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SMALL ENTERPRISE DEVELOPMENT
AND THE
PRIVATE VOLUNTARY AGENCY

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Henry D. Molumphy
East Greenwich, Rhode Island
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INTRODUCTION

Background

Foster Parents Plan (PLAN) is a nonprofit, nonsectarian, voluntary agency founded in 1937 providing development assistance to over 260,000 needy children, their families, and their communities. This is done through individual or group sponsorship of a child in a country currently unable to provide for the social welfare of its people. The Foster Child is never removed from the family; rather, the family is strengthened so that the child need never be abandoned. The Foster Parent, the Foster Child, and their families learn about each other through the exchange of letters, drawings, photographs, and, occasionally, a visit by the Foster Parent to the Foster Child. Foster Parents Plan has consultative status with UNICEF and is officially recognized by the Economic and Social Council of the United Nations.

PLAN programs focus on health, education, social services, community development and resources and skills development. Income generating activities are promoted through education, community development, and resources and skills development projects. In 1984, PLAN began a three-year project funded in part by a grant from the United States Agency for International Development to strengthen, encourage, and initiate small enterprises as a basis for sustained development. Such efforts are not new, Resources and Skills Development is a traditional program sector and includes agriculture, vocational education, employment and related activities. PLAN, like most voluntary agencies, has long been aware of and acted upon the maxim, "if you give a man a fish, you feed him for a day; if you teach him to fish, you feed him for a lifetime."

In the first year, project funds augmented the resources and skills development activities of field programs in Indonesia and the Philippines. At the beginning of the second year the program expanded to a second program location in Indonesia, and to programs in Egypt, India, Kenya, Sri Lanka, and Thailand. Nepal is scheduled to join the project before the end of 1985.

The principle unifying the activities of these widely scattered programs is the emphasis on promoting profit-making activities. This will enable people to meet their own basic needs from the funds generated by their enterprises. Most poor people rightly understand their problems as being the result of insufficient income and are prepared to meet their own health care, education, and other costs if and as their income rises above the subsistence level.

Maximum use will be made of this fact and motivation to strengthen local incentives and minimize subsidy costs of the program. One technique to help achieve this is to extend financing on the basis of the contribution of labor and/or a percentage of the funds by the community or individuals participating in the program.

Since most of the families in the program areas are farming families, agricultural projects will, at least initially, predominate. However, attention will also be given to off-farm enterprises. These will include cottage industries and other enterprises offering seasonal employment to farm workers and increased income for the women who constitute a major neglected source of productivity.

Income-generating activities supported by PLAN generally fall under one or more of the following categories:

- Projects which are specifically designed to increase income. These include projects to increase agricultural productivity where the surplus is intended for sale, small animal raising where animals are intended for market, and other enterprises intended to increase agricultural income. Income substitution, in which crops, animals, or other commodities are produced for consumption which otherwise would have been obtained through purchase or barter, is also included within the definition of income-generation.
- Enterprises in which the total number of employees is less than ten, the total assets less than \$10,000, and in which the major operational and administrative decisions are in the hands of one or two people.
- Cooperatives, both formal and informal, through which members may purchase materials, market goods, or provide themselves with credit.
- Enterprises which emphasize both forward and backward linkages and which stimulate related economic activity in the supply of materials, training, employment, marketing, or commerce.

Activities which support and facilitate income-generation, but which do not lead directly to increased income will be included in the program. Such activities might include erosion control, reforestation, irrigation, dipping tanks and vaccination for animals, and market construction or renovation. While not leading directly to increased income or income substitution, these projects provide the inputs without which there might be no increase to income.

Although the program focuses on income-production, basic needs are not ignored. PLAN makes a substantial investment in basic needs, health, education, and social projects in each of these program areas. These projects will continue, and it is expected that their benefits and the benefits of the income-generating activities will reinforce each other.

The Conference

The conference was held to share the lessons learned in the first year of the project and to discuss directions and strategies for the remaining two years. Because of the diversity of the program locations and the extreme differences between the cultural, educational, and economic levels of the target populations, a rigid program model for small enterprise development was neither sought nor desired. Rather, the conference participants discussed the successes and failures of their own approaches. These discussions were often in the form of debates with participants taking positions for or against such issues as group enterprises and low-interest loans. Thus statements attributed to individuals in the pages that follow are often meant more to provoke discussion than to reflect personal opinions.

The late Paul Goodman was once invited to address a group of dog lovers after their annual show. Why they wanted him to address them was something he never understood, but he agreed to speak. After an afternoon of elaborately trimmed and commanded dogs, the usual reception, lecture, and question and answer period, he politely asked if he could ask a question. Why, he asked, don't you leave those poor dogs alone?

Malcolm Harper was in a perhaps similar situation in Bangkok and must have wondered more than once why a group from a humanitarian social welfare agency wanted to listen to him. He made his position clear with a cautionary tale.

A man was hit by a car as he tried to cross the street. The driver rushed him to the hospital, paid the bill, and eventually delivered him back to the same street corner. As they parted, the driver gave him some money. The victim thanked him, but said he would have been even more thankful if he had not been hit.

The point is that the best thing that can be done for small enterprises and small businessmen may be to leave them alone, to make them as independent as possible. People who want to promote small businesses rarely do this. Instead, they try to do things that the entrepreneurs themselves, or other small businesses could do much more effectively.

Dr. Harper suggested that programs designed to help small entrepreneurs often do more harm than good and tend to overlook or hinder the people who most need help, the noisy, disorderly sidewalk vendors, part-time artisans, roadside mechanics, and, of course, the local loan sharks and middlemen. These are the people, poor themselves, who provide the goods and services purchased by the poor.

Voluntary agencies, whether local, national, or international, working with the poor at the community level may have a number of advantages over other publicly or privately run small enterprise development schemes. The first is motivation. As Dr. Harper points out in Small Business in the Third World (page 198), private enterprises are in business to make a profit and government bodies, "sustain themselves by adhering to procedures and fulfilling politicians expectations, but private voluntary organizations are always established, and usually continue, because their sponsors and employees wish to help people less fortunate than themselves."

"These organizations share many characteristics of the people and enterprises they aim to serve; they are poor, they are small...and their staff may have had little or no formal training. They have themselves to design and test solutions to their problems as they meet them. Individual change agents are likely to be successful if they are similar to their clients in every way except for their knowledge of the innovation they are promoting; in the same way voluntary organizations may be more effective than others because they are more like small enterprises themselves."

The conference discussions focused on how PLAN could most effectively help people make more money. Though many topics were covered, the discussions and debates were shaped by a few underlying issues. Foremost among them was the debilitating effect of charity, of making the enterprises dependent upon subsidies from PLAN. Whether these subsidies are in the form of grants, low-interest loans, training, technical advice, marketing support, or product development, they are still subsidies, services the entrepreneurs will have to pay for themselves when PLAN assistance ends. While grants and low-interest loans may appeal to the humanitarian instincts of agency personnel and can provide incentives to business, they do not reflect the actual cost of money. Enterprises nurtured on such loans may be in for a rude shock when confronted with the realities of commercial credit. Similarly, management training is not

free. It is an expense for PLAN now and will be an expense for the entrepreneur in the future. The point was made again and again that if PLAN is to successfully promote small enterprises, it must treat them as businesses and not as PLAN projects. It is perfectly alright for PLAN to subsidize an entrepreneur as long as those costs are considered in calculating the profits of the business. If PLAN staff decide to fund a community revolving loan scheme for low-interest agricultural loans, they must consider the opportunity cost of money. If the interest is too low, the loans will be little more than grants and the revolving loan fund will soon cease.

SMALL ENTERPRISE DEVELOPMENT
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STATEMENT OF PURPOSE

The purpose of this workshop is to orient PLAN staff to the objectives of the Income-Generating Project and to provide training that will sharpen their skills in the design, implementation, and evaluation of income-generating projects. The technical nature of the wide variety of projects supported by PLAN will preclude our covering this subject in five days, but the workshop will provide us with an opportunity to share our ideas, reflect on our current projects and to learn what other agencies are doing. Among the motivating factors for the workshop are:

* key to program continuity is PLAN's national staff and this workshop provides us one of the very rare opportunities when national staff are included in conference outside of their own countries.

* PLAN has on its staff some of the most dedicated and competent professionals, both national and international, in the field of development. This workshop gives us an opportunity to bring them together and to learn from one another on a regional basis.

* As committed professionals, we are always eager to learn more from those with greater experience in small enterprise development in which sector, Malcolm Harper of the Cranfield School of Management is recognized around the world for his experience and his expertise. We have asked him to join us for the workshop to provide his perspective and to assist in training our key national staff.

CHARACTERISTICS OF A MODEL INCOME-GENERATING PROJECT

by Shirley Buzzard, Ph.D.

- 1) An income-generating project should show a profit.
- 2) The project should generate other economic activity with forward and backward linkages.
- 3) The project will constructively contribute to the community by increasing the availability of quality products and by following fair business practices with regard to other businesses.
- 4) The project will operate along sound business principles of cost control, financial responsibility, and record keeping.
- 5) A project should have a feasibility study covering all investment and operating costs, profit projections, expansion alternatives, and anticipated problems.
- 6) A project should promote equity between the rich and poor, the powerful and powerless, women and men.
- 7) A project should stimulate others to imitate it so that it has a multiplier effect.
- 8) Whether from a business, farm, or vocational training program, the product should be of the highest possible quality.
- 9) Because projects are apt to take off in the third or fourth year, early plans for diversification and expansion should be drawn up.
- 10) The project should be sustainable over the long run though the length of dependency may vary widely.

SETTING THE STAGE: A RATIONALE FOR SMALL ENTERPRISE DEVELOPMENT
Notes on a discussion led by Malcolm Harper

Dr. Harper introduced himself with the caveat that although he had reached the elevated and dubious status of "consultant," the more time he spent studying small enterprise development the less he knew about it. This is a fault he finds with many consultants, a parasitic breed who come briefly and at great expense, produce a plan, and leave again. Once paid, they have nothing to lose if their plan turns out to be a disaster. He himself has found that the value of a consultant to the people he is supposed to be helping is inversely related to the stipend. The higher he is paid the less is the value there is to his work. He is particularly distrustful of large, well financed agencies with equally large development schemes. He suggested that some of the nonsense produced by overendowed agencies and developmental whizbangs could be reduced with certain minimum qualifications. One such qualification might be that, to write a development plan for a strange country, one should at least fly over it by day.

With this introduction, the subject turned to definitions: What is poverty? What is a project? What are the effects of the words we use on the work we are doing?

The answers varied. Poverty is having less than the family next door...being able to obtain adequate food, shelter, clothing, health care, and education... lack of access to resources.

The definitions of "project" were even more varied:

- a plan of action to achieve a goal
- a task
- activities which are directed towards some goal
- an objective to be achieved through specific activities
- a way or means to achieve a goal in a specific time frame
- an organized activity using resources to achieve development
- a planned activity implemented and evaluated by a person or group, the result of which is owned by the person or group
- something requiring inputs from which outputs may be expected

All of these definitions are acceptable in a lexicographical sense but they are vague, general, and, considering the homogeneity of the group, extraordinarily diverse. Unfortunately they are diverse enough and general enough to mean anything to anybody. (Fortunately, even Dr. Harper lacked the temerity or the time to ask for a definition of development.)

Plans, activities, and objectives are all quite different. In PLAN the word "project" can describe vaccination campaigns, building schools, small business promotion, and even the small businesses themselves. The inherent danger in this is that the activities to promote businesses may assume the reality of the businesses themselves and the means be mistaken for the ends. Businesses are not like vaccination projects, and activities to promote them cannot be measured in the same terms of inputs and outputs: X amount of training plus X amount of money and X amount of client participation resulted in X thousand children inoculated. The same formula for small businesses is absurd. Implementing a

given number of income-generating activities in a particular period of time is totally different from building ten schools or vaccinating a thousand children. Making ten loans is not at all the same thing as starting ten small businesses.

It is shortsighted at best and arrogant at worst to think that "implementing a project" is the same as starting a business. PLAN can organize training programs or finance lending schemes but the people who borrow the money or sell a product-- the people who are taking the risk, are the ones who are starting the business and will bear the ultimate responsibility for its success or failure. PLAN can take some marginal pride in having provided the money or the training which led to the business, but the credit or blame rests with the people doing the work.

Calling someone's business a PLAN income-generating project can lead to a false proprietary and patronizing attitude which is, in the long run, detrimental to business. If PLAN weavers sell material to PLAN tailors to make school uniforms for PLAN children and if the whole thing is based on low or no interest loans or grants, what happens when PLAN and its free money leave? "Income-generating projects" like this are one of the reasons Dr. Harper dedicated a book to the small businessmen who survive "in spite of everything we do for them."

There is an inherent tension between philanthropy and business which is nowhere more apparent than at this conference. Clearly, everyone attending the conference has a strong philanthropic, social welfare orientation. All have chosen to work for a nonprofit agency which, at the most basic level, judges its success in terms of the money it spends. In spite of this, all are in Bangkok to learn how to help other people make money.

In view of this clear divergence of interest, why should PLAN or any other social welfare agency try to promote small enterprises? Do the millions of small enterprises growing and dying everyday need PLAN? Why not just leave them alone? Certainly it is nice that the "Income-Generating Project" is giving us jobs and has brought us all to Bangkok and this inadequately air conditioned room, but what do we have to offer small business?

While it is possible that PVOs might be able to supply and/or promote skills, attitudes, financing, and access to useful information, why should they? Wouldn't PVOs do better by doing the social welfare work which they do best and leave the economy to private enterprise and government agencies?

The group was arbitrarily divided into two groups. The right side of the room to be in favor of PLAN's involvement with small enterprises, the left opposed. The ideas of the two sides are listed below.

For:

- Simplicity, PLAN is smaller, simpler, and more responsible than governments and banks
- Group motivation/cooperatives
- Close to people
- People have asked
- Perceived of as nice guys
- Staff commitment (we really are nice guys)
- No vested interest

Knowledge of the people and community
Small-scale
Ability to be innovative and take risks
Integrated program
Communication and access to information

Against:

No vested interest--i.e., no motivation and nothing to lose.
Duplication of other agencies' efforts
Alice in Fosterland--we are too nice, take risks for people, not
businesslike
No support structures
Create dependencies
PVOs have no profit motive
Social welfare orientation
No long term commitment
Too much money
We try to move too fast
We are new to the game

Mr. Harper pointed out the similarities of the two lists--and suggested that some of the items on the "against" list could be positive, that PVOs might be able to make use of their small scale and their community involvement to promote the skills, attitudes, and information necessary for small entrepreneurs.

MOTIVATION FOR ENTREPRENEURSHIP

The afternoon session began with a game, the object of which was to get a tennis ball into a wastebasket. The prize, 100 Bhat, was left on a table. With no rules given, the game began.

The game was interesting both in the context of individuals and group behavior. Some walked up to the basket and dropped in the ball; others threw from a distance, missed, and sat down; still others started from the middle ground and threw the ball repeatedly, moving further back with each success or closer with each failure. One person, unconcerned by the obvious chagrin of the group, spent a great deal of time throwing from varying distances. The fourth player dropped the ball in the basket, pocketed the money and sat down. The game continued.

In the discussion following the game Dr. Harper discussed the reactions of other groups who had played. Some groups, civil servants, bankers, and bureaucrats, generally, were very uncomfortable with the lack of rules and one group of civil servants went so far as to appoint a committee to write rules.

Most normal businessmen tended to take moderate risks, to try something just beyond what they thought they could achieve. The responses of various groups highlight their basically different characters and motivations. Bureaucrats, particularly civil servants and bankers, operate in a world of imposed and systematic regulations and come to expect and depend upon those controls for stability and security. Entrepreneurs, on the other hand, to be successful, must make quick decisions based on the often inconsistent behavior of their customers, suppliers, or distributors. Clearly the two groups operate in different and often conflicting environments.

The differences can be discussed in terms of "locus of control," which can be internal or external. The bureaucrat, civil servant, and banker tend to have a high external locus of control and wants a body of rules, preferably set by others...procedures to bind and control activities, to limit risk. Entrepreneurs tend to have an internal locus of control and a preference for moderate risks. Further, they learn from their experience; to stay in business, they must.

A list of other entrepreneurial traits and characteristics evolved from the ensuing discussion. These characteristics included:

- a desire or need to earn money
- a desire to be in control
- clear objectives
- hard working
- shrewd (street wise)
- imaginative
- realistic
- tenacious
- self-centered
- inquisitive
- creative
- innovative
- customer oriented

able to grasp opportunities
optimistic
aggressive/assertive
tough
flexible
ambitious
concern for quality and efficiency
enthusiastic
persuasive

Most of these qualities were positive but some were not. An entrepreneur could also be:

manipulative
impatient
discontented
intolerant
restless
apparently erratic

Dr. Harper is working on ways to train people to develop these skills. Naturally not all entrepreneurs have all these traits, many do not even have most. However, if people have at least some of these traits, their chances of starting a successful venture will be improved. The fact was stressed that entrepreneurs are not necessarily nice people. It is important to recognize that there is a negative side to entrepreneurship and that success demands rather rare characteristics. The successful entrepreneurs of a community tend to be a small group of individuals. The implication is obvious. Not everyone should be encouraged to start a business, assistance should be highly selective and focused on those individuals with reasonable chances for success.

The somewhat asocial attributes of entrepreneurs also have an implication for the types of programs to be set up--whether they will be group projects or individual projects. This presents a conflict for PVOs whose mission is basically egalitarian and philanthropic. Ideally, a few successful entrepreneurs in a community will, intentionally or not, contribute to the general welfare of the community. The inherent conflict for PVOs comes in the necessary decision whether or not to direct their aid to the relatively small (elitist?) group with the best potential for success. Since only a few will benefit from the training and financial backing necessary for them to start a business, to train everyone who is interested, qualified or not, would be an egregious waste of money.

The discussion then turned to the ways to promote enterprise in a community. Dr. Harper suggested that the best entrepreneurship development device was not cost effective. After a puzzled silence, he said he was talking about Japan. The "device" was the atomic bomb. Japan and Germany show the effect that total disruption can have on enterprise development. In answer to the shocked statements that Japan and Germany had been industrialized economies before they were destroyed, that the people already had entrepreneurial skills and needed only time and money to recover, Mr. Harper suggested the examples of South Korea, Hong Kong and the United States. The success of the United States, he suggested, was a result of its people, 99 percent of whom were refugees arriving in a new country with nothing. The growing success of the latest wave of refugees in the

United States--the Indochinese--further reinforces the point that being an alien, dislodged from a fixed position in society, is conducive to entrepreneurship. This fact may be the basis of the many groups of often despised minorities who are engaged in commerce. The expatriate Chinese, Greek, Sikh, Indian, Tibetan, and Jewish economic communities, for example, may thrive not because they have any particular ethnic advantage but because they are or were distrusted outsiders with only two options--sink or swim.

The implication was that this phenomenon occurs at the individual level as well as at the group level and that aid for small enterprise development might usefully be earmarked for people with nothing to lose and everything to gain: widows, urban migrants, landless laborers, and refugees.

DEVELOPING ENTREPRENEURIAL SKILLS

The discussion, led by Dr. Harper and Jovita Culaton, began with an exercise. A drawing was shown to the group of a man writing at a desk facing a window in an office. On his desk is a picture of a woman and a child. After a few minutes the drawing was put away and the group was asked the answer to three questions:

- What has happened?
- What is going to happen?
- What is the man thinking about?

The point of the exercise to determine the motivation of the viewer. The responses generally fall into one of three categories of motivation: affiliation (love, family, affection); power (impact, influence on others); or achievement.

Research has shown that motivation based on achievement rather than affiliation is more likely to result in financial success. By asking people to write stories about this and similar drawings it is possible to classify people's motivation into one of these three categories. Odd as it seems, these exercises correlate with people's behavior and have been used by some banks as a technique for determining whether or not to approve loan applications.

The use of these techniques has been shown to be an effective means of developing effective motivation for entrepreneurship. Dr. Harper said that several years ago he shared the obvious skepticism of the group and once insisted that entrepreneurs were born and not made and that training to develop entrepreneurial skills was a waste of time and money. He referred skeptics to the appropriate section of Entrepreneurship for the Poor and concluded his part of the discussion with a warning: Perhaps the most powerful way to enhance or crush the entrepreneurial spirit is the way in which you implement the projects you are already doing.

At this point, Jovita Culaton, Asia Representative of Partnership for Productivity, discussed her experiences directing the Philippine Government's micro-industries development program. One of the goals of this program was to determine the most cost effective way to provide services to entrepreneurs and would-be entrepreneurs.

Her activities ranged from advising and training entrepreneurs to setting up small business clubs in schools. She found that successful entrepreneurs--those who repaid their loans--tended to have three things in common.

- Their business was their sole source of income.
- They had a higher than average number of dependents.
- They had a higher than average educational level.

A discussion which ensued centered on the issues of individual versus group endeavors and feasibility studies. Germane points from the discussion are included in sections ten and thirteen.

PLAN/BICOL'S PRE-LOAN ORIENTATION TRAINING PROGRAM AND
PROJECT SUPPORT AND MARKETING SYSTEM

One of PLAN/Bicol's primary goals is to build up local institutions to the point where they can play an active role in the social and economic development of the community when PLAN support is phased out. To this end, associations composed of approximately 9,000 families currently or formerly associated with Foster Parents Plan have been organized in Camarines Norte, Camarines Sur, and Albay as nonprofit corporations and registered with the Securities and Exchange Commission. It is through these associations that PLAN implements its program. As the associations gain confidence and experience, they will take on more and more direct responsibility for the program.

To insure grassroots involvement, health, education, community development, and employment project committees have been elected within these associations to serve each of PLAN/Bicol's 39 locations. The function of these committees is to identify and prioritize community needs and, in concert with PLAN staff and other relevant public and private agencies, to plan, implement, monitor, and evaluate development projects.

One strategy for strengthening these associations is for PLAN to use them as a channel for loans supporting family and group income generating projects. The loans are then repaid not to PLAN but to the associations with the profits earmarked for additional loans and projects of benefit to the community. Unfortunately, loan repayments have in the past been low and many of the funded projects have failed. PLAN staff and members of the family associations spent a major part of FY 1984 examining the reasons for this poor showing. Though there were many external factors contributing to the poor economic environment-- interest rates of 40 percent, 60 percent inflation, a shortage of imported raw materials, a 117 percent devaluation of the peso, and natural disasters, they found a significant number of loan failures were the result of:

- A poor understanding of credit.
- Little understanding of the market.
- Low family income.
- Misuse or diversion of loan funds.
- Inadequate business management skills.
- Poor planning.
- Inadequate orientation and motivation.
- Poor sales and low prices for products.

As a result of these findings, a number of changes were made in the loan approval process and in the project support and monitoring systems. This report will focus on two of these changes: the Pre-Loan Orientation Training program (PLOT) and the marketing and project support network now being established. Though starting a business or initiating an income generating project will continue to be a chancy undertaking, the PLAN staff and family associations hope to provide the training, motivation, and support necessary to turn the gamble into a calculated risk.

PRE-LOAN ORIENTATION TRAINING

After experience taught that loans had frequently been given prematurely, the PLOT program was designed to provide a basis for the effective use of production

loans. It consists of 24 hours of workshops, audio-visual presentations, lectures, role playing, case studies, and discussions for groups of about 30 at a time. During the course of the three-day program the various forms used to apply for and monitor production loans are presented and explained and participants learn the basic techniques necessary for project feasibility studies. Members of all of the more than 9,200 PLAN/Bicol Foster Families will have completed this program by June 1985.

The general objectives of the program are both ideological and practical. At the end of the program, participants are expected to:

Have a clearer understanding of their roles as individuals, as members of families, and as members of family associations.

Understand the uses of a community-based credit association and the mutual rights and obligations involved in membership.

Have a stronger awareness of the importance of thrift, savings, and the wise use of money.

Understand a simple accounting system.

Understand some of the factors involved in planning a successful income generating project.

Day One

Morning

After registration and a brief overview of the program by a member of the local PLAN staff, the participants discuss the program, loans, and income generating projects. The discussion focuses on their expectations of the training program, themselves, the trainers, and the other participants. These individual expectations are then synthesized to serve as objectives for the group as a whole.

Afternoon

The afternoon is spent identifying factors affecting local credit. These factors, positive and negative, include specific strengths and weaknesses of the individuals and of the group as a whole. Community resources and infrastructure which might influence a project are also considered. For example, a fishing community with access to transport and good roads might consider the feasibility of getting a loan to buy an insulated fish box to transport the fresh fish to market. In the absence of good roads or transport, they would have to dry or process the fish. Similarly, the availability and price of raw materials would have an impact on both the handicraft project and on the economic situation of the community.

At the end of the day the participants should be able to:

Demonstrate an understanding of the orientation program and show how it can or cannot meet their expectations.

Identify some of the strengths and weaknesses influencing their individual and collective credit.

Demonstrate some understanding of the problem solving and decision making process.

Establish their respective credit profiles based on their identified strengths and weaknesses.

Day Two

Morning

After a review of the lessons learned the first day, the group examines the concept of credit and its application to their individual goals and the goals of their family association. The mutual rights and responsibilities of membership in a credit association are presented first in a short lecture and then developed through group discussions. Hypothetical projects are presented and their chances for success or failure are discussed. These discussions cover the questions which must be asked to determine whether or not the loan is likely to be repaid and includes not only the specifics of the project but also the characters and credit histories of the people asking for the loan.

In effect, these discussions introduce the group to the idea of the feasibility study, the basis upon which the elected officers of their association will recommend that the loan be either granted or denied.

Topics covered include:

Personal Data: Is the applicant (or applicants) a responsible member of the community? Does the applicant have a good credit history? Can the applicant repay the loan?

Socio-Economic Data: Will the project generate employment? How will it influence the local environment and culture? Are other sources of funding or support available?

Financial Data: How does the family's present income compare to its expenses? How reliable are the sales forecasts? Are the projected profit margins realistic? Will the loan provide sufficient working capital?

Technical Data: Does the applicant have the skills to manage the project? Is the project realistically planned? Is technical assistance available? Have equipment maintenance and/or replacement costs been considered in the planning? Is the production capacity relevant to the anticipated demand? Is there a reliable source of raw material?

Marketing Data: Is there a demand for the products or services? What percentage of the market will be exposed to the product or services? Is the product or service competitive with other similar ventures? Have the channels of distribution been organized?

Afternoon

The afternoon is spent on practical details--how the loan application is processed and the roles of the association's officers, project committee, and PLAN staff in the loan approval and project support process.

By the end of the day the participants should have a basic understanding of the credit system, feasibility studies, loan application processing, and the roles of the association members and PLAN staff involved in approving loans.

Day Three

The third day is devoted to money--how to use it, how to save it, how to keep track of it, and, most importantly, how to borrow and repay it. The morning is spent role-playing, with the objective of learning to use money wisely. The afternoon begins with simple budgeting, accounting, and record keeping. The envelope system and the two box system of budgeting are presented and the advantages and disadvantages of each are explained.

Finally, the participants are introduced to the promissory note and the "Loans Receivable Control Sheet," a form used by the family associations to monitor loans which details the amount of the loan, the terms of payments, actual repayment made, and the balance due.

By the end of the pre-loan orientation program the participants will have been exposed to all of the information, techniques, planning needs, and available resources required to plan an income generating project. Clearly the program covers too much too quickly for the participants to remember everything and no one expects them to. The hope is that they will gain a general understanding of what is required to plan a project and get a loan and that they will see PLAN and the family association as resources to help them improve their income and community rather than simply a source of money.

The PLAN/Bicol loan criteria reflect the emphasis placed on this training-- completion of the preloan orientation is now the first of the four basic loan criteria. The remaining three are:

1. Applicants should have no previous loan, or,
2. If there is a previous loan, there should be no arrearages.
3. Applicants should have signified in the Family Development Plan their intention to implement a specific income generating project.

THE PROJECT SUPPORT AND MARKETING SYSTEM

The marketing system now being organized by PLAN/Bicol and the Bicol family associations arose from the same review process responsible for the preloan orientation training program and, like it, has the goals of strengthening the family associations and helping to assure the success of PLAN supported family and group income generating projects. The goal is to foster small enterprise development by creating a systematic program incorporating training, market identification and development, product and skills development, supply and distribution, and project evaluation.

Until now, marketing in the Bicol region has been firmly in the hands of middlemen. It is they who know the buyers, sellers, producers, and distributors, and they who make the greatest profit. A basket weaver, for example, may buy her raw material from one middleman and sell her finished baskets to another. The basket she sells for 15 pesos may double or triple in price by the time it reaches the consumer in Manila. The individual basket maker working at home is bound by her other responsibilities and limited frame of reference. She has little choice but to accept the price offered by the middleman. With direct access to raw materials and markets she could substantially increase her income. Similarly the farmer with a surplus of produce and the fisherman with more fish than can be immediately sold must turn to the middleman.

The point of the PLAN/Bicol marketing system is to reduce the power of the middleman, to see to it that the people who do the work receive an equitable share of the profits. To do this, the PLAN staff and family associations have taken the production, distribution, and marketing model made infamous by the multinationals and scaled it down to serve the needs of the small producer. PLAN and the family associations hope to give their producing families substantial control of the supply, production, distribution, and marketing of their products through a simple but comprehensive marketing and support network. If successful, this network will institutionalize an ongoing, independent, and effective resource and skills development program based on village-level organization.

Organization

When PLAN staff in the Camarines Norte provincial office first thought about a marketing system, they considered forming marketing committees in each of the 39 PLAN locations. Preliminary meetings with the project committees of the family associations quickly showed that there was no need to create new committees. The project committees were already involved in income generating activities in their locations and welcomed the opportunity to be strengthened by having a greater role in marketing. Thus, the project committees were involved in planning the marketing structure from the beginning.

The organizational and operational details of the marketing system were worked out in a series of meetings between Antonio Dames, the Marketing Coordinator in PLAN's Camarines Norte provincial office, and the project committees. The final plan called for the election of marketing representatives (salesman) by the project committees in each location. Since there are two distinct types of projects, the first intended to stimulate agricultural productivity and the second to create or promote off-farm employment for those not currently engaged in agriculture, it was only logical that there be agricultural and non-agricultural marketing representatives be elected by the people. These representatives are currently serving on a voluntary basis but, as the demands on their time increase, the associations expect to pay them.

Once the marketing representatives were elected, each province was divided into four districts to be served by District Marketing Committees composed of the location marketing representatives. The elected chairmen of the District Marketing Committees will be organized into the Provincial Marketing Committee and also elect a chairman.

The final organization step in the system will be the Regional Marketing Committee composed of the chairman of the Camarines Norte, Camarines Sur, and Albay Provincial Marketing Committees.

Operation

Location Marketing Representatives

The Location Marketing Representatives are responsible for channelling information to and from participants in income generating projects and facilitating the exchange of products and services. They will:

Monitor the supply, demand, quality, and price of products and services in their locations.

Maintain a product distribution program in coordination with other marketing representatives through the District and Provincial Marketing Committees.

Submit reports to the family associations, project committees, and PLAN staff on the status of projects in their areas.

Assist the project committees in the selection, development, monitoring, and evaluation of income generating projects.

District Marketing Committee

The four District Marketing Committees in each province will serve as information brokers, providing product, marketing, and technical information within the district and transmitting information on district needs, products, and services to and from the Provincial Marketing Committee.

Provincial Marketing Committee

The provincial marketing committees will be responsible for the overall coordination of the provincial marketing programs. They will:

Consolidate information received from the District Marketing Committees.

Submit reports on provincial products and services to the Marketing Coordinators.

Facilitate product transfer and provincial commerce.

Organize a provincial marketing center when and if it is feasible.

Maintain contact with public and private agencies concerned with cottage industry, agricultural development, marketing, and product and skills development.

Institutional Networking

Though there are many agencies in the Philippines concerned with regional economic and agricultural development, cottage industry, technical assistance to

small enterprises, trade, and vocational training, many of the needy families who could use their help do not get it. There are two reasons for this. The agencies have limited budgets and manpower, and the families have limited frames of reference. The microeconomic scale of the PLAN-sponsored projects can sometimes add another barrier to outside assistance. NACIDA, the government agency responsible for the development of cottage industry, does not have the resources to provide services for everyone who needs them. The woman who makes seven or eight baskets a week in her spare time is not likely to receive or even ask for technical assistance. If, however, a member of a district or provincial marketing committee who represents 200 basket weavers asks for assistance, the chances for success will be much better.

Two promising networking ideas are already in the works. The first involves the printing of a product catalog to be distributed to relevant agencies and potential commercial outlets. The idea for the catalog grew out of the favorable response to Foster Families' products at a 1984 buyers' fair in Manila. The second project, now in the preliminary planning stages, involves a proposed trade center in Camarines Sur.

If these projects are successful, they will provide a base for the systematic linking of the family associations to the Philippine business community. As the quality of the products and the production capacity improve, the export market will also be explored.

The Role of the Marketing Coordinators

Each of the three PLAN/Bicol provincial offices has a Marketing Coordinator with broad responsibilities in marketing, technical advice, skills and resource identification, and training. Their job description, summarized below, gives a clear picture of the scope of their responsibilities.

Duties and Responsibilities:

Assisting the location marketing representatives of the project committees in the identification, development and evaluation of opportunities through which PLAN families' products and services may be marketed.

Facilitating the identification of market outlets and the development of a marketing program for PLAN-funded projects through coordination with appropriate public and private agencies or individuals on a provincial, regional, national, and international basis.

Recommending training programs to the Training Coordinator at PLAN/Bicol Headquarters and providing direct training to PLAN family members in the identification of business opportunities, product development, pricing, supply and demand analysis, distribution, and promotion.

Assisting the location marketing representatives in the evaluation of marketing programs.

Submitting narrative and statistical reports to PLAN/Bicol senior staff to enable them to monitor and evaluate the impact of PLAN/Bicol's marketing strategies.

Identifying and attending marketing and trade fairs relevant to the PLAN families products and services and channelling pertinent information to project participants through the location marketing representatives.

Determining the immediately marketable skills of affiliated families and providing them with employment counsel directly, through the location marketing representatives, or through their PLAN social workers.

Most of these duties are intended to be temporary. As the system develops and the family associations, project committees, and marketing representatives gain confidence and capability, they will gradually assume the duties and responsibilities now held by the marketing coordinators.

Expected Results

When fully established, the PLAN/Bicol marketing system should provide family association members participating in or contemplating income generating projects with:

The chance to make more money.

A viable alternative to the present domination of the market by middlemen.

Such supporting services as provincial markets, access to transport, and opportunities for product promotion through trade fairs and craft exhibits.

Access to relevant public and private agencies concerned with trade, product development, design, packaging, and marketing.

Access to technical and vocational training.

An integrated linking of related projects, from the gathering or growing of the raw materials to the final sale of the products.

The system should also help to assure the family associations of better loan repayment rates which, in turn, will provide funds for additional production loans. This growth may provide the incentive for families not affiliated with Foster Parents Plan to join the associations.

Discussion

The lengthy and heated discussion following Noly Iglesia's presentation of PLAN/Bicol's pre-loan orientation and training program and project support and marketing system centered on whether to blame or praise the marketing system.

The blamers saw it as yet another complicated and ultimately paralyzing bureaucratic nightmare imposed on the struggling entrepreneur by a wrong headed big brother PLAN. The praisers saw it as an organizational stroke of genius which would bring to the family associations what the marketing department brings to the large manufacturer--rising sales and rising incomes.

The argument turned on whether or not the producers could fire the salesman (marketing representatives) if they did not sell. Mr. Iglesia said that they could, that in spite of their bureaucratic trappings the salesmen worked directly for the PLAN families. He went on to say that some middlemen had complained losing money since the program began.

COMMUNITY DEMAND/RESOURCE ANALYSIS

By Jovita D. Culaton

The objective of the community demand/resource analysis is to assist entrepreneurs and/or community groups to identify potential business opportunities with a high likelihood of success. The analysis helps determine what there is a demand for, what goods and services are or are not available, and what resources and infrastructure are available to facilitate business opportunities. This analysis is a pre-feasibility analysis in that it points the entrepreneur towards what might be possible. Once potential ventures are identified, it is still necessary to complete a thorough feasibility analysis for each option.

Step One: Community Demand/Resource Analysis Survey

The first step is to complete the survey. You will notice that it is not a survey to be completed in one sitting or by one person. It is important that the survey be coordinated by one person (perhaps a community development worker) but with the assistance of the group members and or potential entrepreneurs. What is important about the survey is that by completing it, the surveyers gain a working knowledge of the local economy. This is as important as the final objective of identifying potentially successful ventures.

Here are some ground rules for completing the survey:*

1. Everyone who expects to be involved in the ventures to be identified should take part in the survey.
2. There are no shortcuts for collecting the information. In some cases you may be able to estimate answers, but in other cases you will have to observe directly or seek information from shopkeepers, farmers, or anyone else who may have the necessary information.
3. Take your time! Allow several days if you are completing this full time, or a couple of weeks if you are undertaking this study along with other activities.

Step Two: Analyzing Survey Results

The challenge to analyzing the results is that you will have a great deal of diverse information to consider. The accuracy of this information will vary... you can never be completely sure of your answers. More than anything else, it is important to realize that there is no one correct answer. In fact, you should arrive at several (up to five) options for potential ventures. Once you have determined these, a feasibility analysis for the most promising should get you started in the right direction.

* The sample is a completed form from the Philippines.

Here are some ground rules for analyzing the survey results:

1. The analysis should be conducted by more than one person. A committee of from two to four should be sufficient.
2. Once again, take your time! It will take more than one sitting to weigh your different options and potential ventures.

Step Three: Market Study

Once you have identified your potential products, you must take the analysis one step further and question potential buyers of the proposed goods or services to assess the demand. The Market Questionnaire will allow you to systematically collect information to assess the actual market. This information will serve as the basis of the market study segment of your feasibility study, the next step in preparing for your income generating projects.

Here are some ground rules:

1. You may include all potential participants in the market survey.
2. In selecting households or potential buyers to interview, you should try to get a good cross section of buyers from your community. Most importantly, you should interview enough potential buyers to see trends and common responses. Consider 10 potential buyers an absolute minimum. In some cases you may have to interview twenty or thirty.
3. Be sure you have prepared enough forms and that the surveyers understand the questions. Surveyers should be advised to fill in the questionnaire as they ask the questions.
4. The results should be tabulated to provide you with one last confirmation of your product choices.

PARTNERSHIP FOR PRODUCTIVITY/INTERNATIONAL

COMMUNITY DEMAND RESOURCE ANALYSIS

1. Name of community
Tilo Tilo Island
2. Approximate population 100,000
3. Nearest town or city IloIlo City
4. Province IloIlo Province
5. Type of settlement:
 - (a) Strong central nucleus - homes and businesses concentrated in small central area
 - (b) Small nucleus of homes and businesses with dispersed houses
 - (c) nucleus of homes and businesses
 - (d) Linear - most homes and businesses on highway or near railroad tracks (station) but large center of shops and homes
 - (e) Linear - small nucleus of homes and businesses
 - (f) Linear - no nucleus of homes and businesses
6. Tribe _____
7. Headman(men) Name _____
8. Languages/dialects _____

Date : April, 1984

Survey taken by : PVO

9. Are there any of the following?

	Yes	No
a. Bank	<input checked="" type="radio"/> Y	<input type="radio"/> N
b. Post Office	<input checked="" type="radio"/> Y	<input type="radio"/> N
c. Telephone	<input type="radio"/> Y	<input checked="" type="radio"/> N
d. Telegraph	<input type="radio"/> Y	<input checked="" type="radio"/> N
e. Gov't primary school	<input checked="" type="radio"/> Y	<input type="radio"/> N
f. Vocational trade school	<input type="radio"/> Y	<input checked="" type="radio"/> N
g. Paved roads	<input checked="" type="radio"/> Y	<input type="radio"/> N
h. Railroad access.	<input type="radio"/> Y	<input checked="" type="radio"/> N
i. Motorized bus service	<input checked="" type="radio"/> Y	<input type="radio"/> N
j. Truck/transport service	<input type="radio"/> Y	<input checked="" type="radio"/> N
k. Electricity	<input checked="" type="radio"/> Y	<input type="radio"/> N
l. Water system	<input type="radio"/> Y	<input checked="" type="radio"/> N

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PURCHASING POWER

10. How many people have moved here in last 5 years?
Many _____ Some _____ A few _____ None X

11. Where have most of them come from?
Around here _____
From other parts of the country _____

12. Why have they moved here? _____

13. How many have left this community to live elsewhere in the last five years?
Many _____ Some X Afew _____ None _____

14. Where have most of them gone?
Near here _____ Iloilo City _____
To other parts of the country _____
Manila _____

15. Why have they left? Work, Opportunities

16. How hard is it to find permanent employment here?
(not seasonal work)
Very hard _____ Hard X Fairly easy _____

17. Why? There are few jobs outside of farming.

18. How many people here are looking for work and can't find it?
Many X Some _____ Afew _____ None _____

19. Compared to five years ago, is there more work, less work, or the same amount of work?
More _____ Less _____ Same X

20. Why is there more/less work now?
Very little new activities

21. Has self-employment increased in the last five years?
More X Less _____ Same _____

22. Why?: FEW other employment opportunities,
people want to increase their incomes.

23. How has salaried employment changed in the last five year?
More _____ Less _____ Same X

24. Why? Very little

25. Is there much seasonal employment? yes,
Mango, Sugar, Cashew

COMMERCE

26. Do you have . . .

Facility	Yes	No	Excess	Capacity		Condition		Most products' sold			
				Adequate	Lacking	Good	Poor	Local	National	Export	
a. Municipal Market	x			x			x		x		
b. Open Market	x				x		x		x		
c. Meat packing plant		x									
d. Milk cooling /storage		x									
e. ^{Sugar} Grain storage/mill	x		x				x			x	
f. Food wholesaler	x				x		x		x	x	
g. Produce Collecting Mango Station	x		x			x				x	x
h. Transport dealer		x									

27. What retail stores does you have?

<u>BUSINESS</u>	<u>NUMBER</u>
a. General store	6
b. Small grocery store	28
c. Vegetable store	0
d. Butcher shop	2
e. Restaurant/eating establishment	18
f. Charcoal dealer	7
g. Hardware store	0
h. Agricultural supply store	1
i. Machine shop (agri. and indust.)	0
j. Gas station	2

<u>BUSINESS</u>	<u>NUMBER</u>
K. Const. ion ion/building materials	0
l. Clinic/chemist	2
m. Clothing/fabric store	2
n. Furniture store	0
o. Barber shop	6
p. Shoe store (only shoes & leather)	0
q. Jewelry store	0
r. Beauty salon	0
s. Junk/spare parts	0
t. Bar/liquor Store	4

<u>BUSINESS</u>	<u>NUMBER</u>
u. Soda pop dealer	2
v. Handicrafts store	0
w. Book/stationery store	0
x. hotel	0
y. Bicycle shop	0
z. Funeral home	1
aa. Photography studio	1

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28. What are examples of the kinds of businesses run by people with the lowest income : (e.g. selling salt, newspapers)

	Sources of Supply Local/National/Imports National	Wholesale/Retail w/r
Sari Sari Stores		w/r
Cigarette vendors	National	w/r
Market vendors (vegetables, fish)	Local, National	w/r

29. Where do people generally go to buy things they can't buy here? What goods do people buy from neighboring communities: IloIlo City, people buy most things at Ilo Ilo City.

30. What goods do consumers buy from the District Headquarters? IloIlo clothes, shoes, household goods

31. What goods do people buy from the Provincial Headquarters? same, construction materials, supplies, equipment, spare parts, tires, machinery

32. What goods do consumers buy from other locations?

Location : IloIlo, see above
 Goods: _____
 Location : _____
 Goods : _____

INDUSTRY

33. What kind of natural resources do you have available in your community:

RESOURCE	Availability Timeliness		Volume			Cost per Unit
	Season	All year	Small	Medium	Large	
<u>Mineral Resources</u> (Includes clay, salt, limestone, etc.) Seashells		all year		x		
<u>Forrestry Resources</u> Charcoal		all year			x	
<u>Animals, Plants, and their By-Products</u> (Leather, Jute)						
Copra		Seasonal			x	
Pandan		Seasonal			x	
<u>Water Resources:</u>						
Springs		All year	x			
Rain		Seasonal	x			
<u>Energey</u>						
For home : cooking, lights		Charcoal	x			
		Oil		x		
For industry : processing, etc.		Electricity	x			

1-25-

INDUSTRY

34. Are there the following types of manufacturers? Where do they get their materials (backward linkages) and who do they supply (forward linkages)?

<u>TYPE</u>	<u>NUMBER</u>	<u>BACKWARD LINKAGE</u>	<u>AVAILABILITY</u>	<u>FORWARD LINKAGE</u>	<u>Demand AVAILABILITY</u>
a. Carpenter shop	0				
b. Machine shop	0				
c. Bicycle repair	0				
d. Brick/block factory	0				
e. Metal working shop	0				
f. Tailor	6	IloIlo City	Good	Villagers	Regular
g. Box factory, basket, sacks	0				
h. Sawmill	0				
i. Mechanic	4	IloIlo City	Medium	Villagers	Regular
j. Tinsmith	0				
k. Blacksmith/ag. implements	0				
l. Miller Sugar ilo, Rice	1 / 0	Small Farmers	Seasonal	Iloilo	Fluctuates
m. Construction	0				
n. Food process Mango	1	Small Farmers	Seasonal	Ilo Ilo, Manila	Good
o. Ceramics/pottery	0				
p. Cloth printing/dying	0				
q. Bakery	2	IloIlo City	Medium	Villagers	Regular
r. Canning	0				
t. Printer	0				
u. Broom maker	0				
v. Charcoal maker	15	Small Farmers	Excess	Ilo Ilo, Villagers	Good

AGRICULTURE

35. What size are most farms here? 1-2 Ha. How large are the largest? 50Ha. The smallest? 1/2 Ha.

36. What is the availability of:	<u>Access</u>	<u>Cost</u>	<u>Seasonality</u>
Land	<u>Difficult</u>	<u>high</u>	<u></u>
Water	<u>Difficult</u>	<u></u>	<u>rainy season, no irrigat</u>
Transportation to Market	<u>Difficult</u>	<u>high</u>	<u>all year</u>
Farm Machinery/Animal Traction	<u>-ok-</u>	<u>-ok-</u>	<u>all year</u>

37. What crops are grown to eat? Rice, Corn, Fish

38. What crops are grown to sell?	<u>Market</u>	<u>Transport</u>	<u>Supplies</u>
	<u>Local, National</u>	<u>Good, Medium, Poor</u>	<u>Available/Not available</u>
<u>Sugar</u>	<u>local and national</u>	<u>poor</u>	<u>available</u>
<u>Mango</u>	<u>local and national</u>	<u>poor</u>	<u>partial</u>
<u>Cashew</u>	<u>local and national</u>	<u>poor</u>	<u>partial</u>
<u>Copra</u>	<u>local and national</u>	<u>poor</u>	<u>partial</u>

39. What animals are raised to eat or to sell?

<u>Chicken</u>	<u>local</u>	<u>poor</u>	<u>not available</u>
<u>Pigs</u>	<u>local</u>	<u>poor</u>	<u>not available</u>
<u>Goats</u>	<u>local</u>	<u>poor</u>	<u>not available</u>

40. What produce or meat do people eat that they do not produce locally? beef, vegetables

41. What processed food is eaten here but not processed locally? sausage, dried fish

12.

Facilities and Assistance

42. What financial institutions operate in the community and what services do they provide? What availability is there to people of modest means? Which of the following services are provided by each institution? Working Capital Loans, Long Term Loans, Loans to purchase consumer goods, Savings facilities, Checking facilities.

<u>Financial Institution</u>	<u>Services</u>	<u>Availability</u>
Commercial Bank	Savings, Checking, loans	Only for the wealthy, inaccessible
Development Bank		
Credit Union		
Special Credit Program	Savings Clubs	Very available

43. Which of these agencies worked here last year, which provide training and/or technical assistance?

<u>Agency</u>	<u>Services</u>	<u>Availability</u>
1. Ag. extension	Info. for sugar crops	medium
2. Cooperative development	no	
3. Social Welfare	Nutrition, family planning, health	medium
4. Public works	no	
5. Min. Commerce/Industry	no	
6. Training institute	no	
7. National Purchasing Agency	no	
8. Community Development Office	2 Pvos	medium
9. Municipal Development Office	planning, electricity	medium
10. Other? Min. of health	Primary Health Care	medium

1. What are the business opportunities?

Question 27: What businesses is your community lacking? What businesses are underrepresented? Is there a need for a wholesale supplier for the existing businesses?

Question 28: Is there an opportunity to provide supplies or services to the activities of the poorest sector?

Questions 29-32: What kinds of goods or services do people seek from outside the community that might be provided locally?

Question 34: What kinds of small manufacturers are missing in your community? Is there a need for a source of raw materials for any of the industries (lumber for carpenters, clay for potters, etc)? Are backward linkages offering sufficient supplies at reasonable prices?

Questions 38-41: What food is not but could be produced locally? What processed foods could be processed locally? Are sufficient crops produced to meet local demands? Are there sufficient animal products for local demand? What locally unavailable goods or services do agricultural producers need?

2. What resources are available for business activities?

Question 33: What natural resources are available that could be directed to an enterprise for which there is a demand?

Questions 28-34: What raw materials, by-products, or final products are produced by local manufacturers that could serve as a source of supply for new businesses?

Questions 38-39: What agricultural products or animal products or by-products can serve as a source of supply for another business for which there is a local demand?

On the basis of your answers to these questions you should be able to establish a list of potential enterprises. Bear them in mind as you proceed with the questions below.

3. What is the nature of the demand for goods and services within the community?

Question 5: How does the housing pattern influence demands for goods and services? Would the proposed activity depend heavily on foot-traffic? Can the proposed goods or services reach their intended consumers?

Questions 10-25: Is the population increasing or decreasing? What preferences for goods or services do the newcomers bring with them? Will there be a reduction in demand for particular goods and services now that the population is shrinking? Has individual income increased or decreased over the past five years? What goods or services are people likely to purchase as a result of that trend? How do these trends influence the products or services you have selected?

Question 26: Which facilities in your community create a potential demand for raw materials or goods? Which facilities are not operating at full capacity due to a lack of raw materials? For example, does a meat packing plant have an adequate supply of meat?

Questions 29-32: What goods or services are people willing to buy which are not locally available? What is the extent and regularity of this demand?

Questions 40-41: What produce, meat, or processed food do people desire which is not produced locally? Is there a sufficient local supply to meet this demand?

4. What is the availability of infrastructure and services which are needed to conduct business?

Question 9: What facilities listed here would influence your capacity to produce the goods or services identified above? Which of these are available in your community and which are not? How does that influence your list of potential activities?

Question 26: What facilities listed here would influence your capacity to produce the goods or services identified above? Would you need to establish or upgrade a facility to conduct your business or activity? Are resources available, or could they be made available, to accomplish this? How does this influence your list of potential activities?

Question 33: Is there sufficient access to affordable energy and/or water to support the proposed activity?

Questions 35-36: What is the impact of farm size on your proposed activity? What is the impact of the availability of land, water, farm machinery or animal traction on the proposed activities?

Question 38: What is the impact of the availability of farm supplies and access to markets for agricultural and animal products?

Question 42: Are adequate banking services available? How would this impact upon the list of potential economic activities? Is there a way to obtain services which are not locally available?

Question 43: What services are available through local or regional agencies and what impact do they have on your list of potential activities? For example, which activities would require technical information? Which would require training or the facilities of a national purchasing agency? How does the availability of these services and the reliability and quality of these agencies influence your selection of potential products?

MARKET QUESTIONNAIRE

Surveyor : _____ Interviewee : _____

a) Product : _____

1. Do you purchase this product ? Yes _____ No _____
2. Where and from whom do you currently purchase this from?

3. How much do you buy and how often? Do you purchase the same amount all year
or do you buy more at certain times? If so when and how much?

4. Is there sufficient quantity and adequate quality available?
When is there not ? _____
5. How much do you spend purchasing this? per unit _____ total _____?
6. Do you prefer particular styles or types of this product? _____
7. Would you purchase more if this was available at the right price?

b) Product : _____

1. Do you purchase this product ? Yes _____ No _____
2. Where and from whom do you currently purchase this from? _____
3. How much do you buy and how often? Do you buy the same amount all year
or do you buy more at certain times, if so when and how much?

4. Is there sufficient quantity and quality available? When is there not?

5. How much do you spend purchasing this? per unit _____ total _____?
6. Do you prefer particular styles or types of this product? _____
7. Would you purchase more if this was available at the right price?

PROMOTING SMALL ENTERPRISES IN THAILAND*
By Prani Obhasanond

Introduction

The economy of Thailand is based primarily on agriculture with some 75 percent of the labor force engaged in agricultural production, compared to about 8 percent in manufacturing. Major export items have long been agricultural products with mining products such as tin also among the top foreign exchange earners. However, during the past two decades, the industrial sector has grown to become the main stimulator of the country's economic growth. From 1960 to 1983, the share of the manufacturing sector in the gross domestic product increased from 11.7 percent to 21.0 percent as the agricultural sector declined from 40.5 percent to 23.6 percent.

Industrial development in Thailand has been loosely guided by five-year National Economic and Social Development Plans since 1962 with the emphasis shifting from import substitution to export oriented manufacture and small and rural-based industries in the current (Fifth) plan.

Through measures such as investment promotional privileges, special regulations, and tax structures, the total number of industrial enterprises in Thailand grew from 60,384 to 91,214 between 1978 and 1983. There is still tremendous scope for further expansion, particularly in agro-based industries.

Small Scale Industry in Thailand

It is generally accepted that enterprises with not more than 5 million Baht registered capital or more than 50 employees can be classified as small industries. At present, these small industries account for 90 percent of the total number of registered factories. A large majority of these industries are owner-managed. Thus, a personal style of decision making is still in evidence. These industries tend to design and develop their own technology with little outside help. With this general profile in mind, it is not surprising that a number of independent surveys have consistently pinpointed the following problem areas:

Shortcomings in managerial capabilities.

Problems concerning availability, reliability, and price stability of raw materials.

Lack of skills in marketing, technology, product development and diversification, and quality control.

Scarcity of skilled manpower. Workers who have been trained in small industries tend to leave to start their own businesses or migrate to Bangkok.

Shortage of capital and lack of access to regular financial institutions.

*This is a heavily edited version of Ms. Obhasanond's prepared text.

Government Development Policy

The Government has chosen to focus on the promotion of small and rural-based industries as the theme for the Fifth Industrial Development Plan, consistent with the broader theme of rural development for the current 5-year National Economic and Social Development Plan (1982-86). In view of the problems listed above, the following strategies have been drawn up:

Investment promotion through the establishment of a small industry finance corporation to provide loans to small industries at competitive interest rates.

Credit assistance through a credit guarantee scheme for small industries.

Technical assistance, with improvement of the institutional set-up and network for the promotion of small industries.

The Department of Industrial Promotion (DIP) within the Ministry of Industry provides the following services:

Training in such fields as furniture making, metal-working, textile manufacturing, and others.

Management training, including production management, financial management, and marketing.

Technical and managerial consultancy and trouble-shooting service.

Product testing and certification.

Vocational training and placement in more than 60 cottage industries and handicrafts.

Product development, including product design and packaging.

Exhibitions, contests, competitions, and information services.

Information on regional and provincial investment opportunities, industry profiles, and pre-feasibility studies.

Entrepreneurial motivation and development programs.

Low-interest loans.

Entrepreneurial Development for Small Scale Industries

Since its establishment over 30 years ago, DIP has devoted most of its resources to technical training, assistance for existing industries, and vocational training in cottage industry and handicraft skills. The Entrepreneurial Development Program (EDP) was launched in 1980 to stimulate and encourage the establishment of small industries.

The Entrepreneurship Development Program in Thailand

Experience showed that providing facilities, training, and assistance alone was not sufficient to develop industry. It was concluded that the focal point should be the overlooked entrepreneurial spirit and entrepreneurial characteristics of the people to be developed.

The government has promoted industries in the rural areas through various programs. Small scale industries were recognized for their contribution to the decentralization and regional dispersal of industries and, being labor intensive, to the creation of immediate and permanent employment.

In time, it was found that the most important problem in rural industrialization was the scarcity of entrepreneurs. Other problems are the irregularity of labor supply and lack of investment funds. In addition, the comparatively slow expansion of the rural market poses a major problem to industrialization.

Apart from the above hindrances, Thai social values and attitudes also tend to retard entrepreneurial growth and development. Land is abundant with much yet to be cultivated, therefore people are reluctant to pursue industrialization. Moreover, rural dwellers lack the training for urban employment. Even those with surplus funds would rather keep their money in banks than risk it in a business venture. Furthermore, most secondary school graduates would rather seek the security and stability of employment in government and private enterprises than set up their own businesses. The Entrepreneurship Development Program (EDP) was designed to change this situation.

The Enterprise Promotion Subdivision of the Industrial Service Institute under the Department of Industrial Promotion launched the EDP in 1980 to give substance to the government's policies of stimulating economic growth, dispersing industries to rural areas, and promoting the processing of local raw materials.

Objectives of the Program

The first EDP in Thailand was launched in Songkhla Province in 1980. The second, in Khon Kaen Province in 1981, the third and fourth, in Chonburi and Nakhon-ratchasima in 1982, Pitsanulok in 1983, Udonthanee and Chiangmai in 1984, and Nakornsriphamaratt in 1985.

The program has the following objectives:

To promote small and medium enterprises that would encourage self-employment among potential entrepreneurs.

To provide special programs in the rural areas to stimulate new ventures and encourage the expansion of existing small industries.

To generate employment and self-employment in the processing of indigenous raw materials for local consumption and for export.

To develop the capabilities of potential entrepreneurs and upgrade managerial skills for existing entrepreneurs.

Details of Project Implementation

As an integrated approach in the promotion and development of rural entrepreneurs, the EDP consisted of the following phases:

Site selection.

A techno-economic survey of existing enterprises, natural resources, labor, and potential markets for new and expanded industries.

An advertising campaign to attract potential local entrepreneurs to a symposium where the concept and objectives of EDP are presented and discussed.

Training of potential and existing entrepreneurs in management, project feasibility studies, and project preparation.

Provision of follow-up consultancy services in the areas of finance, management, marketing, production, financing, and technology.

The Training Program

The EDP training program is set up according to training needs of existing and potential entrepreneurs, and the industrial prospects of the area. The 145 hour training course is given over a period of 25 days.

Introduction to Entrepreneurship: This module provides an overview of small-scale industries, the role of entrepreneurs in economic development, entrepreneurial behavior, and the facilities available.

Motivation Training: This is a three-day live-in session designed to increase the participants's level of achievement and confidence.

Essentials of Management: This module provides the basic management and technical knowhow required to operate a business effectively and efficiently. It consists of the following subjects:

- General Management
- Marketing Management
- Production Management
- Financial Management

Fundamentals of the Feasibility Study: This provides guidelines on the feasibility, marketing, organization, technical, financial, and social aspects of a business venture.

Organizing the Business: The purpose of this module is to enable the participants to know the environment within which they operate and covers government incentives, industrial opportunities, and business policies, business laws, and regulations.

Field Visits: Field visits familiarize participants with real life situations in small business.

Training methods combine group dynamics, lectures, discussions, case studies, actual preparations of project assignments, and workshop exercises.

INSTITUTION BUILDING: CREDIT UNIONS
Discussion led by Backrun Nawawi

In Yogyakarta families associated with PLAN depend upon credit unions for both interest bearing savings accounts and loans. PLAN, in line with its goal of establishing or strengthening local institutions, has worked with CUCO, the Credit Union Coordinating Council of Indonesia, to provide training, technical, and logistical support for the organization of village credit unions. By 1985 there were 251 such credit unions with assets of Rp 292,452,636 (\$257,538) in the PLAN program areas of Yogyakarta. Of the 19,951 members, 9,289 were affiliated with PLAN.

When the credit unions were first organized most of the loans were providential, intended for such things as home repair, educational expenses, and medical emergencies. Gradually the balance has shifted towards production loans. In spite of their growth and apparent success (growing assets, increasing membership, low default rates), the erratic and uneven money supply has become a factor limiting the effectiveness of credit unions. While credit unions in one village might have surplus funds, the credit union in another village might be turning away loan applicants because of a lack of funds.

A solution to this imbalance may have been found in credit union interlending bodies which provide a means for credit unions with insufficient funds to borrow surplus funds from other credit unions. Encouraged by the growth and success of credit unions, PLAN/Yogyakarta staff felt that their purpose of strengthening local institutions and fostering local economic development might be better served by funding the interlending bodies rather than the individual credit unions and are now studying the feasibility of such funding.

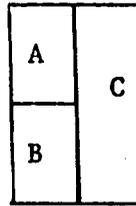
Government regulations allow outside funding to match but not exceed the total assets of the interlending body. Regulations also allow the outside funding agency to attach strings to the money they provide. Thus PLAN would be able to capitalize interlending bodies, assure proper financial controls, and earmark a percentage of the profits for community betterment.

This seems an opportune and safe way to promote everyone's interest while, at the same time, eliminating the sometimes negative effects of grants to individuals. Currently only 173 of the 251 existing credit unions are members of such interlending bodies. The others do not have the funds to participate. Capitalization of the interlending bodies would allow them to provide loans to these poorer credit unions.

Dr. Harper was quick to point out the potential problems: Overly liquid interlending bodies might pressure downstream credit unions to book more loans. This pressure could lead to the booking of bad loans. A further danger is inherent with grants, when people are lending their own money they tend to be careful. This discipline often evaporates when grant money is involved. His last point was a question: Why don't the interlending bodies borrow from banks instead of voluntarily reducing themselves to being appendages of big brother PLAN? This issue underlay most discussions. Simply stated it runs: Why not leave business to business men? Can a social welfare agency which gauges itself on the efficiency with which it spends money contribute anything of value to people who want to make money?

The answers:

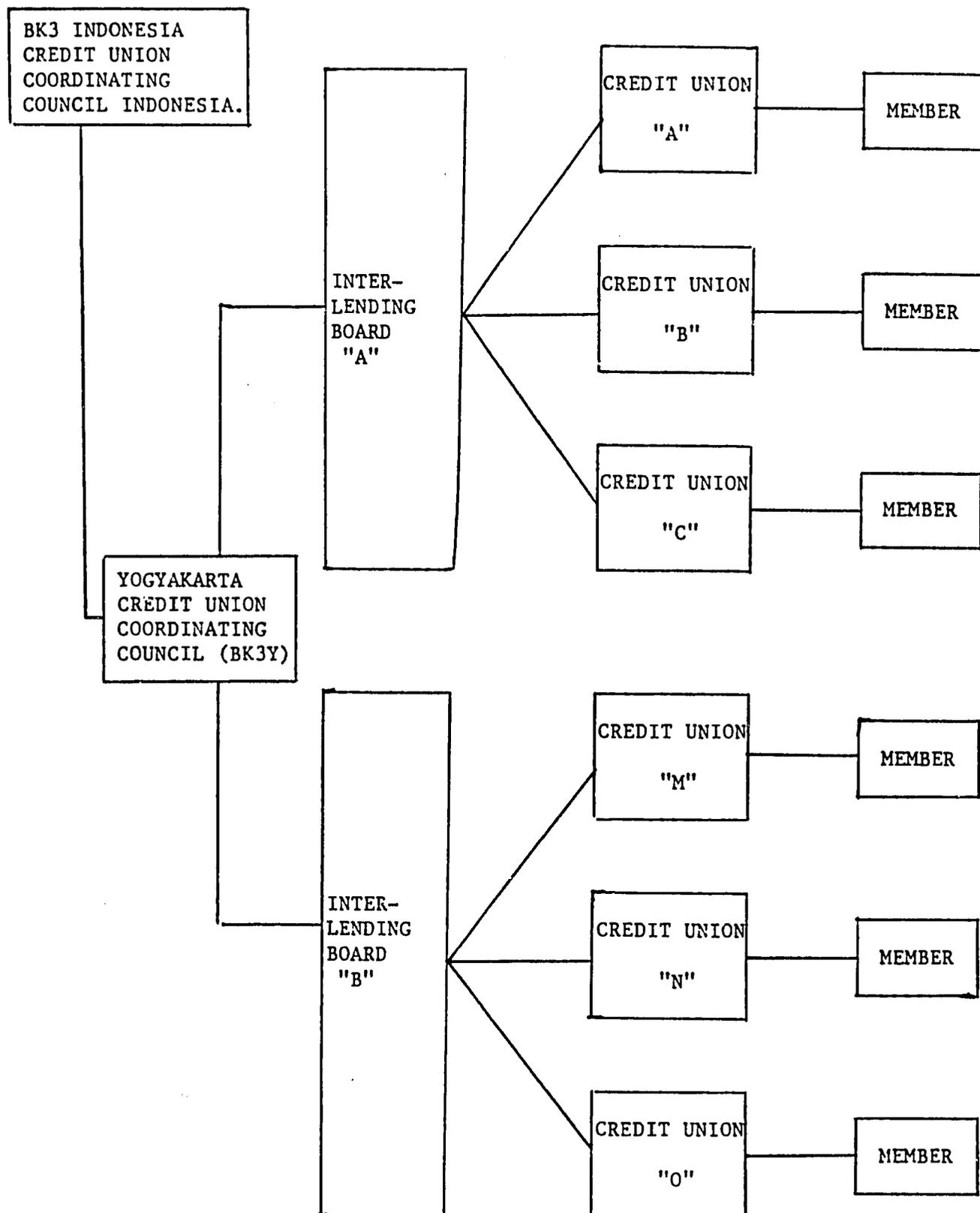
1. Credit unions are presently well run and well regulated. That they are presently making the maximum use of their money and maintain default and arrearage rates of near zero suggests that they have the capability and seriousness of purpose to responsibly administer additional funds.
2. Diagram C summarizes the proposed conditions for the use of PLAN funds by the interlending bodies. A credit analyst would evaluate the purpose of a loan, the character of the borrower, and his participation in the credit union. (A criticism of this last qualification is that it rewards activists). If satisfied, the analyst would approve the loan. A further safeguard lies with the members of the credit union. If they are not satisfied with the performance of their officers, they can throw them out.
3. The interlending bodies already are borrowing from banks. Bakran explained the idea of interlending body capitalization with a simple diagram.



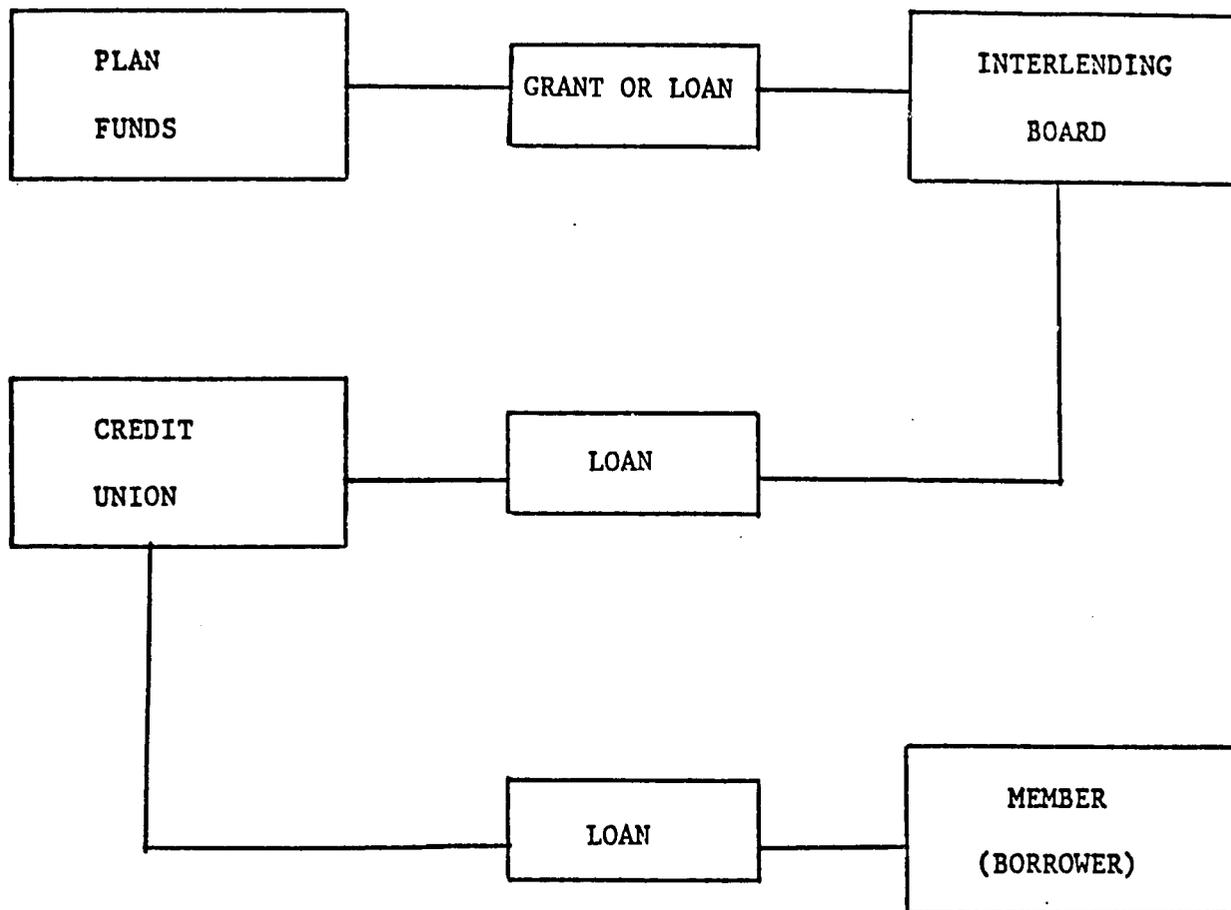
A - representing the assets of the interlending body; B - third party capitalization; and C - bank financing. Proposed conditions for such capitalization by PLAN are outlined in Diagram C.

Whether or not the interlending bodies are subsumed and/or co-opted by PLAN depends upon the sensitivity of PLAN staff and the power of the interlending body's board to avoid the seductive powers of free money. A clear knowledge of the dangers should ensure careful implementation of the capitalization plan.

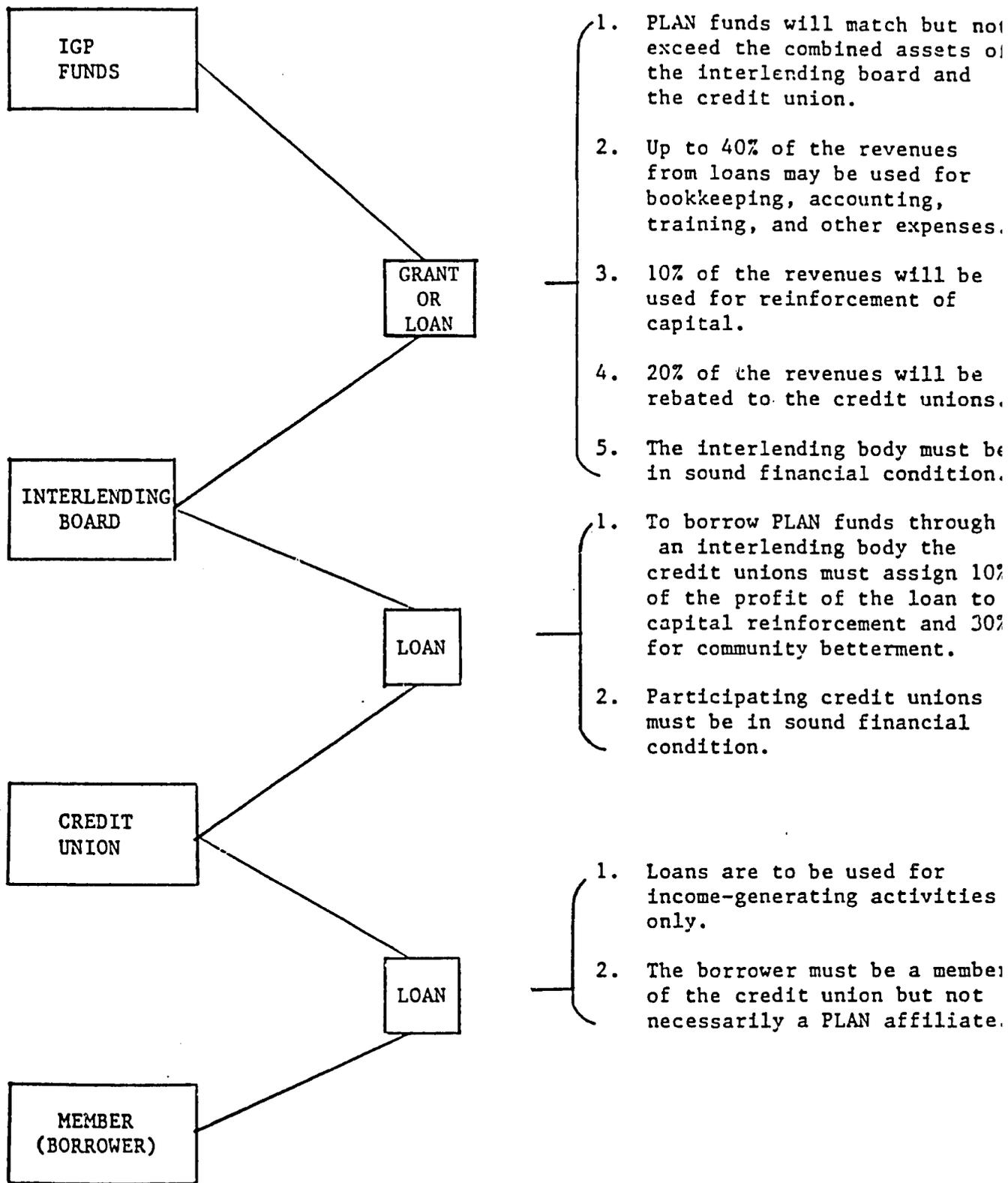
CREDIT LENDING ORGANIZATION



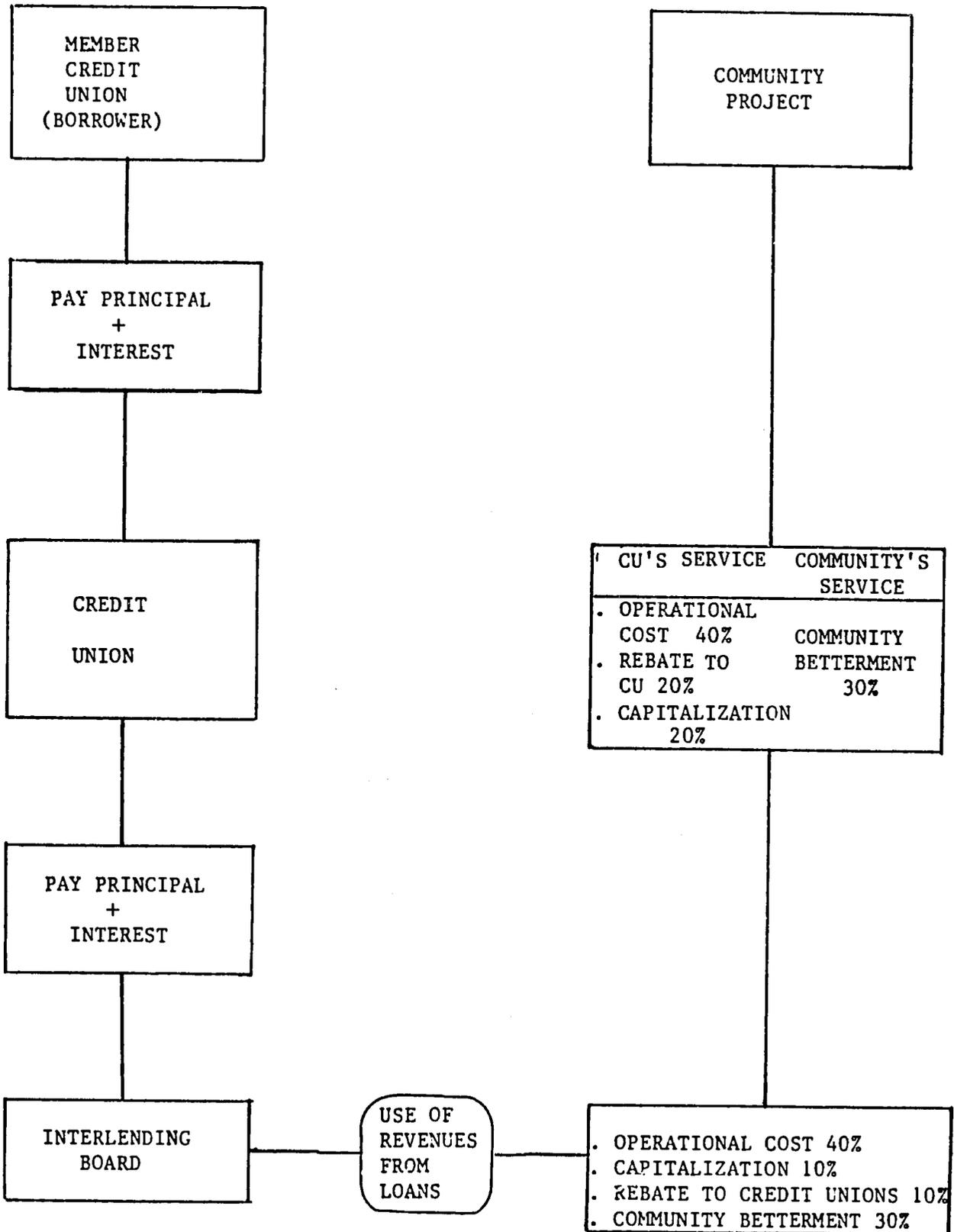
PROPOSED PROCEDURES



CONDITIONS



THE GOAL



LOANS OR GRANTS
Discussion led by James Alexander

By midweek, when this discussion was held, there was little need for preliminary remarks. The basic issue was clear: to start or expand an enterprise requires risk-capital; poor people, by definition, do not have this capital. If PLAN provides it, should the recipients be treated like responsible adults living in the real world where there is no such thing as free money, where capital investment requires profit, or should PLAN temporarily subsidize the would-be entrepreneur and risk the negative effects of charity? Are loans the most effective way to promote small enterprises or are grants?

Mohan Thazhathu: It is not loans versus grants which is the issue. The issue is to help the poor improve their standard of living. In H.D. Kote the exploited poor need some assistance and are getting it. The "grants," better called "survival assistance," are vital to the survival of the affiliated families. Without such assistance many of the families would not have the basic food, water, and shelter necessary for their survival.

In terms of small enterprise, whether it is a cottage industry, a small store, or a family farm, there will be a lag time. Waiting for crops to come in, merchandise to sell...waiting to make a profit...can take anywhere from one day to three years. In the meantime, people must eat. Without basic survival assistance a whole generation could be lost.

Ned de Guzman: In Mindoro, PLAN provided grants (Direct Financial Assistance, survival assistance, call it what you will) for years and there is nothing to show for it. Many argue that the grants stifle independence and reinforce the dependence of the poor on charity.

Flory Mardjuki: Grants are necessary for survival assistance; however, grants without education are often wasted. That is why PLAN/Yogyakarta's Direct Financial Assistance is combined with nonformal education. The grants help meet survival needs and the training helps insure the acquisition of the knowledge needed for independent development. Even the IGP funds will be used for grants, they must be. PLAN is a charity, not a money lender. The funds will be used as grants to strengthen community institutions (interlending boards and village credit unions) so that there will be something of value left when PLAN leaves.

James Gitau Mwangi: For obvious reasons, grants have few positive effects. They rarely result in anything except requests for bigger grants. If the grants are "survival assistance," how and when can they end? Grants stifle initiative and creativity by rewarding the motivated and the uninterested equally. If a grant-funded project fails, so what? Simply apply for another grant. Loans counter these negative effects by demanding planning, savings, and fiscal responsibility.

Backran Nawawi: Most of our clients have a primary source of income although it is very small. Many have the potential to create a secondary source of income, but because of pressing financial needs they are unable to save. If PLAN is to help these people it is most suitable that they be helped through grants.

The grant-funded enterprise below illustrates the argument (US\$1.00 = Rp 1,123):

Type of enterprise: Fishery

Size of pond 3m x 5m = 15 sq.m.

Cost of making fish pond: Rp 100,000 (Grant)

Purchase of 125 catfish fingerlings at Rp 80.00 apiece = Rp 10,000

Purchase of feed = Rp 5,000

Rp 15,000

Harvest (every 7 months)

115 Fish are harvested

There are 5 fish in 1 kg. (kilogram)

Selling price: Rp 2,000 per kg.

Total selling price: $\frac{115}{5} \times \text{Rp } 2,000 = \text{Rp } 46,000$

Profit: Rp 46,000.00 - Rp 15,000 = Rp 31,000

Average monthly profit $\frac{\text{Rp } 31,000}{7} = \text{Rp } 4,428$

This profit is achieved only when PLAN provides a grant of Rp 100,000.

Moreover, making grants to our clients is a very simple business. We receive the request, approve it (or deny it), pay it, and that's it. Our organization does not want to assume the role of banks. We wouldn't have enough staff to handle the delinquency. Moreover, if we lend out money, we will collect interest from the borrowers who happen to be our own clients. That is not genuine assistance. We would make money ourselves.

Noly Inglesia: According to Anthony DiBella's "A Study of PLAN's Family and Community Development Program in the Philippines--A Summary Report on Initial Findings," grants are gifts to be spent--pennies from heaven--with no sense of personal responsibility. Changing the name from "grant" or "direct financial assistance," to "survival assistance" is pointless.

Ned de Guzman: (Referring to Backran Nawawi's fish pond example) Why would anyone look after a free fish pond? Loans lend seriousness, people will work harder and plan better if they risk losing their own money.

Flory Mardjuki: The whole IGF project is grant-funded, it is grant money that brought us here. No one is complaining about that.

Mohan Thazhathu: There were once community funds in India which assured village independence but they fell apart during colonial times. Grants are a way to restore that independence.

James Gitau Mwangi: Loans help businessmen be businessmen. PLAN should live in the real world, where PLAN families will have to live when PLAN leaves. (to Backran) If returns are so low on the fish pond, you should find another project.

Backran Nawawi: (to James) PLAN families need supplemental income, the fish pond is providing it. (to Noly) If Direct Financial Assistance is only \$3.00 a month, what do you expect? If, as we do in Yogyakarta, you provide \$18.00 twice a year and, at the same time, provide education and training, perhaps grants will lead to something positive.

Noly Inglesia: PLAN's vision is self-reliance, grants make beggars. Loans contribute to self-reliance.

Jim Alexander: The grant side has practically admitted defeat. Are there are more questions?

Fred Kirschstein: There is nothing wrong with grants if there are strings attached to ensure the appropriate use of the funds. The grant to loan process parallels the growth process from dependence to independence. There is a time for grants, a time for loans, and a time for PLAN to phase out.

Henk Franken: Does PLAN have a sanction to punish people and communities if they do not repay their loans? Even if we had that sanction, would we exercise it? Development is a never-never land anyway and whether we use grants or loans to further development is not the issue.

Malcolm Harper: PLAN is a charity and is in the grant-giving business. Loans are one way of softening the ill effects of grants. Even that fish pond of Backran's could be repaid over five years at two percent. It is a lousy business, but it would repay a subsidized loan.

E. Glenn Rogers: At the recent International Council of Voluntary Agencies' General Conference in Dakar there was a consensus that the debt created by 30 years of loans to developing nations is now stifling development and all loans should now, at least, be rescheduled and/or, perhaps better yet, converted into the biggest handout program the world has ever known and advocated by the very people who have decried handouts for the past 40 years.

INTEREST RATES
Discussion led by Jenny Parry

Jenny Parry opened by outlining the terms of the discussion. If PLAN made loans, should the interest be at the prevailing market rate (generally called "high"), at a low rate, or at no interest at all. In short: high; low; or none. To simplify matters, interest was defined as the cost of renting money.

It soon became apparent that no one was in favor of interest-free loans. The discussion was between low interest and market rate. Proponents of charging market rates argued that one of PLAN's goals is to make credit and capital available to the poor. Given the high opportunity cost of money, the poor will never have consistent access to credit unless interest is charged at or near the market rate. Low rates will serve only to prolong the death of marginal enterprises and foolishly planned credit schemes. How many revolving loan funds have survived for five years?

Proponents of subsidized low interest loans used the same premise but reached the opposite conclusions. They, too, said one of PLAN's goals was to provide access to credit, but they argued that this was best done through low interest loans.

Charles Gray made the point that PLAN families already had access to credit, that the PLAN families he worked with in the Philippines were the biggest borrowers he had ever met. The usual loan was called 5/6--people would borrow five pesos in the morning and repay six in the evening. The point was not whether the poor had access to credit but whether the poor had access to credit they could afford.

The two sides of the discussion are outlined below.

Arguments in favor of charging market rates:

Realistic market rates allow people the dignity of being treated like adults.

In areas of high inflation, low-interest loans are simply grants and the money supply will evaporate without regular injections of cash by the charity.

Market rates increase the availability of loans by assuring the continuing growth of the money pool.

Market rates encourage borrower responsibility by obliging people to think very carefully about how they will repay their loans.

Market rates encourage competition and are generally good for business. Low interest loans to selected people in the community would undercut existing entrepreneurs.

Realistic rates would ensure the survival of safety nets--social welfare programs paid for with the profits from such institutions as credit unions and cooperatives.

Market rates pay the overhead necessary to supervise and advise borrowers.

Low rates discourage the repayment of loans. The longer the money is kept, the less it is worth when it is repaid.

Low interest loans discourage employment and encourage capital expenditure. (Long term low interest loans tend to be used for equipment which replaces manpower.)

High rates allow quick, personal service--the market loan shark is there at five in the morning when the market opens and will provide cash in a matter of seconds.

In favor of low interest rates:

Tough loan policies depend for effectiveness on, to put it crudely, exemplary justice. There must be known and unpleasant consequences for defaulting on a loan. If there are no consequences where is the "seriousness of purpose" to come from? Since PLAN is not willing to take the businesses, homes, land, and tools of defaulters, it is inane to talk of "realistic" loan policies. Besides, most PLAN families are short on businesses, homes, land, and tools anyway; that is why they were enrolled in the first place. Loans subsidized by PLAN can provide the support they need to establish their enterprises. Once the enterprises are established, they can borrow at market rates from banks or anyone else.

Small enterprises, whether farms, cottage industries, or market stalls, are, at best, risky and marginal undertakings. Subsidized loans can give them the edge they need to survive and establish a stable market for their goods or services.

The purpose is to provide access to credit for the poor. Market rates will never allow this access.

Low interest rates can mean the difference between survival and failure for marginal enterprises.

Low interest rates can provide temporary support for business until they can afford commercial credit.

Low rates increase demand for loans and increase economic activity allowing further reduction in rates as loans are repaid.

The discussion ended without having reached a consensus.

PLAN INTERVENTION: HOW MUCH IS ENOUGH?
HOW MUCH IS TOO MUCH?

Discussion led by Meredith Richardson

Ms. Richardson, presented two examples of PLAN intervention: the capitalization of credit union interlending bodies by PLAN/Bali; and the formation of family associations by PLAN/Bicol.

The group was divided into subgroups to discuss the following questions:

- What is good about how PLAN is intervening in Bali and Bicol?
- What is bad about it?
- How much should PLAN intervene?

Interlending Body (ILB)

Situation

A number of credit unions (CUs) have been established by PLAN/Bali staff with technical assistance from the Indonesian Credit Union Counseling Office (CUCO).

The objective is to improve/develop the living conditions and environment of the members, by promoting an economical life, savings, the wise spending of money, and the provision of capital to small farmers.

In Bali many money lenders are still found buying rice while it is still green, they, of course, inflict a loss upon small farmers and traders through high interest rates. Through the credit unions, small farmers needing loans can be easily helped. So it is no exaggeration to utter the motto "The poor can only be helped through their own efforts."

In reaching the objective mentioned above, some problems and obstructions occurred:

- the level of education and skill of the members are still so low that they find it difficult to know what to do to overcome their problems.

- the funds accumulated by the CUs are still so low that what they can do to help the members are still far from enough.

To overcome these problems, CUCO is providing technical training and some of the main CUs have established Interlending Bodies (ILB).

The objectives of the ILBs are:

- to receive deposits from CUs;
- to give loans to CUs;
- to attract capital from third parties for supporting and interlending activities;
- to make possible investments for accelerating the sustainability of the CUs.

The ILB lends only to CUs which are its members. One of the targets of the ILB is to develop its membership, because the larger the number of the members the stronger the ILB will be and the stronger its members will be.

In an attempt to help the ILB expand its services, PLAN/Bali has given a grant to the ILB so that it will be able to support the main CUs whose members have mortgaged land. The priority is given to loans for mortgaged land, but loans can also be made for productive purposes.

In addition to grants, PLAN/Bali has also attempted to give assistance in the form of guidance and development of the CUs and ILB in Bali, with training (in cooperation with CUCO), and other motivations.

It is expected that with this training will enable the members of the CUs to better understand their rights and obligations. It is also hoped that they will do their best to overcome the difficulties they may encounter.

The ILB is now receiving repayment from CUs but conflict has arisen among the members about how to continue using the money. Some want to continue land mortgage loans, some want to use the money for small enterprises, and some have no idea. The question is what is the status of the grant given by PLAN (who is the owner?).

The second question is, if the ILB (and its members) cannot continue their activities where does the grant go, to whom would the grant be donated? Would it be donated to those needing it? Or would it be distributed to the members? Who finally owns the money?

Bali - positive

The members of the credit unions received adequate training.

PLAN took the risk of innovating.

PLAN is playing the role of a subtle catalyst by enabling people to decide for themselves what activities to fund.

The ILB funding involves the whole community rather than being limited to PLAN families.

There is a strong non-PLAN role.

The priority on mortgage loans provides a good incentive for loan repayment.

There are definite objectives for a new institution to remain after PLAN phases out.

The program gives responsibility of making and recovering loans to the credit unions and interlending bodies.

It eliminated the alien system of handouts.

Bali - negative

The idea was initiated by PLAN and not the community.

With funding comes control. PLAN staff will inevitably assume a heavy hand in determining how the interlending bodies will be managed.

There was no long range planning.

There is no social activity, the project is entirely economic. Is land purchase development?

Family Associations in the Bicol Peninsula

One of PLAN/Bicol's primary goals is to build up local institutions to the point where they can play an active role in the social and economic development of the community when PLAN support is phased out. To this end, associations composed of approximately 9,000 families currently or formerly associated with Foster Parents Plan have been organized in Camarines Norte, Camarines Sur, and Albay as nonprofit corporations and registered with the Securities and Exchange Commission. It is through these associations that PLAN implements its program. As the associations gain confidence and experience, they will take on more and more direct responsibility for the program.

These associations are, to say the least, complicated. They are regulated and structured by some 96 pages of charter and by laws, complex financial reporting procedures, committees, and, of course, forms for every conceivable purpose and occasion. To prepare them for the intricacies of association membership and management, the families associated with PLAN received two days of training. A couple of weeks later the associations were funded and the families were told that they were now responsible for implementing their own development program. PLAN, of course, would be there to help them and would have the final say on releasing of funds. Ms. Richardson, who directs the program in Bicol, intentionally presented the program as negatively as possible.

Bicol - positive

Caught up in the passion of the moment, no one had anything good to say about the way in which the family associations were established.

Bicol - negative

The associations are too complicated. No one in their right mind would bother to read 96 pages of regulations.

There are not enough safeguards against the misuse of funds.

The associations are only for PLAN families (the individual associations may decide to allow non-PLAN families to become members).

The groups are too big and too bureaucratic to be effective.

There was not enough training.

The associations are artificial, imposed on the communities by outsiders. (The point was made that PLAN is the people who work for it. In the Philippines those people are Filipinos; in Bali, Balinese.)

The associations do not guarantee an equal opportunity for all PLAN families.

PLAN cooked up the whole idea of associations, and imposed it on the PLAN families.

GROUP VERSUS INDIVIDUAL INCOME-GENERATING ACTIVITIES

Moderator: Gail Herrick

Gail Herrick introduced the subject by describing PLAN's small enterprise development program in Mindoro, Philippines, the salient point of which is its insistence on group rather than individual projects. The discussion was in the form of a debate between Henk Franken, who argued for group enterprises, and Malcolm Harper who took the opposing view.

Dr. Harper felt that insisting on group enterprises was utter nonsense unless the goal is for PLAN to get rid of its money as quickly as possible. The history of enterprise, he argued, is the history of individual efforts. Even China, the most collective of collective societies, has realized this and now allows and even encourages private enterprise.

Management is hard enough for the individual entrepreneur who has the freedom and responsibility to make the quick and risky decisions necessary for the success of small businesses. Groups are necessarily slower and generally more cautious.

The idea of insisting on group business is based on a belief in either the incompetence or the selflessness of the individual. Selflessness is a rare quality in entrepreneurs and incompetence should not be rewarded.

Group economic endeavors have a poor record. Not one cooperative or revolving loan fund in ten actually works.

It seems contradictory for development experts from rich, free market, individualistic countries to try to sell group enterprises to poor people in poor countries.

Mr. Franken replied that groups were nice, that they were secure, friendly; that being in a group now would get him off the hook. He went on to change the issue slightly: In view of PLAN's goal of improving communities, is it better for PLAN to promote group or individual enterprises?

If PLAN's goal is more than simply helping a few entrepreneurs become successful, group efforts have much to recommend them.

PLAN sponsorship of individual efforts seems to imply a belief in the now thoroughly discredited "trickle down" theory.

Since PLAN is for communal progress it makes sense to promote group efforts which make use of individual efforts for the good of the group.

PLAN's goal is human development, not simply individual profit. PLAN is trying to promote group and community awareness, participation, responsibility, and decision-making. PLAN's aim is to channel the individual's initiative to service the good of the group. That is the challenge.

Malcolm Harper: It is the height of arrogance for PLAN to say that group efforts are better than individual efforts. PLAN is for individuals, as many individuals as possible. Why should we be so arrogant as to say that people should develop communally?

Henk Franken: We build on the strength of individuals. Groups are driven by individuals.

At this point the forum was opened to questions.

Noly Iglesia: Are there maximum or minimum sizes for effective groups?

Henk Franken: No, the size depends on the type of enterprise, the community, the culture, and the individual members of the group.

Mohan Thazhathu: Whether it is an urban program or a rural program each family should be considered as an enterprise. In that sense, there are no individual projects. These individual family enterprises can certainly profit through group efforts, particularly in buying and selling. Why should ten people each make a trip to the market to buy fertilizer? One person could go.

Ismail Aly Ahmed: Both individual and group projects work. The type and scale of the enterprise determines whether it will be a group or an individual undertaking.

E. Glenn Rogers: Life is run by groups--villages, cities, credit unions, universities, are all run by groups. Even entrepreneurs come together in unions and associations. Self interest demands cooperation.

Hubert van Bavel: The group approach seems good for everything PLAN does, except small family enterprises.

Jovita D. Culaton: Everybody that PLAN is helping is part of a group--their family, and every family is an enterprise. A batch of these family enterprises make up a community.

Henk Franken: PLAN is for development; individual development, family development, and community development. This wishy washy group has been talking in circles.

Malcolm Harper: Of course its a wishy-washy group, it's accustomed to group meetings. Organizations love groups, group meetings, and they especially love group projects...they can claim them. If one guy runs a piggery, it is his business. If you have six guys running a piggery you can call it "PLAN's Piggery Project." I don't think you people are prone to that sort of thing but for heaven's sake don't talk about your income-generating projects. They aren't your projects, they're people's livelihoods.

TO BLESS OR DAMN THE MIDDLEMAN
Discussion led by Charles Gray

Charles Gray: Middlemen perform a necessary service and people, naturally, pay them for it. It is the middleman who transports the goods to market, who finds and develops new markets, and who takes the first loss if the market collapses. Naturally, the middleman gets a healthy percentage of the profits. He has to, he must pay transport costs, absorb the losses for breakage and pilferage and he must have enough left over to buy a new supply of goods. The middlemen also must make enough profit to support themselves and their families.

Though they may be commonly perceived as a curse, there is nothing inherently despicable about middlemen. By some definitions even PLAN is a middleman. We control resources, capital, and access to credit.

Businesses can grow by co-opting the middlemen, as happened in Bicol. The producers felt they were being exploited by middlemen so they hired their own salesmen and called them Market Representatives. To compete with the marketing representatives, the middlemen will have to provide better service. Another solution to the problem of "evil" middlemen may lie in education, they are, after all, performing a vital but poorly understood service.

Malcolm Harper: The distinction between producers and middlemen is dubious. Both are businessmen. PLAN should encourage marketeers in areas where makers are exploited.

Recommendations:

Promote part-time middlemen after the example of Bicol's marketing representatives.

Include middlemen in cooperatives and associations to strengthen the ties and understanding between them and the producers (i.e., make them consultants).

Overcome the attitude that the middleman is involved in a nasty, exploitive, high profit business. It is an essential function. If it is monopolistic, PLAN can train more middlemen, if it is inefficient PLAN can help improve it. Middlemen are a necessary part of the production, marketing, and sales cycle.

The issue was raised but not resolved of the coercive middlemen who maintain their position of dominance through threats, violence, and corruption. PLAN obviously cannot encourage vigilantes and, in many program areas, would be unwise to encourage strikes and boycotts.

E. Glenn Rogers: The small businessmen that I have talked to have not complained at all. They have been happy to have the raw material delivered and the finished product picked up.

Backran Nawawi: In Yogyakarta the producers are delighted with the middlemen. They perform a real service which the producers cannot perform for themselves.

FORWARD AND BACKWARD LINKAGES

Discussion led by Vijay Sardana

There are horizontal as well as forward and backward linkages:

Foster Child

Foster Family

Local Groups (Credit Unions, Associations, etc.)

Other Agencies--Field Office--Local, Provincial and National Government

International Headquarters

National Organizations

Foster Parents

This diagram is simple and schematic. Children and families are also linked to relatives, neighbors, friends...the whole intricate and inter-related web of social and economic relations.

PLAN programs, too, are linked. This linkage, called "integration" in the Global SAGE Report, ties the effects of the health, education, community development, social services, and resources and skills development programs together to serve the overall goal of human development. Education and training can have an impact on a family's earning power. So, too, can the health program.

Obviously, not all of the families of a community will engage in cottage industry.

Linkages are a way of providing benefits for these families. Basket makers need raw material and transport to set their finished products to market. Potters need clay, tailors need cloth, weavers need thread.

Even projects seemingly unrelated to employment and income-generation can enhance the economic life of the families and communities involved. In Bombay, preschools assisted by PLAN provide education and day care for young children. The children may eventually earn more money because of the education they are receiving, in the meantime the project frees their mothers to work and provides jobs for the 45 young women who are in charge of the centers. The wages of these women represent from 25-50 percent of their total family income.

Similarly, the health program provides not only health care and education but also employment to the health promoters.

Other examples of linkages were solicited from the group:

The proposed trade center in Bicol will link producers, marketers, buyers, and end users.

The nutrition program in Bicol uses locally purchased food, thus stimulating the local economy.

If PLAN helps build a school or community center, it can purchase bricks or hollow blocks, roofing tiles, furniture from PLAN families in those businesses.

In Bali, an irrigation project was also used by the community to raise fish for the local market.

In H.D. Kote some PLAN families are starting to grow cotton as a cash crop. Other PLAN family members are learning weaving, and tailoring.

In Egypt, PLAN has organized a sewing class and provided sewing machines. While the women attend the sewing classes they are also exposed to basic literacy and primary health care education.

The inherent dangers of these linkages were also pointed out. If, for example, PLAN supported or subsidized weavers and provided cloth to tailors subsidized by PLAN to make uniforms for Foster Children attending schools assisted by PLAN, what would happen when PLAN left? Is PLAN being overprotective? The suggestion was made that if the would-be producers did proper feasibility studies and demand analyses the danger of over-dependence on PLAN would be reduced. Without such studies, a PLAN-funded economic network would be little different than a shelter workshop for the handicapped. The inherent danger of such ingrown PLAN-serving economic systems is that the incentive and quality may suffer.

The final point related to the economic impact of PLAN on the local business community. All of the goods and services purchased by PLAN could help the local business community. PLAN, instead of purchasing vehicles, might be able to contract them from a local businessman. If PLAN family members want to learn a trade could they learn it better and more inexpensively through a PLAN financed training class or through an apprenticeship with someone already in the business?

IGP ON THE ROAD TO SUCCESS

Discussion led by W. Timothy Farrell, Ph.D., and Henk Franken

Two lists were developed: the first of things PLAN should do to promote small enterprises; the second, of things PLAN should not do.

DO

Encourage people to pursue their own interests

Keep it simple

Be flexible

Evaluate

Think in terms of businesses, not projects.

DON'T

Don't impose

Don't formulate elaborate systems

Don't do anything that participants could do for themselves.

Do not assume that all PLAN families will be successful entrepreneurs.

Do not allow PLAN staff to become middlemen or to make too many decisions.

MONITORING AND EVALUATION

Mr. Abeyrama introduced the subject of evaluation and monitoring by stressing the fact that they are just two of the five steps in the project cycle outlined below.

1. Project identification
What are the needs of the family, group, or community?
How can these needs be met?
2. Project Preparation/Feasibility
In this stage, the technical, institutional, financial, and economic feasibility of potential projects are examined.
3. Project Appraisal
Is the project worth doing?
Can it be done?
This stage consists of a careful review of the feasibility study to determine whether or not the benefits justify the costs to the agency and participants; the potential impact on the community and technical and training needs.
4. Project Implementation and Monitoring
If the proposed project has been determined to be appropriate and feasible, it is activated according to the designed outline. Monitoring insures that implementation follows the design and provides information for making any necessary alterations.
5. Evaluation
Determines whether or not the project has reached or shows signs of reaching its stated objectives and also provides information for planners to use in the design of additional projects. Evaluation is a pointless exercise if the results are not used to provide an objective basis for deciding whether or not to continue the project, improve practices and procedures, continue, modify, or eliminate program approaches, and determine what strategies might be useful in other program sectors and areas.

GENERAL FRAMEWORK FOR EVALUATION OF IGP
by W. Timothy Farrell, Ph.D.

The general framework from which we will be working is called comprehensive evaluation. Comprehensive evaluation means that all relevant aspects of the project or program are included. There are two principal parts of comprehensive evaluation: process and impact.

1. Process evaluation or monitoring is what we do to make sure that we are implementing the project according to plan. That is, are the right things being done, in the right amounts, and at the right time in the project cycle in order to meet the project's objectives and goals?

Process evaluation or monitoring is something that is done regularly, and usually informally, by people involved in projects. One problem is that it is often too informal and not regular enough. A second problem is that current monitoring often takes too short a view of the project. A third is that we often look at the wrong things. The issue for evaluation is to make monitoring or process evaluation systematic so that no important part of the project cycle is left unattended or forgotten.

2. Impact evaluation can be thought of as the short, intermediate, and long term results of a project. Not so much as "did it work?", but rather, "what happened?". Some of the questions we want to ask at the various impact points include: Now that we have done all this, what is the result? Is the business viable? Has income really increased? And, of course, what is the next step? These are the kinds of issues that short-term impact evaluations are concerned with. And, they generally focus directly on the project and its effects on the individual families or groups directly involved.

Long term impact evaluation tries to determine the overall effects of several projects on some indicators thought to be desirable such as improved health, housing, or education. Long term impact evaluation, therefore, looks beyond the immediate results of the projects themselves. It tries to determine if the outcome indicators are to some degree influenced by the project results.

SIMPLIFIED COMPREHENSIVE EVALUATION MODEL

PROCESS EVALUATION (MONITORING, FOLLOW-UP,.....)

SHORT TERM IMPACT
(RESULTS)

LONG TERM IMPACT
(CHANGE/DEVELOPMENT)

x -----x-----x-- x-- x--xx-----x-----x

DESIGN ANALYSIS

INPUT REACHED
TARGETS

PROJECT
IMPLEMENTATION

PROJECT
MAINTAINED/
SUSTAINED

RELATIVE
SUCCESS OF
PROJECT

IMPROVEMENT/
CHANGE IN OUTCOME
OR DEVELOPMENT
INDICATORS

- 1) CAN PROJECT BE DONE ?
- 2) DOES IT HAVE A CHANCE FOR SUCCESS ?

- 1) IS PROJECT WORKING ?
- 2) WHAT CHANGES OR MODIFICATIONS ARE NECESSARY ? CAN THESE BE DONE ?
- 3) ARE PEOPLE WILLING TO MODIFY THE PROJECT ?
- 4) DID THEY MODIFY THE PROJECT ?
- 5) DOES THE PROJECT WORK ACCORDING TO THE MODIFIED PLAN OR DESIGN ?

- 1) DID THIS PROJECT INCREASE INCOME ?
- 2) IS THE PROJECT CONTINUING AND SELF SUPPORTING

- IS THERE THE CHANGE AT LEAST PARTIALLY DUE TO PROJECT ?

PRINCIPAL IGP COMPONENTS
AND EXAMPLES

- I. PRODUCTION INPUTS
HUMAN RESOURCES
PHYSICAL SPACE FACILITIES
CAPITAL
RAW MATERIALS OR SALES INVENTORY
TOOLS AND/OR MACHINERY
EQUIPMENT
STORAGE
TRANSPORTATION

- II. IMPLEMENTATION COMPONENTS
RECORD KEEPING
WORK PLANS AND TARGETS (SCHEDULES)
MAINTENANCE OF CAPITAL ASSETS: BUILDING, ANIMALS, EQUIPMENT, ETC.
ONGOING TRAINING
INVENTORY CONTROL
PRODUCT FLEXIBILITY

- III. QUALITY CONTROL
DESIGN
PRODUCT QUALITY
EMPLOYEE COURTESY TO CUSTOMERS
PRODUCTION AND TECHNICAL ANALYSIS

- IV. MARKETING
OUTLETS
LOCATIONS
PRICING POLICIES
PROMOTION
SATURATION?
SEASONALITY?
CUSTOMER RELATIONS AND SERVICE

- V. FINANCE
CAPITAL FORMATION
CONSUMPTION (SALARIES, HOME USE)
SAVINGS
REINVESTMENT
LOAN REPAYMENT SCHEDULES

- VI. SKILL DEVELOPMENT AND TRAINING
TECHNICAL
MARKETING
MANAGEMENT AND SUPERVISION
SUPPORT AND MAINTENANCE
RECORD KEEPING
LITERACY

- VII. LEGAL
LICENSES
REGISTRATION
LABOR LAW
SOCIAL SECURITY, ETC

- VIII. INDUSTRY AWARENESS AND KNOWLEDGE
COMPETITION
COOPERATION
ASSOCIATIONS
GUILDS
INDUSTRY INFORMAL COMMUNICATION NETWORKS

- IX. PARTICIPATION AND GROUP COHESIVENESS
LEADERSHIP
EQUITY
RECRUITMENT
COMMUNICATION

IT SHOULD BE NOTED THAT THERE ARE OTHER EXAMPLES OF THE COMPONENTS LISTED. THIS IS NOT AN EXCLUSIVE OR EXHAUSTIVE SET OF CATEGORIES, AND IT IS EXPECTED THAT THEY WILL DIFFER BY TYPE OF PROJECT AND ENVIRONMENT IN WHICH IT IS IMPLEMENTED.

IT IS SUGGESTED THAT THIS BE CONSULTED AS A GENERAL GUIDE FOR THE DEVELOPMENT OF A CHECK LIST FOR MONITORING PROJECTS DURING THE IMPLEMENTATION PHASE. IT SERVES AS A REMINDER OF THE KINDS OF THINGS THAT NEED TO BE TAKEN INTO CONSIDERATION. IT PROBABLY WOULD BE HELPFUL TO THE PROJECT PARTICIPANTS THEMSELVES IF IT WERE TO BE USED AS A SORT OF GUIDE FOR THEIR OWN USE, PERHAPS IN A MODIFIED FORMAT.

PLANNING AND DESIGN ANALYSIS

REQUIREMENTS ANALYSIS

1. TARGET GROUP APPROPRIATE ?
2. TARGET GROUP COMMITMENT ?
3. PROJECT FEASIBLE ?
 - 1) TECHNICALLY
 - 2) FINANCIALLY
 - 3) ADMINISTRATIVELY / ORGANIZATIONALLY
4. PLAN COMMITMENT ?
 - DIRECTOR (POLICY COMMITMENT)
 - BUDGET
 - SUPERVISORS
 - SOCIAL WORKERS
5. OTHER AGENCY COMMITMENT ?
 - PERSONNEL
 - BUDGET
 - ? OTHER
 - ? OTHER

SUPPORT

DOCUMENTS

PDO
FEASIBILITY STUDY
BUDGET
COMMUNITY / FAMILY DOCUMENTS
? OTHER

INTERVIEWS

INDIVIDUAL/GROUP ENTHUSIASM
SOCIAL WORKER ENTHUSIASM

PROCESS EVALUATION ("MONITORING"/"FOLLOW-UP"...)
DURING IMPLEMENTATION/PRODUCTION PHASE

PROJECT ACTIVITY COMPONENTS

- I. PRODUCTION INPUTS
- II. IMPLEMENTATION FOR PRODUCTION AND EFFICIENCY.
- III. QUALITY CONTROLS
- IV. MARKETING AND PRICING POLICIES
- V. FINANCIAL CONTROLS AND ACCOUNTABILITY.
- VI. SKILL DEVELOPMENT AND TRAINING.
- VII. LEGAL AND LICENSING CONTROLS SATISFIED.
- VIII. INDUSTRY AWARENESS (COMPETITIVE AND COOPERATIVE).
- IX. PARTICIPATION AND GROUP COHESIVENESS.

METHODS OF MONITORING AND FOLLOW-UP

- PERIODIC VISITS AT "NATURAL" AND "ARTIFICIAL" PROJECT MILESTONES.
- INTERVIEWS
- OBSERVATION OF PROJECT ACTIVITIES
- REVIEW OF RECORDS.
- CHECK LIST
 - . "IN PLACE AND WORKING"
 - . "IN PLACE - NOT USED"
 - . "NOT IN PLACE"
 - . "NOT APPLICABLE - NOT REQUIRED".

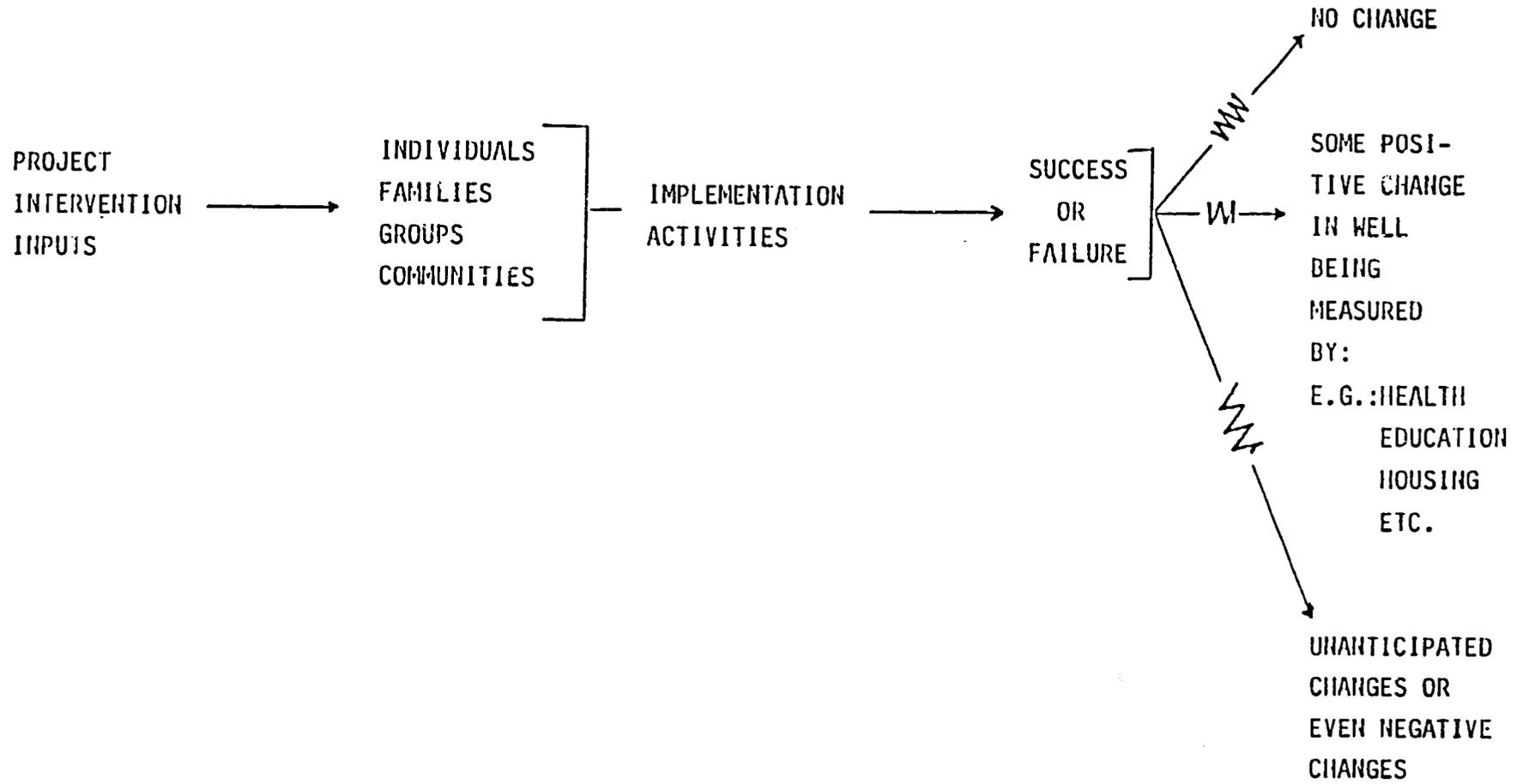
PROJECT RESULTS EVALUATION

SHORT TERM IMPACT

UNIT OF OBSERVATION

- | | |
|---|-----------------------------|
| 1) DID 50 FAMILIES REALIZE AN INCOME INCREASE OVER THE LAST XX MONTHS ? | • INDIVIDUAL FAMILY RECORDS |
| 2) WHAT WAS THE AVERAGE TOTAL FAMILY INCOME PER MONTH AFTER XX MONTHS ? | • INDIVIDUAL FAMILY RECORDS |
| 3) IS (ARE) THE PROJECT(S) CONTINUING AND SELF-SUSTAINING ? | • PROJECT DOCUMENTS |
| 4) HOW MANY FAMILIES ARE FULLY PARTICIPATING AFTER XX MONTHS ? | • PROJECT DOCUMENTS |
| 5) OTHER PROJECT MANAGEMENT-FOCUSED QUESTIONS | • INTERVIEWS |

SIMPLIFIED DEVELOPMENT OR CHANGE MODEL



DEVELOPMENT OR CHANGE EVALUATION

LONG TERM IMPACT

UNITS OF OBSERVATION

ARE THERE MEASURABLE CHANGES (POSITIVE OR NEGATIVE)
IN THE QUALITY OF LIFE INDICATORS AMONG ALL GROUPS/
COMMUNITIES/VILLAGES WHO PARTICIPATED ?

A) PARTICIPANTS ONLY

(BEFORE AND AFTER MEASURES)

B) PARTICIPANTS VS NON-PARTICIPANTS

C) PARTICIPANTS VS STANDARD POPULATION CRITERIA
(E.G. NATIONAL AVERAGES)

D) PARTICIPANTS AND NON-PARTICIPANTS VS NATIONAL
AVERAGES.

- 1) STRUCTURED INTERVIEWS AT FAMILY/
HOUSEHOLD LEVEL
- 2) CLINIC RECORDS
- 3) SCHOOL RECORDS
- 4) ROAD TO HEALTH CHARTS
- 5) PLAN FC RECORDS, ETC.
- 6) NATIONAL/REGIONAL STATISTICS

COSTS AND BENEFITS

Dr. Wickramasekera discussed his experiences in directing cost/benefit analyses of self employment schemes in Sri Lanka. He stressed the fact that evaluation and monitoring are directly related to the success of an enterprise and should be an integral part of any project not only for the benefit of the agency but also as a management tool for the project participants.

There are a number of obstacles to the collection of accurate and comprehensive data on small business.

1. It is often impossible to clearly determine the cost of a cottage industry. The home is the workplace and the family members are often the workers. Hours the individual family members spend working can vary with the season, the weather, their age or sex, and the demand for the product.
2. Many small entrepreneurs do not keep records and therefore cannot say how many workdays are required to produce a given output.
3. It is difficult to isolate and assess the net impact of inputs to the small enterprise.
4. Small entrepreneurs are frequently unable or unwilling to reveal their income.
5. Employment generation is difficult to measure because of the lack of records and the part time or occasional work of family members.

Discussion

John Grant suggested that simple bookkeeping system could monitor an income-generating activity. If it lost money, obviously it would end.

Hubert van Bavel disagreed and described a Nepalese man who raised chickens. The man was delighted with everything about raising chickens except the bookkeeping. The bookkeeping said he was losing money. His solution was to keep the chickens and get rid of the books.

Henk Franken stated that income was nearly always misstated and that in many cultures a person's income is his or her business and nobody else's. Evaluating a project using income alone as an indicator is always a danger. PLAN families might well under-report their income because they don't want to be dropped from PLAN's assistance program. Reported income can only be used as one possible and not always reliable indicator.

Malcolm Harper disagreed and gave an example from Port Sudan. Family baseline data was entered in notebooks kept by the family. Data on their business and their loan repayments were also entered and used to run their business. People, he said, must understand that they need data to run their business. The fact that it is also useful as an evaluative indicator for the funding agency is a secondary benefit. Difficulties occur when outside evaluators come in asking personal questions. Evaluation should be an ongoing process. The data should all be there as a management tool for the business.

W. Timothy Farrell suggested that the best indicators might be obvious things--are there more children in school? Has the health of the family improved? Do they have more consumer goods?

IMPACT EVALUATION

Mr. Abeyrama outlined the steps involved in evaluating the impacts of a project or program:

1. Determine program goals;
2. Translate the goals into measurable indicators of achievement;
3. Collect data from participants and nonparticipants; and
4. Compare the data.

He then presented the following list of possible indicators:

Income	Housing conditions
Capital assets	Social status
Education	Household durables
Health	Recreation
Nutrition	Vehicles

Income

Gross cash earnings	petty sales
farming	remittances
employment	other
home industries	debts
livestock/fishing	savings

Capital assets

land ownership	livestock ownership
house ownership	other

Education

delays in education (according to the age)	adult education
school dropouts	vocational education

Health

Curative	Preventive
treatments	vaccination/inoculation
medication	protection from diseases
(manufactured medicine)	e.g., water boiling
	mosquito nets, etc.

Vehicles

motor bicycle

hand tractor

bicycle

other

bullock cart

Discussion

The discussion focused on the use of the listed indicators for measuring not only the income generating activities of participating families, but also the impact of the development program as a whole. Not all of the indicators would be used, the list is broad enough to serve as a guarantee that all programs could be called successful. It should be remembered that this is a checklist of possible indicators; a menu and not a diet.

The decision was made that the individual Field Offices would develop their own evaluation plan and indicators and that Mr. Abeyrama would work with them on an individual basis.

INCOME GENERATION FOR THE POOR: A CASE STUDY OF INCOME GENERATING
PROJECTS (IGPs), PLAN/YOGYAKARTA, INDONESIA,
BY Tilakasena Abeyrama*

This study of PLAN income generating projects (IGPs) in Yogyakarta, Indonesia, supplements previous IGP studies by Robert W. Hunt, Anne Fleuret, and Shirley Buzzard. These studies dealt with IGPs in general. The present study looks into the specific conditions in PLAN/Yogyakarta.

INTRODUCTION

PLAN attempts to eliminate poverty in the communities it serves. Following this broad objective PLAN/Yogyakarta has implemented a number of income generating projects. The present study looks into those IGPs and to find their potential in eliminating poverty. While attempting to find the impact of those projects, it also tries to identify the factors affecting their success or failure. Finally, it sets forth recommendations for future IGPs.

The findings are presented on an individual case basis and comments are made on each project. Major findings are made on the IGP program as a whole and recommendations are suggested on the basis of the findings. The projects included in this study cover four major sectors--vocational training, livestock and fishery, agriculture, and the development of traditional skills.

VOCATIONAL TRAINING

A variety of vocational training courses have been conducted or sponsored by PLAN/Yogyakarta for members of PLAN and non-PLAN families. The rationale has been that participation in these courses would lead to employment which consequently would increase income. It was felt that increased income would improve the living conditions of the family as well as the community as a whole. The projects included bookkeeping and baby sitting

Bookkeeping Course

This course was organized for unemployed youth who had completed senior high school. Participants were selected from the service area of the North District Office. The course was organized in February 1984 and lasted for 11 weeks. Altogether 22 people participated in the course, out of which 21 were from PLAN families. Total PLAN expenditure was \$301.72. Participants contributed US\$7.94 each.

During the present study three participating families were visited, one of these three participants is presently employed. None of the other participants have been able to find employment. The only one who is presently employed was not at home when the family was visited. Her father knew none of the details of his daughter's employment, but he did state that she had been employed before she participated in the course. However, she had increased her income substantially as a result of the course. Before the course her salary had been Rp 5000 (\$5.00) a month, after the course it increased to Rp 20,000 (\$20.00). This has resulted in increasing the total family income and, consequently, in raising the standard of living of the family members.

*This study has been heavily edited. The complete study is available.

The other students whose families were visited are still unemployed. They have applied for jobs but there has been no response. Before the course both thought that it would help them get jobs, now they feel it has not. One of them still considers the course useful and she expects the PLAN to organize a higher level course. If there is any such course she wants to participate. The other thinks the course was useless and wants to learn typing, a course she considers more useful.

Comments

Even though the course was organized with good intentions, the expected results have not been achieved. The only one to make use of the course is the one who was already employed. Before organizing the course, no consideration was given to the demand for bookkeepers. No feasibility study was done, participants and sponsors did not know whether or not there was a demand for bookkeepers. On the other hand, training, especially training for white collar jobs, raises expectations which will not be met.

The real impact of the course cannot yet be measured completely; participants still have hopes of finding jobs and may be successful in the future. However, consideration of last year's participants' inability to find employment, indicates that it will not be easy for them to find jobs in the near future, and that none of the families will benefit from this project.

Baby Sitters Course

A child care course was organized by PLAN/Yogyakarta with the collaboration of a local hospital. The object was to train young women who have completed their secondary education as baby sitters and to find them jobs. Initially 17 candidates were selected from PLAN families of Gunung Kidul, but the hospital which did the training selected only 15.

The total cost of the course was Rp 2,700,000 (\$2,783.50). PLAN's contribution was Rp 1,800,000 (\$1,855.67). The remaining Rp 900,000 (\$927.83) was contributed by the participants. The unit cost for PLAN was about \$123.71 (Rp 120,000). The course started in July 1983 and lasted for one year. Of the participants, 13 completed the course. Of those 13, nine passed. Hospital administrators found employment for all nine participants and they are now employed as baby sitters in hospitals and individual homes. The hospital administration provides follow-up services for these employees by visiting them monthly and consulting with them on any problems encountered.

Two of the families of participants in this course were visited.

Family One

The head of the household is an elderly woman who is blind in one eye. She has three daughters and two sons. The oldest daughter and the next son are married and living separately. The third child, a daughter, is married but lives in the same house along with her husband. The fourth child, also a girl, participated in baby sitting course and is now working in a home in Yogyakarta. The youngest, a 12 year old boy, the Foster Child, is in fourth grade.

The mother (head of the household) is a self-trained mid-wife and earns about Rp 5000 (\$5.00) a month. The son-in-law sells meatballs and earns about Rp 10,000 (\$10.00) a month. The family owns a small plot of land which does not bring regular income. Before the son-in-law joined the family, the family's main income had been from the mother's practice as a mid-wife.

The employment of the fourth child as a baby sitter has substantially increased family income. She earns Rp 45,000 (\$45.00) a month. She stays with the family for whom she works and sends Rp 5,000-10,000 home each month. In addition to this she has bought all necessary furniture and kitchen equipment for her family. She occasionally buys clothing for her family.

The family is happy about their new source of income which has helped improved their living standards. According to the mother, with her daughter's help, she has been able to improve the house and she can now afford better and sufficient food for the family. As a result, the family feels that their health has improved. This information was confirmed by a neighbor (the village leader) who visited the house during the discussion.

Family Two

The second family had been a PLAN family but was cancelled recently. The husband, wife, their six children, and the husband's parents live in the same household. All the children but the youngest are females. It appears that this family is comparatively well to do, especially, compared to the former family.

The main occupation of the head of the household is farming, at which he earns about Rp 100,000 (\$100.00) a year. Apart from this he earns about Rp 50,000 a month selling ice. The family also has a cow and a female goat and earns about Rp 100,000 (\$100.00) selling calves.

The oldest child took the baby sitting course and is now earning Rp 45,000 (\$45.00) a month. She works with a family in Yogyakarta and during the last 11 months has assisted her family with Rp 1800,000 (\$180.00). The family has used Rp 60,000 (\$60.00) to pay a hospital bill, Rp 100,000 (\$100.00) to construct a building in the back of the house, and the balance for various other purposes.

Obviously the additional income has improved their living standards. It has so far helped to improve their housing, health conditions, and overall well being.

Comments

Even though the unit cost of this training is high, it is certainly a meaningful investment. All participants who completed the course successfully got jobs. Even if those who work with individual families had to leave the employing families after some time, it would not be difficult for them to find new places to work. This can be arranged by their present employers by introducing them to their friends who are in need of baby sitters or by the hospital which conducted the course.

PLAN staff who organized this course said they got the idea from the number of advertisements in the local newspapers for baby sitters. This shows that even though they did not do a formal feasibility study or demand analysis they had been thinking about the job market. Apart from this, the hospital which conducted the course has taken the responsibility of finding employment for the participants. Obviously if such vocational education courses are organized in fields for which there is a demand, they can be effective in increasing family income. This project has resulted in improving the quality of life for all family members. The careful selection of courses and a strong, continuing demand are the two main factors affecting goal achievement.

LIVESTOCK AND FISHERY

PLAN/Yogyakarta has implemented a number of livestock and fishery projects meant to increase the income of the client families and, sometimes, to increase their nutritional levels. The following projects were visited under the present study.

Rabbit raising

Goat raising

Rabbit raising

A number of rabbit raising projects have been implemented in the service area of PLAN/Yogyakarta but only one was selected for study. This particular project was implemented in 1983 and rabbits were given to 11 families (one male and four female rabbits to each family). The total cost of the project was Rp 336,400 (\$550.00). The main objective of this project was to increase income. Out of 11 families three were visited.

Family One

The head of the household is a construction laborer with one son and three daughters. Of these the elder females (two) are already married and live separately with their husbands. The only son, who is 17 years old, is studying in the teachers training school. The youngest, the FC, is 10 years old and in the fourth grade of the elementary school. The main income of the family comes from the father's work as a construction laborer. On the average he earns Rp 27,000 (\$27.00) per month. However, his earnings depend on the availability of work. He also has three goats but he has not gotten any income from them yet.

After receiving the rabbits from PLAN, he sold 14 rabbits when they were two months old. The selling price has varied from Rp 1,500-2,000 (\$1.50-2.00) each. In addition to the rabbits sold, he also slaughtered five for family consumption during a 15 month period. Present stock of his rabbits is six. He attended a training course on rabbit raising organized by PLAN before he got the rabbits.

He raises rabbits because he thought it would be easy. He is happy with his rabbit raising and has no expenses in looking after them. He has treated the animals only with traditional medicine which he could get free

of charge. However, he now has difficulties in selling the rabbits. Even the rabbits that he sold were not for slaughtering but for raising. He is not sure what he is going to do in the future and so far has earned very little.

It may be even more difficult to sell rabbits in the future, because the people of the area do not eat rabbit meat, yet there are many people who raise rabbits. The money he earned through selling rabbits was spent on his youngest child's education. Apart from this, the project has not helped much to increase his income.

Family Two

The family consists of father, mother, and their eight children. Of these children, six are females and two are males. The oldest daughter left home about three months ago to work in a government department in Jakarta.

The main income for the family comes from the father (head of the household) who sells cakes in the market. The total earnings per month average Rp 30,000 (\$30.00). The family has been a PLAN family for two and a half years. He received four rabbits from PLAN in 1983. So far, he has been able to sell only eight rabbits and has earned about Rp 9,000 (\$9.00). His original stock of rabbits had given birth to 62 offspring, but 54 of them died.

He spends about Rp 900 per month on medicine for the rabbits. According to his figures, they do not make any profit from rabbit raising, but when asked about the project he said that he was very happy with it. He was well aware that he has not made any profit and even in the future will not make money from rabbits because selling rabbits is extremely difficult in the area. He also mentioned that he will never eat rabbit meat because he cannot kill them. It was observed that in this house there are lots of pets, especially, a number of birds could be seen in cages. Raising pets seems to be a hobby of this household. Therefore, the reason for his happiness with the project may his fondness for animals. Apart from this satisfaction, they do not get any material benefits from the project.

Comments

As revealed by PLAN staff, rabbit raising in this area has become a complete failure, it is not possible to sell the rabbits. The people of the area are not used to eating rabbit meat. This project was implemented only on technical aspects. No attention was paid to the social aspects. The failure of rabbit raising projects reveals that the traditions, values, and norms of the people in the area must be understood before implementing any projects. Where there is no demand for the product, there can be no success.

Goat Raising

A number of goat raising projects have been implemented by PLAN/Yogyakarta. PLAN's East District Office implemented a goat raising project in February 1984 and under this project, 21 female goats worth Rp 472,500 (\$487.11) were distributed to 21 PLAN families in Kal Sitimulyo. The families were expected to

build pens for the goats as their counterpart contribution. According to the Project Design Outline it was expected that the calves from these goats would be distributed to other families but this has not occurred. Of the 21 families involved in this project, three were visited.

Family One

The first visit was to the leader of the PLAN families in the area. As revealed by him, the people of the area have traditionally raised goats and there is enough grass to feed them. However, most of the PLAN families did not have any goats to raise and requested PLAN to provide them with goats. The village leader mentioned that such a project would be an opportunity for the unemployed children to make fruitful use of their time.

Of the 21 families who received goats, 17 families still have them. The goats given to the other four died. Out of the 17 families who still have goats, 12 families have been able to get calves from the original goats (some goats have given birth to two calves). Normally a goat can produce at least one calf a year. A 6 month old calf will net about Rp 12,000 (\$12.00).

This family has one full grown goat and one newly born male calf. They plan to keep the goats for at least another three years till they get sufficient goats to sell. According to the head of this family, if they sell two grown up goats a year they can earn about Rp 40,000 (\$40.00). At present they get enough income to meet their daily needs from farming. This is supplemented by making traditional roof tiles. Even though the family does not now get any income from goat raising, they are happy with the project and feel that it is going to generate considerable income in the future. That they can delay and plan for the future, indicates developing managerial skills.

Family Two

This is a family of four persons--a father, mother, and their two sons. The eldest son, 25 years old, works as a roof tile maker. The younger is an 11-year-old Foster Child who is in the third grade. The father makes horseshoes in an adjoining village. Total family income is about Rp 25,000 (\$25.00) a month; Rp 20,000/- from the father and Rp 5,000 from the son.

Presently the family owns the goat given by PLAN. The calf they got from the original goat had to be sold when it was only 5 months old because the FC needed shoes. The mother said they would not sell any future calves when they were so young. They are well aware of the fact that they can earn more by selling adult goats.

Family Three

This family has seven children, five girls and two boys. Two girls and a boy are married and live separately. The household head is a farmer who also makes roof tiles. Income from farming is about Rp 5,000-10,000 (\$5.00-10.00) a month, depending on the season. In addition, the family takes care of a few cows belonging to others. The family will get a calf from each cow they take care of as the payment for their labor.

At present they have three goats, two of them calves conceived by the goat given by PLAN. The family does not want to sell the animals too soon. They want to raise a herd to get more income. Even though the family does not make much money at present, they have enough to meet the daily needs and to plan for the future.

Comments

Obviously one goat is not going to generate enough income for a family with economic difficulties. This is especially true of PLAN families who are from the poorest section of the society who may find it difficult to keep a goat long enough to earn sufficient income. Examining the above three cases it can be seen that the two families who have enough income to support themselves are able to keep goats till they develop the herd into an economically viable size. The family who could not meet their needs had to sell the calf leaving them only with the original goat. It was also revealed by some PLAN staff that there are cases where goat recipient families have sold the goat a few days after receiving it to get money for an urgent need.

On the other hand, according to the original PDO, the offsprings from the goats distributed to these 21 families were to be distributed to some other families. If this was done the opportunity for those families to get income from goats would have been further reduced. However, this has not been implemented by the PLAN staff, not because they have done any economic analysis but, probably, due to having done no follow-up of the original plan. The planning stage of a project can be crucial, meaning the success or failure of the projects depends on adequate planning.

AGRICULTURE

PLAN/Yogyakarta has implemented a number of agricultural projects to help its client families improve their income and nutrition. These projects are generally implemented under the fruits and vegetable gardening and intensified land use program.

Orange Cultivation

This is a project implemented in the administrative area of PLAN's East District Office where oranges are a traditional crop. According to the PDO the project emphasizes increasing nutritional levels of the families involved. (However, it is doubtful whether one can improve nutritional levels of the people by letting them consume oranges. Therefore, it may be that the expectation was to increase income and to increase nutritional levels through this additional income.) The project was implemented in February 1984 at a total cost of Rp 155,200 (\$156.77). Under this project 300 orange trees were distributed among 112 families. While 21 of them were PLAN families*, the rest were non-PLAN families. Each PLAN family was given five trees and the others were given three or four. Before distributing the trees a training program on orange cultivation was organized in the area. However, not all the families participated in this training program.

*When the project was implemented only 21 families were PLAN families. But now 55 of the families who received orange plants are PLAN families.

The request for orange trees was made by the community through the local farmers' group. At the time of the present survey, as it was revealed by the leader of the community, about 50 percent of the trees which were planted for this project have died. Most died from a virus known as CVVD. Even the government agricultural officers are unaware of a cure for this virus attack. But almost all the families still have at least one or two orange trees.

Even though the people of the area are farmers, many do not own sufficient land. Even the small land areas they have are rocky and not very fertile and water is scarce during the dry season. The main crops cultivated in the area are cassava, soybean, and corn.

Since the trees take at least three years to bear fruit, it is too early to see any impact on the families through this project. Even if everything goes well, these trees will not bring these families sufficient income for their living. If they have other income, this project may provide supplementary income. However, the area is remote and transportation of the fruit to market will be difficult.

Comments

This project cannot be considered as a good income-generating project. Some few lucky families may be able to gain some income after three or four years but it is certainly not going to be a project people will be able to depend on. Oranges may provide a small supplement to family income but will not produce a substantial improvement in living standards.

Orange and Coconut Cultivation

This is a project implemented in 1983 in the Gunung Kidul area under intensified use of dry land. The project distributed 330 orange plants and 330 coconut plants among 22 families. Each family was to receive 15 plants of each type.* The project was implemented in response to a request from the families.

Before distribution of plants, a three day training program was organized with the assistance of the government agricultural officer. The people of the community are farmers and have traditionally cultivated maize, soya beans, paddy, coconut, and orange. According to the leader of the group, 95 percent of the plants given are growing well. Due to its success so far, the project is being used as a demonstration project. However, it will take some time to get any income from these cultivations. An orange tree normally takes about three to five years to bear fruit, while a coconut tree takes about eight years. Therefore, at present no impact evaluation could be done. As revealed by the families visited, they seem to be very happy with the project.

*According to the PDO, 15 plants were to be distributed to each family. But, as revealed by the leader of the group, a family received only eight plants of each type and about 15 non-PLAN families were given two to three plants of each type.

Comments

As is the case of the last project reviewed, this project will take time to realize income for the people but it seems to be more successful than the previous one. It is not possible to say anything about the outcome of the project at present. Since this type of project takes longer to bring about results, it should be incorporated with other projects where people can realize almost immediate income to meet their day to day needs. An alternative would be for PLAN to draw on its special services funds to meet current needs on a temporary basis until an income generating project produces income.

DEVELOPMENT OF TRADITIONAL SKILLS

PLAN/Yogyakarta has implemented several projects to assist people engaged in traditional occupations. The main objective is to help people develop their traditional skills and through this to increase their family income. In most of the projects implemented, people had skills but they were unable to make use of them profitably due to a lack of necessary equipment. Among such projects the following were visited:

barber tools project

carpentry tools project

As mentioned above, in all these projects the assumption was that earnings were limited due to a lack of essential tools.

Barber Tools Project

The project provided three clients with barber's tools in 1983. These three had been working as barbers but did not have sufficient tools. The total project cost was Rp 222,000 and the unit cost, high when compared to other PLAN/Yogyakarta projects, Rp 74,000.

Family One

The respondent was the head of a family of two children, a 12-year-old daughter and a 6-year-old son. He had been a barber since his childhood but did not have much business because he did not have sufficient tools. He received a grant of Rp 74,000 (\$74.00) to buy tools and now he owns all the necessary tools and equipment and works as a barber on a regular, although part-time basis.

Because he has no permanent place to work and does his business in three periodic markets, he works only 15 days a month. In each marketplace he has hired a place to run his barber shop for Rp 200 a day. In addition to this he also spends about Rp 500 a month to buy other necessary things needed to run the business. Food and transportation per month (during working days) cost an additional Rp 12,000. His earnings average Rp 3,000 per working day, about Rp 54,000 per month.

According to the figures given his net earnings vary from Rp 30,000-35,000 (\$30.00-35.00) per month. Since his children are small he does not have to spend much on their education. So far, with his earnings as a barber he

has furnished and repaired his house. and has spent some on social activities. Apart from his earnings as a barber, he earns from farming and cattle raising. These earnings are sufficient for his family to meet daily expenses. Presently he saves about Rp 4,000 (\$4.00) a month and he expects to use his savings to buy new tools if it is necessary. Right now he is looking for a suitable place to establish his business permanently and, if he finds a good place, he will sell one of his cows to get the necessary capital.

Family Two

The head of this family (respondent) had been working as a barber in Jakarta since 1957. Recently he has come back to settle in his own village. He has only one child, a 12-year-old girl.

Before PLAN assisted him, he had been working as a barber but, lacking tools, he could earn only about Rp 2,000 (\$2.00) each working day. Under this project he received Rp 74,000 (\$74.00) to buy a new set of tools and this has helped him to improve his business. He works in four periodical markets in the area--about 24 days a month. His present earnings are about Rp 3,000 (\$3.00) a day about Rp 72,000 (\$72.00) a month. His operational costs per month are about Rp 24,000 (\$24.00), and his net earnings about Rp 48,000 (\$48.00) per month. In addition to this he also earns from farming, but his earnings from farming are only marginally sufficient to meet the family's day to day needs. According to the respondent most of his earnings (as a barber) are spent on his daughter's education, to meet additional daily needs, and for social activities. He saves only about Rp 1,000 (\$1.00) a month and expects to use his savings for house repair. He, too, has the same problem as the previous respondent, i.e., he does not have a permanent place to work. On the whole, he feels happy about the project and thinks that his family is much better off than they were formerly.

Comments

Both families seem to be doing very well. Even though the unit cost is higher than many other projects, the earnings of the beneficiaries are sufficient to improve their living standards. The economic standards of both families have gone up and consequently their overall well being has improved. Unlike many other projects, a substantial amount of money has been invested on each family. The beneficiaries selected have the necessary talents and the willingness to develop. Additionally, there is sufficient and constant demand for the service.

Carpentry Tools Project

This project in the East District Office area was also implemented to develop traditional skills. Nine client families were given money to buy carpentry tools. All the heads of these nine families had been carpenters before, but they had been working with very simple tools or with borrowed tools. This lack of tools was hindering their income. The project was aimed at improving the income of these families by providing the opportunity for them to own the necessary tools. The request for tools came from the families themselves. Of nine families, two were visited.

Family One

The head of this family had been working as a carpenter before the implementation of the project, but his work was not regular. He spent only about a week per month at carpentry work. For this, he borrowed tools from friends and neighbors. Before the project, his main source of income was farming, at which he earned about Rp 10,000 (\$10.00) a month. This was supplemented by his income from carpentry, about Rp 7,000 (\$7.00) a month.

He bought the necessary carpentry tools with Rp 47,500 (\$47.50) from PLAN. His daily income on working days has now gone up from Rp 1,000 to 1,500 (\$1.00 to 1.50). The number of working days as a carpenter has gone from one week to two weeks per month. However, his earnings mostly depend on the amount of orders he gets and the availability of raw materials. Sometimes his earnings per month reach Rp 300,000 (\$300.00). When he has more work than he can handle alone, he hires laborers from the neighborhood. Normally he hires about four persons but in peak times he has hired up to 10. Each person is paid about Rp 1,200 a day, plus meals. For meals he spends about Rp 500 per person per day. In addition to this he spends up to Rs 200,000 (\$200.00) on timber.

While his earnings from carpentry have increased his farm earnings have decreased. He used to earn about Rp 10,000 per month from farming but now he gets only about Rp 7,000. This is mainly because he has to hire people to work the farm when he is busy with his carpentry work. As a whole, his family's income has gone up and he is very happy with the project.

His main problem now is the lack of capital to buy raw materials. Recently he borrowed Rp 100,000 (\$100.00) from the credit union at an interest rate of 2 percent per month on the unpaid balance. Since he has just borrowed he has not yet started repaying. He plans to pay Rp 7,000 at the end of the month as his first installment (March 1985). He expects that in the future he can further improve his business.

Since his earnings have gone up he has already started improving his housing conditions. He has built some furniture and bought bricks to repair the house. He also spends more on family's food and other day to day needs.

Family Two

The head of this family is the leader of the carpentry group. He has been a PLAN affiliate for three years. He has five children. The oldest daughter is 16 years old and the youngest daughter is only 5 years old. The only boy (the second child) is the FC. Except for the youngest child, all attend school.

This family was given Rp 33,500 (\$33.50) from PLAN to buy carpentry tools. Before receiving this assistance, the head of the family worked as a carpenter but generally only for two weeks per month. At this time his monthly earnings from carpentry were from Rp 10,000-15,000 (\$10.00-15.00) a month. Apart from this, he earned about Rp 50,000 (\$50.00) per year cultivating paddy and soya beans. He now earns about Rp 30,000 a month through carpentry, spending the same amount of time on carpentry as he did before. No change has occurred in his farm earnings.

He spends most of his additional earnings on meeting the daily needs of the family and children's education. Before he had to spend very little on children's education because they were small and were in the elementary school. Since they have grown and are now attending secondary school, he has to pay more for school fees. Last year he spent Rp 30,000 for school fees and, as he explained, his daily expenses have gone up by about 25 percent. Consequently, the family gets better food with increased nutritional values.

He saves about Rp 4,000 a month. Of this amount, Rp 500 is deposited in the credit union and the rest is saved informally as a share game, that is, a group of villagers pool their contributions monthly and one of the group members get one month's collection which he/she is supposed to use on house improvement. This group has a committee comprising of a leader (the respondent), an assistant and a secretary. The committee decides who should get each month's collection. This is decided on the basis of need. This particular respondent has not gotten his share yet, but expects to help his brother-in-law to build his house once he receives the money.

In general, the family feels this is a good and successful project and they are happy with the benefits. Living conditions of all members of the group have improved. Three of them have already started improving their houses and another three have bought bicycles. All of them can afford to spend more on food and other daily needs.

Comments

This project seems to be fairly successful. Even though the beneficiaries have not become rich, they have improved their standard of living. The first respondent has hired some people from the neighborhood to assist him and thereby has gained status as an employer. This implies that the project has been beneficial not only to the families involved initially, but also to other members of the community through the creation of new jobs. Even neighbors can sell their timber and earn money because this group generally buy raw materials locally. However, this should be carefully checked because unchecked deforestation may cause environmental hazards. In addition to the benefits mentioned above the people of the area can buy necessary furniture at reasonable prices, definitely lower than the market prices.

Even though these nine families are considered as a group they do not work as a group. Everything is done on an individual basis. If they could be organized into a more cohesive group they would be able to get more benefits. The respondents say their major constraint is lack of capital to buy timber. If they acted as a group rather than on an individual basis they could buy timber cheaply in bulk form. Such an arrangement will be helpful if they run out of local timber and have to buy it from outside dealers. Such a group effort may also reduce transportation costs. On the other hand, such a group effort may result in increasing the present production levels. Any decision to increase production should be carefully examined because production levels should not go beyond the existing demand.

MAJOR FINDINGS AND RECOMMENDATIONS

Findings

1. Feasibility studies are not done before project implementation. In most cases failures or near failures have occurred due to this.
2. In most cases, it appears that for PLAN staff implementation of a project means distribution of money or materials. Once these are given to the beneficiaries they seem satisfied that they have achieved the project objectives. No monitoring or follow up is done. No evaluation is done, apart from filling in the forms or collecting whatever information is necessary for annual reports or progress reports. As a result, most projects have not achieved the maximum benefits and PLAN staff has not evaluated their strategies and policies to find better alternatives. Project preparation and implementation have been mechanical and not dynamic. PLAN staff do not understand the whole project cycle, i.e., project identification, preparation/feasibility, appraisal, implementation, and evaluation.
3. In most cases PLAN staff has attempted to minimize unit costs in project preparation, but it appears that where the unit cost is higher the benefits are higher. This suggests that very small scale projects, are not going to bring about sufficient benefits.
4. Among other things, personal qualities of project beneficiaries are important for the success of any project. Thus, PLAN is at a disadvantage because PLAN families are selected on the basis of need and not motivation for self-employment.
5. In group projects effective leadership is important for success. PLAN/Yogyakarta has not paid enough attention to training and educating leaders and project participants.
6. PLAN/Yogyakarta has generally implemented conventional projects. No serious attempt has yet been made to support innovative projects.
7. Even with these weaknesses there are quite a number of fairly successful projects. By considering the impact of projects such as the barbers' tools project and the carpentry group, indications are that the introduction of income generating projects has the potential of improving the living conditions of the poor. If appropriate projects are identified and implemented with suitable people, it should not be difficult to improve economic standards and, consequently, overall living standards.

Recommendations

1. The lack of feasibility studies is a major weakness of PLAN/Yogyakarta. Every effort should be made to conduct proper feasibility studies. Even in cases of very small-scale projects, a simple, brief feasibility study is mandatory.

However, it is true that feasibility studies cannot always be conducted and may not be worth conducting on very small-scale projects. But such small projects are generally parts of larger programs. Therefore, a feasibility study on the whole program is worth doing. For instance a chicken raising project in one family may be too small to justify a feasibility study, but this family is going to be a unit of a larger chicken raising program. In such cases, a general feasibility study should be done on chicken raising in that particular area. In relation to projects where such a common study cannot be done, it is still necessary to make rough estimates of costs, benefits, and technical requirements of the project before implementation. Such estimates are not only helpful in determining the viability of the project but also help to persuade the entrepreneur to think systematically about the project.

2. Monitoring and evaluation should be done regularly. A separate monitoring and evaluation unit should be established for this purpose. Project beneficiaries should be involved in monitoring and evaluation and should be well informed of the conditions and outcome of projects. A simple cash flow and a time schedule chart can be used for day-to-day monitoring. In such a simple system there will not be any difficulty in the participation of the project beneficiaries.
3. When designing projects, consideration should be given to the project outcome and its capability of meeting the needs of the beneficiaries. At the same time, it is important to see if a certain family or a group of families is capable of handling the project technically as well as economically. This is a part of a good feasibility study. In other words, for success, projects should fit the people and the people should fit the project.
4. Selection of participants should be done carefully. A person who is capable in one kind of project may not be capable in another. Individual qualities should be considered in approving a project for a particular family. Not all people have the characteristics of successful entrepreneurs, nor can all people be taught how to be an entrepreneur. On the other hand, as mentioned earlier, PLAN is at a disadvantage because enrollment of families is on the basis of need. Almost all PLAN families are very poor. Introduction of IGPs for the very poor is not easy because such people have other immediate needs to be fulfilled before going into business.
5. More emphasis should be placed on introducing innovative projects.
6. It appears that in some projects, people can get more benefits through forming groups. In this case, the potentiality of making use of traditional mutual help such as gothong rayong should be explored. Existing group projects are not always working as complete groups. Creation of group cohesiveness and group spirit is important for the success of group projects such as the carpenters' group.
7. At the same time more effort should be placed on training leaders, as well as members of these groups. Project beneficiaries should be trained in project management---bookkeeping, monitoring, and evaluation as well as on technical aspects.

8. Efforts should be made to examine the possibility of making loans rather than grants in order to increase the sense of responsibility among the beneficiaries. However, this is a controversial issue. Loans may contribute to increasing indebtedness of the people. On the other hand, if something is given for nothing, people may not take any serious attempt to make use of it fruitfully.
9. More emphasis should be given to projects which create backward and forward linkages. Such projects would use local resources and create employment opportunities (backward linkages). Sometimes such projects can produce items which could be marketed by other people, or the product can be used to produce something else by others (forward linkages).
10. A two-pronged approach is suitable in assisting PLAN families. Since families are not equal in their economic standards, educational levels, and other capabilities, more direct assistance should be concentrated on those families who are handicapped economically, educationally, or in any other way. Those families whose economic standards, educational levels, etc., are better should be given indirect assistance such as loans to start and work on their own projects. In other words, a family with very low income conditions may not be capable of handling an IGP until they become economically sound.

WRAP UP

Malcolm Harper

Dr. Harper, requesting clarification about PLAN, proposed an exercise. He asked the conference participants what they would do if they were given \$30,000 to spend on a project of their choice.

Some of the responses were:

Start a small industry.

Start a crop insurance program which could benefit from 5,000 to 6,000 families.

Increase agricultural production through the purchase of seeds, fertilizer, and agricultural extension for about 500 farming women.

Provide loans to 300 small scale producers.

Provide vocational training and loans to about 200 people.

Dr. Harper admitted that he was playing a rude trick which has gotten him blackballed from more than one organization. This workshop, he said, cost about \$30,000. This expense imposes an obligation on the conference participants to make use of anything they learned from the conference. PLAN staff must look on training as an investment which, like a loan, should return a profit. If, he said, this conference did not lead to any concrete action, the money would have been wasted.

Speaking generally, he had both praise and blame for PLAN and PLAN's staff. The major fault of PLAN's staff, and PVO staffs in general, he said, was a lack of consideration of the costs and benefits of their programs. This is not surprising considering the social welfare background of most PVO personnel, but enterprise development is business development and businesses must make a profit. The habit of given money away for health, education, and community development projects can lead to giving loans instead of making them. Loans are a business transaction, if PLAN families are to function in the real world without PLAN aid, they must be aware of the realities of business. The opportunity cost of money is one of these realities.

The major strengths he saw were in the relative isolation and autonomy of the Field Directors and the lack of barriers between them and their staffs. Field staff seem to be left alone to work out their programs without being constantly harrassed by headquarters-imposed systems, visitors, and consultants.

POSTLOGUE

As Director of the IGP, I would like to point out that many people contributed to the success of the workshop and I want to express my appreciation to all. Many case situations were prepared and never discussed for the lack of time. Yet, read by Malcolm Harper, they did help orient him to what PLAN is all about. Then, too, I am sure that the thought and time that went into the preparation helped the individual writers to reflect upon IGP problems. Finally, these case situations are helpful to me as I prepare for a field visit and as I reflect upon what I have learned after visiting your IGPs on location.

To write down what each participant planned to do at home after the workshop was inspirational. Each of you should reflect upon this monthly until what you planned to do becomes a reality.

I want to give "honourable mention" to Henry Molumphy who has compiled these workshop proceedings and to Priscilla Cloutier who reluctantly, but sweetly, allowed Henry enough free time to attend the workshop and to write after he goes back to IH. Miss Culaton, fondly known as Peewee, was a dynamic, albeit petite participant from the Philippines Partnership for Productivity Office. And if I had it to do over again, I would still invite the provocative Malcolm Harper.

We shall continue to share information through field visits and the Bangkok Bulletin. Do let me know if you need information, need funds for new, innovative income-generating projects or if you just feel the need for some help to do better what you have been doing well all along.

E. Glenn Rogers, Director
Special Projects - Asia
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