



Intercooperation's contribution to
**Micro and Small
Enterprise
Development**

1 Concept and definition

Supporting the growth of Micro and Small Enterprises (MSE) promotes economic development in a way which is particularly efficient in alleviating poverty. By promoting entrepreneurship and facilitating expansion of a conducive entrepreneurial environment, IC endeavours to make the markets work for the poor.

MSEs account for 80% of the Gross Domestic Product in most of the developing and transition countries. Therefore they represent a tremendous source of employment and income. Enhancing their performance and supporting their growth has a direct impact on the living conditions of underprivileged populations.

In IC's countries of intervention, MSEs are very often familyrun businesses and they generally operate in the informal sector. They employ up to 10 staff and function beyond subsistence activities.

Focusing its activities mainly on rural areas, IC concentrates on rural entrepreneurs involved in production, processing, marketing of forest and agricultural commodities, as well as cottage industries.

The exchange of goods and services between urban centres and rural areas is crucial for value addition. Fostering linkages between these two poles is therefore necessary.

IC intervenes as a facilitator through capacity building of meso level actors as well as in knowledge creation and transfer.

IC's Farm Forestry Project in Pakistan

This project aims at enhancing income and self-employment opportunities of the rural population through the promotion of a commercial, market-driven forestry sector. It intervenes in 3 districts of the rain-fed areas of the North West Frontier Province (NWFP).

A comprehensive value chain analysis revealed that the timber sector is characterised by a dynamic processing cottage industry. This cottage industry presently faces difficulties in the supply of timber, and therefore tends to threaten the sustainability of local natural resources. As an alternative, some of these industries procure the timber they need from other, more distant regions. This demand can then be used as a significant outlet for agro-forestry producers. Thus the demand for plantations is stimulated, resulting in good marketing opportunities for the nurseries.

From 18 nurseries in 2000, there are now 199 nurseries operating on the market: nearly 400'000 trees were sold in the year 2003. 123 of these nurseries are home-based, and are implemented and operated by women. In the same period, about 800'000 trees were planted for commercial purposes.

A project financed by SDC, Swiss Government

2 Approach and intervention strategies

IC's objective is to contribute to MSE development through the facilitation of processes which target:

- Entrepreneurs' own abilities (internal)
- Market opportunities (external)

Creating a conducive environment for the development of both internal and external potentials contributes to the emergence of sustainably growing enterprises.

Enhancing entrepreneurs' competences improves their ability to develop sustainable solutions for their businesses. Activities focus on:

- Improving technical knowledge and know-how
- Strengthening managerial capacity (human resources, leadership skills, market analyses, etc.)

Market opportunities include both the services or products which entrepreneurs can obtain for the development of their business, and the selling opportunities for their own products. IC's facilitation role consists in improving:

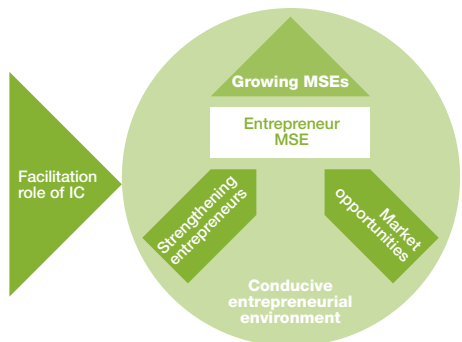
- Technical content of the offer of Business Development Services (BDS)
- Information sourcing and management
- Negotiation skills with business partners and government bodies

IC's Southern Highlands Dairy Development Project in Tanzania

The project supported the development of the dairy sector in Iringa and Mbeya region of Tanzania. Considering the good potential in milk production and increasing consumer demand, the project promoted small-scale dairy enterprises in rural and urban areas. It supported them with start-up tools and capacity building measures such as management, dairy processing and marketing. The small enterprises, which are managed mainly by farmer groups, are at the same time collection centres, processing units and sales points. They create stable income for the dairy farmers and employment for the mainly female sales staff.

Women staff benefited most from support in skill development, especially financial management and dairy processing. They not only hold a special function within the business groups but some of them even seized the opportunity to start their own shops as independent entrepreneurs.

A project financed by SDC, Swiss Government



3

Networks, partners and thematic competences

To complement its own competences, IC links up with institutions and networks of professionals in order to share state-of-the-art knowledge on MSE promotion:

- SEEP: Small Enterprise Education and Promotion network
- PROMOPME: cercle pour la promotion de la micro entreprise
- RAMPE: Réseau Africain d'Appui à la Micro et Petite Entreprise
- FUNDES: Fundación para el Desarrollo Sostenible
- ILO: International Labour Organization
- GRET: Groupement de Recherche et d'Echanges Technologiques
- Springfield centre
- Committee of donor agencies for Small Enterprise Development

Being a member of this knowledge community, we have developed the following competences:

- Entrepreneurship promotion
- Management skills training
- BDS market development
- Gender-oriented entrepreneurship promotion
- Cluster & Local Economic Development approach
- Value chain approach
- Organizational development

IC's Prilep Region Enterprise Development Agency (PREDA) in Southwest of the Republic of Macedonia

The objective of the PREDA foundation was originally to foster the market for Business Development Services (BDS) in Prilep. Hence the activities of the project concentrated on creating awareness among the enterprises so they could first get acquainted and then benefit from such services. Moreover, tailor-made support was provided to local service providers so that they can better serve local enterprises according to their demands. Although it should be still seen as an emerging market, the city of Prilep is quite small both regarding the demand and the supply side. Therefore the project intends to broaden its perspective with a regional expansion beyond the city of Prilep, a thematic expansion addressing new sub-sectors and using tools which favour exchange and networking between enterprises. One of the most effective of these tools proved to be the fair which has been organized annually by PREDA since 2002. This is indeed a unique occasion for linking local firms with each other and with the outside world.

A project financed by SDC, Swiss Government

Intercooperation's main approaches and working principles

In pursuit of its mission to promote the development of MSEs, IC adopted the following approaches:

- *Demand orientation:* Focusing on entrepreneurs' needs, capabilities and interests.
- *Indirect facilitation:* Working via partner organizations, especially second-tier (associations, chambers of commerce, etc.) and other service providers.
- *Participatory approach and mutual responsibility:* Promoting local ownership through participation of stakeholder groups in decision-making and building cooperation on incentive-based contracts.
- *Best use of resources:* Promoting coordination of and synergies between donor activities.
- *Financial services:* The projects focus on technical assistance. Financial services are provided by separate entities.

IC is committed to the following principles in its project interventions:

- *Economic rules:* Application of a business approach and cooperation primarily with private companies.
- *Renunciation of direct financial and managerial involvement:* No direct responsibility within enterprises or for entrepreneurial activities, and no financial participation (e.g. in form of equity).
- *Subsidies:* Decisions about the form of subsidizing (incentives) will vary depending on the degree of poverty.
- *Situational approach:* Consideration of the prevailing context when designing the project set up (e.g. in case of a lack of local partner organizations).
- *Overcoming informality:* Support the transition of entrepreneurial activities from the informal towards the formal sector, where and when the framework conditions allow for it.
- *Equity:* Women and men entrepreneurs do not face the same constraints and do not need identical support.
- *Framework conditions:* Together with others, foster improvement of framework conditions where necessary.

Intercooperation's Finance – Enterprise – Market team:

Beside the activities in the field of MSE development, IC has also a wide range of competences in the finance and marketing sectors:

Finance

- Development of savings & credit schemes
- Development of services and products
- Access to credits for MSEs
- Human & institutional development
- Regulatory environment

Market

- Market analysis
- Consumption patterns
- Analysis of supply chains
- Development of marketing strategies
- Facilitating access to northern markets for southern products
- Fair trade

Intercooperation's services in micro and small enterprise development

IC is instrumental in providing the following services, illustrated with some concrete examples:

- **Studies/assessments of value chains:**
understanding the honey value chain in Madagascar and promoting new potential outlets for the beekeepers.
- **Support to BDS market development:**
fostering the supply of business development services to the MSE of the Prip region in Macedonia.
- **Promoting entrepreneurship:**
supporting and coaching entrepreneurs who process and commercialise dairy products in Tanzania.
- **Capacity building and institutional development for enterprises and second-tier organizations:**
fostering technical advice supply and management skills training for agro-processing enterprises in south Kyrgystan.
- **Mobilising high level and adapted competences in agroprocessing technologies:**
improving shea butter quality in Mali for the demand in northern markets.
- **Fostering Local Economic Development through the support to MSEs:**
building capacities of and promoting a conducive environment for rural MSEs, service providers, and local governments in order to stimulate the regional economy.

Intercooperation (IC) is a Swiss foundation specialized in international and development cooperation. IC's principal working domains are: natural resource management (forestry, agriculture, environment), rural economy (savings and credits, small enterprise promotion, marketing of agricultural and forest products) and local governance and civil society (promotion of self-help groups and professional associations, municipal development, decentralization). IC is a knowledge organization and an executing agency supporting partners in more than twenty countries of the south and the east. IC's principal mandatory is SDC, Swiss Agency for Development and Cooperation. Additionally, IC works with and for many other government and private, Swiss and international institutions.

inter
cooperation

Natural Resource Management
Rural Economy
Local Governance and Civil Society

Maulbeerstrasse 10
P.O. Box 6724
CH-3001 Bern, Switzerland

T +41 31 385 10 10
F +41 31 385 10 09
info@intercooperation.ch
www.intercooperation.ch