

Commonwealth Youth Programme
Diploma in Youth Development Work

Module 11

Promoting Enterprise and Economic Development

Commonwealth Secretariat
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The Commonwealth Youth Programme's Mission

CYP works to engage and empower young people (aged 15–29) to enhance their contribution to development. We do this in partnership with young people, governments and other key stakeholders.

Our mission is grounded within a rights-based approach, guided by the realities facing young people in the Commonwealth, and anchored in the belief that young people are:

- a force for peace, democracy, equality and good governance,
- a catalyst for global consensus building, and
- an essential resource for poverty eradication and sustainable development.

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Introduction

Welcome to Module 11 *Promoting Enterprise and Economic Development*.

The first unit of this module focuses on the nature of current economic development and its relationship to enterprise activity. Other units include practical guidelines and exercises to develop enterprise skills. Unit 5 takes the form of a training programme that you will be able to deliver to enterprising youth in your community.

Enterprise and small business seem to be entering a new phase of development. The speed of global economic change, which has been leaving some countries and some social groups seemingly high and dry, has forced everybody concerned with the development of poor and relatively poor people to look towards new kinds of economic solutions to old economic problems: a more complex interaction with funding sources and better understanding of the nature of market forces. New projects that encourage small and micro business are well supported by international funding and development agencies, including CYP. The articulation of small business with the full range of economic infrastructure is becoming better understood and managed, though there is still a long way to go, and large numbers of small enterprises still fail because the needed supports for success are not part of the economic development framework.

The purpose of this module is to explore some of the development possibilities of the links between youth work and contemporary economic change. We will describe the skills needed to promote self-employment among young women and young men, including the principles of setting up micro-enterprises. We will explore how aspects of informal education can help young people to develop enterprise skills and undertake enterprise projects.

Module learning outcomes

Learning outcomes are statements that tell you what knowledge and skills you should have when you have worked successfully through a module.

Knowledge

When you have worked through this module, you should be able to:

- identify the different factors that shape and influence current economic development, particularly at a local level
- explain the connections between economic development and youth development work
- use experiential learning strategies to develop youth enterprise skills, with the aim of promoting local economic development
- access the available opportunities for self-employment and identify which agencies support young men and women for this purpose.

Skills

When you have worked through this module, you should also be able to:

- devise and deliver programmes of informal education for young people to acquire enterprise skills
- support young women and young men in setting up small business projects
- assist young women and young men to secure resources (grants, credit, specialist expertise, support services etc.) to establish and operate small business projects
- contribute entrepreneurial expertise in the development of local economic strategies
- establish networks with different agencies in this field.

About this module

Module 11 *Promoting Enterprise and Economic Development* will give you the skills to support youth in setting up small enterprises. However, it is essential that you understand and complete all parts of the module before you attempt to establish or help anyone else establish an enterprise.

The module is divided into five units.

Unit 1: Enterprise and economic development

This unit explores some of the theories behind enterprise establishment in developing countries. It gives an overview of global economic developments and their effects on youth enterprise at the local level.

Unit 2: Small and informal enterprises

This unit looks at enterprise at the local level. It discusses the role of small enterprise and entrepreneurs in developing communities. Unit 2 also examines the changing relationship between public policy and the informal sector of the economy in developing countries.

Unit 3: Youth and enterprise

This unit takes a practical approach. It examines the barriers in the way of enterprise development at a social and personal level. Checklists and practical activities are provided to help youth develop skills and confidence in creative thinking and risk-taking – important elements in enterprise.

Unit 4: Planning a micro-enterprise

This unit gives detailed guidelines on how to plan and operate a micro-enterprise in the informal sector. It explores the process via an extended case study.

Unit 5: Setting up and operating a small business

This unit provides the practical tools required to start up and operate a small formal business enterprise in a local community. It takes the form of a training programme, providing a step-by-step approach to training others to acquire these skills.

This table shows which units cover different learning outcomes.

Module 11 Learning outcomes	1	2	3	4	5
Knowledge					
1 Identify the different factors which shape and influence current economic development, particularly at a local level.	x				
2 Explain the connections between economic development and youth development work.		x	x	x	
3 Use experiential learning strategies to develop youth enterprise skills, with the aim to promote local economic development.			x		x
4 Access the available opportunities for self-employment and identify which agencies support young men and women for this purpose.		x			
Skills					
1 Devise and deliver programmes of informal education for young people to acquire enterprise skills					x
2 Support young women and young men in setting up small business projects.	x		x	x	x
3 Assist young women and young men to secure resources (grants, credit, specialist expertise, support services etc.) to establish and operate small business projects.			x		x
4 Contribute entrepreneurial expertise in the development of local economic strategies.	x	x			
5 Establish networks with different agencies in this field.		x			

Assessment

Each module is divided into a number of units. Each unit addresses some of the learning outcomes. You will be asked to complete various tasks so that you can demonstrate your competence in achieving the learning outcomes. The study guide will help you to succeed in your final assessment tasks.

Methods

Your work in this module will be assessed in the following three ways:

- 1 A report of about 3,000 words and a face-to-face report presentation – outlined at the end of the module (worth 80 per cent of the final mark).
- 2 A review of the learning journal you keep (worth 20 per cent of the final mark).
- 3 The institution in which you are enrolled for this Diploma programme may decide to replace part of the final assignment with a written examination (worth 30 per cent of the final mark.)

You will also do activities throughout this module that will help you prepare for your major assignment, as well as for the final examination. You will find full details of the assignment at the end of the module.

Note: We recommend that you discuss the study and assessment requirements with your tutor before you begin work on the module.

You may want to discuss such topics as:

- the learning activities you will undertake on your own
- the learning activities you will undertake as part of a group
- whether it is practical for you to do all of the activities
- the evidence you will produce to prove that you have met the learning outcomes – for example, learning journal entries, or activities that prepare for the final assignment
- how to relate the assignment topics to your own context
- when to submit learning journal entries and assignments, and
- when you will get feedback.

Learning journal

Educational research has shown that keeping a learning journal is a valuable strategy to help your learning development. It makes use of the important faculty of reflecting on your learning, which supports you in developing a critical understanding of it. The journal is where

you will record your thoughts and feelings as you are learning and where you will write your responses to the study guide activities. The journal is worth 20 per cent of the final assessment. Your responses to the self-help questions can also be recorded here if you wish, though you may use a separate notebook if that seems more useful.

Again, we recommend you discuss the learning journal requirements with your tutor before you begin, including how your learning journal will be assessed.

Self-test

Take a few minutes to try this self-test. If you think you already have some of the knowledge or skills covered by this module and answer 'Yes' to most of these questions, you may be able to apply for credits from your learning institution. Talk to your tutor about this.

Note: This is not the full challenge test to be held by your learning institution for 'Recognition of Prior Learning'.

Put a tick in the appropriate box in answer to the following questions:

	Yes	No	More or less
Can you explain the connections between economic development and youth development work - both in your community and at the broader macro-economic level?			
Can you list and discuss the different factors that shape and influence economic development - particularly at a local level?			
Can you explain and describe how informal, experiential learning relates to young people developing enterprise skills?			
Are you aware of the opportunities for self-employment and of agencies supporting youth to become self-employed in your area?			
Can you devise informal learning programmes that enable people to acquire enterprise skills?			
Do you know how to support young women and young men who wish to set up small business projects?			

	Yes	No	More or less
Are you able to help young people access available resources - e.g. grants, credit, support services, etc.?			
Can you help develop local economic strategies?			
Can you help build partnerships between different agencies in the small enterprise field?			
Are you able to keep up to date with relevant economic trends?			

Learning tips

You may not have studied by distance education before. Here are some guidelines to help you.

How long will it take?

It will probably take you a minimum of 70 hours to work through this study guide. The time should be spent on studying the module and the readings, doing the activities and self-help questions and completing the assessment tasks.

Note that units are not all the same length, so make sure you plan and pace your work to give yourself time to complete all of them. For example, Unit 3 has a heavy reading schedule.

About the study guide

This study guide gives you a unit-by-unit guide to the module you are studying. Each unit includes information, case studies, activities, self-help questions and readings for you to complete. These are all designed to help you achieve the learning outcomes that are stated at the beginning of the module.

Activities, self-help questions and case studies

The activities, self-help questions and case studies are part of a planned distance education programme. They will help you make your learning more active and effective, as you process and apply what you read. They will help you to engage with ideas and check your own understanding. It is vital that you take the time to complete

them in the order that they occur in the study guide. Make sure you write full answers to the activities, or take notes of any discussions.

We recommend you write your answers in your learning journal and keep it with your study materials as a record of your work. You can refer to it whenever you need to remind yourself of what you have done. The activities may be reflective exercises designed to get you thinking about aspects of the subject matter, or they may be practical tasks to undertake on your own or with fellow students. Answers are not given for activities. A time is suggested for each activity (for example, 'about 20 minutes'). This is just a guide. It does not include the time you will need to spend on any discussions or research involved.

The self-help questions are usually more specific and require a brief written response. Answers to them are given at the end of each unit. If you wish, you may also record your answers to the self-help questions in your learning journal, or you may use a separate notebook.

The case studies give examples, often drawn from real life, to apply the concepts in the study guide. Often the case studies are used as the basis for an activity or self-help question.

Readings

There is a section of Readings at the end of the study guide. These provide additional information or other viewpoints and relate to topics in the units. You are expected to read these.

There is a list of references at the end of each unit. This gives details about books that are referred to in the unit. It may give you ideas for further reading. You are not expected to read all the books on this list.

Please note: In a few cases full details of publications referred to in the module have not been provided, as we have been unable to confirm the details with the original authors.

There is a list of Further Reading at the end of each module. This includes books and articles referred to in the module and are suggestions for those who wish to explore topics further. You are encouraged to read as widely as possible during and after the course, but you are not expected to read all the books on this list. Module 4 also provides a list of useful websites.

Although there is no set requirement, you should aim to do some follow-up reading to get alternative viewpoints and approaches. We suggest you discuss this with your tutor. What is available to you in libraries? Are there other books of particular interest to you or your region? Can you use alternative resources, such as newspapers and the internet?

Unit summary

At the end of each unit there is a list of the main points. Use it to help you review your learning. Go back if you think you have not covered something properly.

Icons

In the margins of the *Study Guide*, you will find these icons that tell you what to do:



Self-help question

Answer the question. Suggested answers are provided at the end of each unit.



Activity

Complete the activity. Activities are often used to encourage reflective learning and may involve a practical task. Answers are not provided.



Reading

Read as suggested.



Case study

Read these examples and complete any related self-help question or activity.

Studying at a distance

There are many advantages to studying by distance education – a full set of learning materials is provided, and you study close to home in your own community. You can also plan some of your study time to fit in with other commitments like work or family.

However, there are also challenges. Learning at a distance from your learning institution requires discipline and motivation. Here are some tips for studying at a distance.

- 1 **Plan** – Give priority to study sessions with your tutor and make sure you allow enough travel time to your meeting place. Make a study schedule and try to stick to it. Set specific days and times each week for study and keep them free of other activities. Make a note of the dates that your assessment pieces are due and plan for extra study time around those dates.

- 2 **Manage your time** – Set aside a reasonable amount of time each week for your study programme – but don't be too ambitious or you won't be able to keep up the pace. Work in productive blocks of time and include regular rests.
- 3 **Be organised** – Have your study materials organised in one place and keep your notes clearly labelled and sorted. Work through the topics in your study guide systematically and seek help for difficulties straight away. Never leave this until later.
- 4 **Find a good place to study** – Most people need order and quiet to study effectively, so try to find a suitable place to do your work – preferably somewhere where you can leave your study materials ready until next time.
- 5 **Ask for help if you need it** – This is the most vital part of studying at a distance. No matter what the difficulty is, seek help from your tutor or fellow students straight away.
- 6 **Don't give up** – If you miss deadlines for assessment pieces, speak to your tutor – together you can work out what to do. Talking to other students can also make a difference to your study progress. Seeking help when you need it is a key way of making sure you complete your studies – so don't give up!

If you need help

If you have any difficulties with your studies, contact your local learning centre or your tutor, who will be able to help you.

Note: You will find more detailed information about learner support from your learning institution.

We wish you all the best with your studies.

Unit 1: Enterprise and economic development

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Unit introduction

Welcome to Unit 1 *Enterprise and economic development*.

In this unit we explore the current economic situation among the poorer nations in the Commonwealth, and the growing importance of small and medium business enterprises (SMEs), including youth enterprises, in accelerating their development.

Although there are considerable differences between the economies of developing countries, there are also certain aspects in common. Often, small business enterprises, including youth enterprises, share the same challenges, despite the different socio-economic conditions in which they operate. From the point of view of promoting the growth of SMEs, it's as important to recognise the risks posed by these differences as it is to embrace the growing opportunities.

The economic environment for SMEs, including youth enterprises, appears to be improving significantly in some developing countries. The questions that matter are whether the numerous poor countries can make the transition to being bankable economies, and what part SMEs can play.

Unit learning outcomes

When you have worked through this unit, you should be able to:

- discuss how youth development work can be part of the solution to foster local economic development in developing countries
- list opportunities and threats that shape and influence economic development, particularly at a local level
- compare the three different views of rural economic development and analyse which one would best suit the economic situation in your own country
- outline ways in which small and medium Enterprises (SMEs), including youth enterprise, can be supported by government policy to foster youth involvement in the economic development process.

Understanding economic development

What is economic development? You have explored the idea of social and community development in many of its meanings throughout this programme, so you probably have a good idea about what economic development is.



Activity 1.1

(about 15 minutes)

- 1 Based on what you have learned about social and community development, define economic development in your own words.
- 2 Then, compare the concept of economic development as you understand it with social and community development.

Don't forget to write your answers in your learning journal.

Your ideas of economic development are likely to be community-centred and at the level of micro-enterprises, where it is most likely to find young people in business.

Views of development

We can characterise development from two perspectives:

- economic development
- core values

Economic development

A country's economic development is an ambiguous issue, one that can be defined in contradictory ways.

The definition that was often given by development economists was founded on 'modernisation theory', which posits that poor countries were expected to develop through a series of stages of growth, similar to those that the rich economies had gone through in their development. This was prior to the international explosion of free-market policies in the 1970s, following the quadrupling of the price of crude oil and the post-Vietnam decline of the US dollar. Todaro (1997) claims that:

“On the whole, therefore, prior to the 1970s, development was nearly always seen as an economic phenomenon in which rapid gains in overall and GNP per capita growth would either 'trickle down' to the masses in the form of jobs and other opportunities or create the necessary conditions for the wider distribution of the economic and social benefits of growth. Problems of

poverty, unemployment and income distribution were of secondary importance to ‘getting the growth job done’.” (p.12).

However, the modernisation theory has been subject to some criticism for being too ethnocentric, one-sided and focused on the Western world and culture.

Core values

Following the crises of the 1970s, the facts of economic life made it necessary to change the definition of development. In a large number of countries, the ‘modernisation’ approach failed to create a balanced and sustainable pattern of development. Todaro (1997, p.16) argues that:

“Rising per capita incomes, the elimination of absolute poverty, greater employment opportunities and lessening inequalities therefore constitute the necessary, but not the sufficient, conditions for development.”

This led many development economists to argue for a radically different approach to the idea of development, concentrating much more on core values.

For Todaro (1997, p.18) these core values are those pertaining to life-sustenance, self-esteem, and freedom. They generate the following objectives.

- 1 To increase the availability and widen the distribution of basic, life-sustaining goods such as food, shelter, health and protection.
- 2 To raise levels of living including, in addition to higher incomes, the provision of more jobs, better education, and greater attention to cultural and humanistic values, all of which serve not only to enhance material well-being but also to generate greater individual and national self-esteem.
- 3 To expand the range of economic and social choices available to individuals and nations by freeing them from servitude and dependence, not only in relation to other people and nation-states but also to the forces of ignorance and human misery.

Todaro suggested that development:

“. . . must represent the entire gamut of change by which an entire social system, tuned to the diverse basic needs and desires of individuals and social groups within that system, moves away from a condition of life widely perceived as unsatisfactory and toward a situation or condition of life regarded as materially and spiritually ‘better’”.

This is also the aim that should underpin the agenda for youth leaders who promote small and medium enterprise activity. That agenda must enable youth-based small and medium enterprise to:

- fulfil the central principles of youth development work; and
- meet the ‘bottom line’ requirement of making a profit.

Since the 1970s we have learned to accept that private enterprise and the dominance of free market forces can play a significant part in fulfilling that second aim, at least in some countries.



Now turn to Reading 1: ‘Understanding Economic Development’ by the module authors. After reflecting on the reading, complete the following activity.



Activity 1.2

(about 15 minutes)

In light of what you have read, review your initial definition of economic development in Activity 1.1. Would you add anything to it? Would you remove anything? What would you change?

Write your new definition of economic development in your learning journal.

Now look at how Wikipedia (13 July 2007) defines economic development:

“Economic development is the development of economic wealth of countries or regions for the well-being of their inhabitants. ... It is a sustainable increase in living standards that implies increased per capita income, better education and health. Public policy generally aims at continuous and sustained economic growth and expansion of national economies so that ‘developing countries’ become ‘developed countries’.”

New global conditions

The new global conditions present opportunities and threats for most developing countries and their fragile economies. Let’s analyse some of the challenges that the new global conditions impose on most socio-economic situations in developing countries. They include:

- post-colonial deficits
- debt and structural adjustment
- trade liberalisation.

Post-colonial deficits

Post-colonial deficits inherited from colonial systems are not merely translated into economic deficits. They are also translated into wide-ranging educational and social deficits, which greatly contribute to the current conditions of under-development. Overcoming these deficits poses significant challenges to both developing and developed countries, especially in what concerns the development of small businesses.

Most of you will be living in developing countries. Some of you may be living in rapidly developing countries (such as Malaysia), and others may be living in countries which are developing at a slower pace. The socio-economic conditions will be subtly or very different in all of them. This point is stressed by Phillip J. Pierre in Reading 2 when he states that ‘a small business in the Organisation of Eastern Caribbean States (OECS) may not be the same as a small business in Latin America.’

Nevertheless, Pierre makes the point that there is a very significant common denominator:

“We experience a constant battle with the reality of globalisation and the threats of marginalisation caused by the strategic linkages and alliances being forged by larger firms and the multi-nationals of the developed world.”



Now turn to Reading 2: ‘SME policy in the Caribbean’, Phillip J. Pierre’s address to the Meeting of Caribbean Small Business Entrepreneurs, Organisations and Agencies.

The issue about communalities, represented in the challenges most small business enterprise faces in developing countries under the new global situation, was made very graphic in a television documentary on the Jamaican economy in 2001. In the documentary, Norman Manley, the former Prime Minister and great leader of the country’s Independence committee, explored Jamaica’s difficulties following its 1962 independence. (You can read more about the Jamaican situation in Case study 1.1, below.)

Debt and structural adjustment

Module 2 *Young People and Society* explored the issue of structural adjustment from a development perspective. (See, for example, Readings 1, 2, and 3 in that module)

During the era dominated by the support of the Bretton Woods financial system, many governments in developed and less developed countries were able to support failing and weak but essential industries in developing economies, with the help of the international lending agencies. This support also extended to poor people with high educational potential. The present state of intense competition in the global economy leaves fewer surpluses for governments to continue to

do this. Market forces dominate everything. Apart from funds allocated as essential aid, there is little that governments tend to do in support of less developed economies.

The World Bank and the International Monetary Fund (IMF) have the task of fulfilling the requirement to prevent the collapse of the world trading system. Part of this responsibility involves helping indebted countries to get back into economic balance quickly. However, the IMF themselves are now governed by the same market forces. So they require governments to adjust the structures of their economies to fit the market conditions. Consequently, to compete on the world market, countries are forced to adopt and implement structural adjustment policies. These policies almost always focus on cutting government spending, so that governments meet spending targets, accurately balance the books and do not engage in excess spending. This involves cutting costs, shedding labour ('down-sizing') or freezing public sector wages and cutting employment through cuts in spending on programmes like education, health and social care, thereby also hurting the poor.

The economic situation in Jamaica, as described in Case Study 1.1, offers a good example of the challenges developing countries face in the present economic global conditions.



Case study 1.1

The situation in Jamaica

Issues of post-colonial deficits and structural adjustment have been made very graphic in a television documentary on the Jamaican economy in 2001, produced and directed by Stephanie Black. Norman Manley, the former Prime Minister and great leader of the country's Independence committee, began the documentary by explaining Jamaica's difficulties following its 1962 achievement of independence. The country was free, but colonialism had left it underdeveloped and poorly structured to compete in world markets. The Jamaicans overcame the worst aspects of the colonial legacy in the nine years after Independence, but were then shattered by the hike in the price of oil in 1971.

This forced them to go in desperate haste to the International Monetary Fund (IMF) for a loan, in order to be able to afford to buy enough oil and other foreign sourced commodities to keep the country running (as Manley said: 'bear in mind, that this was a country beginning to unravel because it couldn't finance its needs.') The IMF compelled them, as a condition of the loan, to cut welfare spending savagely (by 2001 there had been no new hospitals for a long time) so that the loan could be repaid at commercial interest rates.

Suddenly they could not afford enough medicines or school books. They could not afford to upgrade schools, which undermined the

human resource development essential for modernisation. When they asked the IMF to consider Jamaica's long-term plan, the Bank said: 'That's not our problem. It's yours. We're here to find out why you're in trouble, just lend you enough to deal with the crisis and to ensure that you can pay the money back in full, according to bank terms.' Of course these were post-oil crisis terms, with high interest rates and punitive penalties.

The combined effects of the oil crises and the loss of stability worldwide, caused by the decline of the US dollar, created a significant structural shift towards reliance on the free market and its rules. Loans to less developed countries of any kind were now at much more commercial rates than they had been. Rich countries pay funds into the IMF and its associated banking arms. The US pays in the most money and therefore its economic needs are the dominant ones in IMF policy. The people who run those banks run them like any bank executives would. As Norman Manley states in the documentary:

“Private capital is not going to come in and help you. It wants to make a quick buck. And what else would it be interested in. Those who control affairs have no interest in whether you can sustain yourselves. They are only doing their job.”

In the beginning of the 1970s Jamaica owed \$800 million: By the end of the 1980s they owed \$4 billion. In 2001 they owed \$7 billion. The debt was so high that only the interest could be paid. Yet the 1981 documentary comments: 'these loans had produced neither growth nor poverty reduction.' One of the Jamaican economists in the documentary held the following view:

“Look at every IMF country in the world. Which one has a good health service or good education service? These institutions were not created by people with an interest in building up developing countries.”

The only way a country like Jamaica can develop properly is to construct the foundations of a modern economy, as Singapore and Malaysia have done, though of course their histories are completely different. This Jamaica has fought to do. In spite of the handicaps, since 1971 Jamaica has made slow headway against enormous difficulties. With the aid of special inter-country agreements, such as those with the former colonial powers, they established an excellent market for bananas in Europe, and established very good vegetable-growing and meat- and milk-producing industries, many of them SMEs.

Trade liberalisation

The acceleration of the global economy, coupled with the conditions on loans, means that developing countries are forced to open their markets wide to cheap foreign imports. Countries are no longer allowed, under World Trade Organisation (WTO) rules, to do favourable deals. For example, dairy farmers may not be able to compete with the import of cheap milk powder from America, or cattle and chicken farmers with cheap US meat imports.

The bitter irony of this is that, while the rich countries can effectively compel the poor countries, through their indebtedness and need to borrow, to drop their tariffs, at the same time they themselves can impose tariffs. The DFID (UK) website carried the following statement on August 18, 2006:

“Rich countries have also created obstacles designed to bar imports from developing countries with a natural advantage in producing agricultural goods. These barriers include high ‘tariffs’ – taxes charged at the border on imported goods. For goods imported into the EU or US, these can be as high as three times the price of the product itself. For example, fruit and nuts imported into the US can have a tax of 200% slapped on them, and for meat brought into the EU this can be as much as 300%. People in Japan or Korea buying imported rice may pay a tax of 10 times the original price of the rice. These tariffs are there to protect producers of, say, meat, rice or nuts in rich countries by keeping cheaper alternatives grown in developing countries off the supermarket shelves. And so farmers in poorer countries are left out in the cold.”

The need to deal with political opposition at home makes it hard for rich countries not to impose these tariffs as a way to protect their own industries. However, the WTO can pressure them to remove or not to impose tariffs.

The issues involved in trade justice are complex. There are several interesting articles on the internet at www.id21.org. There is also more about trade justice later in this unit.

The IMF official featured in the 2001 documentary about the Jamaican economy stated that the Fund’s job is to open up Jamaica’s economy to world development processes so that it can progress. Of course, that progress as being driven by the needs and policies of large transnational companies adjusted to consumer demand. The IMF official excused the fact that Jamaican SMEs had collapsed through loss of their own markets, by saying that he felt that ‘Jamaicans should have the right to buy what everyone else in the world has.’



Activity 1.3

(about 15 minutes)

Now refer to your own country and identify some economic challenges that may have been brought about by some of the threats that we have been talking about. If you do not know of any issues off-hand, check newspaper articles and talk to other people about their views.

What impact have those challenges had in your country? Do you find any similarities with the case of the Jamaican economy?

Discuss your ideas with your peers and register your reflections in your learning journal.

To see how well you are learning the concepts discussed so far, do the self-help exercise that follows. Remember to check the answers at the end of the unit.



Self-help question 1.1

(about 15 minutes)

- 1 In your own words, describe the objectives generated by Todaro's core values of life-sustenance, self-esteem and freedom.
- 2 Why is structural adjustment a threat for economic development in developing countries?

Compare your answers with those at the end of the unit.

Current global conditions require fast, flexible responses to global economic changes. Production systems that are slow to react to economic change fall behind the competition and become unsustainable in developing economies. In addition, when governments are slow to recognise the new economic conditions, they become unable to support small enterprises serving niche markets. SMEs are extremely important for the economic development of developing countries, which must be aware of the threats posed by globalisation and act to suppress them with creative solutions and opportunities.

Opportunities in the global market

Global markets can present a number of opportunities for economic development in developing countries. Particularly in what concerns small and medium youth enterprises (SMEs), including youth enterprise, as these are traditionally flexible and led by early adopters that welcome change. Some of these opportunities are:

- international market opportunities
- microfinance
- regional agreements
- policy development.

All of these can bring economic spin-offs, enhancing local economic development.

International market opportunities

Globalisation offers opportunities as well as threats to SMEs, including youth enterprises. In the previous section, you analysed how international trade, through the imposition or removal of tariffs, for example, could impact on local economies. The opening of international markets can also bring about business opportunities. For example, allowing the entry of imported competitive goods in local economies may open new and increased opportunities for SMEs, including youth enterprise, in the international market. However, it may also result in decreasing local demand for locally produced goods, and in extremes case can lead to the collapse of enterprises.

With reference to globalisation, Riad Khouri, in his article 'Small Firms in the Age of Globalisation', in the *Daily Star* (14/04/01), posits that small enterprises can:

- grasp the opportunity to access the growing number of niche markets for custom-made products (these have appeared because of the declining competitiveness of established large firms)
- secure subcontracts from those larger firms which have been required to cut production costs.

He also states that information technology can also create channels to international markets for small enterprises. There is some indication of this in the Readings for this unit.

We can find examples of both opportunities and threats in the Jamaican economy, where the opening of international markets has shown itself in a hugely expanded tourist industry, which large Jamaican tourism companies, as well as local SMEs, have developed.

India also presents a good example of economic boom, as well as hardship, as a consequence of the opening of international markets.



Now turn to Reading 3: 'Why India booms but still fails its job-hungry millions', an edited extract from *In Spite of the Gods: The Strange Rise of Modern India*, by Edward Luce.

As you can see from this Reading, India is an interesting case because in India there is already a very advanced economy within the larger undeveloped economy. The seven per cent of Indians who work within the formal economy can, and to an extent do, provide an accessible international advanced capitalist market for the 93 per cent in the informal economy to serve. If the state can develop a form of governance to extend this, then perhaps the SMEs can lead a huge new development surge.

SMEs, including youth enterprise, survive or die depending on whether they can adapt to these broader economic shaping conditions. The global economic market has created conditions in which even the industrially advanced countries in the Commonwealth are facing problems that are surprisingly similar to the less developed countries, though of course with vastly different resources to tackle those problems. Nevertheless, the market has created huge new opportunities for a wide range of business, including very new kinds of enterprise, often in the information, electronics and services fields.

Although at a deep level key economic conditions in all countries around the world have much in common, it is essential for you to analyse exactly what the economic conditions for enterprise are in your own region, as the details of the global and local economic situation are extremely important for small enterprises.



Activity 1.4

(about 15 minutes)

Discuss with your peers a situation in your local economy that has had to adapt to changing economic conditions brought about by globalisation.

In your learning journal, describe the situation and analyse the impact on the local economy.

Microfinance

Small business enterprises, including youth enterprise, are risky. To remain sustainable and flourish, they require capital investment which, traditionally, is not easily available, especially for young entrepreneurs. Not to mention the financial needs of start-up businesses. The creation of micro-financing programmes has been a tremendous stimulus and support for small businesses, and has greatly contributed to local economic development. However, there

are also some issues in the utilisation of these programmes, as you are about to learn.

It's actually very difficult to get accurate figures from country to country for the numbers of small businesses that fail, but claims that as many as 90 per cent fail within five years have been made. The figures for the UK, where the environment is generally supportive of SMEs, suggest that about 30 per cent fail within the first two years. This is not experienced by those entrepreneurs who research their chosen business and market thoroughly, who get very good training and have really competent business skills.

The achievements of micro finance systems have been significant, but the consequences of failure can be very serious, often with serious personal outcomes for the individuals involved, especially when they incur unmanageable debts.

What this suggests is that youth leaders seeking to use micro credit to finance SME development must check carefully the financial situations of their clients – the degree to which they are already indebted and the records of the lending agencies.

Micro credit has nevertheless generally a very good record. Nathanael Goldberg (2005), in his summary of the effect of microfinance for the Grameen Foundation says that:

“The review of the literature provides a wide range of evidence that microfinance programs can increase incomes and lift families out of poverty. Access to microfinance can improve children's nutrition and increase their school enrolment rates among many other outcomes.”

For the Grameen Bank of Bangladesh, the loan recovery rate is 98.45 per cent. The Bank is 94 per cent owned by its members who are mostly poor women. Goldberg comments that worldwide the MicroCredit Summit Campaign reports that 80 per cent of microfinance clients are women, and that *“Women are better off with microfinance than without.”* Goldberg's report is interesting and useful to anyone who wants to know more about the actual effects of different kinds of micro finance. For example he describes research in Bangladesh that shows that the impact of microfinance is greater on extreme poverty than moderate poverty, whereas other Bangladeshi research by BRAC showed that their landless clients benefited less than poor people with small pockets of land. In a comparison between Indian Self-Help Groups method of collective finance and Indian Grameen Bank finance, the Grameen system seemed to produce higher levels of business and household revenue, the development of several sources of income and the acquisition of productive assets.

Goldberg's study concludes: *“There is much to be enthusiastic about and there is much to discover about the many ways in which microfinance works and does not work for different types of clients.”*

Micro-finance has been a tremendous opportunity made available by the present economic conditions, in spite of some of its negative impact.

Regional agreements

Government response to the situation varies widely, but countries can enter into a variety of agreements to stimulate local economies and spawn small enterprise.

In Reading 2: 'SME Policy in the Caribbean', you learned about how the governments of the Eastern Caribbean States and St Lucia have acted to facilitate the development of SMEs. As you may remember, one of the priorities of these governments was to deepen and extend the trading market for SMEs, as the establishment of the CARICOM Single Market and Economy for the Caribbean is doing. Clearly, the creators of CARICOM have seen the need to create a more strongly integrated and diverse economy, including three countries in Central and Latin America, close to the North American Free Trade Agreement (NAFTA) region. Consequently, these governments are more able to stabilise and enlarge internal trade, rather than being nakedly exposed to the strength and dynamism of NAFTA. Without the CARICOM trading area, the Caribbean countries would have to absorb the flow of goods from both NAFTA and Europe. This could leave them stuck only with their comparative advantages of mass tourism, and 'growing peppers and spices'.

Policy development

The development of sound policy, within the context of globalisation, can present many opportunities for local economic development. For example, by creating policy aimed at encouraging the proliferation of SMEs and aimed at creating the right conditions for youth to be entrepreneurial and involved in local economies, governments contribute to create business opportunities that foster economic growth.

Let's look at the example of St. Lucia again. With its Small and Micro Business Act, the government is creating an institutional and legislative framework designed specifically to create a strong SME sector. Another key piece of government intervention has been the development of a National Industry Policy for the country, which locates the SME sector within the context of St Lucia's manufacturing environment, and allocates to it a key role in localising the use of manufacturing inputs. It is, in effect, a planning policy that accepts the role of the market, but seeks to counter its threats and optimise its opportunities.

If such a strategy can power the process of converting the Caribbean economies into a series of strong, competitive, bankable modern economies, how much more effectively might it be employed in larger economies. For example, in countries with car assembly industries, simple local components could be made and designed to match

specific local needs, which the overseas manufacturer would not find profitable. Such a component might be a special suspension unit for rough local roads, designed to fit into mass production vehicles by Ford or Peugeot. Of course, the market would need testing and the design of components and the process of business planning would have to be thorough and sound. But such capacity exists in many poor countries, and derives from long-standing handcraft and entrepreneurial traditions.

Now consider the example of Nigeria, presented in the following case study.



Case study 1.2

Kaduna, Nigeria

Following the collapse of the oil prices in the 1980s and 1990s, a strategy grew up in Kaduna, Northern Nigeria, because of the structural adjustment policies agreed to by the government, which made it extremely expensive to buy spare parts for the area's ageing Peugeot estate cars. This gap has been filled by hundreds of small enterprises that can even make internal gearbox parts very cheaply by re-metalling worn parts. They use inferior materials that will last several months and can then be replaced, and the whole thing is cheap enough to be sustainable.

This satisfies the second of Todaro's value statements and also the third, because it creates a technical skill basis for the development of a local modern manufacturing capacity, rather than just an assembly and repair capacity – provided that the various financial, educational and technical elements can be brought together. Youth leaders involved in this may have a unique opportunity to help raise the level of skills as is required in the postmodern world economy. What is more, this enterprise activity builds on a very proud Nigerian craft and entrepreneurial tradition.

The Kaduna enterprise also satisfies the requirements of Todaro's first set of values, in that these car spare parts keep the vehicles of small businesses running. What has already happened, and the potential for change in Kaduna, are also a response to the following factors:

- national government policy
- supportive local government policy and practice in setting up the Panteka Market facility
- existing education and training potential close at hand.

Therefore, it is crucially important that the design of any youth enterprise is based on the existence of such necessary and sufficient conditions for that enterprise.

By now, you have a good understanding of the impact that globalisation can have in developing countries, especially in local economies. It's time to complete an activity that will allow you to consolidate all you have been learning into a SWOT analysis.



Activity 1.5

(about 30 minutes)

Now that you have learned about the strengths, weaknesses, opportunities and threats that globalisation can impose on developing countries and their local economies, conduct a simple SWOT analysis for SMEs in your own country.

Refer to Module 4 *Working with People in their Communities*, Unit 4, where you learned how to conduct this type of analysis. If you have a chance, work with your peers and support each other in completing this activity.

Don't forget to write the conclusions of your analysis in your learning journal.

Unleashing entrepreneurship

The way that countries grow affluent is through trade. This stimulates competition and innovation and leads to the conversion of inefficient systems into efficient ones. However, given the existence of a world economic system dominated by dynamic, free capitalist forces, there is great danger of less developed economies going bankrupt because they are unable to pay or service their debts. Huge investment bubbles, for example in real estate, can burst if high interest rates suddenly deflate, which has the potential to bring the world economy to the edge of collapse. It seems that the IMF/World Bank system can no longer be relied upon to stabilise the world economy, especially when that system has led countries into permanent indebtedness so that they cannot grow and trade properly.

The UNDP Commission on the Private Sector and Development (2004) published a report aimed at creating conditions within developing economies to foster growth and equity. The Commission's view is that 'primary responsibility for growth and equity is with developing countries themselves, who must be responsible for creating the conditions for investment.'

Cancelling debt

If the world economy slumps, everyone, everywhere suffers. In face of the catastrophic consequences of this, all world leaders realise that these indebtedness conditions must change. There have therefore been serious efforts by some leaders in the rich countries to persuade the G8 nations to cancel the debts of a number of poor countries, providing that those countries comply with certain conditions, such as democratising their politics, eradicating corruption, embracing free market conditions, demilitarising and so on. Some of these efforts are now under way: some countries' debts have been cancelled. On its own, this will not enable poor countries to establish the basis for modern economies, but it will help their money to flow again into productive channels, creating opportunities for business development and the participation of SMEs in economic development.

Liberalisation and trade justice

World political movements aimed at trade justice include:

- attempting to prevent the dumping of excess products by developed countries into developing economies
- attempting to make rich countries drop their huge tariff barriers for poor country goods (don't forget however that when European and US farm prices fall as a consequence of trade justice in food items, many of the farmers there go bankrupt, and that is difficult politically for the governments of rich countries)
- the growing popular movement among wealthy countries to buy foods (such as tea and coffee) and other commodities, sold only by companies acting under Fair Trade rules, where the actual farmer or producer gets a fair price that he can live on and invest with.

It remains to be seen whether these movements can genuinely help to reverse the deterioration of the economies of the poorest countries, boosting their development to a higher level. However, it does seem that this is at least helpful, and opens opportunities for developing countries.

The 2004 report from the UNDP Commission on the Private Sector and Development, mentioned above, argues that SMEs, marginalised in the domestic financial ecosystems of poorer countries, should be central to the plans of domestic policy makers. SMEs need to be brought into the formal sector, and become an intrinsic part of public/private interaction so that they have access to stable finance, skills and basic services.



Now turn to Reading 4 'Unleashing Entrepreneurship: Making business work for the poor', the highlights of the 2004 report from the UNDP Commission on the Private Sector and Development. Reflect on the meaning of these highlights and then complete the following activity.



Activity 1.6

(about 30 minutes)

After you read the UNDP report, make a list of the recommendations that you think would have the biggest impact in your community.

Discuss your list with your peers, justifying why you think the recommendations you chose would have the biggest impact in the local economy. Register the highlights of your debate with your peers in your learning journal.

Economic development in rural areas

Rural areas often present different economic realities from urban settings. As you have learned, modernisation theory promotes development by shifting investment away from agriculture to industry. To some extent, this theory has been discredited. Why?

Three-fifths of the world's population live in rural areas, mainly engaged in subsistence agriculture. World rural population increase will be greater than urban, at least for the near future. Unless the economic structure and infrastructure of the rural areas of developing countries diversifies and adapts, then there will be ever-increasing rural-urban migration, and, except in tightly politically controlled societies like China, many of the migrants are unlikely to find work in the towns, creating huge, problematic slums on the outskirts of large cities. To meet the requirements of the three sets of core development values, economic development has to be aimed at rural areas.

Three views of rural economic development

All the major international aid organisations, such as AusAID (Australia) or DfID (UK), argue for support for rural development, and much of their advice on project management is based around rural development. Their statements of principles and practice are available on their web sites, which are given in the References section.

The need to develop rural areas has been endorsed by many developed and developing countries, centred around three main views:

- 1 The South Commission's view
- 2 Todaro's view
- 3 Van Rensburg's view

The South Commission's view

The authors of *The Challenge to the South*, the Report of the South Commission led by Julius Nyerere (Oxford University Press, 1990), argued for the creation of rural population centres concentrating those industries and services supportive of rural growth and development, which would become both technically and culturally attractive to young people and stem most of the damaging rural-urban migration. This model does work very well in places such as Nakuru, Kenya, whose population is about 300,000 and rapidly growing, and central to the fine vegetable and cut flower industry.

Todaro's view

On the other hand, Todaro (1997, Ch. 9) argues that the core values of development can be met in the rural areas by continuous steady improvement in rural levels of living, through increases in small farm incomes, output and productivity. The necessary and sufficient conditions for this are as follows:

- 1 Technological change and innovation.
- 2 Appropriate government economic policies.
- 3 Supportive social institutions.
- 4 Modernising farm structures to meet rising food demands.
- 5 Creating an effective supporting system.
- 6 Changing the rural environment to improve levels of living.

This is closer than the South Commission to the models suggested by the various aid agencies, and is perhaps more practical for the vast majority of rural areas. If the conditions are appropriate, youth leaders should consider setting up enterprises supportive of this kind of rural development. Because youth development work is a resource of technical and academic skills for the community, a carefully-articulated, small business enterprise programme could contribute significantly to such a rural policy.

Todaro (op. cit.) also argues that innovations based on biological and chemical knowledge and hydrology – because they don't rely on large scale farming, or deplete the land – will be able to bring increased yields at low cost on farms of any size. There is a clear possibility here for developing countries to achieve the shift of skills and knowledge required for farming in today's economic conditions. They can avoid the 'modernisation' process (which is based on expensive and labour-reducing 'green revolution' methods) to achieve the sort of diversified, labour-absorbing and knowledge-generating farming culture that was recommended in the South Commission's report and supported by the many aid agencies.

Van Rensburg's views

Patrick Van Rensburg, the Botswana educationalist, developer of the 'brigade' system, developed the central concept of 'Education with Production'. His view is that the production process can embody the social, aesthetic and scientific concepts which are the core of development. The Brigades are primarily educational organisations but they solve real problems in the community by engaging in semi-commercial production activities. (Van Rensburg, 1978)

The idea has been criticised as well as praised, but the movement now has a solid body of evidence to show how areas of rural life can be improved by young people with enough time and resources to bring scientific research and methods to bear on such problems as organic farming, soil mechanics and appropriate technology. Such an approach, if successful, would fulfil all the core values outlined above, though it would need to be carefully designed to be adaptable to the requirements of structural adjustment programmes. Countries with programmes for redistributing land, supported by financial and agricultural extension strategies, have attempted to create some of the conditions for this kind of enterprise strategy.

Youth enterprise

Cecil Ryan has made an impassioned case for putting Youth Enterprise Development at the heart of the Commonwealth Secretariat Programme Priorities 2003–2006. He explains that, on average, 60 per cent of the populations of Commonwealth countries are under the age of 30, that as a consequence of their history the majority of young people are 'poorly educated, inappropriately trained and unskilled, and they have unrealistic occupational and wage expectations for entry-level positions.' The majority, if working, are in the informal sector with very little chance of earning a reasonable living. About a quarter of young people in the developing world live on less than a dollar a day. Ryan says:

“These prevailing conditions themselves have resulted from diverse current and historical experiences, including colonial forms of exploitation, underdevelopment of natural and human resources, and in many cases inappropriate management of resources.”

As a result of structural adjustment programmes, there are now many rules attached to public spending for youth development workers to fund enterprises. For example, enterprises must be 'profitable'. This requires knowledge of 'market testing' and 'business planning', among other things. One positive outcome, however, is that it generates a disciplined approach to business, which promotes the efficient use of resources. It also requires the youths involved to have a good educational level, as well as enhanced problem-solving skills.

But many young people lack adequate education, so any enterprise development programme must include an education and training component.

Support for core values

At the heart of Cecil Ryan's strategic paper for the 6th Commonwealth Youth Ministers' Meeting (2006), are Todaro's 'core values'. Ryan sees the empowerment of youth as the key to creating the essential entrepreneurial leading edge of postmodern economic development in poor regions like the Caribbean. He recognises that the huge numbers of unemployed young people often have little statistical chance of finding employment in the formal economic sector, and that they must achieve their training and empowerment from within their own resources. However, he also argues that government has a duty to create the conditions for this to happen, by supporting youth in starting up their own businesses. The model that he advocates for this purpose is from the now tried and tested Commonwealth Youth Programmes' Commonwealth Youth Credit Initiative (CYCI) and the parallel Micro Credit Management System (MCMS).

He quotes a number of cases of successful youth entrepreneurial programmes around the Commonwealth, and argues that, even where these are unsuccessful, they can raise the self confidence and aspirations of young people simply by learning how to respond even if the business fails. When they are successful, they raise the aspirations of other young people, and such businesses tend to employ more young people.

CYP initiatives

Cecil Ryan suggests a number of well tried strategies for promoting youth-run small business enterprise, that form the core of the CYP initiatives:

- 1 Provision of opportunities for enterprise education.
- 2 Raising capital through links with big and established businesses.
- 3 Using business networks to get advice and support on skills (via skill transfer), laws, taxation and accounts, through training, mentorship and outreach work.
- 4 Running competitions using the media for youth enterprise.
- 5 Preference for young people in business organisations, which is particularly acceptable in communication and information technologies.

The requirements for starting a youth enterprise include:

- start-up capital
- knowledge of all laws and regulations
- basic training in business management

- the presence of a support network of established businesses and counterpart start-up enterprises
- establishment of a Business Advisory Support System to give counselling and support.

These strategies have strong echoes in the UNDP report by the Commission on the Private Sector and Development, analysed earlier in this unit.

If trade liberalisation ever gets going properly, it will open up rich country markets to exports from less developed economies that can compete effectively. A good example is the increasing trade in high quality vegetables and cut flowers from Kenya to the British market. The more likely scenario for youth enterprise though, is the difficulty of competing with firms from rich countries undercutting local businesses within the less developed economies. If so, the demise of local enterprise would lead to increasing unemployment problems and poverty among youth. Therefore youth enterprise will require access to credit, government services and other facilities, in order to remain viable in the current global economy. That will not be easy under structural adjustment pressures, though there is now much more support for developing country enterprises by, for example the UN and DFID, (as is evident in some of the Readings for this unit).



Activity 1.7

(about 15 minutes)

In your learning journal, develop a checklist of objectives for an enterprise activity based on Todaro's value statements.

To recap, these are:

- 1 To increase the availability and widen the distribution of basic, life-sustaining goods such as food, shelter, health and protection.
- 2 To raise levels of living including, in addition to higher incomes, the provision of more jobs, better education, and greater attention to cultural and humanistic values, all of which serve not only to enhance material well-being but also to generate greater individual and national self-esteem.
- 3 To expand the range of economic and social choices available to individuals and nations by freeing them from servitude and dependence, not only in relation to other people and nation-states but also to the forces of ignorance and human misery.

Add to your list any extra objectives you believe are important but which are not included in Todaro's value statements.

Discuss with your colleagues how you might ensure the objectives are met in designing an enterprise activity. The first item on the checklist is provided as a guide.

Checklist of objectives for enterprise activities

- 1 Does this enterprise concentrate on basic needs?
- 2
- 3
- 4
- 5

How core value objectives can be met

Todaro's statements on core values suggest that our enterprises should concentrate on basic needs, and that points in the direction of activities designed to serve the poor, rather than the rich. Despite the fact that structural adjustment tends to make the rich richer, modern sector activities spawn a large number of support activities where enterprising poor youths can feed, house and educate themselves and their families. An example is urban garden-making in Japan. This niche market activity serves the lifestyles of the rich, while enabling poor enterprising youth to earn a living and contribute to economic development.

A number of developing countries, while desperate to have 'foreign direct investment' in order to meet the requirements of structural adjustment, are concerned that the multinational companies providing this investment create uneven development within their economies (as demonstrated in Reading 3 about India). Such companies shift the local economy away from production for basic needs towards production for export. But having a middle level of small businesses generated by the activities of the large companies will help them to even out the distortions within the local economy. This has certainly been the case among the 'newly industrialising economies', such as Malaysia and South Korea.



Self-help question 1.2

(about 10 minutes)

Todaro's core values can be satisfied by directing enterprise activity to benefit the poor.

List two *other* ways in which the objectives of Todaro's core values can be met by enterprising people in developing countries.

Compare your answers with those at the end of the unit.

Unit summary

As we have seen in this unit, there are many complex factors influencing the economic development of a country, the most current one being intensifying globalisation. Traditional views of development are giving way to postmodern ideas that take core values into account – those values that address the needs of the poor, the unemployed, farmers and rural communities, and these may be well suited to the work structures and traditions of developing countries. These combine with a number of major new initiatives, both within the less developed economies and in the world economic system.

You have covered the following main points:

- two views of development – based on economic development and on core values
- opportunities and threats for developing countries in the global market
- the nature of the new opportunities for SMEs
- the way that SMEs can support the fulfilment of core values and the involvement of youth enterprise in economic development
- three views of economic development of rural areas.

To check how you have got on, look back at the learning outcomes for this unit and see if you can now do them. When you have done this, look through your learning journal to remind yourself of what you have learned and the ideas you have generated.

In Unit 2, we discuss small and informal enterprises and examine the kinds of enterprises you will be participating in as a youth development worker in your community.

Answers to self-help questions

Self-help question 1.1

- 1 The objectives generated by Todaro's core values include:
 - increasing the availability of basic goods such as shelter, food, health and protection
 - raising standards of living through job creation with fair salaries, improved education and attention to cultural and humanistic values that improve confidence and self-esteem in the population
 - expanding economic and social choices available to individuals and nations by freeing them from servitude and dependence.
- 2 Structural adjustment is a threat for economic development in developing countries because it is centred around policies that focus on cutting government spending. To cut spending, governments must cut costs, which means they will downsize their labour force, or freeze public sector wages. Unemployment and low salaries will invariably lead to economic recession. Additionally, governments will cut programmes like education, health and social care, which will further impede economic growth.

You may have thought of more answers to this question. The answers given here are intended as a guide. If you have any queries, speak with your tutor to get accurate feedback to your responses.

Self-help question 1.2

- 1 Enterprising poor people can provide goods or services to the rich and thereby meet their own needs – satisfying some of the objectives of Todaro's core values.
- 2 As in the UK car industry, even very small business enterprises can take advantage of the opportunities generated by large multinational companies in developing countries. They can form a middle level of business activity – and so take advantage of the opportunities big business offers the small operator. In this way they partly offset the negative impact that multinationals can have on developing countries.

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Unit introduction

Welcome to Unit 2 *Small and informal enterprises*.

In this unit we turn from broader to more local issues and examine the kinds of enterprises you will be participating in as a youth development worker in your community. We discuss the concept of small enterprise, including the qualities of entrepreneurs and the benefits they and their small businesses bring to the economic development of a country. Enterprise needs to be supported, and we discuss government policies and support systems available to small business operators, and examine how the roles of government and NGOs are changing in relation to them.

Unit learning outcomes

When you have worked through this unit you should be able to:

- distinguish between formal and informal businesses and argue their importance for local economic development, based on the benefits they generate for local communities
- recognise opportunities for self-employment in your community and identify which agencies support young women and young men for this purpose
- advise young people on entrepreneurship, its advantages, disadvantages and what it requires to be successful
- work with government agencies to advocate for support for small young entrepreneurs in your community
- contribute entrepreneurial expertise in the development of local economic strategies.

Definitions

To begin Unit 2, we need to clarify what we mean by some of the key terms we will be using.

Definitions relating to small enterprise development vary, depending on the person using them and their context. For example, development as we saw it in Case study 1.2 about Kaduna in Unit 1, is very different in scale and type from that in Malaysia (though there are many common characteristics). Here, we offer some definitions of key terms in enterprise development:

- small business
- microbusiness
- entrepreneur.

Small business

The term ‘small business’ can be defined in terms of factors like the number of persons employed, the number of customers, turnover of funds, capital employed, amount of sales, and so on. Sometimes it refers to business activity in the informal sector of the economy. But these kinds of definitions are limiting. Generally, it’s best to define a small business as having the following characteristics:

- It has a small share of the market.
- It employs a small number of people.
- It is independently owned – with the management and control in the hands of its owners.
- Management is personalised rather than formal.
- It is not part of a large group.

Micro-business

The South Commission (1990, pp.122–123) describes the term ‘micro-business’ as including:

“... small household enterprises, non-household enterprises employing a few people, self-employed producer-vendors and traders. They produce, distribute and sell a great variety of consumer articles, and provide a range of services, catering to the needs of the mass of the people.”

This definition clearly distinguishes micro-businesses from other businesses, which seem to be more structurally integrated in the formal economy. The kinds of enterprise appropriate for youth development work will range from micro-business to smaller kinds of formal business. In both cases, the South Commission argues strongly

for the state to create a supportive climate for entrepreneurial activity through:

- setting up training facilities
- promoting interaction among the relevant parties
- providing basic services
- stabilising the business environment
- altering laws that hinder business activity, healthy competition and technical modernisation.



Self-help question 2.1

(about 15 minutes)

What is the key difference between small businesses and micro-businesses?

Compare your answers with those provided at the end of the unit.



Activity 2.1

(about 60 minutes to design project and write up conclusions, plus extra time for the research itself.)

Design a simple research project to investigate the extent to which your country has created a supportive climate for entrepreneurial activity.

Here are some guidelines for setting about this investigation:

- First, design a checklist based on the South Commission's recommendations outlined above (e.g. Are there adequate training facilities for people interested in entrepreneurial enterprise?).
- Second, devise a list of questions to ask relevant people in order to get the sort of evidence you need.
- Next, look for sources of evidence and use your list of questions to gather evidence. For example:
 - ask street vendors and other local micro-business people

- o ask owners and workers in more formal businesses
- o observe the activities of these businesses
- o read newspaper articles - especially on legal issues related to business, and the economic and financial pages of journals.

As you gather your evidence, check how valid and reliable it is by cross-checking data obtained from the various sources. Don't rely on mere opinion, which can be influenced by the mood of the moment. Once you finish the investigation process, take your learning journal and write up a short conclusion based on the data you collected.

The entrepreneur

An 'entrepreneur' is a person who initiates and establishes an enterprise. The entrepreneur has to be attentive to the business environment and has to be able to identify business opportunities, bring together resources and act to take advantage of the opportunities. In the process, the entrepreneur takes calculated financial risks in order to make profit (an excess over the costs). In the simplest terms, the entrepreneur makes business 'happen'.

Youth development entrepreneurship goes beyond the motivation of profit to include the promotion of core development values. However, it must include the notion of 'profit' or perhaps 'added value', as the simplest way of measuring the effectiveness of the business activity. The minimum required of entrepreneurs is that they take resources and make them more valuable than they were before – for example, by distributing them in an area of scarcity, or filling a previously unrecognised need in the community. The vital criterion for them is to get a financial return that will at least enable them to survive better than before.

Characteristics of entrepreneurs

Entrepreneurs either have or develop very specific strengths and qualities. As the enterprise culture and enterprise education and training have become widespread, tests have been carried out worldwide to identify the common characteristics of entrepreneurs. The most important characteristics seem to be:

- 1 having a high need to achieve, coupled with a high degree of self-confidence
- 2 being prepared to take moderate risks
- 3 having initiative and independence
- 4 possessing leadership and organisational skills
- 5 seeking solutions to problems
- 6 having a positive outlook

- 7 taking responsibility for decisions
- 8 having a clear vision of goals
- 9 having a positive attitude to tasks
- 10 being enterprising (recognising likely business opportunities).



Activity 2.2

(about 20 minutes, not counting discussion)

Study the following table of characteristics:

Characteristics	Not true at all	Occasionally true	True about 50% of the time	Usually true	Very true
Having a high degree of self-confidence					
Being prepared to take moderate risks					
Having initiative and independence					
Possessing organisational skills					
Having the need and desire to achieve					
Seeking solutions to problems					
Having a positive outlook					
Taking responsibility for decisions					
Having a clear vision of goals					
Having a positive attitude to tasks					
Being enterprising					

Look at each characteristic and ask yourself where **you** come on the five-point scale. Make a tick at that point. When you have finished, you will have a basic 'entrepreneurship profile' of yourself.

One of the things that you learned in *Module 1 Learning Processes* is that characteristics are rarely fixed permanently. So, begin the process of changing the characteristics you think you need to improve on your 'entrepreneurship profile'. Discuss with your colleagues or fellow students why you think each of you should build on those traits in order to be successful entrepreneurs. This reflective activity will begin the process of change for the better!

Don't forget to write up your thoughts and reflections about your 'entrepreneurship profile' in your learning journal.

Training entrepreneurs

Unlike larger businesses, which are able to employ people with specialist skills, the small enterprise operator, to be successful, must possess most of the essential skills of running a business (such as planning skills, management skills, accounting and bookkeeping skills, etc.). Hiring people with these skills costs the business a lot of money – often a luxury it cannot afford; hence the need for small business operators to develop the skills themselves.

But this poses a number of difficulties – while small business operators usually recognise the importance of training and their own need for it, the demands of running a small business are usually such that they rarely have the time or resources for training because they have to dedicate themselves to the operations of the enterprise.

Nevertheless, worldwide small business operators are gradually realising that, if they are to survive in the increasingly competitive small business environment, they will need to bring a wider range of skills into their businesses. Governments recognise this contradiction and there are now many state and private agencies set up in developed countries to impart key technical and entrepreneurial skills for small business people.

The general skills that business owners need are in:

- business management
- marketing
- record keeping
- financial management
- human relations

- research and analysis
- decision making
- planning
- monitoring and evaluation.

These are the areas in which many small business operators need further training and education.



Activity 2.3

(about 20 minutes)

Describe a successful small business operation in your community and, in your learning journal, identify the good entrepreneurship characteristics that, in your opinion, contribute to that success.

Benefits of small enterprises

Small enterprises bring benefits to the economic development of a country. Economic growth generates a growing demand for new varieties of basic needs. These and other forms of economic development open up opportunities for small enterprise and encourage the development of entrepreneurship. Todaro (1997) describes the urban informal sector in the following way:

“The bulk of new entrants to the urban labour force seemed to create their own employment or to work for small-scale family-owned enterprises. The self-employed were engaged in a remarkable array of activities, ranging from hawking, street vending, letter writing, knife sharpening and junk collecting to selling fireworks, prostitution, drug peddling and snake charming. Others found jobs as mechanics, carpenters, small artisans, barbers and personal servants. Still others were highly successful, small-scale entrepreneurs with several employees (mostly relatives) and high incomes. Some could even eventually graduate to the formal sector where they become legally registered, licensed and subject to government labour regulations.”

Informal entrepreneurship

The benefits of informal entrepreneurship are outlined below.

1. Improved quality of life

Entrepreneurs are market sensitive, and therefore continually innovate and develop new products and services to satisfy and generate the changing demands of society. They also look for more efficient ways of producing and delivering these goods and services. This contributes significantly to the improvement of living standards. Entrepreneurs also tend to adopt technologies appropriate to the situation and make use of local resources – which is a way of allocating resources efficiently. They may well, for example, recycle some of the waste materials that are produced by the formal sector, in order to provide low-cost goods for poor people. A very simple example is the collection, preparation and selling of used fuel drums for carrying water in African villages.

2. Specific needs are satisfied

Small enterprises often succeed because they are able to identify and satisfy the needs of specific narrow segments of the community. Often, larger organisations are not interested in these segments because the demand may be low and it would cost them too much time and effort to provide for them. But small businesses can often satisfy these demands efficiently. Without them, certain segments of the market would not be able to buy specific goods or services cheaply. (An example might be the limited demand for a particular food delicacy of ritual significance by a small religious cult.)

3. More equal distribution of income

Small enterprises give many people the opportunity to create jobs and income for themselves. This enables money to be more equally distributed and lessens the gaps economically and socially. A society which appears to offer people plenty of opportunity is less likely to provoke social unrest, and might therefore avoid the consequences of an undesirable concentration of economic power.

4. Employment creation

The International Labour Organisation (ILO) (1997–1999) has argued that, if it is going to absorb predicted future additions to the urban labour force, the formal sector will have to create employment at 10 per cent annually, which is not possible in the current situation. Small enterprise has been identified as the single most effective creator of jobs in most countries. This is not surprising, considering that most small enterprises are labour intensive, ranging from a single, self-employed person to complex production units employing dozens of wage workers. Many of these enterprises can offer secure incomes and a decent working environment. On the other hand, there are also small businesses that only offer poor jobs, low in productivity,

dangerous or lacking in basic social protection: women are over-represented in this category.

Todaro (1997) argues that the informal sector is already absorbing 50 per cent of the urban labour force. In Latin America, the urban informal sector was the primary job generator throughout the 1990s. Approximately six out of every ten new jobs were created by micro-enterprises, own-account workers and domestic services. Informal sector employment rose by 3.9 per cent per annum, while formal sector employment grew by only 2.1 per cent per annum in that region. During the same period, urban informal employment in Africa was estimated to absorb 61 per cent of the urban labour force.

Throughout Asia, before the 1997 financial crisis, it was estimated that the informal sector typically absorbed between 40 and 50 per cent of the urban labour force, with major differences between the newly industrialising countries, which had less than ten per cent, and countries such as Bangladesh, with an estimated 65 percent.

It is worthy of note that women's share of the informal sector employment has been estimated at normally between 60 to 80 per cent.

As the formal sector reacts to global competition by increasing its capital investment in high technology, it also requires workers with ever higher levels of skill to operate it. But rural to urban migration produces huge numbers of workers with low levels of skill. These workers have to be absorbed into the informal sector.

5. Retention of wealth locally

Where goods and services are bought and sold locally, money is kept at home if there are no leakages in the local economy. Moreover, because of its low capital intensity (low levels of money invested in it), the informal sector generates jobs at a fraction of the cost of the formal sector, making important capital savings for the country.

6. Generating external wealth

Small enterprises can also offer products or services to external customers, therefore bringing income into the local economy. Todaro (1997) argued that there was scattered evidence that 'the informal sector generates surplus even under the currently hostile policy environment' (p. 271). Any available surplus in the local economy will work its way through eventually into the banks and be available for investment purposes.

7. Education and training

Where small enterprise provides training, it does so much more cheaply than the formal sectors of business and education do. (It often does provide training, but this could be of a much higher order than it is now.). More often than not, training programmes aim to

enable participants to operate more effectively and profitably within the micro-sector by paying close attention to practical business skills.

In view of all these benefits, small informal enterprises have much to offer poorer countries that are faced with the challenges of the global economy. By being flexible in responding to change, small businesses have a unique opportunity to create economic, social and political benefits through income generation and employment creation. This is particularly significant in smaller developing economies such as the island states of the Caribbean and the South Pacific, where resources may be limited, infrastructure poor, manpower and skills in variable supply, and where logistics make it economically unattractive to establish large-scale industries.



Self-help question 2.2

(about 15 minutes)

In view of the benefits of informal business enterprise outlined above, what are, in your opinion, the reasons for the barriers created by governments to the development of informal business activity? Answer this before reading further.

Compare your answers with those provided at the end of the unit.

Government policies and support

Because of their limited funds, skills and resources, small business operators face many barriers in the establishment of their businesses. These barriers relate to resources (human and material) and environment (local culture and location). Moreover, as we have seen, governments generally have a hostile attitude to the informal sector as a whole. With the legally established small business sector, governments tend to be excessively bureaucratic, causing unnecessary expense and delay for businesses, and pushing some business people into illegal operations.

To make it easier for legal, tax-paying small enterprises to be established and to help them grow, governments must develop policies that create a favourable environment.

The ILO has suggested the following steps be taken:

- removing barriers
- providing tax breaks and incentives
- promoting small enterprise development through educational, technical and tertiary institutions.

In some newly industrialising countries such as Pakistan, Indonesia and Malaysia, special legislation has been passed favouring small businesses. Other governments have developed policies that actively promote and encourage small and medium enterprises, for example by providing access to technology and training, and cheap and appropriate premises, as in the Panteka Market area in Kaduna, Northern Nigeria.

Most of the people who enter into the urban informal sectors of the developing world tend to be fleeing rural poverty. In this context, Todaro (1997) argues that:

“Their motivation is usually to obtain sufficient income for survival, relying on their own indigenous resources to create work. As many members of the household as possible are involved in income-generating activities, including women and children, and they often work very long hours. Most inhabit shacks that they themselves have built in slums and squatter settlements, which generally lack minimal public services such as electricity, water, drainage, transportation, and education and health services.” (p.269)

Governments should at least develop policy that will promote the growth of cheap new housing away from health-threatening conditions.

Credit schemes

Small-scale producers and enterprises employ anywhere between 40 and 70 per cent of the labour force in poor countries, and account for one-third of recorded domestic output (Todaro, 1997). Nevertheless, most are non-corporate, unregistered and unlicensed, and their financial services requirements are unique.

Commercial banks are not structured to handle small loan requirements with no collateral, and are therefore unwilling to finance small enterprises, especially in the informal sector. Factors related to lack of access to credit include:

- the small enterprise’s lack of sufficient collateral to satisfy banking requirements
- lack of proximity of the lending institutions, for example banks with a national network could serve outlying areas and reduce borrower transaction costs
- interest rates which are often extremely high and work against the interest of small entrepreneurs. Therefore such businesses normally depend on family or friends, or may use loan sharks who charge excessive interest rates, but ask for very little in terms of collateral.

Lack of access to credit is a most serious problem, particularly for women. Men dominate the formal urban labour markets generally, so women who work for low wages in unstable jobs with no social security and minimal access to health services dominate the informal area. Many of them run micro-enterprises which need almost no start-up capital and often sell homemade food or craftwork. Because they have very limited access to capital (which is mainly channelled through the formal sector agencies) this tends to restrict them to low productivity areas of work. Where credit union systems exist, then poor women have much readier access to capital and their repayment records are then as good as, or better than, men's.

Three varieties of credit schemes have developed with great success in parts of Nigeria, Ghana, India, Sri Lanka and Bangladesh. These lending schemes are:

- credit associations
- rotating savings schemes
- group lending schemes.

In credit associations and rotating savings groups, members make regular savings and these are drawn upon as interest-free loans by each member in turn. These are very successful schemes.

Group lending schemes, such as the Grameen Rural Bank in Bangladesh, allow a group of people to borrow from a commercial bank, and the group then allocates funds to individuals who repay the group. The Grameen Bank struggled through several years to grow into a bank owned by the poor, but currently it has about 400,000 borrowers, 82 per cent of whom are women. It boasts a repayment rate of 98 per cent and has over 400 branches working in 8000 villages of Bangladesh.

The Commonwealth Youth Programme has also developed and used the Commonwealth Youth Credit Initiative (CYCI). This initiative provides an integrated package of low-cost, easily accessible credit and enterprise training and development that targets young entrepreneurs. It aims to assist them in becoming economically self-sufficient, in participating in economic activity and in contributing to national economic and development goals.

Other business incentive schemes

Some countries, such as Singapore and South Korea, however, which are advanced economies, question the benefits of providing assistance to specific sectors of the economy. Instead, they believe that creating an economic environment that is conducive to business overall is sufficient incentive. These governments also believe that policies which encourage the development of larger businesses result in a trickle-down, or even flow-down effect that benefits small businesses.

Liberal economic principles in general tend to disapprove of any form of state intervention in markets. However, it is our view that, because

of the diverse environments of developing communities, it is difficult to generalise on what are the ‘best policies’ to be adopted to promote the establishment of small business. Small enterprises will emerge where there is an unmet demand, whether or not supportive policies exist.

A crucial policy we feel that we can generalise about is training. In this module we are assuming that training and preparation are universally valuable in promoting entrepreneurship, and it is clear that training in knowing how to analyse and take advantage of the conditions is very useful. The following two case studies exemplify such an approach – where business incentive schemes have been centred on training to enable young people to succeed in their small business operations.



Case study 2.1

Empretec in Guyana

In 2003, the Government of Guyana and the Guyana Manufacturers’ Association, in partnership with UNDP, embarked on a US \$1.5 million initiative to fuel the entrepreneurship engine by encouraging the growth of small and medium enterprises. The initiative used the Empretec (Empresas Technologicas or Technological Entrepreneurs) method, which focuses on developing business competencies to launch, operate and grow new enterprises.

The Empretec method made training available to new and inexperienced entrepreneurs and those already operating businesses, who could sharpen skills such as risk-taking, setting goals, quality control and efficiency. The 30 participants in the first workshop – half of them women – discovered that Empretec had a unique approach. It called for intense participation in a simulated business environment, with each person required to manufacture a product, find markets, advertise, and run a business effectively.

The project aimed to train 250 entrepreneurs over three years and nurture at least 100 new businesses to generate 1,000 new jobs, and eventually contribute to a \$5 million expansion in non-traditional exports.

(Source: UNDP Newsfront, July 17, 2003).

Empretec was piloted by UNCTAD in Argentina in 1988 and has since expanded to other countries in Latin America, Africa, the Middle East and Eastern Europe. Guyana was the first country in the Caribbean to adopt this approach.



Case study 2.2

Training opportunities in Sierra Leone

Sierra Leone is another good example of training opportunities for enterprise development. As in many other African countries, young people in Sierra Leone have left rural areas in search of economic opportunities in the urban centres. Unfortunately, the civil war has devastated the country to the extent where all formal work opportunities are virtually closed. Nevertheless, the Sierra Leone Youth Empowerment Organisation (SLYEO) has been helping a group of 30 disadvantaged young people create their own options by opening a youth-run bakery.

To this end, workers have received training in baking using oil-drums converted into ovens. Additionally, they have also been trained in all aspects of business management. This has helped the young men and women to return to their villages with marketable skills after the war.

(Source: CYP: Global Commitments to Youth Rights, 1997)

As you can see from the two examples you have just read, incentive schemes, and training in particular, can be crucial in supporting local economic development, fuelled by the innovation of young entrepreneurs.

Now reflect on some of the issues around incentive schemes by doing the following activity.



Activity 2.4

(about 20 minutes)

In your learning journal, write up your ideas about other business incentives that could be successful in your local community. Think in terms of both the public and private sectors.

Discuss your ideas with your colleagues or student peers and get their feedback on your ideas.

Sources of possible government support

In this section, we discuss the ways governments can support small or informal business. These include:

1. administrative support and removal of barriers
2. creation and development of infrastructure
3. creating social order, stability and security
4. improving the image of small enterprise
5. financial support
6. technical and commercial help
7. training and advice.

We will examine each of these.

1. Administrative support and removal of barriers

Entrepreneurs wishing to establish enterprises often face bureaucratic barriers and little support. They must get licences and permits, obtain registration, negotiate paperwork, run contracts and source supplies. All these things take time and cost money, and the entrepreneur often has to deal with several different government departments.

Governments are becoming aware of the need to improve their systems by reducing these bureaucratic barriers to small businesses. Governments can also set up processes to help entrepreneurs handle the problems associated with establishing their enterprises.

2. Creation and development of infrastructure

Small enterprises need good facilities and services in order to produce and deliver their goods and services successfully. Good roads, reliable power and water supplies, as well as cheap and reliable telecommunication facilities, all help the entrepreneur and encourage the development of new enterprises.

3. Social order, stability and security

A society that is safe and free from crime helps the development of enterprises. It is also attractive to customers. To encourage the development of enterprises, governments need to control corruption and crime.

4. Improving the image of small enterprise

The educational and training systems of many countries have in the past favoured the professional and 'white collar' businesses at the expense of the small enterprise sector. Education and training institutions have often not considered small enterprise as a viable

source of economic employment. That must be changed: it will give a new professionalism to small businesses, and it will also create new respectability.

5. Financial support

Establishing an enterprise can cost a lot of money and commercial loans are often not available without collateral – even if the entrepreneurs have good business proposals. Even when loans are available, repayments and interest rates can take up a lot of the profit of a business. Governments can encourage credit unions and people's banks, as well as creating supportive policy environments. They may also provide tax shelter programmes for new businesses.

6. Technical and commercial help

Small enterprises, while they may be good at making products or delivering services, may not have the expertise to develop their markets, undertake research and develop new technologies and processes. Often, they cannot afford to employ consultants and specialists to help them with these things. Governments can give support to organisations that provide small enterprises with support and assistance in identifying and developing new products, introducing new technologies and taking advantage of new opportunities. In some countries, such help may be provided in the form of business incubators which support infant businesses in their early stages.

7. Training and advice

Governments can also fund centres where the entrepreneur can go to get advice and training about how to establish and operate a small enterprise. Such centres can also act as sounding boards for new ideas and be sources of information and guidance. There are now many websites on the internet, where judicious surfing can tease out many valuable insights.



Self-help question 2.3

(about 15 minutes)

How can social stability and infrastructure directly help small businesses?

Compare your answers with those provided at the end of the unit.



Activity 2.5

(about 20 minutes)

With your colleagues, discuss what technical and financial services for youth-based enterprises you could help set up in your country or region. You should focus on what is required and the process to be followed.

Be very precise about how you could put your ideas into practice and write them down in your learning journal.

Changing role of government and NGOs

We have examined the various ways governments can support entrepreneurs and promote small business, and discussed the social and economic benefits that can follow. Yet until recently, governments have been reluctant to play this sort of supporting role in the small or informal business sector.

Negative government attitudes

As we have seen already, Todaro describes the generally hostile attitude of governments towards the informal sector, and explains how bureaucracy and red tape slow down the development of enterprises and add so much to their costs. This sort of thing is a major disincentive to entrepreneurs, so it is not surprising that much small business is conducted technically outside the law. The reason for government hostility is the fact that government is funded by the 'tax take', and it is difficult to take much tax from businesses outside the formal sector.

Changes

However, economic globalisation since the 1970s and 1980s, and the resurgence of liberal economic theory, has caused a growing realisation that government management of too large a sector of the economy causes structural inefficiency. In the case of entrepreneurs in informal businesses, while they may pay little in direct taxation, they promote indirect taxation through buying and selling commodities. They are also actively employed in the exchange of resources, which is one of the primary sources of a country's wealth. Liberal theories argue that the more freely the market is allowed to operate, the more efficiently resources will be allocated. So there is pressure from the IMF and other lending agencies for countries to support entrepreneurs by at least not blocking them, and by creating policy that will favour the free movement of financial resources within countries and across national boundaries.

An example is the way Pakistan has agreed to the World Trade Organisation's borrowing requirement that the country allow free movement of capital into and out of the country. This adjustment at the broader government level is beginning to generate change within countries as well.

The role of NGOs

NGOs (non-government organisations) have for a long time recognised the need for agencies to support enterprise development in areas where structural adjustment and government policy have caused great hardship. The case of poor women with children is one example – they are always over-represented among the world's poorest groups.

In Bangladesh, the co-operative loan scheme of the Grameen Bank is NGO sponsored; and in India, two group schemes have been very successful in:

“... reaching poor women, generating additional income (often in significant amounts) and ensuring repayments. Loans are made exclusively to the poor, without collateral and often conditional on the recipients forming small groups. Though they are made to individuals, there is either group liability or implicit group responsibility for repayment”.

(Source: Commonwealth Secretariat 1989, p. 118)

The two NGOs concerned are the Self-Employed Women's Association and the Working Women's Forum.

Government initiative – the group approach

Governments are beginning to develop their own schemes for supporting entrepreneurs in the informal sector. The report from which the above quotation is taken, and which focuses here on the group approach to enterprise development, describes the success of the Small Farmers' Development Project in Nepal through which government credit has been distributed using a group approach. The expert team that wrote this report strongly recommends a group approach for supporting women's enterprise under structural adjustment, so that they can get loans without collateral, use common land and other natural resources, and take part in community projects to ease the work burden of women, and improve their productive resources.

They argue that:

“In land distribution programmes, the group approach can avoid fragmentation through inheritance laws or loss to moneylenders or male relatives. It gives members joint rights to the land ... The forms that groups take (cooperatives, associations, trade unions etc.) and the sizes to which they grow, vary considerably, but certain common lessons can be drawn. First that groups require considerable economic and social

homogeneity among their members. Secondly, the activity must not pose severe management problems when carried out on a group basis, and the community of interest must outweigh conflicts of interest.”

(op. cit. pp.118–119)



Activity 2.6

(about 20 minutes to write up, plus time for discussion and investigation)

With a group of colleagues or fellow students, investigate and make a list of supportive government, NGO and community organisations for enterprise development in your country. Write them down in your learning journal.

Use the following categories as a basis for your list (or make up your own):

Rural/agricultural	Training
Urban	Technical and extension services
Employment	Legal
Credit	Environmental
Productive resources	Group
Marketing	Individual

Include the organisations’ constitutions, an account of their policies and rules, and their records of help given to people - if they have such records.

Find out how best they can be accessed (e.g. the names of sympathetic and helpful officials or committee members).

Unit Summary

In this unit, you explored the importance of small businesses (formal and informal) in local economic development. You learned about incentive programmes to support small businesses, their advantages and disadvantages. You also reflected on the important characteristics of an entrepreneur, with a focus on young people.

You have covered the following main points:

- definitions of key terms in small enterprise development
- the characteristics of entrepreneurs and their training needs
- the benefits small and informal enterprises bring to the economy of a country
- government support for small and informal enterprises, including credit schemes
- seven specific ways in which governments can support such enterprises
- how governments' and NGOs' roles are changing in relation to small and informal enterprises.

To check how you have got on, look back at the learning outcomes for this unit and see if you can now do them. When you have done this, look through your learning journal to remind yourself of what you have learned and the ideas you have generated.

In Unit 3, we explore the meaning of enterprise, and look at how to overcome barriers to enterprise.

Answers to self-help question

Self-help question 2.1

Unlike small businesses, micro-businesses operate entirely in the informal sector. This means they are not recognised by the government and do not have a formal or official status as a business. They operate in a very small way, often as one-person businesses, responding to the needs of the local community.

Self-help question 2.2

There may be many reasons, but one obvious one is that businesses in the informal sector are not officially recognised so they do not pay taxes (very often they operate beyond the threshold of government regulation and assistance) – so governments are unlikely to encourage them. Nor are informal businesses legally recognised, so they may be regarded as operating outside the reach of the law. This is perhaps an unsophisticated response by government, since, by stimulating economic activity, informal business generates income for government at various points in the system.

Self-help question 2.3

Businesses of any sort cannot operate amid social upheaval. They need reasonable stability and predictability so that customers can be located, goods produced without hindrance and services delivered promptly.

Sourcing supplies, producing goods and making deliveries also depend on transport, and good communications systems – so if these are supplied by government, small businesses benefit. Clean water, reliable power sources and access to education and training for employees all help business succeed.

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Unit introduction

Welcome to Unit 3 *Youth and enterprise*.

In this unit we explore the meaning of enterprise. We analyse the impact of the social and personal barriers to enterprise and how to overcome them. In addition, we look at how important creativity is for successful entrepreneurship.

Later in the unit, we concentrate on how young people can acquire enterprise skills. There is a range of 'enterprise exercises', designed to challenge and develop these skills. The exercises will enable you to facilitate a workshop. Take some time to study each exercise and prepare the materials you will need to present it to a group. Then organise your participant group and try out the exercise. Have fun during the enactment and encourage your group to give you appropriate feedback.

Unit learning outcomes

When you have worked through this unit, you should be able to:

- use experiential learning to develop enterprise skills in small groups.
- identify personal barriers to enterprise and follow a process to overcome them.
- balance convergent and divergent thinking, while fostering creativity in small enterprise.

What is youth enterprise?

In Unit 2, we tried to define what an entrepreneur is – but this may seem very formal and specialised to young people. They may not feel that they have the characteristics of an entrepreneur. Yet most of us, in some aspects of our lives, are enterprising, and that is the basis for being an entrepreneur.



Self-help question 3.1

(about 20 minutes, plus time for discussion)

With a group of friends, colleagues or your fellow students, discuss the following questions. Make notes on your ideas in the spaces provided.

- (a) What do you understand by the term ‘enterprise’?
Brainstorm your ideas about this, and don’t confine them to small or micro-business.
- (b) What do you think ‘youth enterprise’ is? Describe ways in which youths can be enterprising.

Compare your answers with those provided at the end of the unit.

Barriers to enterprise

If barriers to enterprise are set up, they prevent change. That may sometimes be a very good thing, because enterprise can lead to harmful change. So young people have to be able to judge whether enterprise is likely to be harmful or beneficial before they start. This implies that you will have to use your best judgement, but still be willing to take considered risks.



Self-help question 3.2

(about 20 minutes)

- a) Write down what you think the barriers to enterprise could be.
- b) Identify your own internal barriers - those caused by the cultural attitudes and practices of the place where you live, and social barriers caused by the structure of your society.

When you have finished, share your ideas with your colleagues or fellow students.

Compare your answers with those provided at the end of the unit.

As you can see, internal barriers to enterprise are closely linked to individual personality issues as well as cultural issues, such as socialization and values.



Activity 3.1

(about 20 minutes)

Imagine that fear of taking risk is what is preventing one of your friends from starting his own shoe-repair business. What would be your advice to encourage him to start the business in partnership with a few other friends?

Write your suggestions in your learning journal, then compare them with the checklist that follows.

Overcoming personal barriers to enterprise

The CYP, in *Risk It* (1989), suggests that the potential youth development entrepreneur should take the advice in the following checklist.

Establishing youth enterprise – a checklist

- Know the concept of ‘enterprise’ and see how it can apply to your business venture.
- Think about how you can interface this idea with your own values and those of the young people you are working with.
- Understand the processes of enterprise – the stages most ventures go through.
- Understand the core enterprise skills and be able to work with young people to develop them.

- Be able to work with young people to help them to identify opportunities for their own ventures.
- Know where young people can go to get relevant training in enterprise.
- Know the community. Know how decisions are made, where power lies, how to influence decisions. Share this knowledge with the young people.
- Know all relevant sources of information and advice on enterprise – local business, technical experts, financial institutions, government and agencies, the Internet.
- Be able to provide support to young enterprise – both personal (encouragement, listening, helping to solve problems) and technical (how to get financial and technical information, advice and help). (N.B. Youth workers do not need to have the knowledge in their heads, but must know where to go and get it.)
- Be willing to let young people be creative and take risks. Be prepared to back them up when risks create resistance or to pick them up when risks lead to failure.
- Understand the main local forms of resistance to youth enterprise, analyse them; work with young people to develop strategies to overcome or get round them.
- At all times encourage positive problem-solving: there must be a way if only we can find it.
- Record examples of successful ventures elsewhere; if you can, take young people to see them; learn from their mistakes and build on their successes.
- Be enterprising yourself in your youth work; look for opportunities, not problems; build on young people's strengths.
- Encourage creativity in all aspects of your youth work; let young people take initiatives; encourage dreams for the future.
- Record and learn from all ventures that the young people make.



Activity 3.2

(about 20 minutes)

Look through the checklist of ideas with your colleagues and decide which you agree with, and why.

In your learning journal, put them in order of importance for your agency or community and add any extra ideas you think should be there.

Colin Ball (1995) in a paper for the Enterprising Futures Programme in Australia, declared:

“An enterprising individual has a positive, flexible and adaptable disposition towards change, seeing it as normal, and as an opportunity rather than a problem...an enterprising individual has a security born of self-confidence...when dealing with risks, difficulty and the unknown. An enterprising individual has the capacity to initiate creative ideas, develop them, and see them through into action in a determined manner. An enterprising individual is able, even anxious, to take responsibility and is an effective communicator, negotiator, influencer, planner and organiser. An enterprising individual is active, confident and purposeful, not passive, uncertain and dependent.”

Acquiring enterprise skills

This section is a practical component of your study. It is based on application exercises that are relevant to the work you do as a youth development worker. It requires you to perform tasks based on exercises from *Try It: The Youth Enterprise Workbook* (1995).

These exercises are designed for you to use with groups of young people when working on the development of their enterprise skills. They will also help you to become more enterprising.

The exercises are formatted for you to use when facilitating group work. The description includes the aims, the time allowed to carry out the exercise, detailed instructions of what to do and the respective ‘trainer tips’. This ‘exercise aid’ should make it easy for you to enact the exercises before you are actually in a position to facilitate group work. In addition, the materials to hand out to the participants are properly identified and formatted, so you won’t have to do a lot of preparation work.

We highly recommend that you try these exercises out with your colleagues or fellow students as you work through this module, so that you will know what to expect when you deliver workshops to youth or to other youth development workers. It will help build your confidence. Have fun!

Enterprise Exercise 1

Identifying strengths and weaknesses

Anyone who is willing to get involved in enterprise activity should identify their own strengths and weaknesses for this kind of work.

Objectives

- To enable each person to explore strengths and weaknesses.
- To relate individual strengths and weaknesses to what is needed for enterprise.

Materials

A variety of any small, easily obtainable objects.

Time

2 hours.

What to do

Step 1 Each person sits quietly and thinks of five things they normally do well (strengths), and four things they find difficult (weaknesses).

Use the following questions to generate ideas. The answers may relate to work, leisure, community or social activity:

- What do you think are the things you are best at?
- What do you find difficult to do?
- What do you always avoid having to do?
- What do you really enjoy?
- What do you really dislike?
- What do you find most interesting?
- What bores you?

Step 2 Divide into pairs, and the members of each pair explore each other's strengths and weaknesses.

Step 3 Each pair combines with another pair to form a group of four. Each person in the group of four takes turns to select some readily available objects and arranges them on their table (you will have to ensure that there is a wide range of possible objects available).

Then, each person chooses one object to represent each of the following:

- the best thing I have ever done
- the hardest thing I have ever had to do
- the most rewarding activity I have carried out
- the thing I was best at doing when I was a little child
- my most recent achievement
- something I failed at or didn't do as well as I wanted to.

The purpose of doing this is so that the objects help the speakers to focus on what they want to say.

Remind your participants that they can use examples from work, school, college, community, family and so on. In the groups of four, discuss each participant's examples. Listen carefully and encourage each person to speak freely.

- Step 4** In the whole group, ask each participant to state what they think is one of the strengths useful for enterprise.
- Step 5** Make these available to the group and compare them with the checklist for establishing youth enterprise in Activity 3.1.
- Step 6** Finish off with each person completing the sentence: 'I am really good at ...'

Trainer tip

1. Steps 1-3 are not made public to the whole group; they are confidential to the pairs and groups of four. Make sure that group members are willing to be open and honest and that there is sufficient trust to allow free exchange of personal information. Be particularly careful that no embarrassment or offence is caused.
2. The last step in the exercise encourages people to be assertive about their strengths. To do this directly may be unacceptable in some cultures, and you will then have to approach it indirectly. Decide how best to do it, taking full account of the cultural issues. Discuss reactions to the exercise with the participants.

Enterprise Exercise 2

Taking risks

In some ways, this is the hardest attribute to master because it means getting the right balance between boldness and caution in each situation, and each situation is always unique.

When we take risks, we start by evaluating the situation as well as we can in the time we have. Then we try things out, see what happens and evaluate, then change our actions on the basis of what we've learned.

This is a physical exercise. It can be played in or outdoors.

Objectives

- To find the level of risk each participant feels comfortable with.
- To consider the level of risk most likely to lead to success.
- To use experience to improve judgement.

Materials

You will need:

- rings
- peg about 15–20 cms high on a secure base
- measuring tape
- enough space to throw the rings up to 25 metres
- handouts 2.1 to 2.3 (you will find copies of these handouts at the end of this exercise).

Time

1–2 hours.

Preparation

Before conducting this exercise you need to prepare the room or playing area for the game. This involves the following steps:

1. Place the peg on the ground so that participants can throw the rings at it from any distance of up to 25 metres, marked out in 0.5 metre intervals.
2. Use the tape measure and mark some lines at 0.5 metre intervals away from the peg, like this:

*	l	l	l	l	l	l	l
PEG	0.5	1.0	1.5	2.0	2.5	3.0	3.5

3. Make four rings from any suitable material such as thick card. They should be stiff and about 25cm in diameter.

What to do

Step 1 The purpose of the game is to score as many points as possible by throwing the rings successfully onto the peg. Inform participants about the scoring rules: a successful throw from two metres away scores 20 points; a successful throw from 20 metres away scores 200 points. Scoring is calculated by the following formula:

Distance from peg multiplied by the number of successful throws multiplied by 10 = Score

Next, make participants individually think about how far they want to throw their rings. The farther they throw successfully, the more points they score. So they have to weigh up the likelihood of getting many points from long throws against the risk of missing the peg.

Step 2 Each person chooses a distance to throw from. Once the distance is chosen, all rings must be thrown from the same place. Before throwing starts, the participant's distance from the peg is noted and written down on Handout 2.1.

Step 3 When the participant has finished throwing, the number of successful throws is written on Handout 2.1.

Step 4 When all participants have thrown and results have been entered, Handout 2.1 is displayed so the group can study it.

Step 5 On their own, each participant fills in a copy of Handout 2.2.

Step 6 As a group, discuss the scores on Handout 2.1. Look at the higher scorers. What distance did these participants throw from? Look at the lower scorers. What distance did these participants throw from?

Step 7 Repeat the ring-throwing exercise (steps 2-6).

Step 8 Look at Handout 2.3. Read it, and in groups of six discuss the points raised in it.

Step 9 Each group reports briefly on their discussion.

Step 10 In pairs, discuss how each person filled out Handout 2.2. Discuss what participants have learned from the exercise. Decide how they might become more successful by increasing or decreasing the amount of risk they take in one specific area of their life.

Step 11 If there's time, get each member of the group to make a comment about what she or he has learned in five words.

Trainer tip

This is a classic exercise that has been used around the world. Be enterprising when you set up the exercise: use whatever materials you have. Instead of a peg and rings, you can use stones and a bucket, sweets and an ashtray, bottle tops and a wet square of towel. You can also rethink the scoring system.

This completes the description of Exercise 2. Here are the three handouts you need for it. We have produced them on separate pages to make it easier for you to copy them.

Handout 2.2

Answer the following questions after you have thrown the four rings:

- 1 What distance did you choose? Why did you choose that distance?

- 2 How did you feel after:
 - a) the first throw?

 - b) the second throw?

 - c) the third throw?

 - d) the fourth throw?

- 3 How did you feel when:
 - a) your throws were successful?

 - b) your throws were unsuccessful?

- 4 What did you want most when you threw the rings:
 - a) four successful throws?

 - b) the highest score possible?

- 5 What was most important to you:
 - a) achieving what you thought you were capable of?
 - b) doing better than other people?
 - c) improving with each throw?
 - d) other (please specify)

- 6 Did the fact that others were watching affect you at all?

- 7 If you were given one more opportunity to throw the rings, what distance would you choose? Why?

Handout 2.3

Risk-taking

Risk-taking is vital in any enterprise. Taking risks sensibly is one of the signs of a successful enterprise. Entrepreneurs like challenges but they are calculated/moderate risk takers. They do not aim at goals that can be too easily accomplished, nor do they aim at tasks that are too difficult.

Moderate or calculated risk-taking involves:

- 1 Understanding the situation in which the risk will be taken.
- 2 Gathering as much information as possible about the situation.
- 3 Accurately assessing your own ability.
- 4 Accurately assessing the resources available for the activity (What will it cost? Can I afford to lose?)
- 5 Setting yourself challenging goals on the basis of the resources available and the information gathered.
- 6 Testing your own ability and learning from it.
- 7 Modifying the targets on the basis of previous experience.

Some features of risk-taking

- People who want to achieve good results tend to choose a middle distance, while those with a low need for achievement will tend to stand either too close or too far away from the peg.
- A person takes up the challenge if success actually matters to them.
- A person with low hopes of success or high fear of failure is likely to choose goals which are well within her or his capacity, thereby lowering their chances of failure.
- Not all successes are equally satisfying.
- Not all failures are equally dissatisfying.
- A successful entrepreneur accepts responsibility and does not blame others for failures.
- People's background, age, upbringing, and experiences affect their willingness to take risks.
- Enterprising people notice and respond to the situation they are working in.
- Taking risks is fun if the results of failure (or success) are acceptable.

This concludes this section on acquiring enterprise skills. You will find another exercise in the following section about creativity.

Being creative

As an entrepreneur you need to be able to balance systematic routines (e.g. accounting, organisation, diary-keeping) with new thinking (e.g. thinking of new ways of doing something familiar). One of these ways of thinking is called ‘convergent thinking’, and the other is called ‘divergent thinking’. (In Module 1 *Learning Processes*, the Guilford Structure of Intellect theory of intelligence calls them ‘convergent production’ and ‘divergent production’.)

Part of the day-to-day problem of being an entrepreneur is the difficulty of being able to switch your mind rapidly from one mode of thinking to another. I have a friend who is a successful entrepreneur because he has a superabundance of creative responses to problems, but he is incredibly disorganised. Fortunately, his wife is the best organised person I know. So the business is run by the unity of two very different minds.

This ‘switching’ problem is common in lots of areas of everyday life, such as dealing with the constantly changing demands and challenges of young children, or finding ways of breaking down a stubborn defence when you are playing football.

Creative thinking

A lot of new thinking arises from problems that emerge in the day-to-day course of business activity, as well as from looking for new marketing ideas. Creativity can be defined as thinking that results in a new way of viewing or solving a problem. This happens very often in everyday life.

In Module 1 *Learning Processes*, you learned that we are born with a language acquisition system that enables us to acquire any human language. What we now know is that acquiring language is a creative process. Children, on the basis of the body of language they are exposed to, seem to have a problem-solving ability that recognises after a while that there are particular types of patterns in this language. They seem unconsciously to be able to work out roughly what these are, to ‘construct’ their own examples and then to try them out and get feedback from the effects. Then they modify the examples and try them out once more. That seems to be the way that Brazilian street children learn the mathematics of street trading, and the way that young children acquire the skills of social interaction. So it’s probably a universal characteristic of the human brain. All that’s needed for it to work properly are the right conditions.



Activity 3.3

(about 15 minutes)

With your colleagues or fellow students, discuss what you think are the sorts of conditions that will encourage the creative thinking of each of you. In your learning journal, take note of your points of general agreement and your differences.

Conditions for creativity

Baron (1992) says that all the research into creativity points towards five elements:

- 1 Develop a broad and rich knowledge base to support the creative field in which you want to work (because creativity arises from the integration of the knowledge you have in this field).
- 2 Foster independence, because creativity requires you to break out of social routines at the right point. This is hard because we also need to be accepted by our social group.
- 3 Encourage the use of analogies (e.g. recognising the similarities between an old problem or solution and a new one).
- 4 Encourage curiosity, which expands your knowledge base across different fields of activity and helps you see analogies between different problems from different fields.
- 5 Encourage people's positive feelings, because research shows that people are three times as likely to be creative when feeling positive than when feeling neutral or negative. (p. 269)

(Source: *Psychology*, p. 269.)

Now we continue with a set of exercises designed to help people gain competence in setting up and launching enterprises. As before, these exercises are for you to use with groups of young people, but you should try them out first among your colleagues and fellow students.

Enterprise Exercise 3

Developing new ideas

Objectives

To expose the way new ideas can be generated for enterprise.

To encourage the ability to think in creative, flexible, free ways.

To encourage use of the imagination.

Materials

You will need:

pens

paper

Handouts 3.1 and 3.2 – you will find these at the end of this exercise.

Time

1–2 hours.

What to do

- Step 1** Form pairs. Each pair should discuss and write down answers to the following:
- What are three specific things you now want that are not presently available?
 - What are three things that your partner wants that are not now available.
 - What are three things that your community wants that are not now available.
- Step 2** Bring all the members of the group together. Write the three headings (a), (b), and (c) on separate pieces of paper and stick them up where they can be seen. Under each heading, list the things that were mentioned in the pair discussions.
- Step 3** The next stage involves finding out which ideas are most interesting/exciting. Each participant should now put a tick against the three ideas she or he feels to be the most interesting.
- Step 4** As a group, identify what people have chosen as the three most interesting ideas.
- Step 5** Divide into three groups. Each group will discuss one of these three best ideas. Spend ten minutes thinking up ten ways to respond to each idea.

- Step 6** Display the results of this rapid thinking. As a whole group quickly review what has been written.
- Developing new ideas usually means trying to see familiar things from a different angle. The next two steps give the group practice at doing this.
- Step 7** Distribute **Handout 3.1**. This contains a shape made out of nine dots. Get each participant to join these dots, using four straight lines. The solution is on **Handout 3.2**. Don't hand it out until participants have all tried to solve it in their own way.
- Step 8** Discuss participants results and compare them with the solution on **Handout 3.2**. Did some fail to solve the problem? Why? If anyone did solve it, how?

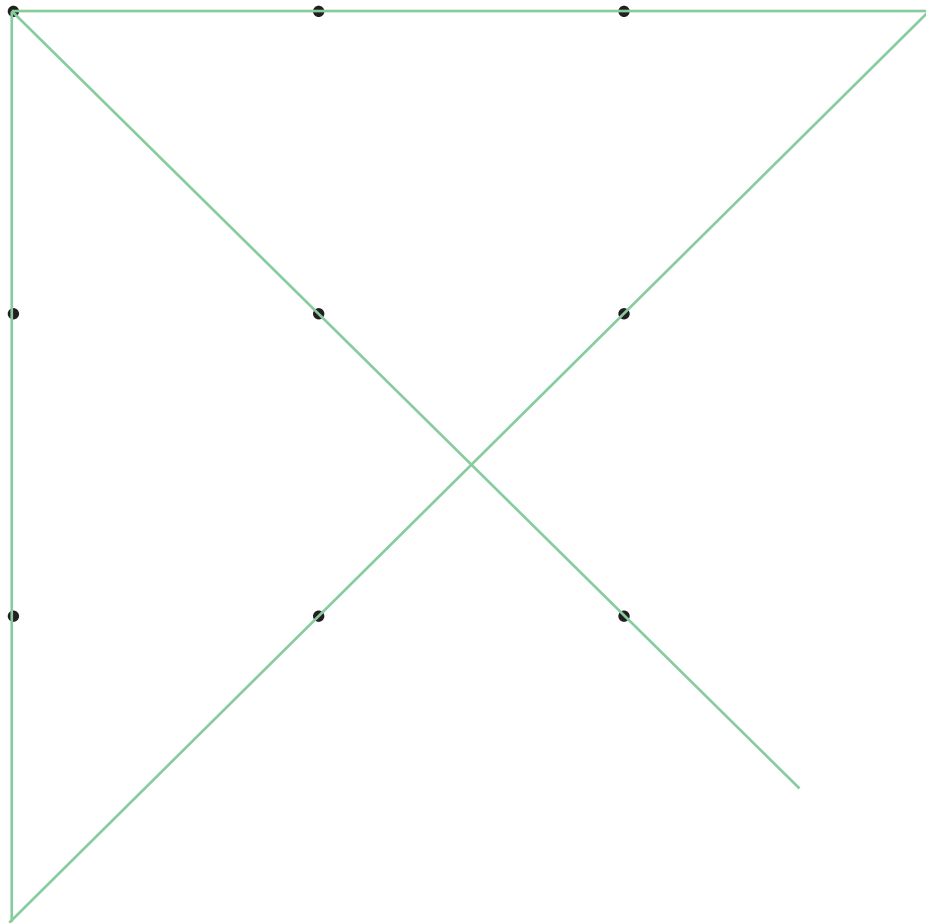
This is the end of Exercise 3. The handouts are on the following pages.

Handout 3.1

Join the nine dots with four straight lines.



Handout 3.2



Explanation

What may have prevented you from succeeding at this simple exercise is the barrier set up in your mind (the *mental set*) to the idea that you could extend any of the lines beyond the dots. What sets up the barrier is the mental image created by the way the dots already seem to form a pattern which somehow suggests that you must stick within it, but of course, you don't.

Creativity in enterprise

Creativity in enterprise takes different forms, depending on the situation. Solso (1994) notes that sometimes the barriers to creatively breaking out of your problems are a combination of the social and the mental.

The Gender and Youth Affairs Division of the Commonwealth Secretariat developed a course called *Women and Natural Resource Management* (1996), in which the four Commonwealth regions were represented. Many of the case studies in this course involve entrepreneurial activity by women, but this activity is sometimes very strictly constrained.

Women and Natural Resource Management: A Manual for the Asia Region describes a case of enterprise development through an afforestation programme in southern Rajasthan, as you can read in Case study 3.1, below. It can be argued that this piece of enterprise development has created the conditions for creative entrepreneurship. See if you can work out, from the description, what the differences between enterprise and entrepreneurship are, and what are the links between them.



Case study 3.1

Tree planting project in Rajasthan

The People's Education and Development Organisation (PEDO), after a difficult start due to the different social and financial status of men and women, hit on the idea of tree planting on common lands run equally by men and women via a Managing Committee.

In a training programme in September 1988, it was found that, although women were the worst victims of environmental degradation, their lack of land ownership, combined with traditional male domination, effectively inhibited them from playing a leading role in plantation-related decision making, except in a few villages. Joint meetings of men and women, while successful in reducing male hostility and securing their co-operation, tended to diminish free expression and articulation by women. The need to create a separate forum for women in which they could express their views and concerns, uninhibited by the presence of men, was strongly felt.

At the same time, the 1988 monsoon was exceptionally good, after four to five years of poor rains. This, in itself, had created a new situation. Instead of problems of fodder and water, the women were more preoccupied with getting credit for buying grain seeds for sowing. During this training programme, women talked about the extreme exploitation by money lenders. They responded enthusiastically to the idea of starting women's savings groups as a long-term measure for getting out of the clutches of money lenders.

The growth and development of about 30 women's savings groups has been a remarkable phenomenon, and demands for assistance in forming new groups are continuing to come in. Surprisingly, there has been no male hostility to this activity being undertaken exclusively by women. The monthly meetings of these groups have also provided the much needed forum for women to get together regularly for a non-threatening, non-controversial purpose. While some of the groups have kept themselves confined to the savings activity, many have taken up several other issues of concern to women. The existence of active women's savings groups in villages where plantations on common lands have been taken up, has generally facilitated more active participation by local women in their management. In the process, group members have gained confidence in articulating their problems, acting on them and being able to talk even in gatherings where men are present.



Self-help question 3.1

(about 15 minutes)

Examine the case study above and answer the following questions.

- a) Given Solso's definition of creativity (given earlier in this unit), what evidence is there here of the development of women's enterprise creativity?
- b) What were the barriers initially to this enterprise creativity, and what elements in the situation have enabled PEDO and the women to begin to reconstruct the social and economic situation of these villages?

Compare your answers with those provided at the end of the unit.

The enterprise development cycle

Enterprise development leading to entrepreneurship development is now considered to be a staged process of helping poor communities develop so that they can make the most of new capitalist market conditions.

There are three stages:

- Stage 1 is the stage of stimulation through promotional activities.
- Stage 2 is the stage of support through helping people with financial, regulatory and technical facilities. These provide support for people to keep up their morale and survive.

- Stage 3 is the stage when the project has become full of creative, entrepreneurial activities.

An example of Stages 1 to 2, leading to 3, is the women's project described in the following case study.



Case study 3.2

Sandy Beach Women's Ecotourism Project in Belize

This is a co-operative women's group of African and Carib people. They were tired of the low returns for their labour in craftwork or food preparation, and concerned about the destruction of the Belize environment through tourism. They decided to attract the right kind of ecotourists to their region's beautiful beaches by building their own lodge facilities of local natural materials, selling their own genuine native craftwork and foods and guiding people through their own complex land so that they could come to terms with it like native peoples do.

They obtained initial funding via a government grant and a loan. NGOs trained the women in the business, technical and environmental skills they needed, including sessions on natural resource management.

Following this, the women were able to link up as temporary partners with regional tour agencies promoting ecotourism. This interested them in renewable energy, and they became involved in experimenting with biogas technology, again getting help from development agencies. They repaid the first loan, borrowed again and gradually, with continuing technical and managerial support, built up a large conference centre, which began to include the whole village in parts of its work.

They run the co-operative as a twelve-woman management committee, democratically elected. Their accounts are audited by the Department of Cooperatives and they pay themselves \$5.00 each per day for their work in the lodge (when all loans are paid this wage will increase). They have become fully entrepreneurial and continue to be involved in wildlife research and training.

The women were empowered through informal and non-formal education, gathering information, involvement in decision-making and leadership.

(Source: *Women and Natural Resource Management – a Manual for the Caribbean.*)

The process of multi-agency support is not always necessary, and sometimes it is better for individuals and groups to cope with the free market in that it brings out their creativity, particularly in reasonably developed economies. But the impact of the global market on the micro-economic environment is usually severe, and youth development has a major role to play in promoting both enterprise and entrepreneurialism.

Unit summary

In this unit, you delved into the meaning of youth enterprise and the importance of creativity in enterprise. You spent time reflecting on the barriers to enterprise in general and to youth enterprise in particular. You learned how to work with groups to help them establish enterprise skills and carry on enterprise activities responsibly.

You have covered the following main points:

- barriers to enterprise – external/social and internal/personal barriers – and how to overcome them
- exercises to promote enterprise activity and responsible risk-taking in young people
- creative thinking
- convergent and divergent thinking
- conditions for creativity
- the enterprise development cycle.

To check how you have got on, look back at the learning outcomes for this unit and see if you can now do them. When you have done this, look through your learning journal to remind yourself of what you have learned and the ideas you have generated.

In Unit 4, we look at planning and setting up a micro-enterprise.

Answers to self-help questions

Self-help question 3.1

Your brainstorm will have come up with a number of ways the word ‘enterprise’ is used. Chambers *Twentieth Century Dictionary* defines it as:

“a bold or dangerous undertaking; readiness, initiative and daring;
a business concern.”

You can see the connection between a challenging mountaineering expedition, for example, and setting up a business. In this module, all of these have some place, though young people should do their best to take the dangers out of enterprise by being as well prepared for it as they can.

Youth enterprise tends to be bolder, more adventurous, more innovative than the enterprise of older people, as young people are usually the carriers of social change. The Commonwealth Youth Programme’s *Youth Enterprise Manual – Risk It* (1989) defines enterprise as:

“showing initiative and playing an active, independent role in shaping one’s own future, whether working alone or together with others.”

It further outlines the characteristics of enterprise as:

- taking action
- taking risks
- unlocking and liberating individual talents and capacities
- developing creativity
- using imagination
- showing determination.

All of these lead to change in people’s lives.

Self-help question 3.2

Here, we offer you one kind of response – yours will, no doubt, be different.

a) Barriers to enterprise

In my culture there is a lot of conservatism – older people not accepting new ways of life and new ideas. Often they feel threatened by young people when they like new music and new fashions in clothes and hairstyles. Many people get a bit resentful when young people take leadership roles and try to push society in new directions.

I live in an unequal society where the wealth is owned very disproportionately by a few people and the technocrats who serve them. They seem to control the resources for their own ends, and it's hard to get access to money, careers, land and technology. There are lots of opportunities for starting new businesses through enterprise schemes, but many of these go bankrupt very quickly because of the way things are structured.

b) Internal barriers

Each person is different and so is each situation, but in my case my own internal barriers include fear of the unknown and fear of taking risks at a time when things are not going too badly. Though I would like to do something different, it might be better to hang on to what seems to work for me. Underneath that, there is also a slight lack of confidence about my ability to cope.

Self-help question 3.3

- a) The really exciting aspect of what happened in Rajasthan is the way the new relationships resulting from the groups freed up the women's ideas. This would probably give a boost to the economy of the village, essential for the development of entrepreneurship and the new ways of doing business necessary to cope with structural adjustment. Something not mentioned here is that the women's meetings also concentrated on pooling women's agricultural knowledge, which is another essential condition for fostering creativity.

This situation involves enterprise in that these undertakings are bold and risky and forward moving. However, entrepreneurship, which involves great stress on making money, really implies market relationships (i.e. buying and selling) among people, whereas what is happening in this project is social investment in order to improve social conditions, so that the villagers can successfully survive and engage in buying and selling in future.

- b) The initial barriers to this enterprise creativity were mostly cultural barriers, followed by the exploitation by money lenders.

Communities get stuck in a particular cultural groove. The situation of male domination and the role of money lenders may well have served some important social and economic purposes in the past, but in the desperate situation of the poverty trap caused by savage deforestation and drought, such a structure is holding the community back. But villagers will obviously find it difficult to adjust to a new way of living because they see themselves as trapped by the old economic relationships and social structures.

The situation changed because PEDO realised that it had to try to change male/female relationships through developing a neutral area – tree planting on common land. It was lucky in its attempts to create a separate area for development for women because the monsoon was unusually good. This must have relaxed both men and women (remember that it is essential that they have positive feelings to foster creativity). The result was that a completely new set of economic questions came to the fore, so that the problem of the money lenders eased male/female suspicion. Probably the men were only too keen to solve that problem and didn't mind who handled it, as it didn't threaten power relationships. Of course, by setting up the women's savings groups the village created the basis for new social relations. Control of money is a crucial source of power.

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Unit 4: Planning a micro-enterprise

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Unit introduction

Welcome to Unit 4 *Planning a micro-enterprise*.

In this unit, we are going to look at what is involved in planning and setting up an informal or micro-enterprise. Later, in Unit 5, we will look in detail at how to plan and manage a small business in the formal sector.

As a youth development worker, you will be operating anywhere in the field of enterprise, including the informal sector, so we spend some time in this unit looking at the special characteristics of a micro-enterprise. We do this via an extended case study.

Unit learning outcomes

When you have worked through this unit, you should be able to:

- support young men and women in their planning efforts to set up small informal business projects.
- implement the four stages of the planning process and recognise its importance in the planning of new enterprise ventures in the informal economic sector.
- support young entrepreneurs in identifying micro-business opportunities in the informal sector and in seeking appropriate technical and financial support, through government and non-government programmes.

Planning an enterprise

Regardless of the size of the enterprise you may have in mind, to be successful you need to plan. For example, you might decide to do something that seems simple and obvious, for example, sell half the fresh vegetables you grow in your garden. However, to do so, you would need to make decisions about the following things:

- what to grow
- in what amounts
- at what price will you have to sell
- for what reason
- who your customers are
- how to reach them (market your product).

Thinking about these things will tell you whether there is any point in starting the enterprise, how much extra work it will take, and whether it is worth the extra effort.

The next activity will give you practice in the first steps of planning an enterprise, so that in turn you can support young people in their planning efforts.



Activity 4.1

(about 45 minutes)

With your colleagues or fellow students, decide on a small or micro-enterprise in the informal sector that you think would be a good one in your area. Make a SWOT analysis of it, as you learned in Module 4 *Working with People in their Communities*. As you know, SWOT stands for Strengths, Weaknesses, Opportunities and Threats.

To do the SWOT analysis with your group, take four separate sheets of paper. On one, write down what you think the Strengths of the enterprise would be; on another write down what you think the Weaknesses might be; on the third outline the Opportunities there are likely to be for such an enterprise, and on the fourth, write down what the Threats to its success might be.

For example:

- **Strengths:** the capabilities of the people who will run the enterprise, and what resources they have access to
- **Weaknesses:** any resources or capabilities that are lacking; possible weaknesses of the enterprise's physical location vis-à-vis raw materials or market.
- **Opportunities:** the existence of unfulfilled customer needs (demand for your product or service).
- **Threats:** rival enterprises, obstructive regulations or trade barriers.

Write up a summary of the results of the SWOT analysis in your learning journal. This activity will begin to give you an objective perspective of your initial enterprising idea.

The SWOT analysis will assist you in thinking about your business idea from different perspectives: your own, your customers and the local economy.

Next, you are going to get focused on planning a micro, informal business so that you will be able to support young people in their efforts. To help you better understand the planning stages, we have created a sample case study that aims to be as realistic as possible. Read it carefully, and refer to it as you study and implement each stage.

Planning for micro and informal enterprises

We explore this issue through a sample case study. You can use the one given here, or make one up that is more relevant to your situation. Whichever you use, make sure you follow the main stages of the process as explained here.



Case study 4.1

Starting up

You are a young person with a degree in Pharmacology and have been hoping to work for the international company that makes drugs in your city. However, the little research and development that used to take place in this factory has now been moved to company headquarters in Britain, and the company has cut its highly trained staff numbers. So you have become unemployed – but you are resourceful.

You need about Z170/- per week to survive. You have gained a job as a receptionist in a restaurant catering for the evening and night-time trade with British and American business people and tourists. It pays you Z150/- per week, which is topped up by about Z100/- per week because you do some of the specialist food preparation and act as quality controller on health and nutrition. You are engaged to be married, but are too poor to do so yet. You became a pharmacologist because of your concern about the health of poor people like your own family. You still have that burning desire to help – particularly poor city children whom you know to be suffering from debilitating vitamin deficiencies.

The one good thing about the cutback in the pharmaceutical company is that it now produces multivitamins much more cheaply, for export mainly. You have contacts inside the company – people working there who are able to buy these products. You can buy as many as you want at about Z500/- for 5,000 tablets (Z0.10/- per tablet). You have received a month's part-time training in small and micro business development from a youth NGO, so you decide to set up a micro-enterprise. You hope it will become a small business, able to sustain a family. You have considered making savoury snacks for selling in the street, and to shops or hotels/ restaurants. They would be made out of health-promoting ingredients and would have one multivitamin tablet, which contains a day's supply of essential vitamins, per snack. Because of your links with the food trade, you know you can sell each snack for Z1.00/- and still make a mark-up of Z0.50/- per snack.

The planning process

Before you start to explore a business opportunity, you should carry out a formal business plan. To do that you follow a process, structured around four major stages:

- 1 Setting out aims and objectives
- 2 Researching the market
- 3 Making a timetable
- 4 Devising evaluation methods

After each stage, you will have to resolve an activity geared towards assisting you to produce a business plan for the business idea described in Case study 4.1. Take your time and work with other students, if at all possible.

Below are the next stages to be taken in establishing this small, informal business.

1. Set out aims and objectives

You know from your business training that it helps your motivation and planning to identify your aims and objectives. Your aims will be the main, general results that the enterprise seeks to achieve, whereas your objectives will be specific, achievable results that can be measured, and that will help you to achieve your broad aims. Your aims should demonstrate to you how the business relates to your beliefs and values, and to the vision you have of your activities.

Visioning

The technique of ‘visioning’ can be a useful way of helping you to see just what your business might involve. You can choose any vision you like to pull together all the elements of your business.

For example, in the context of Case study 4.1, you could visualise yourself as a redistributor of health resources, using your specialist health knowledge and your understanding of how the social and financial system operates to spread health resources more equally. This would put your original concerns about poor children at the top of the agenda, but it would also include your family. Moreover, it would not overlook the importance of giving a worthwhile service to richer people, who would be bearing the main costs of setting up the system and paying more than the poor even in the future.



Activity 4.2

(about 20 minutes)

In your learning journal, write your aims and objectives in the context of Case study 4.1.

2. Research the market

Who precisely are the people to whom you think you will market these products? How will you research this market? How will you persuade people that your products are worth buying? What will motivate these potential consumers to buy? It is wise sometimes to find out about your market even before you decide on the precise type of product or service you are thinking of offering.



Activity 4.3

(about 20 minutes)

In your learning journal, explain how you could go about this within the context of Case study 4.1.

3. Make a timetable

As you already have a job, you are not under extreme pressure to make your business immediately profitable enough to live on. But if you are going to develop it properly, you need a timetable to match your objectives. Don't forget to think about how much money you would need to invest to meet your objectives over a certain period of time.



Activity 4.4

(about 20 minutes)

In your learning journal, devise a timetable that would allow you to meet the objectives you identified in Stage 1.

4. Devise a method of evaluation

An evaluation method enables you to judge the worth or value of your enterprise. It also allows you to assess the progress of your enterprise at different stages of its development and to make possible changes which could significantly affect the outcomes.



Activity 4.5

(about 20 minutes)

In your learning journal, work out an evaluation method for the business idea in Case study 4.1.

We hope you enjoyed planning this business. Now get together with other students to compare your plan with theirs.

In the next section we give you an idea of what your plan could have looked like.

Planning and implementing the business

Based on the four planning stages given above, you would need to set your objectives and timetable in the form of two phases.

First phase

This would last about three months, during which you would be able to save about Z1000/-. This would be enough for the first supply of 5,000 tablets and for the other ingredients to make about 1,000 snacks and still have about Z500/- in reserve.

In this first three-month phase your objectives might be:

- 1 to establish a sound and efficient quality food production method for incorporating multivitamins into nutritious snacks
- 2 to establish what the demand is and what the market outlets are likely to be
- 3 to find premises and devise a cost-effective system for producing the snacks
- 4 to at least break even in the development phase of the business until the details have been worked out
- 5 to make exact costing and accurate estimates of returns – as far as possible
- 6 to use personal and professional contacts to find cost-effective materials
- 7 to arrange the outlets for the first phase of snack deliveries.

Second phase

Estimates of the timetable for the second phase would vary depending on your progress so far.

In the second phase, your objectives might be:

- 8 to pilot the business for a set period and then evaluate how close to your initial plan it has gone and how well it matches the original vision; this monitoring will include simple financial and management accounting and estimates for the next phase
- 9 to redesign the original vision so that it matches the reality
- 10 to work out new objectives based on the new vision
- 11 to work towards those new objectives.

Marketing the small business

Marketing during the first phase should not be too difficult. These sort of snacks would find a ready market among affluent westerners and rich locals, both of whom are likely to be very health conscious. In fact, the first marketing strategy is for you to become very friendly

with the restaurant manager and chefs, and of course the customers. You could probe them gently about their eating preferences. It should be easy to give your first production run of snacks to the restaurant to try out for you, especially as you are their nutritional specialist. You could write these off as a loss, or you could sell them at Z0.50/- each, the cost of production. This would also probably give you preparation space and tools for nothing. In fact, if it goes well, you might be able to sell all your 1,000 pilot phase snacks to your own employer. Most of them would have to be at the proper market price for you to do your evaluation.

It would of course pay you, in the pilot phase, to market more widely, perhaps in less expensive restaurants. Use your connections to find out what is the best way to approach restaurant/hotel managers. Try to find out who your competitors are, and 'hard sell' your scientific expertise with food and nutrition when persuading people to buy.

As your main vision is to get healthy nutrition to poor people, you need to find a way, perhaps in the second phase, where you could use poor women and/or children to sell your snacks at the spots where rich local people and tourists tend to go. One way of getting the extra nutrition to them is to encourage each seller to take at least one of these snacks free per day as part of the deal with you. You could sell them a certain number of snacks at cost, plus a few per cent back to you, and let them sell them for what they can get, but ensuring that they make a return for themselves (they will already know this trade better than anybody else anyway).

Of course, this sort of snack trade is only the beginning, and there may well be ways in which you can expand your work into the feeding programmes of poor schools, community restaurants etc.

Evaluating the small business

Evaluation is complex. It involves personal objectives, like that of your becoming a person who achieves basic security for yourself and your family, but it also develops high motivation from the human relationships generated by your work. It is easy to be smothered by the desperate struggle for security. The psychologist Abraham Maslow argued that this sort of security isn't really enough motivation to sustain our creative energies; we also need to extend our human relationships through work, and to achieve a feeling that we are using our talents in a worthwhile way. From that point, we can continue to work hard and productively because we are growing spiritually and mentally through our work activities.

So, evaluation should involve more than just counting the profits of a business. Some of the more complex values that a small business brings with its success are shown in the following case study.



Case study 4.2

Wanja's informal business

My Kikuyu friend, Wanja, lost her job with the bank just as her husband died. She had three teenage children to bring up and a redundancy payout from the bank. So she went to her friends in England. There she bought 20 dresses from a wholesale warehouse and sold them to rich friends in Nairobi for ten times what she had paid for them. This paid for her next flight and 20 more dresses. In five years, she was still living in the same rented house in Eastlands, Nairobi, but had put her children into universities in England and America. She had also bought a shamba that she worked up herself into a small coffee plantation and had given it to her brother to manage. They shared the returns, and put his children through polytechnic courses. She has grown and continues growing in all sorts of knowledge and skills, in social relationships throughout Africa and Europe, and in self-fulfillment.

The real evaluation people like Wanja make is a balance between the bottom line, and their responsibilities to others, and to the world around them. And Wanja always does that very precisely.

Small business activity in the informal sector has been fuelling local economic development in developing countries, with the support of governmental and non-governmental programmes. There are many success stories of micro-enterprise, as you will read next.



Now turn to Readings 5, 6 and 7. These articles are short examples of successful small businesses that received the support of several aid agencies' programmes. As you read, reflect on whether some of these examples could succeed in your own community.

Informal learning

You have now worked through four units of this module and have read about several ways of learning about enterprise – through formal education and training programmes, but also through informal learning experiences.

This module has provided you with the skills to support youth entrepreneurship, which you should be able to, in turn, pass on to others. (You may wish to refresh your memory on some aspects of learning that are discussed in Module 1 *Learning Processes*). The entrepreneurial skills you can share with young people in your community will help them to create work for themselves, either as individuals or in small partnerships. These enterprising opportunities can be happen in rural or urban environments, and they can be

carried out in conjunction with the work of an NGO or a government development programme, or entirely separate from them.

Since education and supporting young entrepreneurs is so important in the informal economic sector, your next task in this unit is to create an outline for an informal course in enterprise education. Focus your outline on the fact that the participants in your course need to be able to put their activities very precisely in the local context, so that, whatever they do, they understand its implications and all the strengths, weaknesses, opportunities and threats in the situation.

They need to be able to see a niche, to test the market, to cost and plan the enterprise in phases marked by evaluations, and try it out in a pilot phase.



Activity 4.6

(about 60 minutes)

With your colleagues or fellow students, create an outline for an informal course in enterprise education to be delivered through your agency.

Work out its learning objectives, topic list and training approach. Then outline a few suggested teaching methods and assessment strategies (how will you know if the learning objectives you specify are attained?).

Your course should not take longer than one day. Your outline should not exceed two A-4 pages in your learning journal.

Remember what was said about the best ways to learn in Module 1 *Learning Processes*, and try to use learning ideas that have worked for you - perhaps from this module.

Opportunities for young people

Youth play an important role in establishing enterprises in local communities. It is also important for those in positions of power and influence to recognise that small enterprises, be it in the formal or informal sector, provide youth with opportunities to develop a range of skills and knowledge. They also help develop qualities of leadership, confidence and self-esteem.

With improved education opportunities but fewer jobs, youth in many developing countries are seeking opportunities to use their educational knowledge. Limited employment opportunities are offered by larger corporations and the public sector. Modern technologies have also eliminated many of the traditional tasks and duties that were once carried out manually – and often by youth. Even where these jobs still exist, many young people shy away from

doing them. The influx of modern culture has also resulted in a changing relationship between youth and their households and communities.

Government youth enterprise programmes

Governments of both developed and developing countries are finding that the high rate of youth unemployment is creating considerable instability in their countries. They are developing policies and implementing programmes that will enable youth to employ themselves in careers, through enterprise creation.

One such programme operating in Australia is the Youth Business Initiative, where young people are provided with training in business skills. When they complete their training, they are given a small amount of money to help them establish their businesses. The young entrepreneur is also provided with a mentor or guide experienced in business who helps them by giving advice and guidance.

The involvement of NGOs

In Lusaka, Zambia, practical, small-business management training and much needed credit are assisting disadvantaged youth to get a new start. Young men and women develop ideas for enterprises that they consider will fill a local market niche, then they are helped with training and given small start-up loans.

The project, a collaborative effort between several youth-oriented NGOs, emphasises capacity development for young people, incorporating life-planning skills and helping to advance from simple enterprises to larger enterprises, involving greater amounts of working capital and management skills. (Source: *Street Kids International*, CYP Africa Centre).

Enterprise is an employment alternative

Small informal enterprises tend to be labour intensive and are designed to fill niches that have not been effectively serviced. In developing communities, these enterprises also involve large numbers of youth and are often co-operatively owned and operated. Without employment opportunities, many young people find their talents being wasted, and resort to unhealthy social activities. Small enterprises therefore provide a viable alternative for them. But young people, despite the knowledge they have, lack the experience, funds and influence needed to establish successful enterprises. They require assistance, training and guidance to put their ideas into practice. As a youth development worker, you can play a part in providing that help.

Unit summary

In this unit you looked at how to plan the start up of an enterprise in the informal economy sector. You had the opportunity to develop a SWOT analysis and a plan to start up a sample business. This hands-on experience showed why research and planning are so important for the success of any enterprise.

You have covered the following main points:

- the four steps in the planning process
 - objectives
 - research
 - timetable
 - evaluation
- the technique of visioning – and how to use it in planning the future enterprise
- marketing a small business
- evaluating more than profits
- informal learning experiences and how they relate to enterprise establishment
- opportunities for youth employment in micro-business.

To check how you have got on, look back at the learning outcomes for this unit and see if you can now do them. When you have done this, look through your learning journal to remind yourself of what you have learned and the ideas you have generated.

In Unit 5, we look at what is involved in setting up and running a small business.

Unit 5: Setting up a small business

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Unit introduction

Welcome to Unit 5 *Setting up a small business*.

In this unit, we look at what is involved in setting up and running your own business. The goal is for you to be aware of all the issues surrounding setting up and operating small enterprises, so that you are in a much better position to work with youth in your communities who are thinking of entering into business by themselves.

You will acquire these skills by engaging in a training programme designed to develop basic business planning and management skills, as well as to develop skills in operating a small business. When you get to the end of the training programme, you will be qualified to adapt it and deliver it yourself to enterprising youth in your community.

As a youth development worker, your role will be to conduct this sort of training programme for young people with the aim of building their small business skills and competence. To better prepare you to deliver this training programme effectively to the youths you will be working with in your community, it is extremely important that you engage in all activities yourself. In other words, it is important that you learn 'by doing' and by following the programme yourself first.

Unlike the other units, Unit 5 concentrates entirely on small businesses that are likely to be in the formal sector. We assume that a youth development enterprise will tend to begin in the informal sector, but will naturally expand into the formal sector as it becomes successful.

Unit learning outcomes

When you have worked through this unit, you should be able to:

- devise and deliver programmes of informal education to support young people to develop enterprise skills
- advise young women and men wishing to set up small business projects
- assist young women and young men to secure resources (grants, credit, specialist expertise, support services etc.) to establish small business projects.

About the training programme

The training programme aims to teach young people how to establish and operate a small business enterprise. In your case, you are going to follow the programme to develop your own entrepreneurial skills, and also to become familiar with it so that you can adapt it to the needs of your community and deliver it to enterprising youth.

Objectives of the training programme

- To provide young people with essential skills and knowledge to establish and operate their enterprises.
- To increase the success of business enterprises through establishing a network among those young business people who are willing to share their knowledge and experiences and provide support to other members of their community.
- To provide younger members of the community with skills and knowledge in developing and running a small business, which they will be able to use to help other members of their communities.

Content of the training programme

The programme will help participants to achieve these aims by covering the following topics:

- Defining small business.
- What makes a business succeed?
- Step-by-step guidelines on gathering information and preparing the ground.
- Basic information about accounting.
- Developing a business plan, including:
 - marketing plans
 - financial plans
 - production plans
 - operational plans
 - resource plans.
- The skills needed to implement the plan and run the business successfully.

Your role as a trainer

You will be responsible for making sure the young people in the training programme achieve these aims and cover these topics. However, they will bring their own experiences and needs to the

training programme – so it is important that you ask your participants exactly what they hope to gain from each session – and modify your programme to include their stated needs.

As you go through the programme yourself, you will find trainer tips about adapting it to your own audience.

Be a facilitator

You will need to prepare carefully before you run the training programme. Make sure you have a suitable training place and gather all the equipment you need, well beforehand. At the end of the unit you will find the Training Handouts section, which provides all the handouts you need in a format that is easy to photocopy.

You will need to copy the objectives of the training programme for distribution to each participant. You might also copy the list of topics to be covered so that participants know what to expect. You will find these in Handout 1 in the Training Handouts section at the end of the unit. Obviously, it will help if you know how many people will attend each training session.

Remember, your role is to make sure the training programme is useful and productive for the participants. Act as a facilitator, and listen to what the young people have to say. Always be prepared to modify the training programme if it isn't working. At the end of each session, ask for feedback in order to improve what you are doing. These evaluations will help you make sure the training programme is achieving its objectives and succeeding in helping young people develop the skills they need.

Be alert to gender equity issues

Women face additional barriers when undertaking enterprise activities. You should address this issue in the training programme, especially if the majority of your participants are young women, and offer advice and strategies to help them overcome negative gender-based attitudes.

If you need some support in doing this, review Module 5 *Gender and Development*, which deals with the issue of gender inequality in greater depth.

Now turn to the next page and begin the training programme. Remember that at this point you will undertake this programme as a learner, so that you will be able to deliver it effectively to young people in your youth development practice.

Because the training programme is geared towards young people who are considering starting a business, it will be best if you come up with an idea for a small business enterprise so that you can complete all the learning activities meaningfully. Keep in mind that, when you deliver the programme, you can adapt the activities to your audience.

Setting up a small business: The training programme

Starting out

So you have decided you would like to be in business for yourself – to be your own boss. It is probably one of the most important decisions you have ever made. Your future income will depend on whether you make a success of your business.

You will also have a big responsibility. Whatever decisions you make will not only affect you and your family, but also the lives of your employees, your suppliers and your customers.

Trainer tip

Keep in mind that you should adapt the introduction to your workshop according to the needs and interests of your participants. During the introduction, you should distribute Handout 1, which you can find at the end of this unit.

In making the decision to operate your own business, you should accept a few things:

- To succeed in business you need to work hard and for long hours.
- You must be prepared to make sacrifices and to give much time and effort to the business. You must therefore prioritise your commitments and activities.
- You must be prepared to take calculated risks.
- You must prepare yourself, carry out research and develop realistic plans.
- You must implement your plans, but you must also be flexible enough to make changes at different stages if you discover that something is not working as expected. Remember that the process of developing an enterprise is dynamic.
- You must have a vision. This is what motivates you to carry on!

Trainer tip

When you deliver the programme, the next step is to engage your participants in a discussion around the question in Activity 5.1.

In your case (as a diploma student completing this training programme) register the results of all activities in your learning journal in the usual way.

**Activity 5.1**

(about 10 minutes)

Look at the list above again. Be honest with yourself: do you have the attributes that are necessary to operate a business? Record the results in your learning journal.

Defining small business

Many definitions of small business exist, but the one most relevant to our needs is the one known as the ‘Wiltshire Definition’:

“A small business is a business in which one or two persons are required to make all the critical management decisions: finance, accounting, personnel, purchasing, processing, marketing and selling, without the use of internal specialists and with specific skills and knowledge in only one or two functional areas.”

(Wiltshire, 1971)

You’re the boss. Being the boss means that you will have to make decisions in a number of areas, despite having only a limited range of skills. It will not be enough for you to be a good cook, or engineer, or whatever it is you do. You will need a certain level of skills in marketing, financial management and people management, among other things.

Of course, you don’t need to be an expert at everything. Nobody can be that! But it is necessary to have a broad understanding of all the factors that make a business operate successfully. For special advice you can seek the help of specialists, such as accountants and solicitors. However, you need to recognise that it is ultimately you who operates the business, and you will at least have to have a grasp of the general principles on which accountants and solicitors operate. If not, you will not know how best to utilise their services.

There are advantages and disadvantages to establishing your own business.

Advantages include:

- the challenge of owning your own business
- the ability to use some special skills that you have
- the satisfaction of doing what you want to do.

Disadvantages include:

- the long hours
- lack of security
- total responsibility
- financial risk.

Trainer tip

At this point, you should split your participants into small groups to do the following activity.



Activity 5.2

(about 15 minutes)

Look again at the advantages and disadvantages of operating your own business and discuss them with your group. Use the following questions to guide your reflection and discussion:

In your view, what are the most important advantages? Why?

What disadvantages worry you most? Why?

Discuss how the disadvantages might be overcome, or minimised.

What makes a business succeed?

Several factors determine whether a business succeeds or not. The skills and attributes of the operator are vital. We look at these first.

Qualities of the owner-operator

Attitudes, skills, experiences, motivation and personal situation will influence the type of business that a person chooses to enter. These personal characteristics of the owner-operator will often play a significant role in the success or failure of the business. So you need to take a critical look at yourself and determine whether you qualify.

Trainer tip

You have already looked at some of your own characteristics in relation to entrepreneurship in Unit 2 (Activity 2.2), and in Activity 5.1 in this unit. Use some of these characteristics, especially the ones your participants will have identified in Activity 5.1, to add to the qualities listed below.

Here is a list of qualities the small business person must have:

- Enthusiasm, initiative, energy and drive. You need to be a ‘self-starter’ with a ‘get up and go’ attitude.
- Persistence and confidence. Enterprises that you embark on may not succeed at first. To be a business person you must be prepared to face failure and still have the determination to go on.
- You need to keep your faith and confidence in yourself and in what you are offering.
- Persuasiveness: you need to be able to lead and motivate others.
- A sense of discipline: you need to be able to carry out organisational and administrative tasks, no matter how unpleasant or unproductive they may seem to be.
- Determination to succeed and decisiveness.
- A highly competitive streak.
- Ability to accept change.
- A sense of what is practical. You must also realise that you do not know everything.
- A willingness to learn and to seek help when you need it.

These are mostly personal factors – but remember that they can be learned and developed.

Other factors

The other factors that help make a business succeed are knowing what to do and how to do it. You will also need to:

- carry out research
- develop a plan that identifies:
 - what the business is all about
 - what products or services it will offer
 - the market and how to reach it
 - the financial requirements for establishing and operating the business

- o the expected returns
- o the details of how the business will be operated.

There are no guarantees of success. Despite having all the right attributes and carrying out all the necessary homework, some business operators fail. Others succeed in spite of their limited efforts and abilities (or so it seems).



Activity 5.3

(about 15 minutes)

Take some time now to complete the checklist in Handout 2. It may help you decide whether the conditions are right for you to start a small business, or not.

Make sure you register your reflections in your learning journal.

Trainer tip

After you get each participant to complete the check list in Handout 2, engage the group in reflective discussion around the question given at the end of the handout.

What makes a business fail?

All over the world, small businesses have a high failure rate. Depending on how you define failure, these figures can range from 35 per cent to 80 per cent. This is a great loss to the economy and is often a shattering experience for the person.

Reasons often given for the failure of the business are:

- 1 uncertainties in the local economy
- 2 the top-down methods of many funding agencies
- 3 adverse government regulations
- 4 a number of other external factors, such as the absence of integrated supporting systems.

But independent studies indicate that a significant cause of failure in small business is poor management skills. Many of the failures could have been avoided if the operator had carried out the necessary research to test the market, as well as having checked her or his own ability to run the business.

Preparing the ground

One way to avoid business failure is to think hard before you go ahead, gather information and prepare the ground carefully. Here are some step-by-step guidelines on how to do this.

Step 1. Find an opportunity

Your first step is to identify an opportunity or a need and think of how you can satisfy it.

Here are two case studies showing how operators of small businesses made their products different from those of their competitors, and so were able to develop their own niche.



Case study 5.1

Basket weaving revisited

In Western Samoa, a young woman wove baskets out of palm leaves. These were very popular with the tourists. One day, in a conversation with some tourists, one of them mentioned that her baskets would make wonderful picnic baskets if only there was a place where they could put their drink or wine bottles. The woman, identifying an opportunity, quickly redesigned her baskets to allow for a part of the basket to carry these bottles. The new product was an instant hit with the tourists.



Case study 5.2

Catering to your customers

A small hotel recognised that many of the guests were older people who often required special diets. The hotel introduced a special menu, which offered low cholesterol, low salt and other speciality foods. The hotel now attracts people from all over the world because of their special diets.

As a small business operator, you must identify opportunities and seek to satisfy them.

Step 2. Know your market

It's essential that you know your market. The same principle applies if you are already in business and are looking to expand or go into other areas.

The following activity will help you identify and understand your market.

Trainer tip

This is an individual activity. However, make sure participants can work in groups should they wish to. The important thing is that each one of them comes up with answers to the questions in the activity in light of the business they have in mind and their local market conditions. Make sure you support each individual and/or group as they go through this list of questions, which may seem a bit intimidating. The questionnaire is in Handout 3.

Now, on to you as a learner: make sure you complete the activity yourself and register your own reflections in your learning journal. If you still haven't come up with a business idea, now is the time.

**Activity 5.4**

(about 30 minutes)

Work through the Handout 3 yourself and include it in your learning journal.

Step 3. Know your product

Next, you will need to decide if you have the right skills, knowledge and abilities to provide the goods and services:

- that the market wants
- at the quality it demands
- when it demands it
- at a price which the market is prepared to pay.

You must also make a reasonable profit in the process. This profit pays the staff salaries, covers the costs of the business and allows for investment in its development.

Step 4. Find out about the industry

You will need to conduct research into the industry you're thinking of entering, so you need to talk to some key people, including:

- accountants
- bank managers
- solicitors
- business advisers
- government authorities.

Step 5. Gain experience and knowledge of the industry

If possible you should:

- obtain experience in the same business you are about to enter (this can be done by working for somebody else in that type of business)
- talk with others in the industry to find out what it takes to succeed
- talk to potential customers and suppliers
- contact appropriate trade or industry associations for help
- read everything relevant to the industry
- attend some form of training course on management, record keeping, etc.
- develop a business plan, setting out your objectives and the steps that you will take to achieve these objectives. We will look at how to make a business plan in detail later on.
- discuss your business idea with a business adviser.

Step 6. Work out the costs

You need to identify:

- your pricing structure (what to charge for your product or service in what circumstances)
- funding requirements (how much money you will need).

Trainer tip

Next, engage your participants in the following activity, which requires them to work out the establishment and operating costs of their proposed business. Distribute Handout 4.

As a learner, you must also complete this activity. Don't forget to register your answers in your learning journal.



Activity 5.5

(about 30 minutes)

Work through Handout 4 yourself and record the outcomes of your analysis in your learning journal.

Step 7. Work out the legal and practical issues

You need to work out important legal issues like licensing and regulations. You also need to decide the practical issues like where the business will be located and how you will structure it.

Because business structure is important, we'll examine it in more detail before we go on to Step 8.

Business structure

The structure of a business is the legal form it takes. There may be local variations, but common forms of business are:

- Sole Trader
- Partnership
- Proprietary Limited Company
- Co-operative.

The sole trader

This is the simplest and most common structure, involving one person as the principal operator of the business. Most very small businesses have this structure.

The advantages are:

- it's simple and cheap to set up
- you are the owner and are free to make decisions
- you retain all the profits
- there are few legal and tax requirements.

The disadvantages are:

- you alone are personally liable and responsible for everything regarding the business operations
- you may lack capital
- you may have limited management skills
- you pay all the tax.

Partnerships

In business, a partnership is defined as the relationship that exists between persons carrying on a business in common, with a view to profit.

The partnership brings a group of people together to contribute their skills, energies and talents in operating a business.

For their contribution they share in the profits but also share the responsibilities associated with the business.

The advantages are:

- sharing of responsibilities and increase of skills base
- tax is minimised through the distribution of profits.

The disadvantages are:

- incompatibility of partners
- the partnership is liable for all business debts.

Proprietary Limited Company

A Proprietary Limited Company (Pty Ltd Co.) can be formed by two people wishing to carry on a business for profit. The operators become its shareholders and usually its directors. The law may limit the number of shareholders allowed and require certain staff positions to be maintained.

The advantages are:

- limited liability
- continuity – the business survives even if individuals move on
- transferability of ownership and interests
- spread of ownership
- easier access to capital
- tax benefits.

The disadvantages are:

- high establishment costs
- high cost of administration
- the directors will have legal and statutory obligations.

Co-operatives

There are three main types of co-operatives:

- 1 Consumer co-operatives – These are co-operatives owned by the customers who use the products or services of the business (for example, a local village store).
- 2 Producer co-operatives – These are co-operatives owned and controlled by independent producers such as farmers, carvers or fishermen.

The co-operative helps the producers market their products collectively and therefore helps the producers improve the effectiveness, efficiency and profitability of their individual businesses.

- 3 Worker co-operatives – These are businesses that are owned and managed by their workers.

Examples of co-operatives are:

- Housing co-operatives – owned and managed by those living in the houses and not by absentee landlords.
- Fishing co-operatives – owned by people who catch fish.
- Rural supply co-operatives – owned by the farmers who depend on the co-operative to supply them with goods and services.

Choosing a business structure

As you can see, each structure has advantages and disadvantages. Before deciding on a structure, you should seek professional help from a solicitor or accountant, or ask your friends and other business people you know for advice.

You will remember that Step 7 is to work out the legal and practical issues. The following questionnaire will help you clarify what you have to find out and do.

Trainer tip

Your participants will most likely need your support and guidance as they complete the following activity. Make sure you have the time to briefly counsel each one as they work through Handout 5.



Activity 5.6

(about 30 minutes)

You may need to collect information in advance about procedures and requirements for business registration in your community. This is one of the reasons why it is important that you complete this activity as a learner.

Work through Handout 5 yourself and record the outcomes of your analysis in your learning journal.

Step 8. Develop your management skills

You will need to determine if you have the skills and knowledge to manage the business. Having the skills to make a product doesn't necessarily mean you have the skills to sell it, manage the finances and employ, train and supervise staff. Managing the business requires you to plan, organise, make decisions and control others. Often, the ability to carry out these management tasks is the key factor in whether a business succeeds or fails. If you feel that you do not have the skills required for the success of your business, you can identify training programmes in your area that will assist you in developing those skills. Alternatively, you may decide to hire somebody with those skills, which will be substantially more expensive.

Step 9. Develop a business plan

Having done all of the above, you can decide how you will go about establishing your new business or expanding your present one. This process is known as developing a business plan, and we will be looking at this shortly.

First, however, we look at accounting.

Accounting practice

To start up and run a business, you need to know a little about accounting.

Accounting systems

The accounting process is essential to the business plan. This can be broken down into two elements:

- 1 financial accounting – which concerns the money aspects of running and developing the business
- 2 management accounting – which considers all the other aspects of the business alongside the financial accounts.

In practice, small businesses tend to merge these two systems most of the time, except when official requirements mean that you have to prepare financial accounts.

Financial accounts

These should show you what are the real costs of your business. They include, for example, the costs of depreciation of assets such as vehicles and machines, and the cost of having to keep certain stocks before they can be sold. Financial accounts should tell you what the real value of the business is in terms of the stock left, the premises used, the furniture, vehicles, stock not sold etc., and they should make it clear, when everything has been added up in terms of pluses and

minuses, whether you have made a profit overall. Systematic accounting will make clear the difference between your mark-up and your profit. Your profit is the excess money you make after all your costs have been paid up. Your mark up is simply the extra money you have added to the price you have paid for something when you sell it.

Management accounts

These will tell you how you should start developing the business and what the costs will be. They should also tell you where the money for paying for investment and delayed costs should come from – out of profits or borrowings. In doing your management accounting sums, you will need to work out what funds are required to establish the business and what funds are needed to run it.

Other money matters

You also need to identify:

- the amount of money you need to earn to feed, clothe and house you and your family
- the amount of money required to establish your business
- the amount of money required to operate the business on a daily, weekly or monthly basis.

Trainer tip

Next, you will guide your participants through the calculation of the costs and expenditures they will have to incur to start their own small enterprise. Distribute Handouts 6, 7 and 8 and make sure you have calculators available.

Don't forget to register your own calculations in your learning journal.



Activity 5.7

Handouts 6, 7 and 8 have been designed to help you identify the costs and expenditures of your small enterprise. Fill them out as accurately as you can and include them in your learning journal.

Getting the money

Once you know the amount of money you will need to establish the business, you must decide how you will get it – and how you will repay it. Many funding sources exist. You can invest your own money or borrow money from family and friends, members of the

community, government, or the banks. You may also be able to obtain some funding from suppliers, or as trade credit. Customers may pay you in advance. Remember that anyone lending you money will need to be convinced that you can repay the loan. This will depend on the purpose of the loan, the viability of the business, your reputation, and the security you have to offer.

The business plan

A key document for the establishment and operation of any business is the business plan.

What is a business plan?

The business plan is a written document that acts as a road map of the future direction of the business. It outlines how the business will be operated and where the business is heading, how it will get there, what it needs in order to get there and when it will get there. Studies show that businesses that develop and use plans increase their chances of survival – so much so that many banks now require anyone applying for a business loan to submit a business plan.

Why make a business plan?

Many business operators do not plan because they see the business plan as a mysterious, theoretical document. There is nothing mysterious about planning. It is simply deciding in advance where your business is going and working out the details of how you will get there.

The main benefits of planning your business are:

- it sets out a clear path to your goals
- it allows you to anticipate future strengths, weaknesses, opportunities, and threats
- it keeps you on track towards your goals and helps you not to get side-tracked
- it is a sign of your commitment
- it is a useful tool for communicating with bankers, other lenders, suppliers and customers
- it shows you and others that you know your business.

Preparing a business plan

Much of the work needed to develop a business plan can be carried out by the business operator. However, you can get the help of accountants, consultants and other specialists. Here is a stage by stage guide for preparing your business plan.

Stage 1: Market research

Before developing the plan you need to collect information about:

- a) your business
- b) your competition
- c) your area of business.

Your business

Identify your strengths and your weaknesses and learn all you can about the opportunities that are open to you and the threats that you face in the business.

This process can be easily carried out through a SWOT analysis of the business.

Trainer tip

You will have to guide your participants through the development of a SWOT analysis in the next activity. Handout 9 is formatted to help you through that process. However, you may want to revise how to carry out a SWOT analysis, which you have learned in Unit 4 of Module 4 *Working with People in their Communities*.



Activity 5.8

(about 30 minutes)

Work through the first part of Handout 9 yourself and record the outcomes of your analysis in your learning journal.

Your competition

Identify who are your competitors, their strengths and their weakness; the opportunities that they have and the threats they face.

Trainer tip

Again, you will have to guide your participants through the development of the SWOT analysis for their competitors in the next activity. Handout 9 includes the format for this second SWOT analysis.



Activity 5.9

(about 30 minutes)

Work through the second part of Handout 9 yourself and record the outcomes of your analysis in your learning journal.

Your area of business

Find out everything you can about the field you are about to enter. What is the real nature of the business you will be in? For example, you may be selling clothes, but your part of the market may be directed at adolescent lifestyles. What have been the patterns of demand and supply in this field over the last five years? Who are the big players that control the field? What other parts of the economy does it depend on? For example, adolescent lifestyle clothing may well be very dependent on rates of adolescent unemployment. What sort of technological change is the field subject to? What are the usual costs of that technology? How frequent are bankruptcies? What sorts of firms go bankrupt?

Trainer tip

Direct your participants to complete the following activity. They will need paper to write their list of questions on. You may have to support them and work with them to come up with a few initial questions. The list of questions you write down in your learning journal as you complete this activity can be your starting point.



Activity 5.10

(about 20 minutes)

Write down a number of questions you will need to find the answers to that will help you establish and operate your business successfully. These include questions that relate to:

- the products or services that you offer
- the markets you propose to enter
- the finances of the business
- the people and other resources required.

You have completed Stage 1 of preparing the business plan by gathering the necessary information on your business, your competition and the general area you propose to enter.

Stage 2 involves analysing the information you collected, so that you can use it to help you establish your business.

Stage 2: Analysing the information

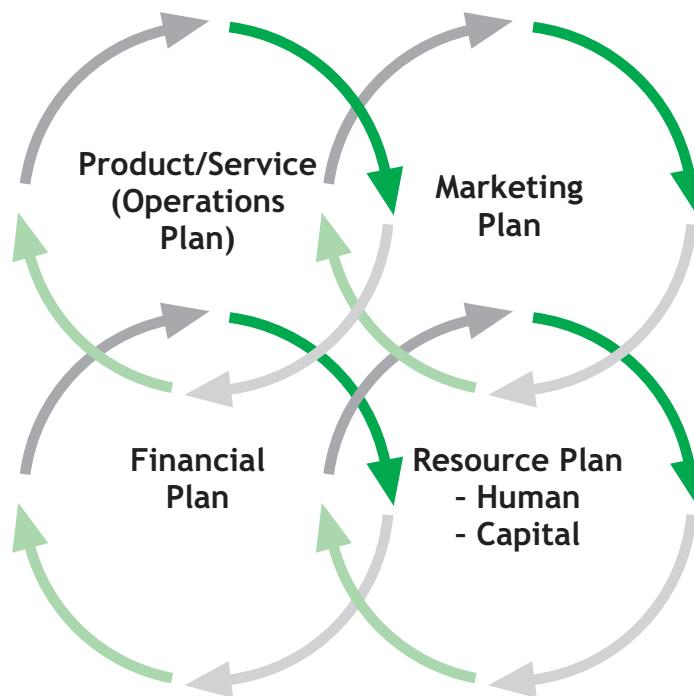
The information that you have gathered will help you determine if there is a market for your product or service and how long that market will last. It will also help you work out how much you can expect to earn from the business.

This information will help you develop a strategy for operating the business. It will also tell you the type and level of service that you will need to offer and the finance that is required.

Stage 3 – Developing a strategy

From the information you have gathered and analysed, you will be able to develop a strategy for operating your business. This is the ‘guts’ of the business plan and you must write it down.

The business plan is made up of four parts. These can be illustrated in the following way:



Note: Each part relates to the others.

The operations plan describes the products or services to be offered. It includes the standards that will be met and methods of delivery.

The marketing plan identifies the location of the business and strategies for gaining customers, including advertising, selling, promotion, pricing and distribution.

The financial plan is perhaps the most important part of the business plan. The financial part includes the cost of establishing and operating the business, the expected profit (or loss) and cash flows.

The resource plan identifies the people (or skills) and facilities that will be required to deliver the products or services at a set standard. It will also set out the skills and facilities needed to achieve the financial goals.

To help you develop your own business plan, we have provided a set of forms for you to complete. Take time to think carefully about how you fill them in – and remember that the success of your business may depend on your business plan.

Trainer tip

Distribute Handouts 10-17 and direct your participants to complete them. Make sure you give plenty of time for them to carry out this activity, and that you are readily available to support them in completing the forms.



Activity 5.11

(about 120 minutes)

Fill in Handouts 10-17, including the title page. When completed they will make up your business plan.

Include them in your learning journal.

Using the business plan

Once the business plan has been developed, it should not be left on the shelf to gather dust. You should refer to it constantly. This will help you evaluate whether the business is performing as planned. If it isn't, you will need to find out why. Changes in the market, in tastes and in the economy, all have an impact on the plan. You need to constantly review your plan and if necessary revise targets and goals.

Now that you have developed your business plan, you are almost ready to start operations. However, there are more key skills you need to have to run your business successfully. You need to know about:

- marketing
- budgeting
- pricing your product
- working out business costs

- record keeping
- managing your resources (staff and equipment).

Marketing

Marketing is a planned series of activities designed to satisfy the needs of the customers and sellers. It is based on promotion, publicity and public relations. A more formal definition by Boone and Kurtz (1998) is as follows:

“Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services, organizations and events, to create and maintain relationships that will satisfy individual and organizational objectives.”

Formal small businesses should have a ‘marketing plan’. This involves developing marketing objectives and strategies.

Objectives are the goals that you want the business to achieve. They should be SMART:

- Specific
- Measurable
- Achievable
- Reasonable
- Time Bound.

Here are two examples of general marketing objectives:

- to increase the sales by 10 per cent by the end of the year
- to develop two new products.

Strategies are the actions you will take to achieve your objectives.

Examples of marketing strategies are:

- providing additional services, like packaging or free delivery
- offering special deals
- catering for specialist or niche markets.

Budgeting

A budget is a financial forecast of a business. There are several valuable elements of this.

- 1 A realistic estimate of income and expenses for a given period and the likely financial position at the end of it.
- 2 A plan for achieving the targets.

- 3 A basis for making good business decisions.
- 4 An opportunity to compare achievements with the set targets. By comparing, the operator can identify problems and opportunities.
- 5 A basis on which to set and work towards objectives.

For information, when you are preparing your budget, refer to:

- past records
- economic trends and industry indications
- the objectives and plans of the business
- other factors revealed by your research.

For more information on budgeting you may like to refer to Unit 3 of Module 7 *Management Skills*.

Pricing your product

The price that you set for your product or service will depend on a number of factors:

- the cost of producing and/or delivering the product or service
- the price charged by the competitors
- the perceived value of the product or service
- what the customer can afford
- the urgency of need.

There are two strategies that you can adopt when setting a pricing policy.

You can:

- sell at a low price, make a small profit on each item sold and try to achieve a high turnover

or

- charge a high price and make a high profit on each product but sell a smaller quantity.

The one you choose will depend on the product and the market.

Before you can decide on a pricing policy, you should have an understanding of the nature of costing the product or service. You need to refer to your business plan to identify overall income and operating costs. Make sure you do not overlook minor costs – in time, these ‘minor’ costs build up and suddenly become a significant amount.

Business costs

Business costs can be classified under two groups – capital costs and operating costs.

Capital costs are costs that have a long-term impact on the business, e.g. cost of land, buildings, equipment and other assets. These costs must be included in the pricing and recovered over the longer term.

Operating costs are the costs necessary for the day-to-day running of the business including the cost of goods, materials, rent, wages, etc. Operating costs can be fixed (e.g. rent) or variable (e.g. raw materials). Don't forget to factor in what may seem to be even quite minor costs, such as the price of postage.

Calculating break-even

The break-even point is where the business makes neither a profit nor a loss, that is: $\text{Income} = \text{Expenses}$.

Finding out the break-even point of your business lets you work out at which point of sale the business starts to make a profit.

Examples of break-even

1 A product-based business

An item costs \$20.00 to manufacture or buy into stock, and is sold at \$30.00. The gross profit is then \$10.00. The annual overhead expenses are \$12,000.00.

The formula used here is:

$$\begin{aligned} \text{Break-even volume} &= \frac{\text{Overhead Expenses}}{\text{Gross Profit}} \\ &= \frac{12,000}{10} \\ &= 1200 \text{ units a year.} \end{aligned}$$

You must sell 1200 units in a year to break even. You will not make any profit until your sales volume exceeds that number of units.

2 A service business

In a service business, your unit of sale may be hourly labour. If, say, the business has overhead expenses of \$8,000 and an hourly rate of \$12, then the break-even point will be:

$$\begin{aligned} & \frac{\$8,000}{\$12} \\ &= 667 \text{ hours of labour.} \end{aligned}$$

The business will not have made a profit until it has received payment for 667 hours of labour each year.

Record-keeping

Business records are kept for a number of reasons:

- For legal reasons. Governments may require you to keep records of the business so that it knows how the business is performing and for statistical reasons.
- For taxation purposes. You may be required to keep records so that your tax liabilities can be calculated.
- For you to measure the performance of the business. Unless you measure your business's performance, you cannot get an effective and accurate indication of whether it is worthwhile, and what you need to do next.

Resources management

Every business must make the most of the limited resources that it has. The resources are its people (the human resources) and its equipment and facilities (the capital resources). For more detailed information see Module 7: *Management Skills*.

Managing human resources

The survival and growth of a small business often depends on the people working in it. Selecting and managing people in the business is a task often taken for granted by the operator. It's important to recognise that the people working for your business are the key assets that it has – and you should treat them as such. Without good quality people, even businesses with the best laid plans and large amounts of money can fail. After all, it's the people that make the business happen.

When choosing workers, try to get the people best qualified and suited to the task that you can afford to pay. Once employed, your staff must be rewarded, trained and motivated to be part of the team. This is much easier said than done because often the small business depends on untrained family help. Most small business operators cannot afford the high cost of employing specialist staff. Nevertheless, wherever possible you should make the effort to hire the best and be prepared to reward them, or to train them on the job if no affordable training exists elsewhere.

Managing capital resources

The capital assets of the business are the buildings, equipment, tools and vehicles, etc. They must be used at optimum capacity and maintained, repaired and serviced regularly. It's a good idea to have a written maintenance schedule for your capital resources – otherwise your assets will fail. A business that has well maintained equipment, and premises that are clean and fresh-looking, will often attract the customers. Such businesses are also more efficient and effective to work in.

When buying new equipment you should choose the equipment that is most appropriate to the level of your operations – even if it isn't the most modern. Because of the changes in world trade, developed countries are now making available at low prices the equipment they have had to replace in order to be competitive. This equipment may suit your particular business in your trading position, but choose very carefully.

Unit summary

In this unit, you learned about setting up and operating businesses in the formal sector. You learned about issues such as business planning, marketing, budgeting, accounting principles, resource management, etc., by following a training programme designed to support youths in enterprising activities in their communities. As you complete this unit, you will be able to deliver the same programme as part of your youth development practice.

There are many types of enterprise, but they all have one thing in common – the desire to change things for the better by creative human action, using the tools of economic activity. The ultimate goal of enterprise is not earning more money or having a better lifestyle – those are really only motivating strategies. The much more important thing is living a more abundant life – more social, more thoughtful, more proactive and more spiritually fulfilling. What follows is a case study from Bangladesh. It seems to put the point of this module in a nutshell.



Case study 5.3

Zinnat Raihana

Within a couple of years of marriage, Zinnat Raihana of Kushtia in Bangladesh found herself in a quite hopeless situation. Serious illness had struck her husband. Being uncertain where her family's income was to come from, she had little choice but to look for some way of supporting her distressed family. It was therefore necessity that drove her to undertake training in sewing at the Youth Development Programme, Kushtia. After this, in 1989, borrowing a capital sum of TK.5000/-, she started a small business: 'Zinnat Raihana Tailors and Proshikkan Kendra'. She felt that it was her mission and her only way to succeed in the struggle for survival.

Now there are fifty trainees in her Training Centre, which is equipped with eight sewing machines, one electric embroidery machine and one knitting machine. Her days of despondency are over, and, with the income from her business, Zinnat has purchased a piece of land valued at TK.50,000/-.

Zinnat is now happy. Luck has favoured this woman because of her determination. Her husband has mastered his physical disability and works in his wife's business. Their children are getting a proper education. Her enviable zeal and the way she utilised the self-employment opportunities available in her country have saved her family. Society now sees her as a role-model for women baffled and distressed by their financial circumstances.

She has now become involved with the Women's Development Programme and is the Vice-President of Jubo Mohila Samity, and the General Secretary of the Nari Kallyan Association of Kamalapur Mongolbaria, Kushtia.

This case study brings your study of Module 11 to an end. Well done!

To check how you have got on, look back at the learning outcomes for this unit and see if you can now do them. When you have done this, look through your learning journal to remind yourself of what you have learned and the ideas you have generated.

Unit 5: Setting up a small business

Training programme handouts

Handout 1 About the training programme

Objectives

- to provide you with essential skills and knowledge to establish and operate your enterprise
- to increase the success of business enterprises through establishing a network among young business people who are willing to share their knowledge and experiences and provide support to other members of their community
- to provide you with skills and knowledge in developing and running small business which, in turn, you will be able to use to help other members of your communities.

Topics to cover:

- The definition and characteristics of small business.
- The characteristics of a small business entrepreneur.
- What makes a business winner?
- Developing a business plan including:
 - marketing plans
 - financial plans
 - production plans
 - operational plans
 - resource plans.
- Measuring the performance of a business.
- Overcoming barriers to enterprise.
- Managing and taking advantage of change in a small business.

Handout 2 Checklist: Should I start a business?

		Yes	No
1	Why do I want to start a business?		
	● There is no other choice open to me.	<input type="checkbox"/>	<input type="checkbox"/>
	● I am tired of what I am doing now and want a change.	<input type="checkbox"/>	<input type="checkbox"/>
	● I have some special skills which I would like to put to use.	<input type="checkbox"/>	<input type="checkbox"/>
2	Have I got what it takes to succeed?		
	● Am I prepared to work the long hours?	<input type="checkbox"/>	<input type="checkbox"/>
	● Do I have the skills and knowledge necessary for success, e.g. marketing, financial management, people skills, technical skills?	<input type="checkbox"/>	<input type="checkbox"/>
3	Do I have sufficient funds or can I access them –		
	● to establish the business?	<input type="checkbox"/>	<input type="checkbox"/>
	● to keep it operating until money starts to flow in?	<input type="checkbox"/>	<input type="checkbox"/>
4	Will I get sufficient returns (profits) from the business to live a normal life on?	<input type="checkbox"/>	<input type="checkbox"/>
5	Will I have the support of my family?		
	● What impact will the business have on my family life?	<input type="checkbox"/>	<input type="checkbox"/>
	● Will my family give me physical, emotional and financial support?	<input type="checkbox"/>	<input type="checkbox"/>
	● Do they share my enthusiasm?	<input type="checkbox"/>	<input type="checkbox"/>
6	Do I possess the necessary level of skills and knowledge?		
	● Do I have experience in the same type of business?	<input type="checkbox"/>	<input type="checkbox"/>
	● What other skills do I need to operate the business?	<input type="checkbox"/>	<input type="checkbox"/>
	● How current are these skills and knowledge?	<input type="checkbox"/>	<input type="checkbox"/>
	● Am I up-to-date with current developments in the business field that I am entering?	<input type="checkbox"/>	<input type="checkbox"/>

Handout 3 Know your market

- 1 What products or services will I be offering?
- 2 Is there a demand for the products I am offering?
- 3 Is this demand temporary or will it be ongoing?
- 4 Who will buy my products or services?
- 5 What is the size of the market?
- 6 Where are the customers?

Handout 4 Work out the costs

- 1 What will it cost to establish the business?

- 2 What will it cost to operate the business?

- 3 How much money do I have?

- 4 How much will I need to borrow?

- 5 Where will I get the loan from?

- 6 What is the cost of the loan in terms of repayments?

- 7 What return (profit minus ongoing costs of the business) can I expect?

- 8 Will the return be sufficient to repay the loan and give me a reasonable income?

- 9 Does it look as if the business is going to be viable?

The location

- 9 Where will the business be located?

- 10 What are the advantages and disadvantages of this location?

- 11 Will I have a lease on the site? What conditions will be in the lease?

Equipment

- 12 What equipment will I need?

- 13 How much will it cost?

- 14 How will I get it?

Handout 6 Personal living expenses

My living expense requirements per week/month are:

Item	Weekly/monthly amount \$	Annual amount \$
Rent/mortgage		
Rates		
Food		
Clothing		
Utilities		
Telephone		
Entertainment		
Motor vehicle		
Education		
Insurance		
Travel		
Other		
Total		

Handout 7 Business establishment costs

The costs associated with establishing my business are:

Item	Amount \$
Bond	
Initial rent	
Licences	
Business registration	
Other legal fees	
Fixtures/fittings/furnishings	
Installation: Telephone	
Utilities	
Motor vehicle	
Stock	
Insurance	
Advertising	
Printing & Stationery	
Uniforms	
Miscellaneous	
Working capital (\$ × months)	
Total	

Handout 8 Business operating costs

The costs associated with operating my business are:

Item	Weekly/monthly amount \$	Annual amount \$	When due
Rent			
Stock			
Telephone			
Utilities			
Licences			
Motor vehicle: Running			
Maintenance			
Advertising			
Insurance			
Repairs & maintenance			
Printing/stationery/postage			
Travel			
Wages			
Drawings			
Others			
Total			

Handout 9 Business plan: SWOT analysis

Identify the strengths and weaknesses of the **business you want to start up** and the opportunities and threats that it faces.

Type of business:

Strengths	Weaknesses
Opportunities	Threats

Identify the strengths and weaknesses of **your competition** – the opportunities that it has and threats that it faces.

Strengths	Weaknesses
Opportunities	Threats

Handout 10 Business plan

The Business Plan

for

of

Business Owner:

Date:

Handout 11 Business plan: Overview

1 Overview

1.1 The business I am in (or hope to be):

1.2 The objectives of the business are:

1.3 The goods and services to be provided are:

Handout 12 Business plan: the market

2 The market

2.1 My target market is:

2.2 The profile of the market is:

2.3 Why these people will need the product or service I offer:

2.4 The state of the market at present is:

2.5 My major competitors are:

2.6 The key features of my competitors are:

2.7 I have chosen to operate the business from the following location:

2.8 The reason for this choice is:

2.9 The features and benefits that will make my product or service unique are:

2.10 The sales I expect to generate are:

2.11 I propose to sell my products or service by:

2.12 I propose to promote my products or services by:

Handout 13 Business plan: the people

3 The people

3.1 The following employees will be required for the business:

3.2 They will need the following skills:

3.3 The costs of these employees are:

Handout 14 Business plan: the business structure

4 The business structure

4.1 I have chosen to operate the business as:

4.2 I have chosen this structure for the following reasons:

4.3 The owners of the business are:

Name _____

Address _____

Role _____

Name _____

Address _____

Role _____

Name _____

Address _____

Role _____

Handout 15 Business plan: equipment and assets

5 Equipment and assets

The following items will be required for the business.

5.1 Accommodation:

Cost: _____

5.2 Plant and equipment:

Cost: _____

5.3 Transport:

Cost: _____

TOTAL COST: _____

Handout 16 Business plan: operating expenses

6 Operating expenses

The estimated operating expenses for the first year are:

Item	Amount (\$)
Stock	
Advertising	
Rent	
Licences	
Utilities	
Transport: Maintenance	
Running	
Repairs & maintenance	
Wages	
Printing/stationery/postage	
Others	
Total	

Handout 17 Business plan: profit and loss forecast

7 Profit and loss forecast

In the first year I expect:

	Sales	\$
<i>Less</i>	Cost of goods sold	\$
<i>Equals</i>	Gross profit	\$
<i>Less</i>	Expenses	
<i>Equals</i>	Net Profit /Loss	

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Module summary

By studying this module *Promoting Enterprise and Economic Development*, you have explored the ways that enterprise activities can enhance the lives, the families and communities of young women and men. You have looked at the larger economic factors that affect economic development at the local level and have explored the variety of ways young people can overcome personal and other barriers to set up and run successful small businesses. There has been a strong emphasis on how to acquire practical enterprise skills and develop positive personal qualities, and how to transfer these attributes to young women and men as you support them in setting up and running their own formal or informal small business enterprises.

If you have successfully completed this module, you should be able to:

- identify the different factors that shape and influence economic development – particularly at a local level
- explain the connections between economic development and youth development work – both in your community and at the broader macro-economic level
- use strategies of informal, experiential learning to support young people in developing enterprise skills and be able to conduct exercises and workshops encouraging youth enterprise skills
- access information about opportunities for self-employment in your area and be able to locate and liaise with agencies supporting youth to become self-employed
- support young women and young men who wish to set up small business projects
- help young people access available resources to assist them in setting up and operating their small businesses (e.g. grants, credit, support services)
- help develop local economic development strategies to foster youth enterprise
- establish relationships with different agencies in the small enterprise field.

Glossary

Creativity	Thinking activity that results in a new way of viewing or solving a problem.
Enterprise	A business undertaking that requires initiative and intelligent risk-taking.
Entrepreneur	A person who is able to identify business opportunities and act to take advantage of them.
Formal business sector	The business sector officially recognised by governments.
Informal business sector	The unofficial business sector of small traders and services, often in micro-enterprises.
Infrastructure	Systems of communications and essential utilities for the populace, usually put in place by the government (e.g. roads, railways, power, sewerage systems, reticulated water). Financial infrastructure is the system of banks and other lending and money processing agencies available in a particular country.
Labour intensive	Requiring a high proportion of human workers compared to the capital costs of a company. Labour intensive industries tend to employ large workforces.
Market niche	A small target market with very specific needs.
Micro-businesses	Small household or non-household enterprises employing only one or a few people, usually run by the self-employed producer in the informal sector.
Small enterprise	An independently owned and operated enterprise employing few people and having a small share of the market.
Structural adjustment	A process whereby a government limits its spending in order to cut debts and balance its budget, usually by cutting public services.

Further reading

The following list of books and texts is meant to support your learning throughout this module. We suggest you discuss with your tutor how and where to find some of these publications so that you can read widely from this list to enrich your understanding of the subject matter.

Cameron, Rondo (1997) *A Concise Economic History of the World*, Oxford University Press, Oxford.

Commonwealth Youth Programme/Commonwealth Secretariat (1994) *Women in Business. Training Materials for the Promotion of Self-Employment among Women*, Commonwealth Secretariat, London.

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de Wilde, Ton, et al. (1991) *Opening the Marketplace to Small Enterprise*, Intermediate Technology Publications, London.

Harper, Malcolm (1996) *Empowerment Through Enterprise*, Intermediate Technology Publications, London.

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Harper, Malcolm and Ramachandran, Kavil (1984) *Small Business Promotion*, Intermediate Technology Publications, London.

Institute of Small-Scale Industries (1989) *Introduction to Entrepreneurship*, University of the Philippines, Manila.

Karega, RGM (1996) 'Women's groups: from welfare to small business in Kenya', in *Small Enterprise Development*, Vol. 7, No. 1, March, pp. 31–41

Kenwood, A.G. and Lougheed A. L. (1992) *The Growth of the International Economy 1820–1990*, Routledge, London.

Levitsky, Jacob (ed.) (1989) *Micro enterprises in Developing Countries*, Intermediate Technology Publications, London.

Loucks, Kenneth (1988) *Training Entrepreneurs for Small Business Creation*, International Labour Office, Geneva.

Meredith, Geoffrey, et al. (1992) *The Practice of Entrepreneurship*, International Labour Office, Geneva.

Neck, Philip and Nelson, Robert (eds.) (1987) *Small Enterprise Development: Policies and programmes*, International Labour Office, Geneva.

Pralahad, C.K. (2005) *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, Pearson Education Inc, New York.

Websites

Developments: magazine publication on website run by the UK Department of International Development.
www.developments.org.uk/

Enterprise Education: A site developed with the support of the Department of Education, Training and Youth Affairs through the Australian Government's Enterprise Education in Schools Programme. www.abw.org.au/

Young Enterprise: a UK national education charity with a mission 'to inspire and equip young people to learn and succeed through enterprise'. www.young-enterprise.org.uk/pub/

See also Young Enterprise Scotland. www.yes.org.uk/

Assignments

A final reminder about the assessment requirements for this module.

Your work in this module will be assessed in the following ways:

- 1 A report of about 3,000 words (worth 80 per cent of the final mark).
- 2 A review of the learning journal you keep (worth 20 per cent of the final mark).

The institution in which you are enrolled for this Diploma programme may decide to replace part of the final assignment with a written examination (worth 30 per cent of the final mark.)

Note: make sure you discuss the assessment requirements with your tutor so that you are clear about what you are expected to do and when, and any particular requirements in your institution.

Assignment 1

This assignment counts towards your final assessment in this module and is worth 80 per cent of the final mark. However, the institution in which you are enrolled for this Diploma programme may decide to replace part of the final assignment with a written examination (worth 30 per cent of the final mark.)

You should discuss with your tutor the exact requirement for your institution.

This assignment takes the form of a major project that consolidates all you have learned about planning, establishing and operating a small or micro-enterprise. When you have completed this assignment, you will have 'gone through the motions' of establishing an enterprise in your community. You should choose a business that you could genuinely establish, and which would respond to a need in your community.

You will prepare a written report in three parts, followed by a face-to-face report presentation. Follow the guidelines given below in the preparation of your report.

Part 1

Identify a local enterprise that can be established to respond to a specific need in your community.

The enterprise should:

- a) employ members of the local community
- b) generate income for the community.

Carry out a study to assess the feasibility of such an enterprise.

Begin your report by describing the enterprise that you have chosen and the results of your feasibility study.

Part 2

Next in your report:

- a) Identify the process that you will adopt to establish the enterprise.
- b) Identify barriers that you expect to encounter in establishing the enterprise and the types of assistance that you need to successfully establish it.

Part 3

Develop a plan for the enterprise that you propose to establish. This plan should include the following:

- 1 A marketing strategy.
- 2 A projected profit and loss statement.

This plan should form the final section of your written report.

Face-to-face report presentation

You have identified an opportunity for establishing an enterprise in your community and developed a report on it. The enterprise, if established, will create employment for youth from your community and generate a significant amount of income. The project, however, needs the support of a number of agencies if it is to be successful. These agencies include local governments, community leaders and funding bodies.

Prepare a presentation to sell your proposal to a group of people representing local government bodies, community leaders and a number of funding agencies. You may use appropriate audio/visual aids where necessary. This presentation will be arranged by the university to which you are attached for this Diploma.

Assignment 2

This assignment counts towards your final assessment in this module and is worth 20 per cent of the final mark. You should discuss with your tutor the exact requirement for your institution.

The assignment takes the form of your learning journal which contains the notes and records from the activities included in each unit.

Readings

These readings will help you develop your understanding of Module 11 *Promoting Enterprise and Economic Development*. The reading numbers, their titles and the unit in which they appear are listed below.

- 1 *Understanding Economic Development*, background reading by the module authors (Unit 1) 181
- 2 *SME Policy in the Caribbean* by the Hon. Philip J. Pierre (Unit 1) 188
- 3 *Why India Booms but Still Fails Its Job-hungry Millions* from *The Times*, August 21, 2006 (Unit 1)..... 192
- 4 *Unleashing Entrepreneurship: Making Business Work for the Poor*' (Unit 1)..... 195
- 5 *Case studies of small business infrastructural development* by DfID (Unit 4) 200
- 6 *Building up a small business*, UNDP 'Female entrepreneurs lead the way in Nepal' (Unit 4) 202
- 7 *How the ILO contributes to the MDGs: Stories from East Africa* (Unit 4)..... 204

Reading 1: Understanding Economic Development

By the module authors

The effects of colonialism on economic development – an example

Colonialism refers to the expansion of European political influence and control over most of Asia, the Middle East, Africa and Latin America from the seventeenth century to the middle of the twentieth century. It has contributed significantly to drawing underdeveloped regions and resources into the capitalist world economy, although often at the expense of some of the colonised people. Understanding colonialism is critical to understanding the roots of current global political and economic processes.

British colonialism altered the old economic and social structures throughout what is now the Commonwealth. But it did so in an uneven manner, as you can see in the following example of India.

India (an example)

In large areas of India, undercutting the prices of cotton and woollen goods fragmented the village handicraft industries, forcing enormous numbers of peasants into exclusive dependence on agriculture. This, in turn, undermined the cohesion of the self-supporting communities whose prosperity depended on spinning and weaving. At the same time, the colonial power built a railway system alongside huge reserves of coal and iron, creating the basis for a modern industrial superpower. In the process, it also created industrial and commercial middle and working classes similar to those in Europe.

In spite of its huge economic potential, after Independence India's starting position in the international market was well behind Britain and the rest of Europe and America. Given the terms of international trade, this remains true still, although India is one of those countries at last beginning to shake off its past and promising to become one of the really major players in the world economy. However, as with the other countries of the Empire that regained their independence, it was left to pay the debts incurred by the country's colonial masters, the initial source of international, less developed countries' debts. Today, parts of the country are abreast of the most industrially advanced areas of the world, and there is great prosperity among some groups and social strata. But there are also desperately poor populations whose ancestors might once have been relatively prosperous villagers. One example is from the Punjab, where farmers and small entrepreneurs making cloth were compelled by colonial policy to

become little more than agricultural labourers. So the situation is very varied and complex within the country, because of the unevenness of the development imposed by colonialism and its successor, imperialism.

In the Commonwealth, this situation has generated numerous financial agencies on the ground, with a wide variety of agendas. Youth development workers must learn to operate within these different agendas in order to promote community development.

As the example of India shows, colonialism left a mixed legacy to newly independent countries and this adds to the complexity of their economic situations today. But colonialism is not the only factor to be taken into account when considering a country's development.

Global economic development since the Second World War

At the end of the Second World War, the industrial world began to undergo a phase of considerable economic and industrial development. Massive infrastructural war damage meant that cities and countries had to have their economies and infrastructure reconstructed, and new industries were created to produce commodities for the hungry markets of growing populations across the developed world. These industries required large supplies of raw materials, most of which came from the developing world. The factories producing the goods and the industries supplying the raw materials were labour intensive. Thus, an enormous number of people in the less developed countries became absorbed into modern sector employment, a process that had to be accomplished with very little training.

At the same time an international financial structure was set up, called the Bretton Woods system, named after the place where the initial conference was held. This structure was designed to stabilise exchange rates and to even out the ups and downs of capitalist markets. It could do this because stability was guaranteed by the strength of the American economy and the power of the dollar. The system set up the World Bank and the International Monetary Fund, into which money was invested by the rich countries and from which any of them could borrow at a time of crisis. This imparted, for the first time in the modern era, an unusual degree of economic stability, so that capitalist economies around the world could grow steadily. In the less developed countries there was consequently slow and very uneven but significant progress towards industrialisation

Industrial organisation

Modern industries of this period worked effectively by:

- 1 introducing mass production systems of standardised products; this resulted in greater economies of scale, so that the more that was produced, the lower the cost and the greater the efficiency of production
- 2 developing a form of work organisation based on a detailed division of labour, clearly defined job descriptions, low levels of skill and minimal training
- 3 expanding their home markets into international markets to absorb the much larger output of the new mass production systems from around the world; these industries bought cheap raw materials, mainly from poor countries worldwide, and sold dear manufactured goods back to them.

The oil crisis

Although this section is called ‘The oil crisis’, that crisis was only the most visible aspect of a deeper change caused by the collapse of the Bretton Woods system in the early 1970s. The USA had fought a war in South East Asia partly to prevent the spread of communism, but mainly to control the markets of the region.

However, the American economy had been undermined by the costs of the Vietnam War. The dollar was suddenly no longer the safe currency that guaranteed financial security, and into which all other currencies could be converted. The result was the freeing up of money which could now be converted into whatever commodity was profitable. Money began to fly around the world and be converted rapidly into new industries, new commodities.

This trend was accelerated in the early 1970s, when OPEC (the Organisation of Petroleum Exporting Countries) seemed to wake up to the new reality that effectively their cheap oil had made the rich countries richer and kept them relatively poor, and that they not only could do something about it, but that they had to act quickly if their oil resources were not to be used up before they could industrialise. Moreover, the politics of the rich countries were designed to keep the flow of cheap raw materials flowing to them. So OPEC suddenly quadrupled the price of crude oil.

The rise in oil prices meant that the whole balance of the world economy began to shift to favour those countries and companies that were energy efficient and flexible and those that were prepared to make the changes necessary for this. These tended to be those companies with new forms of industrial organisation, of the type that had been gradually building up in the newly-industrialising countries, like South Korea. It seemed to economists in the rich countries that there were now several dangerous competitor countries, with powerful transnational companies, that had leap-frogged the so-called ‘stages of growth’ assumed to be necessary for modernisation. Suddenly, they had become major players in the global marketplace.

Rapid modernisation

There was intense global competition throughout the 1970s and the years that followed. Rapid modernisation followed, in which information technology began to play a crucial part. Some further key factors in this economic development were:

- the growing affluence of the richer consumers
- rapidly changing fashion tastes and trends
- demand for non-standardised products – flexible production systems could produce these at prices lower than was possible with mass production.

Intense international competition generated pressure to improve production technologies – more and more work was carried out by ‘intelligent’ machines, supported by highly educated, skilled technicians, and less by physical labour. Many industries shed labour, causing massive economic problems in countries faced by modern sector unemployment. After the Second World War, Britain was a really major vehicle manufacturing country. A large vehicle industry only survives now because of the presence of foreign firms needing a base in the European market, firms like Toyota and Nissan. The last British owned company has recently collapsed, and American and French carmakers here are retracting rapidly as world competition bites.

Postmodern industrial organisation and its problems

Post-war mass production had led to many less developed countries experiencing significant growth, but because of their low capital-labour ratios, they have found the efficiencies necessary to compete in this post-modern era extremely difficult to achieve. Many of them borrowed a lot of the capital necessary to modernise quickly during the years following the oil crisis, because the banks were full of OPEC money and were looking for borrowers, so interest rates were low. When those rates inevitably rose again, the less developed countries were now in a much more indebted state than they had been, but only a moderate number of them, like Malaysia, had succeeded in making the transition to full modernisation.

Company-wise, postmodernisation has favoured:

- companies that are able to divide into flexible, responsive, relatively autonomous sub-divisions

and:

- small businesses able to adapt flexibly to niches in the market-place.

This postmodern form of work organisation requires an educated and sophisticated workforce – something that educational institutions, geared to producing people for the low skilled, mass production systems of the modern era, have found difficult to adapt to. While

developing countries can benefit from this sudden shift of the economic balance (as South-East Asian countries have clearly done, so that even war-devastated Vietnam is becoming a significant economic force), this requires governments and other agencies to understand and take advantage of these opportunities. The poorer Commonwealth countries in particular have so far found this difficult to do.

Opportunities for developing countries – some theories

Woodhall's argument

In 1994, the editor of *The Economist* periodical, Pam Woodhall, argued that the global economic situation was giving unprecedented opportunities to newly-industrialising and developing countries, and their growth would reshape the economic world to a new and fairer balance of wealth, from which most countries will benefit, though not all (*The Economist*, 1st October 1994). She believes this would take place only where developing countries use their 'comparative advantage' of selling the things they are good at producing, and importing what they are not good at producing, the imports of which are made cheap by global competition.

Woodhall's argument was worrying though, if only because in 1994 she wrote off Africa and Russia as almost hopeless economies, as if matters in the world economy were acceptable when the world's largest continent, as well as a recent superpower, could remain in poverty providing most of the others were enjoying a consumerist party. Of course, in the years of Putin's presidency of Russia, things changed considerably in Russia anyway. There is clearly a certain amount of truth in Woodhall's analysis, and for less developed economies, some value in the model she presents, in that it suggests that there are real opportunities emerging for less developed economies that can grasp them. Nevertheless, her basic perspective is essentially only a modern variation of traditional, 'trickle-down' views of development (modernisation theory).

The 'trickle-down effect', or modernisation theory

The 'trickle-down' theory is based on W. Arthur Lewis' proposed dual sector development model (Lewis 1954). The theory assumes the existence of dual economies where less developed countries exist alongside and trade with developed countries, and within each of the developing societies there are: 1) a traditional agricultural sector characterised by low productivity, low incomes, low savings and high unemployment, and 2) a modern industrial sector characterised by advanced technology, and high levels of investment, operating in an urban environment. Lewis argues that to develop you have to increase a country's national wealth by increasing the amount of production – its Gross National Product (GNP). You do this by increasing the

share of manufacturing in the country's GNP and reducing that of agriculture. This is managed by urban industries attracting the excess labour from agriculture, where it is not needed. The theory is that this will benefit the whole population by excess wealth trickling down from the developed and wealthy sectors to the poor, through the employment created in manufacturing in the modern industrial sector. Part of the increase in available wealth is spent by those employed in industry, which will be used for buying commodities and services from the rest of the economy, boosting economic activity generally and increasing the overall efficiency of production.

Lewis' theory is generally accurate for the history of developed societies and has considerable relevance to the newly industrialising economies like Malaysia, Singapore and South Korea. However, the political control of those countries may be much more significant than the Lewis model itself. This is certainly true in China, where the communist party has deliberately set up the new industrial zones and created conditions that put great pressure on the Chinese peasantry to move out of the countryside into and around the cities.

As long as production is taking place at a low technical level, there may well be constant labour demand for rural workers by the industrial sector. But capitalist competition forces the pace of technical change, and postmodern advanced technology rapidly reduces industry's demand for labour, displacing its redundant workforces into the low-paid service industries, or into unemployment. Woodhall's vision is of a world where most countries can be potentially industrialised, in continuous competition with one another, all tending towards more and more technical innovation. In which case, where do the redundant workforces go, and where are the markets for the astonishing range and mountains of consumer goods that will be produced? China already annually produces enough clothing at very low prices to clothe the world. What do the textile workers of Sri Lanka and India do about that? They were already producing textiles for which they had a comparative advantage, until China got to work when the protective 'Multi-Fibre Agreement' came to an end.

Although Woodhall's vision is questionable, her argument does suggest the need for you to have a thorough knowledge of what is happening in your country in relation to these broader economic changes. There will undoubtedly be room for skilfully inserting youth enterprise into the pattern of ongoing economic change. However, as C. K. Prahalad describes, in *The Fortune at the Bottom of the Pyramid* (2005), it need not be driven by the consumerist values that presently drive development around the world.

In his work, Prahalad has shown the extraordinary depth and range of market possibilities for sellers hawking their products among the very poorest groups. In an article 'Selling to the poor', he and Allen Hammond (2004) suggest:

“Searching for new customers to buy your products...try the four billion poor people, the largest untapped consumer market on earth. To reach them, CEOs must shed old concepts of marketing, distribution and research. Getting it right can both generate big profits and help end economic isolation throughout the world.”

As one example, they describe how the Indian company ITC have built a network of internet-connected computers called ‘e-Choupals’ in farming villages in Madhya Pradesh, and now 1.8 million farmers use the network to check fair market prices for their crops, track futures markets and sell direct at higher prices than they would normally get. They can also buy direct and access rural scientific services through the network, and demand new products and services. Perhaps what is happening here is the start of a type of social revolution from the bottom. Adam Smith would have thought so. Of course, Prahalad’s view is contentious, given the dominance of the profit motive which, for people who are poor, does not necessarily sit easily alongside the primary need of economic life to nurture people and their environments. Of course, if large enterprises massively exploit this market as they have done in other markets, youth-led small enterprises may be squeezed out. The way to deal with that problem is perhaps to train youth to understand the dynamics of the changes and how to exploit them intelligently.

References

Lewis, A. (1954) ‘Economic Development with Unlimited Supplies of Labour’ *The Manchester School*, Vol. 28 (1954), No. 2, pp. 139–191

Prahalad, C. K. (2005) *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, Pearson Education Inc, New York.

Prahalad, C. K. and Hammond, A. ‘Selling to the poor,’ available from: <http://www.ckprahalad.com/2006/01/29/selling-to-the-poor-by-allen-l-hammond-ck-prahalad/>

Woodhall, P. (1994) ‘The Global Economy’ *The Economist*, October 1st, 1994.

Reading 2: SME Policy in the Caribbean

Address by Hon. Philip J. Pierre, Minister for Commerce, Tourism Investment and Consumer Affairs at the Meeting of Caribbean Small Business Entrepreneurs, Organizations and Agencies Rex St. Lucian Hotel April 3rd 2002

Distinguished Delegates, Ladies and Gentlemen

Let me take the opportunity afforded by this opening ceremony, in my capacity as Minister of Tourism, to welcome to St. Lucia all our guests attending this first meeting of Caribbean Small Business Entrepreneurs, Organizations and Agencies.

It is my hope that you will find time to savour the many attractions in St. Lucia, as well as the hospitality and warmth of our people in an island once referred to as the most beautiful place in the world.

St. Lucia is proud to be hosting this event as Government sees this as another vital opportunity to move closer to the realization of the shared dream of regional economic integration and consolidate partnership with institutions like the European Union.

It was the American Economist Schumacker who, in his book 'Small is Beautiful' postulated that there are advantages and strengths to be derived from smallness. However, even in this gathering we have to define what exactly we mean by small. Mr. Chairman, a small business in the OECS may not be the same as a small business in Latin America. Nevertheless we all share the same problems and challenges regardless of our location. We experience a constant battle with the reality of globalisation and the threats of marginalisation caused by the strategic linkages and alliances being forged by larger firms and the multi-nationals of the developed world.

It is my belief Mr. Chairman, that there is a role for small business in the Caribbean and with creative and strategic thinking we can survive in our smallness. Until recent times, the bulk of our foreign exchange was derived from the export of bananas cultivated mainly by small business. This is tangible proof of success, but also a painful example of the realities of the pain that can be inflicted on a small economy by the evolution of globalisation and free trade.

It is not a coincidence that this conference on Small and Medium Enterprise (SME) Development in the Caribbean is taking place against a background of a number of initiatives in the region geared towards the process of deepening economic integration.

The initiative towards the establishment of the CARICOM Single market and Economy is at an advanced stage and when concluded will significantly enhance the size of the market available to small and micro producers.

In addition, CARICOM has negotiated Free Trade Agreements with the Dominican Republic, Venezuela and Colombia all geared towards increasing market access for regional producers. These steps are necessary and indeed critical if we are to survive in this increasingly competitive world, characterized by increased trade liberalization and globalization of markets.

Recognising the role that small business must play in economic development The Government of St. Lucia is creating the mechanisms and institutional framework for facilitating the evolution of a strong and vibrant SME Sector.

We attempted to classify the SME sector by enacting special legislation called the 'Small and Micro Business Act'. Another critical component of the Government's intervention has been the development of a National Industrial Policy for St. Lucia. This policy blueprint was developed through extensive consultation with public and private sector interests. It outlines the role that the small business sector can play within the context of St. Lucia's manufacturing environment. The Industrial policy is market driven and seeks to provide an enabling environment that will enable businesses to take full advantage of existing strengths and opportunities and add greater value to domestic manufacture through the use of local inputs. The handicraft sector is highlighted as an area where linkages can be created and the quality of life of rural folk enhanced.

The Government recognizes that the development of the small and micro business sector requires a policy environment that facilitates small business investment. Fiscal realities do not permit the required level of direct financial investment. Despite these constraints, Government has provided approximately \$35M over the last four (4) years in the form of direct credit to SME. Indirect investment in the development of SME is made through generous incentive programmes offered to these enterprises.

It is well understood that the provision of technical assistance services at the firm level must be an integral part of this intervention. In that regard, measures are currently being pursued to transform SEDU (our specialist small business agency) into a private-sector oriented company. I want to again thank the European Union for financing SEDU and hope that we can get further assistance in our successor programmes.

This transition forms the basis for ensuring greater sustainability in the sector. The new entity to be called the Small Enterprise Development Company (SEDCO), will expand its scope of operation and provide the full range of business support services required by the small and micro enterprise sector. In anticipation of this expanded role, SEDU recently established a strategic alliance with the Caribbean Technological Consultancy Services (CTCS) of the Caribbean Development Bank, under which SEDU will act as the national inquiry point for CTCS services in St. Lucia.

Mr. Chairman, there is no sympathy in the real world for SME. The provision of training and the use of enabling and appropriate technology must be a priority for these organisations.

In St. Lucia over 500 small business entrepreneurs have been trained in Small Business Management, Computer aided Small Business Management, Financial Management, Product Development and Marketing Techniques. SEDU's training programme is aimed at supporting the individual firms to strive for improved competitiveness in areas such as:

- Quality and standards
- Innovation in product and process
- Application of appropriate technology
- Improvement in productivity
- Marketing

Further, we have strengthened the Bureau of Standards not only as a regulator, but as a facilitator to ensure quality and standards for our small business sector.

Mr. Chairman, the underlying premise under which this conference is being held is the recognition that there is a role for small business in our region. That view is emphasised by the fact that the many experts gathered here come from various backgrounds and will all share their knowledge with practitioners in the field (people who have hands-on knowledge and experience). This is valuable and the discussion will prove that the lines between practice and theory may not be as definitive as some may think.

Mr. Chairman, the people of our region have a strong tradition of entrepreneurship. The village shop, the producer of local jams or jellies, the vegetable farmer, the local baker are fine examples of that tradition. Further, most of the large firms in the region have evolved from small, family owned business. This rich tradition must be sustained through innovation, creativity and co-operation. I am aware that there are cries and appeals for protection for small business. These legitimate demands are frustrated by a world trading system, through a series of complex rules and regulations dictated by an organisation called the WTO. This system purports to create a level playing field for world trade – the question remains How can there be a level playing field for unequal partners? Our task as policymakers must be to ensure that we make maximum use and agitate for the rightful distinction to be made in the economies of the developed and developing world.

I will be naïve if I say that the road ahead will be easy. Recent events have shown that small economies will find it increasingly difficult to receive special treatment but can we surrender to the scourge of poverty and degradation? Our people have shown that they can fight adversity, our small business can do the same. Conferences like these provide the medium for discussions that must be translated into

solutions and direct benefit. I am sure that at the end of this meeting workable solutions will be found for small business survival. I am impressed by the partnership demonstrated by all the agencies and in particular, ECLAC, the European Union and Cooperazione Italiana. On behalf of the Government of St. Lucia, I thank you for your interest. I wish you success in your deliberations and look forward to the conclusions.

I thank you.

Reading 3: Why India booms but still fails its job-hungry millions

Edited extract from *In Spite of the Gods: The Strange Rise of Modern India*,
by Edward Luce (*The Times*, August 21, 2006)

INDIA'S software prowess has helped to revolutionise the country's foreign exchange situation, which in 1991 had almost broken the economy. Then, India's reserves were less than \$1 billion; by 2006 they had climbed to \$140 billion. This is as good a barometer as any of India's new confidence. India's software sector clocked up a milestone in 2003 when it earned more dollars than the cost of India's oil imports – the erratic energy bill that has haunted the country for decades. Rising prices from the deteriorating situation in Iraq sent India's oil bill shooting up in 2004 and 2005, but this time it had minimal impact on the balance of payments situation.

Having kept a straight face in the 1990s while it profited from the West's paranoia about the Y2K computer bug, which provided the lift-off for India's software companies, India's IT and IT-enabled sector had boomed to an extent that was changing India's urban economy.

India, as many Indians like to remind you, is unique. Particularly unusual, especially in comparison with China, is the character of its economy. China is developing as most Western economies have: it began with agricultural reform, moved to low-cost manufacturing, is now climbing the value-added chain, and probably, in the next ten to 20 years, will break into internationally tradable services on a larger scale. India is growing from the other end.

Its service sector accounted for significantly more than half its economy in 2006, with agriculture and industry accounting for equal shares of what remained. This resembles an economy at the middle-income stage of development, such as Greece or Portugal. But Greece and Portugal do not have to worry about a vast army of 470 million labourers. India's problem, and its way of addressing it, presents a daunting challenge. The cure may be economic, but the headache is social.

When India started to liberalise its economy in 1991, there was effectively only one television channel: Doordarshan, the state broadcaster. By 2006, there were 150 channels. In 1991 Doordarshan reached just a small minority of homes. India's general election of 2004 marked the first national poll the majority of the electorate could watch on television. Roughly a third, 150 million people, had multichannel cable television in their homes.

What today's villagers and small-town dwellers in India see seductively paraded as they crowd around the nearest screen are

things most have little chance of getting in the near future: the cars, foreign holidays and electronic gadgets that dominate TV commercials. Most of these are not meant for them at all. Such items are well beyond the majority in a country where average per capita income in 2006 was still below \$750. Sooner or later, if you are unable to get what you are repeatedly told you should want, something has to give. India's more far-sighted policymakers frequently remind themselves that if the country is to forestall a social backlash, rising crime and further lawlessness, which blights many of its poorer states, they must ensure that economic growth keeps accelerating. Manmohan Singh, the quiet Sikh who was India's Finance Minister in 1991, when the country began to loosen its regulatory stranglehold on the economy, and became Prime Minister in 2004, emphasised: 'The best cure for poverty is growth.' Judging by India's record, it is hard to disagree.

India's economy has on average expanded 6 per cent a year since 1991, almost double the 'Hindu rate of growth' in its first four decades after independence. This sharp acceleration has coincided with a fall in the rate of population growth, so relative growth of individual incomes is even better than economic growth figures suggest. The difference between India's abysmal decade that began in 1972 and the more impressive decade that began in 1995 is the difference between countrywide unrest, which led Indira Gandhi to declare the Emergency, in which she suspended democracy amid strikes and violence, and the relatively normal functioning of democracy after Dr Singh ushered in economic reform.

In the first decade, India's economy grew 3.5 per cent a year while its population grew 2.3 per cent. In the second, the economy grew 6 per cent a year while population growth fell to 2 per cent. It would have taken 57 years for an Indian family to double its income in Gandhi's decade. In Dr Singh's decade, it would take just 15 years. In an age when you can watch how the other half lives on a screen, it is the difference between anarchy and stability.

Less than 7 per cent of India's dauntingly large labour force is in the formal economy, which Indians call the 'organised sector'. That means only 35 million people out of 470 million have job security in any meaningful sense; and only 35 million pay income tax, a low proportion by the standards of other developing countries. The remainder, in more senses than one, are in the 'unorganised economy'.

They are milking the family cow, making up the armies of mobile casual farm workers, running street stalls, and working as maids, watchmen and mechanics in small-town garages.

Of the 35 million Indians with formal sector jobs, to some extent, registered and audited, 21 million are employees of the Government. This leaves 14 million in the private 'organised' sector. Of these, a million, 0.25 per cent of India's pool of labour, are in information technology, software, backoffice processing and call centres.

Software is helping to transform India's self-confidence and its balance of payments, but IT is never likely to answer the hopes of the majority of its job-hungry masses. Nor do foreign companies employ large numbers of Indians. Estimates vary between one and two million, depending on the definition of a 'foreign' company. The remainder are employees of Indian private sector companies.

Understanding the difference between organised and unorganised India is the key to realising why the country's economy is so peculiar: at once booming yet unable to provide secure employment for the majority. Contrary to conventional wisdom in the West, which often wrongly sees Indian employees of foreign multinationals as exploited labour, the 14 million who work for Indian or foreign private companies are the privileged few. In 1983, average labour productivity of the worker in the private organised sector was six times that of his counterpart in the unorganised sector. By 2000, that had risen to nine times. Disparity in earnings was similar. This is a world of difference. Crossing from one world to the other requires good education and skills, or huge luck.

If India is to build a better bridge between old world and new, it must provide jobs for unskilled and semi-skilled in manufacturing. In scale, India can be measured only against China. In 2005, India employed just seven million in the formal manufacturing sector, compared with 100 million in China. Given the large investment that Nehru accorded to industrialisation, many find it puzzling that 60 years later India's manufacturing employs so few. That is because Nehru's strategy was to develop technological capacity, rather than employ the maximum. It does not follow that Indian manufacturing is weak or uncompetitive. By quality, if not quantity, many of India's home-grown private sector manufacturers are considerably more impressive than counterparts in China. Again, India finds itself higher on the ladder than one would perhaps expect. It is just that most of its population are still at the bottom.

Reading 4: Unleashing Entrepreneurship: Making business work for the poor

UNDP report, Commission on the Private Sector and Development (2004)

Retrieved from <http://www.undp.org/cpsd/report/highlights.html>, May 20, 2007

Report highlights

- Introduction
- Actions in the public sphere
- Actions in the public–private sphere
- Actions in the private sphere
- Looking forward

Introduction

The Commission believes that any approach to private sector development – and the policy and action recommendations that accompany it – should be grounded in the realization that the savings, investment and innovation that lead to development are undertaken largely by private individuals, corporations and communities.

The private sector can alleviate poverty by contributing to economic growth, job creation and poor people's incomes. It can also empower poor people by providing a broad range of products and services at lower prices.

Small and medium enterprises can be engines of job creation – seedbeds for innovation and entrepreneurship. But in many poor countries, small and medium enterprises are marginal in the domestic ecosystem. Many operate outside the formal legal system, contributing to widespread informality and low productivity. They lack access to financing and long-term capital, the base that companies are built on.

The Commission believes that the primary responsibility for achieving growth and equitable development lies with developing countries. This responsibility includes creating the conditions that make it possible to secure the needed financial resources for investment.

Those conditions – the state of governance, macroeconomic and microeconomic policies, public finances, the financial system and other basic elements of a country's economic environment – are largely determined by the actions of domestic policymakers. Their challenge is to capitalize on advances in macroeconomic stability and

democracy and to launch reforms that bring about further changes in institutional frameworks to unleash and foster the private sector.

Most of the recommended actions involve more than one of the actors working together. Where governments are implementing policy change, it is often with the direct support and involvement of multilateral development institutions. Where the private sector is taking a more active stance on sustainable development, it is often with civil society raising the profile of this issue. Where governments are implementing regulatory reform, it may be in direct consultation with representatives of the private sector. The individual actions identified here should be seen in the framework of this broader cooperation – needed even more to reduce poverty.

Our interest lies in three areas:

- 1 In the public sphere, promoting the reform of laws, regulations and other barriers to growth.
- 2 In the public–private sphere, facilitating cooperation and partnerships between public and private players to enhance access to such key factors as financing, skills and basic services.
- 3 In the private sphere, encouraging the development of business models that can be scaled up and copied and that are commercially sustainable.

Actions in the public sphere: create an enabling environment

Creating an enabling environment involves steps to reduce the share of the informal sector in an economy, through reform of the overall enabling environment for the formal economy.

For developing country governments

Reform regulations and strengthen the rule of law. Developing country governments have to make a strong and unambiguous policy commitment to sustainable private sector development – and combine that with a genuine commitment to reform the regulatory environment by eliminating artificial and policy induced constraints to strong economic growth.

Formalize the economy. Developing country governments need to focus on creating the conditions to reduce informality and change the composition of the private sector ecosystem over time.

Engage the private sector in the policy process. Governments need to create a real partnership with representatives of the domestic private sector to implement changes and ensure that the voice of the private sector includes small and medium enterprises and microenterprises.

For developed country governments

Foster a conducive international macroeconomic environment and trade regime. Increasing the flow of development aid and reforming the global trading system to provide fair economic opportunities to producers from developing countries are essential for promoting rapid growth in domestic private investment.

Redirect the operational strategies of multilateral and bilateral development institutions and agencies. In encouraging sustainable private sector development developed countries need to ensure that the collective actions of these agencies are better coordinated – to improve their efficiency and to reduce the pressures on the administrative capacity of developing country governments.

Untie aid. Changes in the administrative rules controlling tied funds would permit more effective use and delivery of technical assistance to stimulate private sector development.

For multilateral development institutions

Apply the Monterrey recommendation of specialization and partnership to private sector development activities. The extent of overlapping activities is counterproductive and needs to be urgently addressed.

Address informality in developing countries. Some pioneering work is underway to map the structure of the informal sector, and a global effort to expand the coverage of this work is likely to yield significant benefits.

Actions in the public–private sphere: partner and innovate

The Commission believes that all stakeholders need to make concerted efforts in finance, skills and public–private partnerships for the delivery of basic services.

Facilitate access to broader financing options. We envision continuing development of domestic financial markets coupled with skill-building for regulators and private financial institutions.

Assist skill and knowledge development. Skill-building activities could range from programs for top public and private leadership to training microentrepreneurs to joint efforts with public authorities and unions to improve workforce skills.

Make possible sustainable delivery of basic services, particularly energy and water. The Commission sees the need to develop innovative models for partnerships of governmental service providers, multinational companies and local companies.

Actions in the private sphere: mobilize capabilities and resources

The Commission believes that the private sector, particularly large local companies and multinational corporations, must realize that it can contribute to accelerated economic development and to poverty alleviation.

For the private sector

Channel private initiative into development efforts. We believe that the private sector has tremendous potential to contribute to development through its knowledge, expertise, resources and relationships.

Develop linkages with multinational and large domestic companies to nurture smaller companies. Linkages between different types of firms in developing countries provide an effective channel for local companies to gain access to markets, financing, skills and know-how.

Pursue business opportunities in bottom-of-pyramid markets. Recognizing the needs of bottom-of-the-pyramid markets (the four billion people who are earning less than \$1,500 a year) and creating innovative solutions to meet these needs are other vital actions required from the private sector, both domestic and international.

Set standards. The private sector needs to make a genuine commitment to sustainable development – with a sharp focus on corporate governance and transparency.

For civil society and labour organizations

The Commission believes that civil society and labour organizations have to continue as critical observers of the development agenda – and as facilitators and supporters of innovative approaches for meeting the Millennium Development Goals and improving the quality of life for poor people.

Increase accountability in the system. This is a core part of the work of civil society organizations, as is their leadership in pushing forward the concept of sustainable development. This work should be strengthened.

Develop new partnerships and relationships to achieve common objectives. Civil society organizations are closest to the base of the pyramid. They also are often proxies for experimenting with new technologies for solving problems.

Looking forward

To promote progress, the Commission recommends that the United Nations sponsor the tracking of private sector development. An annual progress report would maintain the prominence of the

Commission's overall recommendations and ensure the commitment to addressing the many issues identified here.

The Commission is assembling a first set of actionable initiatives to facilitate transformations in individual countries and to provide the tools for governments and the private sector to supplement available resources and begin rapidly implementing a programme of change. These first actions are intended to stimulate a collaborative response from potential partners who read this report. Our message to all of you is: join us.

Reading 5: Case studies of small business infrastructural development by DFID

Paddle your own canoe

'If you don't have a canoe,' says Michel Adjibang, 'you'll always remain poor'. This is a fact of life in Ere (a village lying on the banks of the River Logone, surrounded by flooded rice fields in Chad). This 7,000-strong community relies on a precarious combination of fishing and farming for its livelihood. Nets are essential too, along with the smoking ovens which preserve the fish for taking to market.

Michel Adjibang is the president of Walta, a community-based organisation whose name means 'to take responsibility for yourself'. This is precisely what they are doing with the support of the DFID-backed Sustainable Fisheries Livelihoods Programme (SFLP) in West Africa managed by the Food and Agriculture Organisation.

At the fishermen's request a new canoe-building technique has been developed using locally available planks (easier to use and kinder on the environment than earlier craft hewn from increasingly scarce tree trunks). Trainers have shown local carpenters how to build the canoes, and a micro-credit scheme helps fishermen buy canoes and nets.

'With what I earn from fishing, I invest a part of it in farming,' says one fisherman. 'I even get to hire extra hands sometimes. Today my children are in school; and it is what I earn from fishing that even helps me to care for myself'.

A fishy business

A visit to the Cameroon identified a new design of the fish-smoking oven, allowing more fish to be smoked to a higher standard, using less fuel and providing protection from the elements and foraging animals. Sixty local women formed a fishmongers' group receiving credit facilities for building ovens and buying fish.

'Before I bought fish... but only in small quantities', says Kady Alhere Bitrus. 'This could not get me very far. But the loan changed all that. Now we even go as far as N'Djamena (the capital of Chad), with a large quantity of our smoked fish. And we get a good price'.

Trading around Lake Chad

The capacity to improve and expand fisheries in this village is emblematic of what SFLP is developing across the Lake Chad basin. This Lakeland region which covers some 2000 sq km and a further 4000 sq km of swampland, contains 140 species of fish. Thousands of small scale, informal fisheries comprise a valuable trade linking the

Lake Chad Basin inland fisheries to the urban markets of southern Nigeria (producing around 119,000 tonnes of processed fish a year to the value of \$54 million. These operations, run by nationals from the six states which share the lake and river sides (Nigeria, Niger, Cameroon, Chad, Central Africa Republic and Sudan), give the trade a major regional and international significance.

Training and micro-credit have made a vital difference to livelihoods in Ere and news of the improved ovens has spread across Chad. The Walta group has entertained many visitors eager to discover this new technology and improve their own prospects of profitable trade and a better quality of life.

Key facts

This was a DFID-funded project that began in August 2002 and ended in July of 2005.

The total budget of the project was \$16,540 (USD) and came under the regional Sustainable Fisheries Livelihoods Programme funded by DFID, and implemented by the Food and Agriculture Organisation of the United Nations (FAO) and 25 countries in West and Central Africa.

Reading 6: Case study of building up a small business

UNDP, 8 March 2006

Female entrepreneurs lead the way in Nepal

Khanigoan, Nepal – Successful Nepalese business woman, Kesha Pariya, was once considered ‘untouchable’ by her neighbours and relegated to mending torn clothes for local elites in exchange for left-over grain. ‘I can’t believe that was me,’ she says, thinking back five short years. ‘I had six children to feed and not even enough money to buy a simple bar of soap.’

Born into the ‘untouchable’ class, which makes up 13 percent of Nepalese society, Kesha’s parents could not afford to send her to school. At 18 she was married, and the young family made ends meet by hiring out their labour to landowners. By the time Kesha’s sixth child was born, Nepal was in the grip of a bitter civil war, which many now believe is rooted in those traditions that discriminate.

Local roads were bombed, government services like health and education were fast evaporating, and young men had gone to battle, or in search of jobs abroad. Kesha’s husband was among the thousands who left to find any kind of income opportunity in India or the Middle East.

It was at this lowest ebb of her life that she stumbled upon an entrepreneur training programme provided by the United Nations Development Programme (UNDP), which aimed at enabling ‘untouchables’ to improve their income opportunities by starting their own businesses.

Her first attempt to start ginger farming failed, but she persevered, trying her hand at tailoring instead. ‘At first nobody believed that I could stitch,’ she says. ‘So, I started making clothes for myself and wearing them to the market.’ It wasn’t long before people began to wonder where Kesha and her children were getting their wonderful outfits. Today, Kesha no longer accepts left-over grain as payment for her work, her clients pay in cash. With the improved income, Kesha’s husband has been able to return home, the family have replaced their leaky straw roof with a solid tin covering, and the youngest of Kesha’s daughters are now going to school.

While the 700-year old tradition of barring ‘untouchables’ from homes, public facilities, and forcing them into lowly paid occupations is still strong in Kesha’s village, and all over rural Nepal, small but significant changes in people’s attitude towards enterprising women like Kesha are noticeable. ‘My neighbours now visit our home and share water and tea with us,’ she says. And, other ‘untouchable’

women are now following in Kesha's footsteps too, with local women taking up bee keeping, vegetable farming, and handicrafts. More than 2,000 'untouchable' men and women from all over Nepal have taken up UNDP's offer of support to develop businesses, and to perhaps positively transform Nepalese society. 'After all,' as Kesha says, 'anything is possible if you strive for it.'

Reading 7: How the ILO contributes to the MDGs: Stories from East Africa

These stories were first published in the ILO's *World of Work* magazine.

(Last update: 20 February 2006)

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ILO programmes in East Africa are good examples of how decent work combats poverty and contributes to the achievement of the UN Millennium Development Goals (MDGs). Two programmes presented here show the importance of promoting gender equality (MDG 3) at work and youth employment (MDG 8) in order to attain sustainable poverty reduction.

TANGA, United Republic of Tanzania – *‘Initially, we were afraid of borrowing. We did not know that as poor women, we could borrow and repay loans,’* says a member of the Kiwamboma Women Group in Tanga.

The group joined an ILO project which helped them with business ideas and training activities, including designing new products, food processing and marketing techniques. The women learned how to process cassava leaves and sell the final product to supermarkets.

Loans and new business ideas also made a difference for women workers at a tea estate in Tukuyu: *‘Before joining the project, I was earning less than 30,000 Tanzania shillings a month from my business, but now I am earning at least 150,000 a month. I can buy uniforms and exercise books for my grandchildren...and we can eat three meals a day,’* tells one of the women.

The testimonies show how the ILO programme, Promoting Gender Equality and Decent Work Throughout all Stages of Life, makes a difference for poor Tanzanians and contributes to MDGs 1 and 3, by assisting women to improve their businesses and incomes, and to MDG 2 by putting education within the reach of their children. The programme also contributes to other MDGs by offering employment to youth (MDG 8), skills development and education (MDG 2) and alternatives to commercial sex business with high HIV/AIDS infection risks (MDG 6).

‘A young boy aged 15 was sent by his family to work as a domestic worker in Dar es Salaam,’ says programme officer Heidi Solheim Johansen in ILO Tanzania. *‘But his employer sent him away. The boy ended up in the commercial sex business and drug abuse. Thanks to discussion groups for young sex workers organized by the ILO, he is now better aware of the risks of his work and alternative job opportunities.’*

The programme was launched in 2004 in collaboration with the Ministry of Labour, Youth Development and Sports in Tanzania Mainland and the Ministry of Youth, Employment, Women and

Children Development in Zanzibar, as well as other key stakeholders. So far, 1,200 women workers have received loans and accumulated their own savings for their businesses. More than 600 youths aged between 15 and 17 have been identified from hazardous and exploitative working conditions and provided with alternatives for vocational training. Sixty-five girls have been reformed from commercial sex work. More than 1,360 children between six and 13 years of age have been withdrawn from child labour and continue to attend school.

Work from waste

The city of Dar es Salaam is the setting of another successful ILO programme. Like many of the world's urban centres, it faces problems ranging from unplanned housing to unemployment and lack of water supplies.

'I lost my job...there was no husband to care for me, but I have four children and other dependants. Together with other women, we looked around: garbage everywhere and rampant cholera...we also noted boys collecting waste', says a woman assisted by this ILO programme through a Civil Society Organization (CBO).

She and the other women asked themselves, *'If these boys are earning a living from waste, why can't we?'* As a result, they started solid waste collection informally in their area. Luckily enough, they were spotted by the ILO which assisted them with encouragement, training, advice and tools. In a short while, they built a reputation for getting an unpleasant job done successfully – and earning enough to feed their own families.

The ILO programme, Employment Creation in Municipal Services Delivery in Eastern Africa, covers Kenya, Tanzania and Uganda. It contributes to employment and income generation (MDG 1), improving living conditions for the urban poor women and men (MDG 3), providing a cleaner environment through waste collection and disposal (MDG 7) and offering employment and improved living conditions for youth (MDG 8).

MDGs in the United Republic of Tanzania

The United Republic of Tanzania is an emerging model of reform in Africa, according to the United Nations Resident Coordinator in the country. Good economic and social stewardship, along with strong leadership on the part of the Government, make it an ideal location for the successful implementation of the MDGs.

By 2004 Tanzania had made promising progress in several MDGs. The country is on track to meet the targets on universal primary education (MDG 2) and on gender equity in primary education (MDG 3). More than 95 per cent of children aged seven to 13 are now enrolled in primary school, where there are broadly equal numbers of boys and girls. Tanzania has also made progress in

respect of MDG 7 (increased access to safe drinking water) and MDG 4 (a steep decline in child mortality rates). Still, substantial challenges remain in improving maternal health (MDG 5), combating malaria and improving HIV/AIDS prevention, care and treatment (MDG 6). Despite sustained economic growth and a fall in the poverty rate (from 39 to 36 per cent between 1991 and 2001), due to population growth the absolute number of poor people has actually increased.

All eight MDGs are fully embraced in Tanzania's Poverty Reduction Strategy, the National Strategy for Growth and Reduction of Poverty (NSGRP), running from 2005 to 2010. In cooperation with the social partners, the ILO became actively engaged in the preparation process of this strategy in 2004. Thanks to this involvement, the NSGRP acknowledges the need for productive employment for women, men and youth, in addition to economic growth in order to achieve sustainable poverty reduction. In its Decent Work Country Programme for Tanzania, which is currently under preparation, the ILO will continue its contribution to the MDGs and the NSGRP, now with a special focus on youth, child labourers and HIV/AIDS in the workplace.