($60) a week. When she took the OEF training, she thought at first it was a course about animal raising. But eventually she learned that OEF would support other kinds of producers, including herself. SHe obtained an OEF loan for C162,539 ($2108) and brought her own equity of C134,120 ($1741) to the investment, which is equal to 45% of the total project costs. Vera, her husband and their three children live in a little house made of zinc metal sheets in a working class sum of Cartago. The neighborhood has a school and electricity, but there is no running water, no in-door sanitation, no bus service and hardly any streets among the agglomeration of tin or block huts perched on hilltops and hillsides. Vera invested her capital in adding another room onto her then one room home so she could separate the bakery area from the living area. She also bought a refrigerator, a fryer, a bicycle for transport, a mixing tub, and materials to build baking racks and a long formica covered table where she, her husband and two works make pastries all night long. By 5 am they must be finished with all the pastries to deliver them. Vera's husband is the chief marketer. In addition to several little snack shops around Cartago which have been long time customers, he has opened new sales in markets of the capital city, and in cafeterias of several of the industrial plants in Cartago. Sales are good and Vera is making double monthly payments on her loan. Right now, the enterprise is producing 3400 pastries a week, and Vera and her husband figure they can go to 5000 before they will hit a production ceiling with their present equipment and facilities. Beyond 5000 they will need a bigger fryer and more space, and they will also face the challenge of obtaining a business license and health certification for the enterprise. The trouble with obtaining the latter is that their neighborhood does not have running water which is a requirement for food-handling establishments.

Eladia (Laya) Vasquesz, Buttermaker

For seven years, Laya has made dairy products from milk: butter, cheese, ricotta cheese. Last year Laya took the OEF training and in December, 1987 received a loan for L1500 ($652).

With it, she improved her work area and purchased equipment and a centrifuge that separates butterfat from milk. SHe is especially happy with the centrifuge. By traditional methods, she used to be able to extract only 6 pounds of butterfat from 170 liters of milk, and with the new machine she can extract 12 pounds from 95 liters, which is na increase of 280%. However, things have not gone well recently for the Vasquez family. In February, her husband fell and broke his arm in several places. Since then he has been unable to tend the cows which provide part of the milk for Laya's enterprise. January was a month of grace period when Laya did not have to make a loan repayment, and her profit margin on sales of L678 was 32%. But in February once the repayments began her margin of profit was 13% on sales of L742. So far, Laya is going ahead with her business and repaying her loan, but there is little margin to sustain the enterprise should any further setbacks occur.

Alba Najera, Egg Producer

Alba is a young mother of two children who decided to establish a micro-enterprise with layer hens. After taking the training and receiving technical assistance, she applied for and received a loan of C35,000 ($454) with which she made improvements to her coop and purchased 95 day old chicks, plus feed. Five of the chicks died and tow ere sold. Of the original flock, she remains with 88 birds, but she has a problem in that 28 of the hens are not laying. The productivity of her flock is only 60% which is too low a rate to break even on the cost of their upkeep. Alba had a problem from the start when the chicks she purchased, which were all supposed to be one day old, turned out to have different ages. This has led to further difficulties in adjusting feed, vaccinations, etc. property to their age. And, now she is faced with trying to quickly sell off 28 birds when there are three egg producers within a half mile of one another and she does not have transport to travel easily to the secondary city which is 10 km distance over rough roads. lba knows that 60 layers is too little to have a viable business and she intends to pay off this credit and go on expanding her business, perhaps with another loan. but this production cycle has not been good for her. She has learned a lot about raising hens and has improved her assets, but she has not made a profit.

Concepcion Mendoza, Tortilla Maker

Concepcion is someone you treat gently because sue is in delicate health and with a lot of worries. At 39 years of age, she already has 15 children, seven of whom are under 10 years of age. Her husband is an agricultural worker on a nearby banana plantation. Even in a poor village, hr family is among the largest and the poorest. When she took the WIN training, Concepcion could see that she could earn income to feed her family by making and selling tortillas. The local market exists, and it is an activity she can do while watching all her children. Therefore she took out a loan for L521 ($226) which she used to

improve her stove, cement the floor of her small kitchen and buy materials. What she didn't realize at the time is that she had became e pregnant again. Unforcunately, Concepcion has many health complications. THe business is suspended because she cannot stand up long enough to make the tortillas. Commenting on her loan payments which are now three months in arrears, Concepcion says she intends to repay it eventually. But for now, it has become yet another worry to her life.

B. The OEF Benefit Framework

Through its Small Enterprise Development projects, OEF aims to attain a range of social and economic benefits. Figure 2 provides an overview of the six principal categories of benefits and their inter-relationship. Both business/economic benefit and social benefit categories have been defined and indicators have been established for each through this survey effort.

Business/Economic Benefits:

Management Practices: Management skills development is a significant objective of the OEF small enterprise development methodology. It is hypothesized that improved management practices will contribute to improved business performance. Management practice indicators include: separation of home and business; capacity to calculate costs, introduction of other management controls, diversification of markets, improved marketing techniques, effective use of distribution systems.

Business Performance: Successful business performance of OEF clients is instrumental for ensuring increased income and continued business operation. Indicators of business performance include: increases of sales and profitability.

Economic Impact: Although OEF's services are focused on the individual enterprises, as an aggregate these firms can potentially attain a broader economic impact. Specific economic indicators tracked through the survey include: Increased assets, increased owner investment savings mobilization and employment generation.

Social and Institutional Benefits

Beneficiary Impact: Enhancing women's self-image and their ability to influence their environment is integral to the goals that OEF has established for the small enterprise development program. These impacts are traced through two indicators: Influence in

Figure 2: The OEF Benefit Framework

BUSINESS/ECONOMIC BENEFITS

MANAGEMENT INDICATORS

Improved Management Practices
- o Basic Management
- o Marketing
- o Business Controls

BUSINESS PERFORMANCE INDICATORS

Enhanced business Performance
- o Increases in Sales
- o Profitability

ECONOMIC INDICATORS

to

Contributing local economic growth
- o jobs created/expanded
- o increased assets
- o increased local investment
- o mobilized savings

SOCIAL BENEFITS

BENEFICIARY INDICATORS

Self-Esteem & Influence
- o Participation in household decisions
- o Family support for economic activity

FAMILY INDICATORS

Improved Quality of Life
- o Increased Household Income
- o More food, clothes
- o Improved shelter
- o Educational opportunities

SOCIETAL INDICATORS

Influencing Institutions and Policies
- o Institutional Development
- o Inter-instittuional Relations

household decision, Family support for the enterprise.

Family Impact: OEF hypothesized that women would spend the vast majority of earnings on benefits to the entire family. Indicators of family impact have been defined as: increased income, income spent on family benefits such as increased food, clothes, education and/or improved shelter.

Institutional Impact: Beyond the program participants, OEF aims to influence local institutions. This impact may be attained through influencing bank counterparts, and/or other governmental or technical programs. The institutional growth of local counterpart institutions is yet another broader goal of the program. Indicators of institutional impact include: influence on existing local institutions, development of local counterpart institutions.

Ideally, OEF would have liked to monitor several additional impacts of the program such as changes in business performance as indicated by gross profit margins or changes in women's access to services from public and private agencies. However, due to the lack of complete baseline or time series data such indicators could not be established. The survey conducted in conjunction with this study should serve as a point of baseline information for future data collection efforts.

C. Benefits

1. Survey Population

To assess the benefits of the small enterprise development programs, OEF conducted a survey of 240 clients in Costa Rica, Honduras and El Salvador in March, 1988. A total of 99 enterprises were interviewed in Costa Rica, 95 in Honduras, and 46 in El Salvador. Together, this represents approximately one half of all program participants. Honduras interviewees included participants from both the Women in Business and the Pig Project. Salvadorean interviewees included beneficiaries from both the MUDES and WIB Pilot Project. Participants who had not yet completed a full program cycle of training, credit and technical support were excluded from the sample.

A number of factors have influenced the reliability and validity of the survey data which should be considered when analyzing survey results. Most importantly, the survey results indicated that there is a significant number of participants who either never started an enterprise or have abandoned the enterprise activity associated with the project. Furthermore, a portion of the clients declined to participate in the survey. Altogether, this has meant that in Honduras data was not available for a full 39% and in Costa Rica 17% of all

participants. By being limited to on-going enterprises which have contributed data to the survey, our results fail to incorporate those clients whose benefits attributable to the project are marginal. One could argue that the benefits described do not present a full picture. Nevertheless, we have gone ahead presenting the information which were derived from the on-going enterprises for which data was available. The issues associated with this client 'fall-out' will be examined further in section V. Survey data from El Salvador did not indicate the same 'fall-out' problem. Of the 44 participating enterprises in the El Salvador WIB project, complete survey data indicating on-going enterprise operation was available for 40 enterprises. Several other factors have effected the sample size. In Honduras and El Salvador where there were both group enterprise and individual enterprise projects, a significant difference exists between the number of respondents to household related questions as opposed to enterprise performance questions. For example, the Honduran Pig Project included 52 participants grouped in five enterprises and the MUDES Project in El Salvador included 43 women grouped in five enterprises. Altogether, the number of women participating in the survey included 325 women from the 240 enterprises. This represents slightly more than one half of the total 590 women assisted by OEF through their small enterprise programs in Central America.

Another factor influencing the sample size is the variation in the degree of thoroughness in the data collection efforts across countries. In El Salvador, complete data was collected from all but one participating enterprise. However, in Honduras and Costa Rica a significant portion of the survey lacked financial or business performance data, once again reducing the total sample size. Given these limitations, the total number of the survey population is listed for each table. Please see Table .

TABLE 4

SURVEY SAMPLE

	HONDURAS n=90		COSTA RICA n=99		EL SALVADOR n=	
Status	#	%	#	%	#	%
On-going Enterprise	53	59%	82	83%	45	97
Activity Suspended	15	17%	3	%		
No Activity	10	11%	4	4%		
Declined to Participate	12	13%	10	10%	1	3
Subtotal	37	41%	17	17%	1	3
Total	90	100%	99	100%	46	100%

Focusing on the on-going enterprises which have participated in the survey, we have examined the sample in terms of the types of economic activities and the number of years the women have engaged in this activity. Economic activity has been broken out according to four classifications. Animal projects include poultry production, egg production, pork production and other small livestock projects. Food transformation, involving a significant share of participants, includes cheese production, bakeries, snack foods, tortillas, chips, small snackbars, among others. An "other" category includes seamstresses, small commerce and other artisan production. Agricultural activity incorporates vegetable gardens, fruits and berries. A review of the number of years of operation indicate that across all participating countries a full 55 % of enterprises associated with this project have been in operation for two years or less. While OEF requires that all women participant have some background or experience in the type of enterprise assisted, many firms may be considered start-up activities as they represent a significant increase in the scale and regularity of operation from the woman's previous experience.

TABLE 5

ECONOMIC ACTIVITY

	HONDURAS n=53		COSTA RICA n=99		EL SALVADOR n=45	
Activity	#	%	#	%	#	%
Animals	6	12%	38	39%	5	11%
Food Transformation	33	62%	38	39%	22	49%
Other	13	25%	3	3%	14	31%
Agriculture	1	1%	20	19%	4	9%
Total	53	100%	99	100%	45	100%

TABLE 6

YEARS OF ACTIVITY

Years	HONDURAS n=53 #	%	COSTA RICA n=99 #	%	EL SALVADOR n=45 #	%
Less than 1 Yr	13	25%	43	41%	5	11%
1-2 Yrs	11	21%	23	22%	14	31%
3-5 Yrs	6	11%	18	17%	6	13%
More than 5 Yrs	23	43%	21	20%	20	45%
Total	53	100%	99	100%	45	100%

2. Management Practice Indicators

Improved management practices are sought through the OEF training activities. Five principal areas for improvements in management practices were examined: Distinction from business and home, the capacity to calculate costs, recordkeeping, and improved marketing practices. Across the board the majority registered some improved management practices.

- Distinguish business from home: In all small businesses there is a tendency to mix family and business expenses. Learning to maintain separate financial accounts is the first step in gaining control over the business and curbing practices which contribute to decapitalization. In Costa Rica, 64% of all clients have segregated their household and business finances. In El Salvador 55% and in Honduras 31% have attained this separation.

- Calculate Costs: Another particular vulnerable point of small businesses is the ability of the owner to fully track operating costs. Ultimately, this knowledge of costs should form the basis of pricing strategies. In Costa Rica, 65% responded that they successfully calculate costs although only 48% stated that they establish prices on the basis of costs. In Honduras, 84% of the sample stated that they have learned to calculate their costs of operation. Furthermore, 92% of Honduran firms establish their prices on this basis. In El Salvador, a full 100% of enterprises surveyed stated that they are able to calculate their costs and 93% apply

this to their pricing strategies.

- Recordkeeping: OEF has encouraged clients to keep simple cash books, production records, and records of all sales made on credit. While principally for the purpose of enabling clients to attain the financial information needed for effective planning, these records also facilitate client monitoring. 56% of all Honduran clients maintain records, 60% of all Costa Rican and 64% of all Salvadorean clients maintain written records.

- Marketing: One of OEF's five training modules is geared to address marketing issues. Marketing practices, however, are difficult to assess in general terms and are highly specific to a given industry. For example, 69% of clients in Honduras utilize packaging materials in order to make their product more attractive to consumers. In Honduras where 62% of all clients are engaged in food transformation, this number is significant. In Costa Rica, only 34% use packaging, perhaps reflecting the higher incidence of animal and agricultural activities where packaging would not be appropriate. OEF also encourages producers to extend their markets. 79% of all Honduran producers, 49% of Salvadorean and 20% of Costa Rican producers sell on a regional or national basis. In Honduras and El Salvador, this range of sales may reflect the weak markets of the rural communities where women reside. 37% of Costa Rican producers and 31% of Salvadorans make use of wholesalers or distributors other than family members. In Honduras, a mere 4% use such established channels. The Costa Rican producer, located in the central Cartago valley and the Salvadorean producers located just one hour from the nation's capital may have greater access to such intermediaries.

TABLE 7

IMPROVED MANAGEMENT PRACTICES

	HONDURAS n=51		COSTA RICA n=79		EL SALVADOR n=45	
Improved Practice	#	%	#	%	#	%
Management						
1. Separate Bus./ Home Expense	16	31%	51	64%	25	55%
2. Calculate Costs	43	84%	52	65%	45	100%
3. Establish Price Basis of Costs	47	92%	38	48%	44	98%
4. Keeps Records	29	56%	48	60%	29	64%
Marketing						
5. Uses Pkg	35	69%	27	34%	33	73%
6. Regional/ Nat'l Mkts	42	79%	16	20%	22	49%
7. Intermediaries	2	4%	30	37%	14	31%

3. Business Performance Indicators

Two indicators have been established to track business performance. Using a very small baseline sample, it was possible to track changes in sales levels among a reduced sample of firms. In the future, OEF will be able to fully document the impact of the program on enterprise sales. Data was not available to compare profit margins as an indication of business performance. However, it was possible to examine the number of firms which are currently registering a profit or loss.

- Increased Sales: Although baseline data for the OEF small enterprise programs has been relatively weak, sales is the one financial indicator which was tracked in a September, 1987 survey. A comparative sales assessment indicating changes over a six month period was performed on a limited sample of 50 firms (20 Honduras, 20 Costa Rica and 10 El Salvador). This analysis indicated that a total of 68% of all enterprises in this sample, registered an increase in sales of 25% or more. 45% of this sample, either doubled their sales or experienced even greater increases.

  Significant change in sales is likely to represent the impact of credit on the firm. In El Salvador, where 80% of all clients have received credit, the increases in sales have been most dramatic. It should be pointed out, however, that several firms without credit also demonstrated dramatic sales increases. In particular, one small bakery/snack-bar owner after beginning the program successfully transformed her small business to a full restaurant thereby quadrupling her sales.

- Profitability: While comparative data on profits are not available, it is possible to track the number of enterprises generating net profits. 93% of all Salvadorean firms, 89% of the Honduran businesses and 85% of the Costa Rican enterprises registered a net profit. Keeping in mind the significant share of the enterprises which were removed from the sample due to suspended activities, it would be fair to comment that OEF clients are either performing well, or in short time they must cease operations.

TABLE 4

BUSINESS PERFORMANCE

Indicator	HONDURAS #	HONDURAS %	COSTA RICA #	COSTA RICA %	EL SALVADOR #	EL SALVADOR %	TOTAL #	TOTAL %
	n=46*		n=63		n=45			
Registering Profit	40	89%	53	85%	42	93%		
	n=15**		n=19**		n=10		n=44	
Increase in Sales								
More than 100%	6	40%	8	42%	6	60%	20	45%
25-100%	3	20%	5	26%	2	20%	10	23%
Same or less	6	40%	6	32%	2	20%	14	32%
Total	15	100%	19	100%	10	100%	44	100%

*Seasonal activities which have not yet registered income were removed from the sample.

**A portion of the sample was excluded due to suspended activity or incomplete information.

4. Economic Benefit Indicators

Economic benefits include increases in assets, reinvested earnings, mobilized savings and employment. While in absolute terms these increases are not necessarily economically significant, they do represent positive economic trends. This is particularly of value given the relatively few economic alternatives of the beneficiary population.

- Increased Assets: By comparing the initial capital invested at enterprise start-up with the current value of the assets it is possible to register the overall increase in the firm assets. 96% of Salvadorean enterprises, 94% of all Honduran enterprises and 85% of all Costa Rican registered increases in assets. 96% of Salvadorean firms, 64% of Honduran firms and 47% of Costa Rican firms registered more than doubled their assets. In most cases, firms receiving credit registered the greatest increase in assets. Although not necessarily economically significant, in human terms, these increased in assets and net worth can represent significant changes in how women are viewed by their families and in their communities. One Costa Rican poultry producer began with $40 and with the help of credit now has accumulated $745 in fixed assets and inventory. One Honduran snack maker without credit has transformed a $12 initial investment to $200 in assets which have generated $1,900 in annual net profit.

- Reinvested Earnings: Reinvested earnings are another positive economic trend. While closely paralleling the trend in increased assets listed above, this is an indication that profits are being funneled back into the firm increasing local installed capacity. 62% of Costa Rican firms, 45% of Salvadoran firms, and 36% of Honduran firms indicate that earnings are being reinvested. When considering the financial pressures on the women participants, this trend toward reinvestment demonstrates the women's commitment to her enterprise.

- Mobilized Savings: While reinvestment is a form of savings, additional women registered that they were also able to set aside savings. In most cases, these savings are deposited with the local commercial bank participating in the program. 32% of Costa Rican and Salvadorean participants have been able to establish savings while only 8% of the Honduran participants have been in a position to do the same.

- Employment: 79% of all participants benefit from the support of husbands and other family members in production and/or marketing functions. Where women are heads of households, the assistance may come from their children. Where spouses are engaged in seasonal agricultural labor, participation in the wife's enterprise as sales

representative or additional laborer is an accessible job opportunity in job scarce regions. This is precisely the situation of a Honduran plantain chip maker whose day laborer husband devotes slack days to the marketing of his wife's chips. Although not remunerated in wages, increased business earnings contribute to overall household income. A relatively small number of OEF clients in Honduras and Costa Rica hire paid labor outside their immediate family. 18% of the Honduran firms and 22% of the Costa Rican firms include paid employees. In El Salvador, by contrast, 51% of the participating enterprises employ wage labor.

TABLE 9
INCREASED ASSETS

	HONDURAS n=39*		COSTA RICA n=63*		EL SALVADOR n=45	
	#	%	#	%	#	%
More than 100%	25	64%	30	47%	43	96%
25-100%	12	30%	24	38%		
Subtotal	37	94%	54	85%	43	96%
Equal or less	2	6%	10	15%	2	4%
Total	39	100	63	100%	45	100%

*reduced sample reflects missing financial data.

TABLE 10
ECONOMIC BENEFITS

	HONDURAS		COSTA RICA		EL SALVADOR	
	#	%	#	%	#	%
	n=100		n=77		n=84	
Reinvested Earnings	22	45%	48	62%	38	45%
Mobilized Savings	8	16%	25	32%	27	32%
	n= 48*		n=77*		n=45*	
Family Employment	40	83%	60	78%	28	62%
Non-family Employment	9	18%	17	22%	23	51%

* Reinvested earnings and mobilized savings were derived from survey of women beneficiaries including women participating in group enterprises. Employment data is based on firm data.

5. Beneficiary Impact

It is difficult to tabulate the impact of the program on women's self-esteem and improved decision-making abilities. However, two items from the questionnaire provided some insights to these matters. Participation in household decisions indicate the woman's influence within her family. Additionally, changing attitudes of the family toward the enterprise can be interpreted as a positive social indicator.

- Influence in household decisions: Participants commented that the ability to make decisions in the business setting has influenced their capacity to take decisions regarding family health or to participate in community activities. The OEF survey tracked who makes important household decisions. 90% of all participants in Honduras, 80% of all Costa Rican and 100% of all Salvadorean participants commented that they now participated in important household decision. In Costa Rica, approximately one half of the women who do not participate in decisions are youth who continue to reside in their family home.

- Family opinion about the enterprise: Typically, husbands are initially resistent to the woman's participation in the training and economic activity. Some husbands are threatened as their wives acquire new skills and an independent source of income. Overtime, however, family members are impressed with the wives success and her esteem within the family increases. One Salvadorean displaced woman points to her 10 pigs with pride and talks about how, despite her husband's initial objections, her increased earnings have enhanced the respect she has gained among family members. 90% of Honduran, 85% of Costa Rican and 90% of Salvadorean participants register family support for their enterprise.

TABLE 11

SOCIAL BENEFITS TO PARTICIPANTS

	HONDURAS n=51		COSTA RICA n=79		EL SALVADOR n=45	
	#	%	#	%	#	%
Participate in Decision	46	90%	63	80%	45	100%
Positive family Opinion	46	90%	69	85%	40	90%

6. Family Impact

One of the most significant benefits to be derived through OEF small enterprise assistance is the impact on the family of increased household earnings. OEF findings validate the common understanding that women are likely to direct increased earnings to benefits for the family as a whole.

- Increased Household Income: Household income has been tracked through a number of means. Either women have drawn salaries, household expenses have been paid for out of business earnings, and/or through the distribution of profits. When considering these three categories of income, the vast majority of women engaged in enterprises have increased their household income. 89% of Honduran, 85% of Costa Rican and 95% of Salvadorean participants have increased income to their households. It should be noted that the animal and agricultural activities generate income on a seasonal or periodic basis. Also, different types of projects generated significantly different levels of household income. The group enterprises, in most cases required only occasional labor, and generated modest returns for the owners. For example, 1986 income to Pig Project participants in Honduras averaged $125 per year. Averaging 7 days labor per month, this represents daily income which approximates day labor rates in the region. Salvadorean MUDES projects participants earned on average $184 per year based on 11 days labor per month.

- Improved Quality of Life: Women's earnings translate very directly to the improved quality of life for family members. 100% of all Honduran and Salvadorean participants registered that their additional income was used to provide more food for their families while 43% of Costa Ricans beneficiaries did the same. 73% of Salvadorans, 52% of Hondurans and 43% of Costa Ricans used this income to purchase clothes for the family. While 26% of Hondurans, 45% of Costa Ricans and 35% of Salvadorans used income to improve their homes. In some cases, income for home improvement has meant that the family has gone from thatched dwellings to standard roofing materials, from mud floors to tiled floors. Better education was pursued by 67% of Salvadorans, 47% of Hondurans and 32% of Costa Ricans. It should be noted that the relatively more affluent Costa Rican population, as discussed above (Table), directed a greater share of their earnings to reinvestment. The fact that virtually every Honduran and Salvadorean participant registered that her increased earnings were directed to meet food consumption needs attests to the poverty in these target regions.

TABLE 12
FAMILY BENEFITS

Indicator	HONDURAS #	HONDURAS %	COSTA RICA #	COSTA RICA %	EL SALVADOR #	EL SALVADOR %
Increased Income	n=46*		n=63*		n=45*	
	40	89%	53	85%	43	. 95%
Quality of Life	n=100		n=79		n=84	
Increased Food	100	100%	34	43%	84	100%
Improved Clothes	52	52%	38	48%	62	73%
Home Improvements	26	26%	36	45%	30	35%
Better Education	47	47%	26	32%	57	67%

* The difference in number reflects the source of data. Income data is based on firm performance. Quality of life indicators are drawn from survey of women beneficiaries including women participating in group enterprises. Employment data is based on firm data.

7. Social and Institutional Benefits

While it is not possible to quantify social and institutional benefits, OEF has been able to influence local institutions and has assisted the formation of local affiliates. These broader institutional effects represent significant indirect benefits which can live well beyond the life of the OEF assisted projects.

- Influencing Local Institutions: A broad goal of OEF's small enterprise development programs is to influence local institutions. This influence has been most marked among the collaborating banking institutions and governmental programs which offer technical services. Bank representatives in all three countries commented that they were gaining a new respect for these rural women customers. They were most impressed by their seriousness and concern about loan repayment. In all three countries there are examples, where women have 'graduated' from the OEF programs to specialized lines of credit targeted to small producers which are channeled through the banking system. In Honduras, the Banco de Occidente was about to open an additional branch office in an area with a substantial number of OEF participants. Bank officials were contacting OEF clients and encouraging them as new customers at this branch.

  The principal other institutions influenced by the OEF programs have been the Ministry of Agriculture or Natural Resources in each country and other sources of technical support. In El Salvador, for example, the FAO sponsored program in conjunction with the Ministry of Agriculture would like to adopt OEF's participatory training approach in their programs targeted to women. In Costa Rica, as well, OEF has provided training to the Peace Corp and other institutions. By making available OEF training methodologies, which stress participation and decision-making capacity, OEF potentially has the capacity to influence the organization's basic approach to development assistance.

- Local Counterpart Building: A significant benefit arising from the small enterprise development programs has been the development of local indigenous OEF affiliates in Honduras and El Salvador. ODEF (Organization for Entrepreneurial Development of Women) is legally constituted and OEF/El Salvador has [illegible]ed to be recognized by the government. Local leaders have b[illegible] identified, boards of directors established, staff trained, and financial and administrative systems are in place. This local institutional capacity will have the capacity to operate well into the future.

D. Analysis of Survey Results: Differences Across Countries

An analysis of survey results points to a number of significant differences in the project results across the three countries. However, without a more complete computer based statistical analysis it is difficult to arrive at the specific independent variables which contribute to these differences. A cursory review of survey results points to three principal factors which have influenced project results. First, the level of poverty in the target regions varies. The target sites of both Honduras and El Salvador are significantly poorer than the Costa Rican location. Second, there appears to be some differences in project performance among the personnel at the three locations, reflecting different staffing and organizational patterns. Finally, business performance varied, reflecting either the poverty of the region, the use of credit and/or the number of years of enterprise operation of the participating firms. Drawing upon selected indicators presented below, the differences in project performance per site will be examined.

1. Poverty in the Target Region

Four indicators have been identified to demonstrate the different levels of poverty in the target regions. In both Honduras and El Salvador, 100% of all participants used increased earnings to meet the immediate sustenance needs of their families. This was only true for 43% of the Costa Rican women surveyed. Home improvements, however, were considered a second level of family benefit pursued once immediate sustenance requirements had been fulfilled. In Costa Rica, 45% of respondents used enterprise earnings to improve their home, while only 26% or 35% did so in Honduras and El Salvador respectively. Additionally, in poorer households it is more difficult to fully segregate household from business earnings. 31% of Honduran respondents, 55% of Salvadorean respondents and 64% of Costa Rican families registered that they were able to maintain this separation. Finally, the capacity to reinvest earnings indicates that there is less pressure on the business earnings to meet immediate family sustenance requirements. 62% of Costa Rican respondents were able to retain business earnings while only 36% and 45% of Honduran and El Salvadorean respondents were able to do the same. With these four factors in mind, it would seem that Honduras reflects the poorest participants, with El Salvador indicating moderate levels of poverty and Costa Rica representing the relatively more affluent population.

TABLE 13

DIFFERENCES IN REGIONAL POVERTY

	HONDURAS n=51		COSTA RICA n=79		EL SALVADOR n=45	
	#	%	#	%	#	%
Separate Bus from Home Expense	16	31%	51	64%	25	55%
	n=100		n=79		n=84	
Increased Food	53	100%	34	43%	84	100%
Home Improvements	26	26%	36	45%	30	35%
Reinvested Earnings	36	36%	48	62%	38	45%

2. Project Performance

Regardless of the poverty in a specific region, two indicators stand out demonstrating that the lessons from the OEF management training has been more widely adopted. In El Salvador, a full 100% of all clients indicated that they are able to calculate their costs and 98% indicated that these costs are the basis of their pricing strategies. In Honduras, 84% calculate costs and 92% establish their pricing strategies accordingly. In Costa Rica this was the case for 65% and 48% of the women respectively. When fully considering the impact of the results, it should be kept in mind that the Salvadorean sample reflects a full 97% of all women participants whereas the data from Honduras does not include the 39% of all participants who do not have sustained enterprises. The percentage of enterprises which have sustained operations is yet another indication of project performance.

TABLE 1

DIFFERENCES IN PROJECT PERFORMANCE

	HONDURAS n=51		COSTA RICA n=79		EL SALVADOR N=45	
Improved Practice	#	%	#	%	#	%
Calculate Costs	43	84%	52	65%	45	100%
Establish Price Basis of Costs	47	92%	38	48%	44	98%
	n=95		n=99		n=46	
Business Ceased Operations	37	39%	17	17%	1	3%

3. Differences in Enterprise Performance

The quality of business performance also varied significantly across countries. It is, however, in this instance, harder to isolate the variables contributing to these differences. Overall the Salvadorean businesses demonstrated better performance. However, it should be noted that 80% of all Salvadorean businesses were assisted to receive credit through targeted credit lines available through local banks. Whereas, only 29% of the Costa Rican and 12% of the Honduran clients received credit through OEF revolving loan funds. Furthermore, 45% of the Salvadorean enterprises had been in operation from more than five years, against 21% of the Costa Rican sample. Although the Honduran firms also demonstrated 43% of operation for more than five years, one could estimate that of the 39% of the Honduran sample for which activities are not in operation, there is a higher percentage of newer activities which have ended. The Salvadorean population may represent a smaller number of enterprise start-up associated with the project. Above, we have examined the relative poverty in the three countries in terms of spending patterns of participants. However, it is fair to assume that poorer communities would represent more difficult economic contexts with weaker local markets. Honduran women for example, were more likely to sell to regional markets (70% in Honduras versus 20% in Costa Rica) and were less likely to have access to commercial intermediaries (4% in Honduras versus 37% in Costa Rica).

TABLE 15

DIFFERENCES IN ENTERPRISE PERFORMANCE AND POSSIBLE VARIABLES INFLUENCING DIFFERENCES

	HONDURAS		COSTA RICA		EL SALVADOR	
	#	%	#	%	#	%
Enterprise Performance						
	n=39		n=63		n=45	
More than 100% increase in assets	25	64%	30	47%	43	96%
	n=15**		n=19**		n=10	
More than 100% increase in sales	6	40%	8	42%	6	60%
	n=95		n=99		n=46	
Business Ceased Operations	37	39%	17	17%	1	3%
Enterprise & Service Characteristics						
	n=217		n=161		n=49	
Received Credit	25	12%	47	29%	39	80%
	n=53		n=99		n=45	
More than 5 Yrs	23	43%	21	20%	20	45%
Difficulty of Local Economic Context						
	n=51		n=79		n=45	
Regional/ Nat'l Mkts	42	79%	16	20%	22	49%
Intermediaries Access	2	4%	30	37%	14	31%

IV. Cost Effectiveness

A. Cost/Benefit Analysis

Although significant benefits have been accrued through the OEF Small Enterprise Development Programs, a principal shortfall has been the high cost per beneficiary of OEF services. When considering all Washington, regional and field based expenses of the Women in Business Program, for example, the cost per client has been $4,070. Even when only including local program operating expenses and excluding the revolving loan fund, recurrent costs per beneficiary were $1,164. OEF's costs for the WIB projects were not atypical of OEF's other small enterprise programs. The cost per client of the Salvadorean Displaced Women's project was $4,601 and the cost per client from the Honduran Pig Project was $6,993. OEF recognizes that this cost level is considerably above those of training and credit services provided by other organizations. Furthermore, OEF acknowledges that weak cost-effectiveness jeopardizes the sustainability of their efforts. Given the relatively small number of OEF clients coupled with the relatively high costs, OEF International and local OEF affiliates could encounter difficulties attracting future donor support. OEF understands that if they want to realize their goals of serving very poor rural women, they must do so at a reasonable level of cost effectiveness.

There are a number of factors which have contributed to OEF's high cost structure:

- Developing Methodologies: Like their clients, OEF has been engaged in a learning by doing process. While drawing upon substantial prior related experience, OEF as an institution has been developing and refining its small enterprise assistance methodologies.

- Field Testing Training Materials: One of OEF's substantial strengths is that training materials are field tested in numerous sites before completion. Future generations of clients will benefit from these materials as they are finalized. Central America has been an important arena for OEF to develop and refine their training approach.

- Management Costs: This experimental phase has required more intensive management supervision. A Regional Director was assigned to support field activities. OEF International's management policies have called for more Washington based costs than is typical.

- Senior Field Personnel: Given the field testing phase, OEF has hired relatively sophisticated technicians to staff the program. The extension arm of the institution which could permit greater number of clients reached has not yet been developed.

- Local Institution Building: Over the last five years, OEF has been in the process of forming local institutions in Honduras, El Salvador and Costa Rica. This local institution building has represented an 'up-front' investment of time and resources which has exceeded the bounds of typical program operations.

- Extra Program Features: The AID Centrally funded Women in Business Project included a number of additional program activities such as exchanges between US businesswomen and Latin American women and a US focussed newsletter. Through the life of the project these activities were shed as being non-essential for program performance. Nevertheless, they contributed to the cost pool.

The above reasons can begin to explain OEF's high costs, however, they cannot justify them. Intensive discussions preceding and during this study have yielded a number of recommendations, which if adopted, could substantially improve OEF's cost/benefit ratio. Principal features contributing to an improved level of cost effectiveness would include:

- Direct Funding for Local Institutions: While in some instances OEF will continue to jointly implement intentional donor funded programs, local OEF affiliates will now seek local donor funding which does not carry OEF overhead. Technical assistance arrangements would supplant former Washington Office management support.

- Extension Outreach: By adding a small number of low-cost promoters, further developing resource materials for "technical packages", and decentralizing operations, OEF could with a minimal extra cost expand the number of clients reached by three to four fold within a couple year period.

- Installed Capacity: Many of the up-front start-up costs associated with the testing phase have been successfully completed. Most of the training materials are in final form or will soon be in final form. Local institutions are staffed and in place in Honduras and El Salvador. Methodologies are being streamlined.

Two cost/benefit analysis projections are presented below. Scenario I, presents the Existing Cost/Benefit structure. Actual 1987 operating costs from the WIB project were used and coupled with actual demonstrated benefit levels. The ten year future projections assume that the same level of costs and benefits would be continued. Scenario II, in contrast begins with the same figures, but introduces in Years II, III and IV recommended changes in staffing, management, performance and institutional arrangements which would substantially alter the current picture. Both scenarios draw upon incremental net benefits derived from a financial analysis of case vignettes presented in Section IV.

INCREMENTAL NET BENEFITS

A. Antonia Quiros, Egg Producer

	"With OEF Assistance"	"Without OEF Assistance"
Income:	1,646	150
Expenses:		
Materials:	807	68
Owner Salary:	536	70
Other Salary:	24	
Other Expenses:	86	6
Total Expenses:	1,453	144
Profit:	193	6

Antonia received a $545 loan to build a chicken coup and to purchase 100 21 week old hens at $4.00 each. From her family earnings and business earnings she has generated the funds needed for animal feed and other transportation costs associated with marketing her eggs. While most buyers come to her home to purchase eggs, she also supplies 3 restaurants in a neighboring town. She pays her nephew to help out with the heavy labor once on a highly occasional basis. Had she not participated in the project, Antonia would have likely purchased 10 layer hens using household funds. With this smaller production she would have only sold eggs to her neighbors.

B. Vera Zanabria, Pastry Maker

	"With OEF Assistance"	"Without OEF Assistance"
Income:	8,219	2,700
Expenses:		
Materials:	3,492	1,134
Owner Salary:	2,130	1,200
Other Salary:	1,180	
Other Expenses:	217	81
Total expenses:	7,019	2,415
Net profit:	1,200	285

Vera makes empanadas and snack food which are sold through corner variety stores and cafeterias in the local towns and capital city. She currently is making 3400 pastries a week. Her

husband assists her to market the products and he draws a wage from the business in addition to Vera. Without OEF Vera would still only be bringing in $60 per work, operating on average 45 weeks per year. Now her business generates a substantial profit. Without assistance Vera's profit margin would be slim.

C. Eladia (Laya) Vasquez, Buttermaker

	"With OEF Assistance"	"Without OEF Assistance"
Income:	8,710	2,900
Expenses:		
Materials:	6,588	2,396
Owner income:	912	384
Other expenses:	300	79
Total Expenses:	7,800	2,859
Profit:	910	41

Laya Vasquez produces dairy products including butter, cheese and ricotta cheese. With her OEF loan of $652 she purchased a centrifuge for butter production. This has allowed her to significantly increase her butter production, the most profitable of the products she sells. By retaining her earnings earlier in the year she was able to build up her working capital and now purchases milk in addition to the milk supplied by her husband. Although some family injuries have affected her earnings this year, she remains hopeful. Without OEF assistance her sales would have been approximately one third of their current level. With lower earning levels she would have lacked the necessary working capital to increase her sales volumes and household earnings. Her business would have remained only marginally profitable.

D. Alba Najera, Egg Producer

	"With OEF Assistance"	"Without OEF Assistance"
Income:	**1,196**	**150**
Expenses:		
Materials:	**782**	**68**
Owner Salary:	**338**	**70**
Other Salary:		
Other Expenses:	**76**	**6**
Total Expenses:	**1,196**	**144**
Profit:	**-**	**6**

Alba Najera received a $454 loan in order to build a chicken coup and finance the purchase of 100 hens. However, Alba has not been as fortunate. The initial chicks she bought were not all one

day old as promised requiring different schedules for immunizations and feed. Furthermore her hens have not produced very well and only 60 are laying eggs regularly. Altogether, Alba has not made a profit this cycle. Had she not participated in the project she would have likely purchased 10 hens on her own as would have Antonia Quiros. Her small egg production would have been sold to her neighbors.

E. Constancia Mendoza, Tortilla Maker

	"With OEF Assistance"	"Without OEF Assistance"
Income:	562	280
Expenses:		
Materials:	273	140
Owner Salary:	207	100
Other Salary:		
Other Expenses:	82	40
Total Expenses:	562	
Profit:	-	-

Constancia Mendoza received a loan of $260 to build a stove and to lay a cement floor for her tortilla production. $120 were devoted to these fixed improvements leaving $140 for the purchase of maize raw materials. However, when Constancia became ill, her family consumed much of the maize. Although there is a strong return on tortilla production, by literally eating the working capital Constancia has brought her business to a stand still. Without the loan, Constancia would have continued making tortillas at the same rate she was doing previously. With her personal problems, her business would have probably come to a halt in any case. However, without the program, Constancia would not have a debt hanging over her head in addition to her health and family difficulties.

TABLE 16

SED COST BENEFIT ANALYSIS: SCENARIO I ACTUAL PROJECT

	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7	YR 8	YR 9	YR 10
INCREMENTAL BENEFITS	184080	202488	222736.8	222736	222736	222736	222736	222736	222736	222736
INCREMENTAL COSTS	122310	134541	147995.1	147995	147995	147995	147995	147995	147995	147995
PROJECT COSTS	320235	352258.5	387484.3	0	0	0	0	0	0	0
INCREMENTAL TOTAL COSTS	442545	486799.5	535479.4	147995	147995	147995	147995	147995	147995	147995
INCREMENTAL NET BENEFIT	-258465	-284311.	-312742.	74741	74741	74741	74741	74741	74741	74741
CASH FLOW	-258465	-542776.	-855519.	-780778.	-706037.	-631296.	-556555.	-481814.	-407073.	-332332.

TABLE 17

SED COST BENEFIT ANALYSIS: SCENARIO II PROJECTED PROJECT

	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7	YR 8	YR 9	YR 10
NCREMENTAL BENEFITS	1059675	1412900	1766125	1766125	1766125	1766125	1766125	1766125	1766125	1766125
NCREMENTAL COSTS	677245	878620	1098275	1098275	1098275	1098275	1098275	1098275	1098275	1098275
PROJECT COSTS	275000	250000	250000							
OTAL COSTS	952245	1128620	1348275	1098275	1098275	1098275	1098275	1098275	1098275	1098275
ET INCREMENTAL BENEFIT	107430	284280	417850	667850	667850	667850	667850	667850	667850	667850
ASH FLOW	107430	391710	809560	1477410	2145260	2813110	3480960	4148810	4816660	5484510

NOTES

1. To calculate aggregate incremental income, a percentage was assigned to the number of clients which resembled each of the vignettes presented above. Scenario I distributes the percentage across the actual results of the WIB project in terms of clients which are performing well, moderately, poorly and among those whose business never existed or has been suspended altogether. Scenario II demonstrates significantly better results which could be attained through the proposed improved management structure. Improved results are in line with results from similar successful small enterprise programs. Data for the with OEF assistance income statements were derived from the field survey. Statements reflecting the "Without OEF Assistance" were based upon interviews with the women clients incorporating their projections as to what they would have done without OEF assistance..

		Scenario I	Scenario II
a.	Antonio Quiros Egg Producer	05%	15%
b.	Vera Zanabria Pastry Maker	08%	25%
c.	Eladia Vasquez Butter Maker	20%	30%
d.	Alba Najera Egg Producer	14%	15%
e.	Constancia Mendoza Tortilla Maker	30%	10%
f.	No data/No enterprise	22%	5%

2. Substantially different earnings are attained in different kinds of businesses. For example animal projects tend to have smaller profit margins than food processing activities. The vignettes used demonstrate a reasonable distribution of the different kinds of businesses assisted by the project.

3. Incremental benefits have been valued to include business earnings above the "without OEF assistance" earnings. Costs exclude owner and employee salaries. Other indirect effects have not been valued due to a lack of data. Interest earnings were not included as these are considered transfer payments.

4. Scenario I includes 95 clients per year. Using the two year two location WIB project, a total of 378 clients were reached. This would average 95 clients per location per year. Scenario II includes 300 clients for year II, 400 clients for year III and 500 clients for each following year.

5. "Project Costs" for the analysis include only recurrent operating expenses and overhead costs. Washington based costs, project assets and the loan fund have been excluded from the project cost projection. For Scenario I, a one year one location cost was calculated from the total WIB project operating costs.

6. The Project Costs for Scenario II are derived from a recent budget submitted to a Costa Rican donor. Adaptations have increased the staff by 5 slots and increased the salaries of the two trainers. Local travel and per diem expenses were doubled. Revolving loan funds were not included. Overhead was not incorporated but a 20,000 per year service contract with OEF was included.

B. OEF Costs in Comparative Perspective

If OEF were to introduce a revised staffing structure which facilitated outreach, OEF could reach 450 clients per year, with a cost per client of $530 per year. While still not the least expensive program, this figure would represent almost doubling the efficiency of OEF's field operations which now require $1,164 for recurrent field operating expenses. Furthermore this new cost per beneficiary level includes Washington based technical services which were not factored into the $1,164 level. A cost per beneficiary of $530 should be considered a reasonable target given the rural target population and the cost associated with a program maintaining significant staff outreach.

To compare OEF program costs with others it would be most appropriate to look at three other Latin American programs which provide training, one-one-one technical assistance and access to credit. The Carvajal Foundation's PRODEMI is one such project. Cost benefit calculations for a proposed Carvajal Foundation project in Ecuador, demonstrates that their methodology can be replicated (without considering institution building and outside technical assistance) at $160 per client. A similar training and technical assistance program in Panama, APEDE provides its services at $240 per client. There are a number of features, however, that the reader should consider before making a direct comparison between the projects. The Carvajal projects have been operating for more than 10 years and the Panama project for seven years. In both cases, these programs have refined their methodologies significantly, developed all training materials, and have developed their in-house pool of trainers.

A second factor to consider is that the APEDE training program operates principally out of the capital city and secondary cities. The Carvajal Foundation Ecuador project is programmed to operate within secondary towns. OEF's work in the rural areas has meant significantly greater costs in order to reach less sophisticated rural poor women in their village settings.

A third consideration is that the dollar value of operating costs in Ecuador are significantly lower than in Costa Rica or Honduras. For example, a highly qualified Ecuadorian trainer would earn under US$4,000 per year. In contrast, to attract capable personnel in Costa Rica we have anticipated double this salary level. Rent in Ecuador was estimated at US$ 225 per month, while the Costa Rica project plans $US 665 per month. Altogether, these individual costs go a long way to increasing the cost per beneficiary.

Given these variations in costs it is noteworthy to compare OEF's costs with that of another local small enterprise development organization which operates in Costa Rica, ADAPTE. Affiliated with IIDI an international PVO, ADAPTE's provides credit, training, and technical assistance with an average loan size of US $1,000. ADAPTE's cost per client is $309. While admittedly not the most efficient of Costa Rica's small

enterprise development organization, ADAPTE does serve as an example, that if OEF could bring their cost per client down to the $500 level, they would be competitive within the Central American context.

Ultimately, OEF recognizes that it is not realistic to project that its small enterprise development programs can become completely self-financing. The costs associated with reaching the target population with the services they require, their capacity to pay for services, and the size and volume of their loan demands, all work against the program's eventual self-financing capacity. On the other hand, OEF recognizes that the requirement for some level of subsidy should not be interpreted as a blank check from international donors. Through group discussions as part of this study and on their own, OEF local personnel are already grappling with the need to generate a share of the revenues needed to conduct their programs. Various alternatives are under consideration including rendering services to the banking sector and other private and governmental development organizations, charging clients fees for the training and technical support provided, seeking in-kind or cash contributions from government and private corporations, among other options. While OEF and their local affiliates recognize that they are unlikely to service the same rural poor women population and to become completely self-financing, they must still assume financial responsibility and accountability to devise a realistic strategy to meet their cost requirements. Dependence on a single donor for an exorbitantly expensive assistance methodology will impede the viability and sustainability of future OEF small enterprise development assistance.

V. Issues

A. From Exploration to Expansion

OEF/International has come a long way since their 1979 Costa Rican project illuminated the importance of directing participatory training toward meeting women's economic needs. This change has required a long term institutional investment. OEF still has further to go to ensure effective results, to enhance program efficiency and to assist local affiliate organizations and others to replicate these methodologies. Dozens of local institutions and international projects lack effective methodologies to reach the same women beneficiary population. OEF's methodologies, once fully refined, will be an asset to OEF/Intentional, local OEF affiliates and to many others. The brisk worldwide demand for OEF training materials is one indication of the need for such resources. Training materials, of course, to be fully effective, need to be complemented by the more complete range of organizational, technical support and credit services.

David Korten, puts forth the notion that development programs pass through three stages (Korten, 1980). They first seek to become effective, then move to attain efficiency, and ultimately strive toward expansion. OEF's experience would indicate that a stage occurs which precedes even the quest to become effective. OEF passed through an exploration stage whereby the institution's value's were examined and the essential goals, objectives and means were defined. It can be argued, that OEF, like many organizations involved with 'women in development', had to shed a number of pre-conceptions before they could comfortably address the commercial discipline associated with effective small enterprise programming. Only after passing through this stage could OEF begin to seriously pursue goals of enhanced economic empowerment for poor rural women.

Presented below is an adaptation to Korten's "3 E" Model. An exploration stage has been added. Furthermore, the principal small enterprise program issues to be resolved at each level are discussed. OEF's experience also indicates that stages are not wholly separate from one another. While the majority of OEF attention is presently focused on improving efficiency, some methodological elements usually determined at the effectiveness stage are still being resolved. Furthermore, due to the demand on OEF from other local institutions, OEF has begun to disseminate and replicate their learning as would be associated during the expansion. This replication is underway even while OEF enhances its own efficiency. Please see Figure .

Program Evolution: Adaptation to Korten's 3 E Model

Exploration

Define Goals, Objectives and means

Effectiveness

Figuring out how to do it.

VALUE FOCUS

Examine goals in relation to participant perceived needs.

Clarifying objectives and means for realizing these.

Trial and Error, Choices, Ambivalence

Community Development/ Income Generation

Assessing skill needs, capital needs, data needs for project success.

METHODS FOCUS

Appropriate Mix of TA/Credit/Training

Client Selection

Group/Individual

Rural/Urban

Direct or indirect credit

Basic operating procedures

'Sifting through... until you are clear about what you are trying to do.'

'Testing until you define a methodology which works.'

Efficiency	Expansion
Getting regular results while reaching a reasonable scale of operations.	Getting others to do it.
MANAGEMENT FOCUS	INTER-INSTITUTIONAL FOCUS
Staff training	Strengthening local NGOs
Monitoring Systems	Sustainability
Client/agent ratios	PVO/NGO relations
Management Info Systems	Wholesale and secondary credit markets
Refining policies and admin systems.	Dissemination to secondary cities.
Packaging training materials.	Training of Trainers
'Refining and establishing an efficient system which can be used by others.'	'Accomplishing broader inter-institutional impact.'

B. Financial AND Non-Financial Assistance

OEF/International provides both financial assistance (credit for fixed assets and working capital) and non-financial assistance (training, technical support, and organizational assistance.) Two fundamental questions are raised by the OEF experience: Is credit enough? Should everyone get credit?

The 'minimalist' micro-enterprise programs (see Section I) argue that credit is the single most significant variable stimulating enterprise growth. Ultimately, they contend, credit and credit alone can significantly contribute to business growth. While most within the 'minimalist' camp acknowledge that peer support, training and technical support are positive, these program features are viewed as dispensable luxuries.

The OEF experience would suggest that different levels of entrepreneurs require different inputs if they are to emerge from one scale of business to the next. For example, if you provide an existing business working capital, it will grow. However, its growth will be bound by the existing management capacity, fixed assets and technology. A review of minimalist micro-credit programs conducted by this author in Ecuador, indicated that credit helped existing busines to grow only so far. Additional working capital loans without addressing constraints of management capacity, fixed assets and technology held a negative impact on enterprise performance.

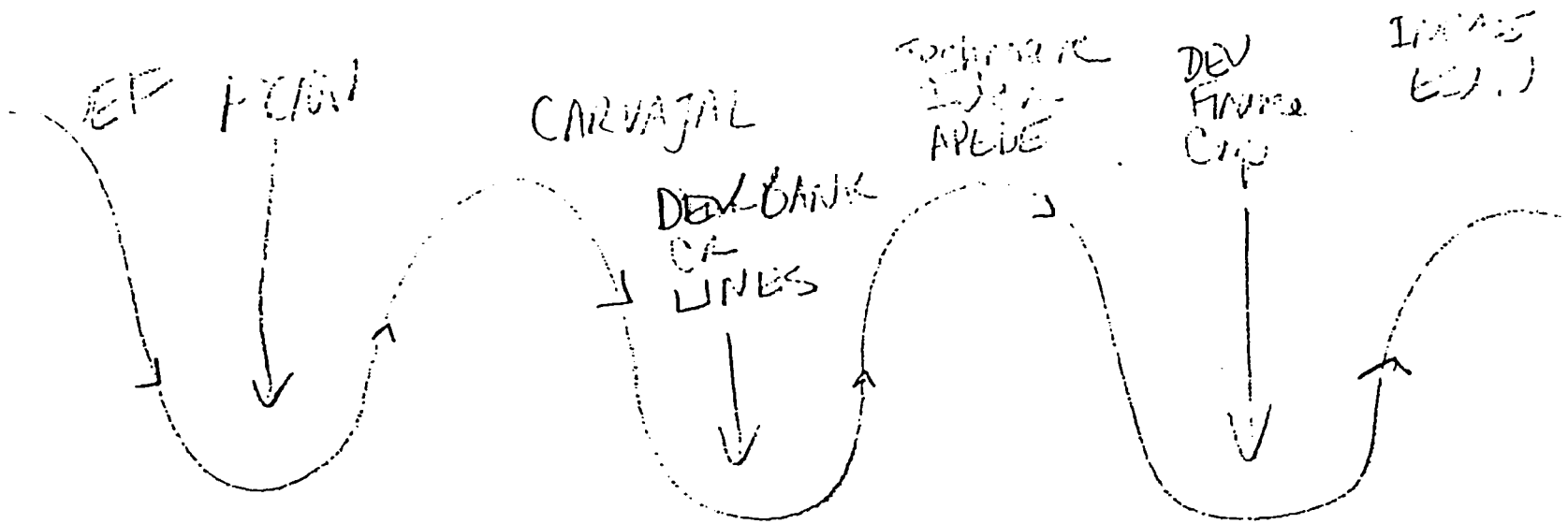
Rather than their being separate truths to micro-enterprise methodologies ('credit is important'--'No, training is important') experience would indicate that there is a continuum of enterprise/entrepreneurial formation. To accomplish certain effects, one form of intervention is sufficient. For broader growth which assists firms to emerge from one scale to the next, a spectrum of services may be needed. This is not to say that one institution needs to provide all these services. It is however important that the enterprise gain access to the requisite services at the same time. Typically, different enterprise development programs have carved a specific niche for the scale of enterprise and services provided. Given the few services which reach rural poor women, OEF has chosen to provide a multi-faceted package of services. Please see Figure 3 below.

When considering the experience of international PVO's and national NGO's engaged in SED, a pattern emerges. OEF's experience points to the need for basic business training and confidence building for what can be considered a "pre-entrepreneurial" population. This prepares them to become the 'existing business' . ACCION's experience demonstrates that micro-credit can be highly effective with vendors and can attain certain levels of enterprise growth with micro-enterprises. However, experience indicates that enterprises encounter a growth ceiling when receiving working capital credit alone. The celebrated ADEMI program of the Dominican Republic has recently opened credit lines for fixed asset borrowing. Increased scale and production capacity will require additional training and technical services. The Carvajal Foundation PRODEMI program

Figure

Continuum of Enterprise Formation and Enterprise Development Services

PRE-ENTERPRISE | MICRO ENTERPRISE | SMALL ENTERPRISE | MEDIUM ENTERPRISE



TECHNICAL
TRAINING & SUPPORT

CREDIT

concentrates on management training for those micro-enterprises which are emerging from the ACCION level. With greater levels of managerial capability, firms completing the Carvajal Foundation training program are now ready to make use of subsidized small enterprise credit lines channeled through commercial and development banks. Beyond this stage of enterprise growth, firms begin to acquire specialized management. Training programs such as IDEA in Bolivia and APEDE in Panama are then intended to provide the professional formation for these managers. Tech..serve, operating at the same scale of enterprise operated by cooperatives provides outside technical advisers to this same target enterprise population. Firms growing beyond this level now turn to the Development Finance Corporations. Management training requirements of established firms are then filled by the graduate university studies of INCAE or ESAN.

The intent of the above framework is to clarify that both financial and non-financial assistance are essential for business growth. Yet currently, only [illegible]% of all OEF clients receive credit. Should OEF extend credit to a greater share of clients? Is training enough? Findings from Lassen's evaluation have indicated that on average, clients with credit are performing better and are attaining more dramatic growth. Without question, business growth is linked to increased assets. In cases where there is a very strong rate of return it is possible for the business to generate internally the capital it needs for its own growth. In most cases, however, the owner must turn to external credit sources. Where training and technical support have strengthened the firm's management and technological capacity, this improved 'human installed capacity' needs to be paralleled with increased capital to be fully utilized.

There is no magic formula stating what percentage of OEF clients should receive credit and which should not. Currently, OEF projects are very judicious in their use of credit and scrutinize clients carefully. OEF should be commended for acknowledging the seriousness of the credit relationship. In many instances, rather than make a bad loan, OEF makes no loan. The challenge in this circumstance is to assist clients to develop 'good loan' requests. As will be discussed further below, to attain the greatest impact, OEF will need to operate in a more pro-active basis which can steer clients toward viable enterprise opportunities. Once this is the case, OEF will have to make a rigorous assessment of the seriousness of the client and her intent to grow. If the clients objective is to stabilize and improve her very small business then credit may not be necessary. However, for those who are aiming toward significant enterprise growth, credit is an essential tool.

C. Developing Enterprises

A review of OEF client performance indicates that project results have not been consistent. In the comparative assessment of sales, 40% of clients have either attained little or no increases in sales. A ranking of client performance conducted by Lassen as part of her WIB evaluation indicated that

53% of all clients were experiencing difficulties, had suspended their enterprise or had never started one. Through an analysis of client files, client visits and staff discussions, a number of principal reasons emerge which can explain this variation in performance.

In many instances, particularly in Costa Rica, OEF has sought to include women engaged in small scale livestock projects (Layer hens, poultry production, small scale swine production, etc.). Understandably, these rural based productive activities have the capacity to add value to the local economy while producing a good which is of value to community members. Unfortunately, given the scale of production within the means of the women participants, the profit margins on these activities are very slim, frequently less than 10%. In Honduras, with different market conditions and in-put prices, these type of activities have been determined as infeasible. We are not stating categorically that there is a minimum threshold of acceptable profit margins. Nor, are we encouraging OEF to stick with the more profitable ('safe') yet economically marginal petty trade activities. However, there are a number of ways that OEF can bolster their portfolio and the likelihood of client success.

Some of the more effective small enterprise programs are very enterprising themselves. OEF needs to identify viable economic opportunities and to develop 'technical packages' or 'tech-packs' which can provide producers the full support needed to have a greater likelihood of success. Much effort has already been put in Costa Rica to develop the appropriate technical advice for small scale livestock producers. This set of advice, however, can be further developed in order to comprise a complete tech-pack. For example, currently small producers are on their own to procure their chicks. Yet, not all suppliers are reliable. A number of problem projects have developed due to in-put problems which could have been avoided. While existing tech-packs need to be completed, additional viable enterprise opportunities need to be identified, researched and made available to participating women.

This focus on tech-packs implies that OEF would have to shift from being wholly responsive to women's enterprise options to becoming more pro-active in making available to women viable enterprise opportunities. This does not mean that the locus of enterprise control shifts from the client to the program, it does mean that rather than simply being left to their own devices women will have more information and options as they develop their enterprises. It also indicates a tremendous responsibility for OEF. OEF will need to test and de-bug such 'tech-packs' before they can be widely disseminated. The problem with the poultry suppliers listed above, and the initial difficulties of the Honduran Pig Project are indications of the kinds of potential dangers to disseminating 'tech-packs' before they are fully tested. The goal of such tech-packs are to steer women toward viable enterprise while narrowing the range of risks associated with such projects. This is not to imply that some risk will not remain, but the risk can be substantially reduced.

There will remain, many enterprise opportunities outside of the established 'tech-pack' businesses. To further ensure the likelihood of enterprise success, OEF could use a loan worksheet to determine the capacity of the client to repay the loan. This 'Debt Capacity' worksheet would take into consideration non-enterprise features such as the women's total household income and number of dependents. By calculating a living wage for all potential borrowers, OEF could establish a debt coverage ratio which would assist OEF to screen out clients where there is little to no margin for error. Currently, OEF personnel are reviewing household factors in an informal basis while the loan application procedures themselves, do not fully and readily disclose the vital data needed to make such a determination on a regular basis. By adopting the worksheet presented below, OEF on a more regular basis could better manage credit risk. The 'Debt Capacity' worksheet is not intended to be used simply as a filter-- to screen out potential problem loans. If a debt burden proves too large for a client, perhaps a different enterprise type would more fully meet her needs. Rural women tend to have multiple skills which would enable them to consider various enterprise options. If a woman does not demonstrate skills in any activity appropriate to her financial condition, she could be encouraged to seek those skills and to return to the program once she could demonstrate them.

The concept of 'developing enterprises' rather than simply providing services implies a fundamentally different approach than is currently in operation in the WIB activities. While program staff would welcome this re-orientation, it implies different roles and responsibilities for program staff. While, ultimately, an enterprise always remains the responsibility of the entrepreneur, OEF would take on their responsibility of working with the entrepreneur to identify real and possible economic options.

D. How Low Can You Go?

IF OEF is to assume more responsibility identifying economic opportunities, can it succeed with all of its potential clients? Is the problem principally with the structure of the enterprise or are there problems specific to sub-sets of entrepreneurs? A review of files and client visits have also indicated that a significant factor contributing to the performance variation pertains to the personal situation of the entrepreneur. Women with the fewest skills, poorest asset base, no land, greater number of children dependents, and less family support were the most likely to not establish a business or suspend the business once operating. Simply stated, women who experienced this "fall-out" had so many conflicting demands on their time and resources, it became very difficult for them to sustain a commercially viable business. Extending credit to this population, in many instances has proven to be counter-productive. In addition to their other already existing burdens, the women must now pay off a loan when the enterprise which was

DEBT CAPACITY

1. Name _____

2. Type of proposed activity:

3. Income:

   Current sources of household income: spouse, father, grown children, other relatives, pension, other: explain _____

   Total monthly household income: _____

4. Dependents: Children: _____ Adults: _____

5. Living wage: _____

   What does the client need to earn from the business in order to bring her household income to minimum levels.

6. Debt Coverage Ratio:

   Projected Monthly/Yearly Income: _____

   Projected Expenses (other than owner salary/drawings): ( )

   Minimum owner income needed for a 'living wage': ( )

   Funds available for loan repayment (A): _____

   Proposed monthly/yearly loan payment (B): _____

   Debt coverage ratio: B/A _____

Questions:

Will the client be able to draw a living wage from the business?

What is the proposed per capita income of the household?

Who will assist the client to conduct her enterprise?

Is there a sufficient cushion to absorb performance downturns?

What financial management advice does this client need along with her loan?

to generate the income stream to meet the obligation is no longer in operation. The irony of course is that the women who need the income the most are the least able to take advantage of the programs's services.

This phenomena has multiple implications for OEF's projects. One can question the cost-effectiveness of providing business training to women not in a position to conduct business. As a serious 'small enterprise development' organization, can OEF afford to reach this population? Can OEF more carefully identify these very poor women so as to not burden them with credit? Is there a way for OEF to service this client population without jeopardizing their small enterprise program? OEF is not prepared to 'write-off' very poor women and believes that some economic programming is appropriate to their needs.

First, it is important to screen women before extending credit thereby not adding to their existing burdens. The debt capacity worksheet can go a long way to systematically identify women whose personal predicament undermine's their chances for success. Steering very poor women away from credit may save the woman from a financial burden she is unlikely to meet while protecting the integrity of the loan fund.

Secondly, simply withhold credit from these women is not enough. While 'tech-packs' can be developed for the 47% which are able to make effective use of OEF services, OEF needs to examine different methodologies and/or adjustments it can adopt which could effectively assist these very poor women. OEF could establish a number of hypotheses and test these on a pilot basis. For example, perhaps these very poor women should be channeled toward petty commerce and adopt a model similar to the solidarity groups. Or, perhaps OEF should seek piece rate out-production schemes. While not requiring the same commercial discipline of an on-going business this could provide income to these very poor households. Or, perhaps the community bank approach proposed in El Salvador would be appropriate. Super small credits could be made available to these producers from a community controlled credit scheme. While at this point we cannot define the exact programmatic formula which will effectively meet the needs of very poor rural woman, we consider it worthwhile to examine this issue further until viable alternatives are identified.

FInally, OEF, at all times will have to consider the portfolio of its clients and manage its risk by including some stronger profitable enterprises and other more risky sub-groups. While OEF is not prepared to 'write-off' the very poor, as it looks to its future, it will have to mix very poor rural women with other rural and semi-urban women who are in more stable economic situations. This is not to suggest that OEF should extend its credit services to elite women entrepreneurs. Experience to date indicate that there is a range of enterprises among the existing client population. OEF would want to carefully coordinate this mix in order to effectively manage the risk to its program

D. <u>Individuals AND Groups</u>

Over the last five years, OEF has conducted projects involving group enterprise ownership and management (Pig Project, MUDES) and individual micro-enterprises (WIB). In the Pig Project, women were grouped to operate medium scale piglet production and pig fattening activities. MUDES grouped displaced women into collectively operated enterprises. Overall, the WIB experience reached many more women and required less service input per client. Furthermore, on average, WIB clients received significantly more income from the enterprise's operations. Average income to Pig Project Participants was $170 per year while WIB participants frequently earned more than $500 per year.

In most instances, group enterprises have not fared as well as individual micro-enterprises. Many of the reasons for this performance has to do with the size of the business and features of the small to medium scale firm. Simply stated, small to medium scale firms are more demanding than micro-enterprises.

o Group enterprises need to operate at a considerably larger scale in order to effectively absorb the labor of a group and to throw off sufficient earnings to remunerate the labor.

o Commercially viable small to medium scale firms tend to be more capital intensive then the micro-enterprises. This capital intensity implies a greater start-up investment. Yet, poor women group members tend not to have the requisite start-up capital. In most group enterprises, nearly the full cost of project start-up is met through credit. These group enterprises are heavily burdened with their initial debt.

o The small and medium scale businesses also require more complex management. Usually firms of this size include distinct production, sales and general management. This decentralization of management functions requires stronger organizational and decision-making capacities than a micro-enterprise. Such management capacities are often beyond the abilities of participating women. While in some instances women do acquire the needed skills and management sophistication, in other instances they do not and the business flounders as a result.

o The small and medium scale businesses often require more complex technological and marketing supports. Marketing of most micro-enterprises is conducted in the immediate community. However, because of the volume of sales of the small to medium scale business, more sophisticated up front marketing and technical support may be needed. These services are costly and not easily available.

o Collective management and commitment is difficult to conduct effectively and to sustain. While there are isolated successes (Mondragon, Spain; Israeli, Kibbutz) experience from Peru, Chile and the United States studied by this author indicate that in more instances than not, collectively managed small businesses flounder when loaded with the multiple objectives of generating profit and serving as a teaching ground for participants.

Considering the above, the Pig Project represents the principal kind of group enterprise project with the potential to be successful. Specifically, the Pig Project attempted to group producers along one sector and to facilitate the integration of that sector. The problems encountered by the Pig Project are typical of the up-front problems associated by group enterprise projects: inadequate marketing analysis, inadequate feasibility analysis, poor remuneration for women participants, etc. However, the power of the Pig Project is that on the basis of this initial and difficult experience, OEF has now developed a particular package for a specific industry. OEF could draw upon that package and replicate this among as many groups as the market will effectively absorb. While requiring a great deal of up-front analysis and exploration, the methodology for forming successful group pig enterprises is now developed.

MUDES on the other hand represented a group enterprise approach which was not viable. First, the target population, displaced persons was a particularly difficult set as they have been socially and economically uprooted. Displaced persons, due to their circumstances tend toward individual solutions. Disaffection and the reluctance to pool responsibility found in the project is typical to the population. Micro-enterprises under the control of the individual displaced person would have worked much better. Second, several types of group enterprises were promoted. Given the level of market, technical and financial analysis required for each enterprise type, this proved to be very costly with relatively weak results to show for the project investment of time and effort.

This caution toward collective production should not in any way be interpreted as undervaluing the importance of group action and mutual support. While de-emphasizing collective production, there are many functions to be performed by groups which OEF should be encouraging among its clients. Group organizational and policy support can form a framework for future assistance to OEF graduates.

OEF could be drawing upon the organizational framework spawned through the training groups in a more conscious and active manner. Such groups could continue to meet and conduct activities even after the training has been completed. For example, such groups could continue to sponsor different specialized training workshops. Or, groups can be engaged in collective guarantees used typically by Solidarity Groups. And, such groups could promote collective marketing and supply functions which service numerous small enterprises. This may entail promotional efforts which encourage sales among OEF producers and between OEF producers and outside markets or supply sources. In El Salvador, each year a market is held for OEF clients to display their products and identify new clients. As a public event, this activity generates support and familiarity with OEF and earns income for the institution.

OEF staff has already favorably discussed establishing an association of OEF "graduates". Such an association made up of

chapters arising through the group training could provide a framework for continued assistance and support. Ultimately, this association would have the potential to become a powerful advocacy voice on behalf of poor women producers.

E. Management for Results

This study and the Lassen WIB evaluation were conducted in March-April, 1988. Interestingly, during field visits, the mixed performance of clients was not widely discussed. Nor did this appear to be at the forefront of staff concerns. It was only through data collection and analysis that client performance emerged as a significant program issue. Reasons for what might be considered a gap between project results and perceptions emerged through discussions. It would appear that three features of OEF's small enterprise development programs in Central America have inadvertently worked against fostering full accountability for project results.

First, the regional management structure inadvertently created a gap between authority and responsibility for project implementation. The notion of regional as opposed to Washington based program management appeared very reasonable at first. Furthermore, the Regional Director was very well qualified and highly dedicated, bringing a number of valuable abilities to these projects. However, in retrospect, and something that could not have easily been anticipated, this management approach worked against accountability at the individual country projects. Authority rested in the Regional Director. Yet, responsibility for project implementation rested with the individual Country Project Managers. Project Managers did their best possible job to conduct the project within the guidelines established by the Regional Director. Where there were problems with poor project results, the Project Managers did not always feel fully empowered to change the project design to get the needed results. The answer here is not to conduct 'micro-project management' from Washington, but rather to devolve real authority and responsibility to the Project Manager who is on site. It is only in this manner that the Project Manager can be fully held accountable for the results and accomplishments of her project.

Second, the project design, particularly of the Women in Business projects, have obscured the direct link between staff performance and client performance. In most instances each service provided by the project has been conducted by different individuals. Outreach and promotion have been conducted by one individual, training by another, technical assistance has been coordinated by someone else and credit disbursed by yet another staff member. By dispersing these functions among so many different staff members, it is difficult to identify one staff member who is responsible for ensuring client success. Faced with poor client performance it is impossible to trace who should be held accountable. Is it due to the initial staff selection? Was the training less than fully effective? Did the technical adviser provide a complete package of technical support? Was the

credit analysis accurate?

This lack of clear accountability is most pronounced in the dual form of enterprise follow-up support. Currently, the technical adviser is responsible for resolving the client's production difficulties. Yet, the credit adviser supervises the financial administration of the firm. In very small enterprises problems that begin as production related can very quickly turn to cash flow problems. Who is responsible in such cases, the technical adviser or the credit adviser? Furthermore, this design has lead to overlaps in some services (contributing to costs) and gaps in others. The answer here does not lie in having each staff member perform all functions. Rather, a modified form of staff and line functions could assign geographic zones to individuals or small teams of two. These line teams would draw upon the support of key centrally based staff, but would be held accountable for the client results occurring in their zone.

Finally, a third feature which could not have been anticipated in advance has arisen out of the emphasis on being responsive to the clients selected enterprise activity. As discussed above, a significant factor contributing to the "fall-out" rate has been the marginal commercial viability of many economic activities proposed by clients. In the past, OEF has attempted to cope with this pattern by limiting credit to only those enterprises with sound financial prospects. Earlier in this paper we have emphasized an alternate approach which would emphasize 'developing enterprises' and 'tech-packs' (See Page xx). Rather than the technical advisers devoting as much attention to one-on-one advice, they could be developing 'tech-packs' which would give women participants a reasonable chance at economic success.

OEF may consider adopting an alternate staffing pattern which could enhance accountability for results. Principal features of this approach would be:

o Country Project Managers would have authority and responsibility for results coming from their project.

o Two person regional teams including a Trainer and Promoter would be assigned to geographic zones and provide an extension capacity. Promoters would be responsible for organizing groups, providing basic client supervision, and coordinating the paratecnics. Trainers would conduct training and work with clients to develop their loan applications through the training process. Trainers would provide follow-up for problem loans and projects. Trainers would supervise the promoter and be responsible for the quality of results in their region.

o Several headquarters based staff would generate an engine of support which would fuel the extension delivery capacity. One or two full time technical advisers would work to develop 'technical packages' which could be made available to clients and would train promoters in them. A Credit Specialist would be responsible for liaison with the commercial bank and supervising the overall

portfolio, reviewing loan requests generated by the trainers. A Coordinator would be responsible for supervising the field operation and ensuring the appropriate flow of resources to and from the field. Staff development and support would be integral to the success of this new model.

o As discussed in the cost/benefit analysis, with this proposed new structure, OEF local affiliates could triple or quadruple the number of clients reached in a year. Please see Figures A and B for a comparative review of the existing and proposed staffing patterns.

OEF is encouraged to not immediately change over their staffing pattern. The current pattern is working reasonably well and the phasing out of the regional management structure could on its own address the first constraint listed above. Rather, it is suggested that OEF pilot this decentralized "team approach". The quality of client performance should be compared. The numbers which this team can comfortably service should be examined. Implementation problems arising from any new staffing pattern could be debugged (communications? field/HQ tensions? Adequate technical support?). Furthermore, OEF should not try to dramatically expand the number of clients reached at a pace which exceeds the capacity to generate and field test technical packages. To simply increase the numbers reached at this point, without improving the reliability of field results, would quickly prove counterproductive.

F. Sustainability

"Still to be written--sorry"

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