

CCIC Learning Circle on Micro-Enterprise Development

**Report on the Second Workshop,
Econiche House June 16-19, 1996**

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Dear Colleague:

This document and the attached sections is the report from the June CCIC Learning Circle Workshop on Micro-Enterprise Support.

The following document is our synthesis paper, "Questioning the Panacea: Lessons from CCIC's Learning Circle on Micro-Enterprise Support" that brings together lessons from our work over the past year. I hope that you will find both documents interesting and useful in your work.

We are beginning to look at some follow-up actions over the next several months. CCIC initiated the learning circle, not so much to become spokespersons or experts in micro-enterprise programming, but more to stimulate learning among our members. Over the next several months we will be attempted to bring some of our questions and perspectives back to the membership of the Council and beyond. If you have any ideas on how we might effectively (and with limited resources) extend our reach in this regard, please let me know.

We are already planning a few simple activities beyond the circulation of the documents from the Learning Circle itself. We have gathered a number of related studies by academics and development organizations over the year. A student intern is reviewing this documentation and providing some annotation, and this will eventually be posting as an annotated bibliography on our CCIC Web.Net conference (ccic.policy.issues) and on our WWW homepage (www.ccic.ca). We are exploring how we might support an informal computer-based network to exchange information relating to the particular concerns of the Circle (i.e. how micro-enterprise support relates to the goals of poverty reduction and sustainable human development). We would prefer not to start something new, but rather plug into an existing network. With resource people from the Learning Circle, we hope to organize a series of informal workshops with members looking at the outcomes of our work in relation to the up-coming Micro-Credit Summit in February 1997.

Please keep us informed about any particular initiative you might be planning or any documents you think may be useful for others to know about (with a short summary if possible). I'm looking forward to hearing from you.

Best Regards,

Brian Tomlinson, CCIC Policy Team

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**Prepared by Richard Marquardt
for the CCIC Policy Team**

Acknowledgements

I want to thank all of the participants in the learning circle for their hard work and contributions to a very rich discussion. All of the participants have been listed in an appendix. Several participants who attended the first workshop in January were unable to join us in June; they are listed nevertheless. There were two participants at the June workshop who were not present in January.

I also want to acknowledge the contribution of Richard Marquardt who recorded both workshops and drafted a synthesis document on our behalf.

For those interested in the full record of the Learning Circle, the following documents are available from CCIC (1 Nicholas Street, #300, Ottawa, Ontario, Canada, K1N 7B7, Fax (613) 241-5302). The texts have also been placed on a CCIC conference on Web Net accessible only to CCIC members (ccic.policy.issues) and on CCIC's World Wide Web Page (<http://www.web.net/ccic-ccci>).

"Micro-Enterprise Support: A Critical Review", a background paper prepared by Norm MacIsaac for participants in the learning circle, December 1995.

"CCIC Learning Circle on Micro-Enterprise Development: Report on the First Workshop", Strathmere House, Ottawa, January 1996.

"Questioning the Panacea: Lessons from a CCIC Learning Circle on Micro-Enterprise Development", a synthesis document, CCIC, September 1996

Brian Tomlinson Development Policy Analyst September 1996

Please Note This report provides a great deal of the detail and, in many instances, identifies the speakers in discussions at the workshop. We feel that this will allow those interested in the nuance and detail of our deliberations to get a sense of the debates and the flow of ideas. The reader should keep in mind that the discussion was free-wheeling at times. The text reflects this. We therefore want to emphasize that statements by participants should not be cited without their approval.

**CCIC Learning Circle on Micro-Enterprise Development
Second Workshop, June 16-19, 1996**

Sunday evening, June 16th

1. Participants' self-introductions

The workshop was called to order by the facilitator, Rieky Stuart. The participants introduced themselves briefly to one another. The group noted with regret that four members of the January workshop were unable to participate in the June workshop: Omega Bula, Shahnaz Kapadia Rahat, Gul Rukh Selim, and Sue Szabo. Two new members had joined the group: Kaiser Bengali who had come from Pakistan to replace Shahnaz, and Steve Estey of the Council of Canadians with Disabilities. See the full participant list in Annex 1.

The participants spoke briefly of their experience of the Learning Circle to date and their expectations for this workshop. They expressed satisfaction with the quality of the discussion at the January workshop, the relevance of the issues raised, and the variety of perspectives represented. Several spoke of the time since January as a time to take this discussion back to their own organizations and their partners, and to prepare for a more substantive discussion at this June workshop.

Their expectations were generally that the group would go much deeper into the issues than they had been able to go in January. Several stated their hope that the outcome would be to identify positive alternatives and not simply a negative review of the shortcomings of micro-enterprise development as an approach. Some cautioned that we should not set unrealistic expectations for this workshop; micro-enterprise is a diverse sector and we cannot expect to find all of the answers in a short workshop. Fostering a learning culture, and identifying better questions, would themselves be positive outcomes. Participants also expected to develop ways to share their learning with others beyond the Learning Circle.

Monday, June 17th

2. Reports from the research project groups

The research groups met through Monday morning to prepare presentations

2.1 Savings and credit

Group 1 was made up of Elias Debebe, Jacob Kramer, and Hugh Landry. They addressed the question, "Do savings-and-credit vs. credit-only models have differing impacts on participation in the decision-making process?" The group prepared a questionnaire around this topic and sent it to over seventy organizations, but received only 19 responses. Almost all of these were from savings-and-credit organizations. Of the 19 respondents, only one program could be defined as sustainable, that is, able to cover both its loan and operating expenses. All reported multiple inputs in addition to credit, such as training, literacy, and so on. It seemed virtually impossible to cover these expenses from the revenue generated by the credit operation.

Because the group was unable to reach any conclusions on the basis of its research project, it moved on to consider a paper by Mark Havers, ("Financial sustainability in

savings and credit programmes,” in Development in Practice, Vol 6, No. 2, May 1996) which discusses key points for achieving an economically sustainable savings-and-credit program. Havers defines financial sustainability as the ability of a program to cover

- (a) its own cost of funds (that is, the interest it must pay to the provider of funds; if funds are interest-free, then a notional cost should be allocated);
- (b) its operating costs, including staff, offices, and equipment,
- (c) its loan write-offs, and
- (d) inflation, which should be reflected in a true cost of funds.

Few programs managed by NGOs have come close to achieving sustainability by this measure. Havers argues that achieving financial sustainability contributes to the ability of programs to serve more people, and to serve poor people better. Failure to achieve sustainability almost always arises directly from the design or management of the program.

To achieve sustainability, Havers recommends attention to the following good practices distilled from experience around the world:

Incorporate a savings element in all credit programs. This provides an important source of funds, makes borrowers more cautious with their loans, identifies people who are unable to manage their money, promotes a long-term view, and provides a safe place for members to save.

Treat men and women equally. Programs which treat both sexes equally, and which make further loans on the basis of previous repayment performance, soon find that women make up the majority of their clients. Credit for women improves their social status; it is also more likely to have a greater impact on the quality of life of their whole family.

Charge realistic interest rates. Interest rates should reflect market rates and real costs. Market rates are not the rates charged by formal-sector banks but those of the informal-sector money-lenders. Low and subsidized interest rates make it difficult to attract depositors, harm other non-subsidized credit providers, attract richer people, and artificially limit the amount of credit available. In situations of hyper-inflation, or in a local climate seriously weakened by a long history of ineffectual, subsidized credit, interventions based on savings and credit may be inappropriate.

Repayment periods should be as low as is practically possible.

Where it is not feasible to use land or other assets as collateral, group-based arrangements should be used where members cross-guarantee each other's loans. Such groups should be self-selecting, socially and economically homogeneous, not related to each other, well-known to each other, and (possibly) single sex.

While group loans seem to work effectively, group businesses often encounter management problems. Savings and credit schemes should never make the latter obligatory.

Financial support services should be kept separate from other forms of support such as business training and wider community development roles. The two roles have conflicting demands. Loan staff need to make it clear that they will take effective action against defaulters, including impounding assets and going to court. The other

roles require relationships of trust. Ideally, two separate organizations should work in the same geographic area on these separate functions.

Develop efficient systems which immediately identify missed payments and take swift action to follow up.

Credit and savings programs should be systematically measured to identify the true costs and subsidies involved. The credit program should be set up as an independent budget centre; the widest possible definition of costs should be employed; and the information should be provided as quickly as possible in a user-friendly way to management and field workers.

As incentives, good repayers should get repeat loans quickly, and program staff should have a substantial part of their remuneration related to the performance of their loan portfolio.

Credit programs should seek economies of scale by expanding to reduce the share of overhead cost per borrower.

Be tough on defaulters. Make a genuine commitment to ensure the repayment of every loan.

In general, the group agreed with the points made by Havers. If complete self-sufficiency is what sustainability means, however, we need to ask how other related training and community development activities will be funded. This question led to debate.

One position was that that commercial banks could handle micro-credit, that NGOs are not needed to do this. The Grameen Bank and SEWA have proven that the poor are credit-worthy. Farhad argued that putting scarce resources into credit programs diverts funds needed for development. Credit unions and banks can do this, he argued. If we have a Grameen Bank in Bangladesh, we do not need a Proshika Bank and a BRAC Bank. A variation on this position is that NGOs that specialize in micro-credit should stick to this and focus on credit only, letting other organizations handle the expensive developmental tasks. In either case, it was argued that the credit operation should be self-sustaining, and that to do this it cannot be responsible for funding the developmental tasks.

Another view is that there is more success in programs where credit and other services are combined, and that credit programs for poor people should continue to be integrated in this way and subsidized by the state and by aid programs. Kaiser noted that this is the finding of research in Pakistan. The sociology of the poor, he said, does not lend itself to the model whereby people borrow money, set up a one- or two-person operation, make money, and repay their loan. Their poverty has robbed them of their initiative. They need much more institutional support to set them up and keep them going for a while. Backup organizations are needed for training, troubleshooting, and on-going support to management.

Rieky noted that the division of responsibility between financial and developmental support roles is desirable because the roles tend to conflict. If you lend a poor person funds to set up a poultry operation, then give them advice on how to raise the poultry,

and their chickens die, they aren't likely to feel any obligation to repay the loan. Jean, however, pointed out that if the roles were separated between two NGOs, both organizations would be evading responsibility. It is not appropriate, she argued, for an NGO to divorce its responsibility for a credit program from its responsibility for ensuring that the credit is used properly, and from its responsibility for seeing that credit goes to those who need it. NGOs have to ensure that people can actually use the credit system that has been set up.

Jacob added that it is very difficult to promote the capitalization of rural areas through centralized commercial institutions like banks, because the rate of return is lower in rural areas, and investment capital tends to flow out of them and into urban areas. Credit institutions for rural areas should therefore be locally controlled and required to keep their capital in the local area.

Lalita added that we have to go beyond thinking about banks on the one hand and NGOs on the other. Various other structures are needed to support the development of micro-enterprises. We also need structures that support NGOs and other agencies to promote their savings and loans programs and re-finance their lending operations; structures that increase the capabilities of poor people to access banks for their credit needs; structures to involve local and national development agencies in improving the marketable skills and entrepreneurial capabilities of poor people, that provide technical and management assistance in production, storage, processing, designing, buying raw materials, equipment, tools and implements, and so on. We also need structures that provide legal aid, literacy training, and education -- all these are support systems for the development of micro-enterprise. The whole package is necessary for the development of micro-enterprise.

Group 1 concluded that this question needs to be assessed on a case-by-case basis. In many situations, the separate institutions do not exist; in these cases, the credit function should be separated from the training function within the same NGO.

The Havers article argues for high interest rates; this, Farhad argued, may be simply extending the circuits of capital to the poor, and exploiting them by encouraging them to take on debt with heavy interest-payment obligations.

Jacob spoke of the impact of changing practices of northern NGOs on southern NGOs. Many northern NGOs are shifting their focus away from southern NGO partners towards grassroots groups, many of which are coming together in federations. The northern NGOs then tend to see the southern NGOs in an instrumental way, and are less concerned with their institutional capacity for its own sake. Southern NGOs see micro-credit as the coming form of aid and say "let's go for it." Formerly micro-credit was one small element in a comprehensive program. Now 75-80% of staff activity is related to micro-credit.

There was consensus on the point that it is dangerous to see credit as the only, or even the main, developmental intervention. Its focus is on the creation of entrepreneurs, yet we know that in any society, indeed in any social class, not everyone makes a good entrepreneur. For those poor people who are able to develop entrepreneurial skills, additional forms of support are necessary. Even when successful, micro-credit programs do not contribute to transforming structural inequality and may even deepen it.

2.2 Indicators of social transformation

Group 2 combined research groups 3 and 4. It included Steve Estey, Terry Gay, Lalita Krishnaswami, Norm MacIsaac, Evans Maphenduka, Janet Murray, and Marion Villanueva. These groups had addressed the questions: “How do we measure success in social change/transformation through micro-enterprise programming?” “Can we describe examples of social transformation resulting from micro-enterprise programs?” and “How do we achieve this?”

The group reviewed the work of each member over the past 4 months and reported its discussion under the headings of “Conclusions” and “Process and learning.”

Conclusions

There must be links between the work done at the grassroots and policy change. In other words, the choice of work to be done should be strategic. This does not mean that each NGO must be involved in each kind of policy change, nor that there is only one way of changing policy.

NGOs need to take responsibility to challenge donors on their requirements and not simply reinforce what donors are asking when it is neither realistic nor desirable for the poor or for society in general.

There is too much focus on institutional and financial sustainability, and technical considerations, to the detriment of social impact assessment. This raises an issue around the purpose of assessment or evaluation. The focus tends to be on meeting donor criteria. Learning is taking a back seat. We need to collaborate with academics on this.

There are huge demands on the time of NGO managers, and a lack of sectoral expertise in NGOs. Conceptualization, analysis, and strategy are pushed to the side. Officers are bogged down with work. This is exacerbated by limits on spending for administration. There is a need for reflection, analysis, and strategizing.

Process and learning

Social transformation occurs on several levels: individual, community, and society, and includes both official policies and common practices. There may be conflicts between individual and social impact. For example, promoting the empowerment of single entrepreneurs could have a negative social impact by reinforcing imbalances in the community. NGOs have to have a political commitment to their cause, but not a partisan one.

There is a lot of material on financial sustainability as well as on social impact. We need a way to process information as it comes in and to learn from it on an on-going basis.

We need to share:

- * key resources, such as frameworks and methodologies,
- * annotated bibliographies, information that can help to improve our understanding of our goals and philosophies and help us question our approaches, and
- * frameworks for social assessment, which have to be continually developed. There are no comparable indicators or definitions. It is impossible to compare impacts because everyone is using different criteria. The sharing of this information should be free, however; we cannot expect organizations to accept the imposition of frameworks that they must use.

We need to develop networks to share information. A lot of organizations don't have the time to do in depth study, especially the smaller ones. Those that are not involved in networks are being left out in the cold. We could be sharing information through a newsletter or a Web site into which people could feed information constantly. Yet we have to be realistic about what people's individual commitment could be to a venture like that.

Discussion

Rieky: regarding standards, the methodology of assessing financial sustainability has come a long way in the last 5 years (e.g. see Havers paper), but for social impact we do not yet have common standards, common understanding. This hampers our ability to validate the work we are doing and to learn more effectively from it.

Janet & Hugh & Lalita: The process orientation of this work creates real reluctance to accept standards imposed by donors. Standards should be chosen by the participants and based on what is genuinely important to them. This enables an implementing organization to take a stand on evaluation indicators with a donor.

Norm: The reason for the focus on standards was that we found a lot on the financial side but not for social impact assessment. This is a very neglected area of assessment.

Janet: You can't talk about assessment, i.e. evaluation, in isolation. I just had the experience of evaluating a project. I had three weeks to wade through a ton of documents, went over to the field for three weeks, and then was expected to be an expert. As NGOs, we don't have enough commitment to on-going research and to planning our projects in a way that allows us to learn from them. We can talk about evaluation til the cows come home, but until we plan our projects differently we aren't going to get that information. Until we really do research into the process that the people we're working with go through in starting businesses and organizing themselves, we won't be able to give them effective support.

Rieky noted that NGOs are working in too many sectors in too many projects, trying to manage too many complex relationships. Perhaps NGOs need a paradigm shift regarding their approach, she said, to become more functionally specialized, but it's difficult to do this within existing organizations. Rieky and Hugh questioned our ability to think our own way out of this, noting it was not the Swiss who developed quartz watches.

Like them, we may have too much of a stake in the present paradigm. Even in this workshop we have people who tend to think the same way. We don't have anybody from the business side, for example, who can really question what we are doing. Jean said it may not be that useful to argue whether NGOs should be functionally specialized or not. Perhaps we should be looking for ways to create synergy among interventions at different levels. For example, UBINIG has adopted a sectoral approach; it focuses on strategically-selected sectors and intervenes at many different levels, specializing overall in policy questions. The question is not whether to be specialized or generalist; it is where to insert yourself.

A discussion began here on taking a sectoral, or sub-sectoral, approach versus an approach that addresses all sectors. Hugh noted that there are examples of where it can be used well. SEWA's work in India is one good example. It is difficult, however, in Africa, because of the different socio-economic structure. Jean felt that it is possible to re-conceive sectors and to focus, for example, on home-based workers or rural women as sectors. What you specialize in could be different in different regions. This would change the concept of specialization. Rieky mentioned a case in Arusha, Tanzania, where a sub-sectoral approach to legume and grain production made a lot more sense for addressing the needs of women than any other approach she had seen. It generated the best results in terms of increasing productivity and returns to women from that labour.

2.3 Policy

Group 3 was originally made up of Farhad Mazhar, Shahnaz Rahat, Jean Symes, and Sue Szabo. Shahnaz and Sue could not attend this workshop. Kaiser Bengali joined this group. It addressed the question "What are some examples of complementary and supportive policies?"

This group started from the premise that policy work is a crucial aspect of support. It found, however, that there is very little in the literature about policy issues and how to address them. Most of the literature is about technical and training issues, especially finance, credit, and banking.

The group began, therefore, by looking at the reasons why it is important to examine the policy issues around micro-enterprise:

1. The promotion of micro-enterprise assumes an integrated, articulated local economy. Inputs usually come from close by. The market is also local to a great extent. This gives micro-enterprises their only major advantage vis-à-vis larger enterprises. The new trade regime under the WTO, however, restricts the policies that a national government can adopt to promote local economies.
2. The broader policy environment is significant. One example is the following: in Pakistan farm implements produced by micro-enterprises had a good market in one region of the country but not in another. The difference was in the form of land tenure. Where people owned their own land, they had an incentive to buy implements; where they were landless tenants, they did not.
3. To have an impact on micro-enterprise development, a whole package of

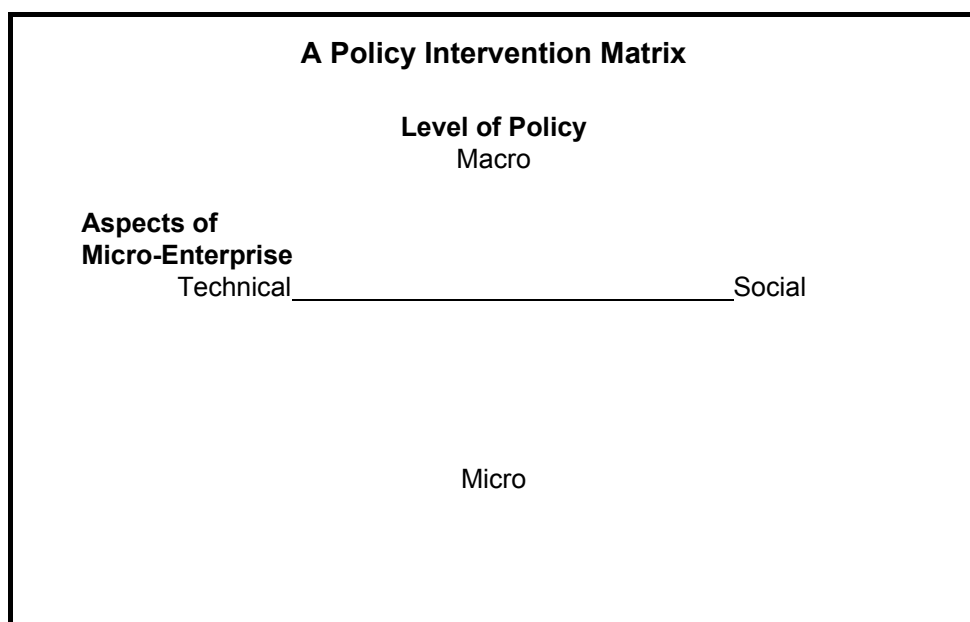
supports is necessary. These may be provided by one agency or by several agencies in a coordinated way. There must be consideration to forward, backward, and horizontal linkages, as well as to national policies. It is also necessary to consider how power relations around gender and class affect the ability of micro-enterprise to achieve both the economic and broader social goals expected. For example, a lack of focus on women may serve to undermine their relative power. This applies both at the micro level of the individual enterprise and at the macro level of national policy.

4. The entry point for interventions to promote micro-enterprise is different in different situations. In one area it might be the weaving sector, in another it could be rural development, or infrastructure, or agriculture, or home-based industries. The key is to find the entry point that will have the greatest impact at several different levels. This requires on-going analysis, because conditions are always changing. Monitoring should be primarily a learning process designed to assist understanding of the differential impact of one's intervention, controlling for other factors.

Question: A well-articulated local economy: where does that exist? We can't isolate local markets from global linkages.

Answer: A micro-enterprise uses local materials primarily, and sells to the local market primarily. A micro-enterprise cannot achieve economies of scale, but it can compete with large scale enterprises that must pay freight, marketing, and distribution costs to get access to the local market. This allows micro-enterprises to compete with larger, lower-cost producers. A good articulation also allows balanced development of production and consumption. Of course it's true there are no self-contained economies any more; a vibrant local economy can at the same time be linked to regional, national, and international economies. National policies can assist the development of integrated local economies.

We can think of types of policy intervention along two intersecting axes, one for the level of policy --from macro to micro -- and one for the aspect of micro-enterprise addressed, from technical to social, as shown below.



To intervene effectively to promote micro-enterprise, we need to analyse what is necessary in each quadrant and ensure that the interventions required are being made as appropriate. For example, in its Pitloom Weavers Project, UBINIG is working at the technical policy level around handloom weaving, working on a reduction of tariffs on yarn; it is also addressing gender relations at the level of individual micro-enterprises, at the government policy level around gender equality, and at the technical level around skills training. These interventions do not all have to be made by the same agency; they could be done by many organizations working together.

Pakistan and Bangladesh face a number of policy issues. One is the impact of the WTO and the changing trade regime on different sectors, especially micro-enterprise. So far, commentary is mostly at the level of symbol and anecdote. There is very little empirically-based data on the impact of the WTO. One area that would be interesting to examine would be the coherence of national development policies on the one hand, and the positions of our governments within the WTO on the other hand. We may find that the policies at the different levels do not add up.

It may be more productive to take a sectoral approach than one which focuses on micro-enterprises in general. If we address an economic sector or sub-sector, we can analyse its dynamics and get to know it well. We are then in a better position to promote micro-enterprises within that sector.

Kaiser raised an example of the impact of macroeconomic policies in micro-enterprises, in this case tax policy. One of the traditional markets of micro-enterprise is that of sub-contracting from larger enterprises in a sector. In Pakistan, the tax structure is such that it promotes integrated plants. It penalizes companies that sub-contract parts of the

production process to other companies. No matter how much effort goes into training, credit, and so on, if the market is artificially distorted by tax policy, not much progress is possible.

Another example arises from the over-centralization of the Pakistani state. The country is quite large and has a very heterogeneous economy. But its entire economic thinking is dominated by textiles, because that is the major production base of the industrial area in the Punjab and Sindh. Other regions, in Baluchistan and parts of the Punjab and parts of Sindh, have a different resource endowment that never gets into the central government's planning calculations. As a result, these areas remain underdeveloped and get by on subsidies. A decentralized state structure in which local governments are empowered to plan, tax, and spend, to prepare and execute their own development projects, would allow them to exploit their own resources more effectively. As it is, local economies are hamstrung because there is no local political structure.

General discussion followed.

Jacob said that in his experience the impact of local legislation and regulation on micro-enterprises is often more discouraging than the larger national and international policies. In one case he mentioned, local regulations meant that it would take more than 36 months to establish a new business. Jean replied that the group did not mean to imply that policies at the local level were not a problem; they did mean to emphasize that in Pakistan, Bangladesh, and Latin America, the new international trading regime under the WTO appears to be destroying local economies, and this requires more empirical study.

Rieky said that in the 1980s many micro-enterprise projects failed because of bad advice from outside funders. This led to the view that it was best simply to provide credit and leave decisions on what to produce up to entrepreneurs. It seems now that neither approach works very well. The more successful initiatives seem to be the holistic sectoral or sub-sectoral approaches. SEWA is perhaps the best example of this. We should put more energy into documenting and analysing this approach.

Janet asked if the group had looked at the wide variety of ways the state could promote micro-enterprises, from direct subsidization through favourable procurement policies to more general macro-economic policies. Kaiser replied that the group did indeed discuss this. The general impression is that state policy is geared to the promotion of the large-scale industries. Small scale industries tend to develop by default, in spite of state policies.

Farhad argued that if we really want to understand micro-enterprise in context as a state policy we really have to start with the post-colonial state. It's very important to see how they conceived it. In the time of import-substitution strategies, the emphasis was on the big enterprise. They talked of "rural industries" but the main focus of this was the promotion of livelihoods for the handicapped. There was also some promotion of micro-enterprise for small farmers, but its role overall was minor. After import-substitution we now have export-led industrialization strategies and the main problem is to solve the balance of payments problem. Again, small enterprises are not seen as very relevant to this objective. In the meantime, small enterprises have grown up in spite of state policies and without any state support. Some of these were very

successful and showed great ingenuity, such as small mechanical shops that did car repairs.

The question arises, Farhad continued, why have the international institutions now constructed this notion of micro-enterprise as vitally important? This is important to understand. We have now given a passport to the MNCs to go anywhere. At the same time, ODA funding has been reduced tremendously and is being switched to middle-income countries. Financial flows are now seen to be primarily in the form of foreign direct investment. MNCs set up large industries, but they do not address the survival needs of the people. So micro-enterprises are seen as a way of doing that. The micro-enterprise NGO is supposed to come in and clean up the mess. Other forms of developmental assistance are refused. It is analogous to cutbacks in social spending in the domestic sphere and increased reliance on the market to provide for people's needs and control the population. Here we have reductions in aid flows to the poorest countries and the switch to micro-credit as the main form of aid. The role of micro-enterprise in this strategy is to address survival needs as a form of social control.

Jacob disagreed with this analysis. The concept of "development", he said, arose only in the 1950s, and the first big experiment was the Marshall Plan, which was a resounding success. Its main component was money, and it worked like a charm. We thought then that we had found the key for development assistance elsewhere. (He leaves up in the air, he says, the question of motivation for this aid; he is speaking only of the technique.) Since the absorptive capacity of the private sector in developing countries was too low, the state stepped in to compensate for this through its own enterprises. We pursued this approach for years. It led to enormous state apparatuses for regulating the development process. The problem is that the states in developing countries could not generate the revenues from their own sources to sustain this approach. ODA got a bad reputation in this context; taxpayers in northern countries complained that large amounts of aid were going down a bottomless pit, to places like Zaire. It became totally unacceptable to use government-to-government as a channel for development. Yet governments wanted to continue with it, and have looked to NGOs as channels for the delivery of aid, in order to do the same kind of capital injection. We still believe in capital injection as the main solution. It's very risky, and the prospects for success are dim.

Farhad said he was not in disagreement with this view; it is just another aspect of what he was saying. He insisted, however, that it's important to understand the rationale, the motivation for this strategy. It is not just a technique. It is motivated by self-interest. We should understand that.

Kaiser agreed with Farhad that motivations are important. Another hypothesis is that perhaps the MNCs need micro-enterprises to sub-contract for parts and components wherever it is profitable to do so. It is no surprise to see powerful countries and corporations acting in their own interest. It is up to us in underdeveloped countries to tighten up our own act. We can support micro-enterprise from our own objectives. For example, we should cut our budget deficits, and not just because the IMF is pressuring us to do so. Their prescription is wrong; they want us to cut essential subsidies, which would hurt the poor. We are saying cut the budget by cutting defence expenditure. There is no international pressure on the government to cut defence expenditure, the reason being that the entire defence budget goes into buying equipment from the West.

Jean concluded with the comment that it is important to understand and analyse what motivates international players. Without this understanding, we could play into their strategy rather than play around it.

3. “Table of Contents” exercise

To begin pulling together the areas of focus for the group in the remaining two days, the participants worked on a Table of Contents for a projected final report or statement on the findings of the Learning Circle. They worked in three groups; their work was later synthesized as follows:

1. Micro-enterprise in perspective
 - context
 - potential and limitations
 - its place in the broader efforts for sustainable human development
2. A sectoral approach: case studies
 - SEWA’s work with paper pickers
 - UBINIG’s work with weavers
 - Philippines co-op federation: CDSFC
3. Policy dimensions
4. Evaluating success
 - indicators
 - framework

Tuesday, June 18th

The day began with a review of the agenda developed by the steering committee. A few issues were clarified. On the role of the final report, Rieky emphasized that we do not want this exercise to be focused only on the report. It will reflect the debates, not force a final resolution on the issues.

The morning sessions examined three case studies. Participants analysed them in relation to three questions:

- a comparison of policy interventions across the cases (gaps)
- a comparison across cases of the various actors and their roles
- a comparison across the cases of a “sectoral approach”.

The strengths of a sectoral approach had been raised in discussion on Monday. There were differing views on what was meant by a sector. One meaning is that of an economic sector or sub-sector, such as paper-pickers, weavers, rice-pickers, etc. Another approach would be to speak of non-economic sub-sectors, such as rural women, or home-based workers. Janet suggested reference to the Aga Khan Foundation’s Gender and Sub-Sector Analysis, which has just come out. It includes both a manual and videos.

4. Case studies

The full descriptions of the cases (in English only) are available on request. The following are brief summaries.

4.1 Cotabato-Davao del Sur Federation of Cooperatives (CDSFC), Mindanao, Philippines

Marion Villanueva presented this case study. The CDSFC is a federation of 15 primary cooperatives in the southern-most region of the Philippines. The total membership is 2,870 families of grain producers. Cooperative membership allows small landowners to avoid the moneylenders and traders of the rice cartel for credit, processing, milling, transportation, storage, and trading of rice and other crops. The initial impetus to form cooperatives came from churches about 15 years ago. The CDSFC is supported by local and international NGOs.

4.2 SEWA: Paper Pickers, Ahmedabad, India

Lalita Krishnaswami presented this case study. There are more than 20,000 women in Ahmedabad, India, who live by scavenging waste paper. They have extremely low incomes, hazardous working conditions, and suffer exploitation by contractors. They lack space for storage of the paper they collect, which creates severe seasonal fluctuations in their incomes. SEWA helped them to establish a cooperative to obtain cleaning contracts from government agencies, to organize their work on a more productive basis, and to work towards other objectives such as skill training.

4.3 UBINIG, Pitloom Weavers project, Bangladesh

Farhad Mazhar presented this case study. The UBINIG weaving project serves more

than 10,000 weavers around Bangladesh. It started as an action research program which identified the market and the policy environment as the key success factors. It adopted a sectoral approach and developed a multi-level program with a variety of interventions. The objectives were to deliver the benefits of social exchange to the marginal, home-based small producers through improvement of the sector as a whole. Special measures were used to ensure that marginal and poor producers could take advantage of the program.

4.4 Analysis of the Policy Issues Arising

(a) The relative importance of credit

Reviewing the case studies, Kaiser argued that the critical factor for the success of micro-enterprise is not credit but organization, especially in the areas of management and marketing. The existence of a market and technical and management support to exploit the market are the critical variables. Credit is a secondary input, not a critical constraint. If you have the organization, credit can always be organized. But if you have credit, you cannot necessarily get the organization you need. Moreover, credit is not the only form of finance; studies in Pakistan show it provides a relatively small portion of the finance required for micro-enterprises. (See Annex 2.) For start-ups and expansions, entrepreneurs are much more likely to use their family savings. The main external supports required are for marketing, technical advice, and management.

On the other side, others argued that credit was an essential component of both the CDSFC and the Pitloom Weavers projects. Credit may not be the most critical issue, but it is critical and it has to be available when it's needed.

Evans noted that a major USAID study in Zimbabwe from 1990-94 found that the two major problems affecting micro-enterprises were government regulations and lack of credit. Less than 1% of over 1 million micro-enterprises had credit at any given time. Few commercial banks are interested in providing credit to micro-enterprises. The government has pressured them to do so, but this had little effect. It then switched to giving incentives by providing loan guarantees.

Elias said that in Ethiopia access to credit is a major problem, but it is part of a larger problem of lack of support of any kind for micro-enterprise development, including training, marketing, and technical support.

Farhad argued that the question is not whether credit is important but whether NGOs should run credit programs. In the case of the UBINIG Pitloom Weavers project, the weavers are not provided with money credit but with "in-kind" credit in the form of needed inputs. In programs where money credit is provided, Farhad said, there is some danger that people will use it for pressing consumption needs and then be left with debts that they cannot repay.

Marion pointed out that social transformation requires an organized community as a primary requisite. A socialized credit program can be developed within such a community when it is needed.

Another aspect of this issue is the question of whether credit should be a specialized

function of an organization dedicated to it. In the case studies, particularly SEWA and the CDSFC, there are interesting examples of how the different functions are carried out and how costs are transferred between them. For example, there are transfers between SEWA, the SEWA Bank, and member organizations. Lalita gave an extended description of this relationship. How effective are these various forms of separating out the credit function?

At the conclusion of the discussion on credit, Kaiser Bengali was asked to prepare a statement on the role of credit vis-à-vis other factors in relation to successfully supporting micro-enterprise development. (See Annex 2.)

(b) Marketing

Jean concluded that an essential feature of micro-enterprise is its fit with the local economy, especially as a market. Marketing overseas puts micro-enterprise at a disadvantage in that it must compete with the much more advanced distribution channels of large enterprises, domestic and international. There may be some exceptions to this, but micro-enterprise development as a strategy should be conceived as part of a development plan to create well-integrated local economies. The only advantage micro-enterprises have is their proximity to the local market. Large enterprises have the advantage of economies of scale but they also have higher transportation and distribution costs in local markets.

Others argued that this should not be considered a defining characteristic of micro-enterprises. The question of whether to produce for a local or an export market is something to consider on a case by case basis. Micro-enterprises can overcome their deficiencies with economies of scale by finding ways to collaborate on common services. The coop federation in the Philippines is a good example of this. UBINIG is also working on export markets for weavers.

(c) Subsidization

Several participants made the point that successful micro-enterprise development programs require some degree of subsidization to be successful. This should not be a surprise. There is a wide range of ways that governments support various sectors of the economy, especially export industries. Farhad mentioned that, in the case of Bangladesh, there is a large and ineffective program of state support to the handloom sector that ought to be closed down and its resources applied to private initiatives to perform its function.

Subsidization does not imply that a sector is unsustainable. It may be a necessary component of a development strategy that develops capacity for management, marketing, etc., in a given industry or sector. We should distinguish between subsidizing direct inputs, such as materials, labour, and credit, and subsidizing overhead, such as management, skills training, marketing, and other support services. Obviously, subsidizing direct inputs will lead to an unsustainable industry, but subsidization of overhead expenses can be a valid form of support in the developmental phase.

Lalita pointed out, however, that SEWA has organized whole sectors without subsidies.

(d) Policy advocacy

Janet observed that policy work can be done at many levels. In Canada, it's easier to organize people around municipal issues, e.g. deregulating home-based business. It is easier to work in a participatory fashion if one relates to these felt needs. The question arising is how an organization should set priorities in policy advocacy.

Lalita noted that some issues are membership-driven, as Janet suggested, but others are leadership driven. Farhad went further to suggest that any organization that intervenes from the outside has its own agenda, its own view of what is to be changed and how. Its organizational mandate has been determined by its members. In this light, participatory practices may be seen as paternalistic, as the objective is to lead people to the questioner's own point of view. Participatory may simply mean working with people "as if" it's their program.

Hugh referred to the cases studied and observed that policy issues were not pre-conceived by outside interveners. They arose out of the demands of the situation, and with the participation of members. The goal of participatory processes, he said, is not manipulation but empowerment.

(e) Sectoral approach

The advantages of specializing in a particular sector were raised several times in the discussions. The supporting organization has an opportunity to focus and learn more, and thereby be more effective, both in straight economic terms and in terms of social transformation.

A sectoral approach is also more likely to draw in good local participation than a general program focused on generic inputs such as credit and management skills. It is also probably more efficient. It would be a good question for empirical research to ask whether the portfolio costs of a credit program are lower with sectorally-focused programs.

Policy interventions are most effective when based on a deep knowledge of the issues. Advocacy of support for micro-enterprise in a particular sector could be based on demonstrating its greater efficiency in creating employment and generating more equitable income distribution. Again, this would be a good question for empirical research.

Some qualified these advantages with the point that effective work requires both specialist and generalist kinds of knowledge and expertise. Specialist knowledge is required around particular sectors, but generalist knowledge is needed for a general model of work, for a good understanding of all the other types of interventions at the social level that might be necessary. There may be places, for example rural areas, or low density population areas, where it does not make sense to specialize in say, shoemaking or dairying, and such a narrow focus could inhibit work on social transformation.

A sectoral approach assumes a critical mass of people. It also helps to have some pre-existing cohesion, as when all workers are of a particular caste. Otherwise, it may be

very difficult. There should be room for different approaches in different situations. At times, the pre-existing basis of cohesion -- for example gender, caste, disabilities -- may be the decisive success factor.

Wednesday, June 19th

5. Building a Framework of Social Impact Indicators

Group 1

(Note: We do not have a taped version of the presentation of group 1, so there is less detail in the report.)

Group 1 reviewed: (1) The Marty Chen article. (2) SAP indicators

Issues identified:

1. We need to contextualize the framework and indicators for the nation, culture, and program.
2. We need to develop a framework and indicators with the participants and other stakeholders.
3. There is a need for qualitative information (indicators) that has credibility over time.i.e.
 - (i) can we have confidence that the micro-enterprise was the reason for the social transformation?
 - (ii) reliability of testimonies.
4. There is a need for the CCIC Learning Circle to address more fully the issues of social transformation indicators.
5. We need to give serious consideration in the use of the 'Simeen Mahmud' and 'Marty Chen' list of indicators to better gender balance.
6. We need to focus further our critique of the SAP framework and indicators.
 - good balance:
 - overview of issues
 - economic empowerment
 - justice/advocacy issues
 - political/social influence
 - sustainability

Group 2

Papers examined: (1) Self-Employment Learning Project (SELP) Assessment Framework (2) SAP indicators (LAMP I, developed at the regional workshop, 1995).

Jean Symes's presentation:

Issues:

We need to have objectives before we can choose indicators. A debate about indicators may reflect disagreement about goals.

The group began with the individual, household, group, community, macro matrix, but only got as far as the individual. They thought about what they would want to measure as physical well-being, mental / psychological well-being, status, and power (including gender relations). They also had a “Skills” list and an “Other” list. Then they came up with various indicators of the different things they would want to measure the “well-beingness” of. They were the following:

| | |
|----------------------|-------------------------------------|
| physical | food |
| | health status/access to health care |
| | housing |
| | childcare |
| | workload |
| | clothing |
| mental/psychological | self-esteem |
| | family relations |
| | anxiety, depression |
| | future plans |
| status/power | decision-making capacity |
| | community involvement |
| | assets |
| other | gender division of labour |
| | traditional practices |
| | societal norms |
| | self-sufficiency |

The group was not impressed with the SELP framework. It was a bit narrow. It looked at self-employment in itself as being a good way to address the problems of individual low-income people in the U.S. It was very individualistic. It was trying to fit them into a system that doesn't work to their benefit. They did not find the indicators terribly helpful either. The SAP framework, however, they found quite helpful, especially the part about skills. Although they had arranged their indicators in a different way, they found most of the SAP indicators quite useful as well.

Steve Estey added: When we started to develop a framework, we took these six areas and broke them out into the five sub areas and then started to look at points under those areas. We realized we would have to ask a series of questions about each of these points and sub-areas to get some sort of a valid indicators of what we were trying to measure. It would become an extremely complicated process to try to measure these social indicators. Perhaps that has to do with the fact that we didn't have the definition of exactly what we were trying to get at. Perhaps if we had this we'd be able to pare it down and focus it.

Rieky said: It's becoming clear that the view around this table is that micro-enterprise might or might not be one means towards a larger goal, and the struggle we are having with micro-credit, particularly its financial sustainability, is that it seems to treat micro-credit as an end in itself. Yet we have not been successful to date in drawing out

to our satisfaction what those larger goals are, and in stating them clearly enough.

Jean added that the group thought we could use this kind of framework, where we are looking at physical well-being, mental / psychological well-being, status, power, and skills rather broadly. But once one gets past the indicators and down to designing the specific questions to get at those indicators, it is necessary to devise questions specific to the project one is trying to evaluate. So the framework up to the indicators is fine, but the specific questions have to be designed around particular projects.

Jacob: If I look over the SAP document I think there is a kind of looking for homogeneity in the activities, in the behavioral pattern of an entrepreneur who grows or develops through a micro-credit program. We have a preconceived idea of how he should now be involved in the community. That may not be his choice, and when we push this particular pattern on an individual, he may well give up and say 'They now tell me it is not significant what I am doing; I believed in the collective; now I don't believe in it any more.' Then we deny the individuality of the individual, and that is where everything of value comes from; it always originates with the individual. So that is the danger when we look at these kinds of general scorings; we want to homogenize them.

Norm: The indicators in the SAP framework do demonstrate the value given to collective action. They imply that value is given to working in the community. Not applying those values is simply a recourse to your own values. And your values are being introduced in what you are saying. Not promoting collective values may be promoting individualistic values in the community. We do bring values to our interventions in a community. This does show very different points of view, and the role of micro-enterprise in that.

Rieky: When we establish a set of indicators for monitoring and evaluation, we name what we are looking for. This does not pressure every individual to be the same. It tells us more clearly what the parameters are. If we truly do develop these indicators and these goals with the participants, if it's negotiated, then it's OK. If it's imposed, then it's quite problematic.

Jacob: That was my point. I actually like this inventory of indicators. But we should not discard the contribution made by certain people who may not come up with very high scores and yet may have done a lot for that particular community.

Norm: I don't see this as scoring.

Jean: It's not the individual that is being marked. If anything it's the organization that is promoting the project. Are they doing it well? Are they having problems with what they are trying to do? Is what they are trying to do maybe not what they should be trying to do? I don't consider it a scoreboard for the individual.

Janet: That's the whole point of evaluation. You take this critical mass of people and you ask what the effect has been. Looking at an individual really doesn't tell you anything.

Jean: What we're looking at in social change is change in social relations, i.e. relations among people. So you can't look at an individual and conclude anything. The idea is to look at many individuals and then look at the organization and how they relate to each other, and whether in the entire community or the entire group there is a change in social

relations and power relations. Is their self-esteem being improved? The question is not whether they have managed to do it but whether we have managed to do it with them.

Kaiser: Any activity is aimed towards a larger goal, whether it is micro-enterprise or something else. But there may be a problem if we burden enterprises with too many broader goals. Take public enterprises for example. They were set up in the 1960s and 70s to promote economic development in backward areas and to provide employment. Putting that public enterprise in a backward area with improper communications and higher freight costs, higher labour costs, and so forth, led to the failure of public enterprises. Everybody blames public enterprises now for being inefficient, and we are in the age of privatization. The conclusion we have reached is that public enterprises should be run on commercial lines. The profits from that enterprise could be ploughed into a remote area, could be used for employment generation programs, and so forth. Merging conflicting objectives into public enterprises ended in destroying the whole sector.

Similarly with micro-enterprises, introducing a whole lot of conflicting objectives could destroy them. Complementary objectives are OK, such as the involvement of women and the achievement of environmental standards, but conflicting objectives can destroy micro-enterprise. The basic objective of micro-enterprise is to survive as a business. If micro-enterprise fails, everything else will disappear, just as when public enterprises failed; remote areas remained backward and the unemployed remained unemployed. We have to remain focused on our primary objective.

Farhad: Management of micro-enterprise interventions requires indicators. You need tools to monitor, measure, and assess your progress as an enterprise. This is no different from any business management method. But the evolution of micro-enterprise as a developmental tool is something that needs to be questioned. We are assuming that micro-enterprise contributes to social transformation; I personally do not believe this. The need to attach social transformation indicators to micro-enterprise arises from a deep sense of guilt. As NGOs, we want to judge it as a charity thing. If you want to use it as a developmental tool, you cannot bring financial sustainability into it. It is the same as for public enterprises; if they have social and cultural goals, then they cannot be judged on strict commercial criteria. Similarly, if micro-enterprise is to address social and cultural goals, there is a strong argument for subsidizing it.

Group 3

Janet Murray's presentation:

Materials used: (i) SAP Sri Lanka list of indicators (ii) National Rural Community Organizing (C.O.) Conference (Philippines) Success Indicators

The Rural C.O. Success Indicators is a very extensive framework, well-thought out, and very contextual. It is really more of a plan, a logical framework analysis, than it is indicators. It is much more focused on results, and on what is expected to happen, and not so much on measurable indicators of what is going to happen. In the area of gender, there were some indicators which were good. It was far too complex, however. We didn't have a description of the project, so it was difficult for us to figure out if they were valid indicators or not. What we all felt would be much more useful was something that would

be very simple, not simplistic but something that would give people an outline and a framework and examples of indicators. It would need to be flexible and designed within the objectives of the project.

In other words, we started with a reaction against indicators and we never did develop any. We came up with a set of questions:

- Who is monitoring and setting the indicators?
- Who defines what success is? Is it the businesses themselves or is it the organization?
- Can we work better with qualitative information? Can we process participant perceptions in a way that can be quantified or at least worked with? Some flexibility is required.

We also had an extensive discussion about the purpose of doing evaluation. Most evaluations are done from a management perspective focused on micro-enterprise. Most projects are not planned specifically to have an impact on social change. It might be useful to distinguish on-going research and evaluation. On-going research that focuses on impact and some of the broader issues around social transformation might be a better way of approaching it. This is what CPAR has done in Ethiopia; there is a researcher who is able to step out of the role of program delivery and do research on an on-going basis, bring up issues, and get the organization thinking about them. A checklist can be useful, but in the hands of someone who does not have an analysis it can be quite a disaster. They look only for the prescribed results and not at the dynamics of the change they are implementing.

We concluded that there is some merit in indicators. They might be useful as fodder, as examples of frameworks and good indicators. But in any given project, it's up to people to work them through in the context of the planning process.

Rieky: In Thailand, a large CIDA-funded project built in an on-going research function by teaming up with a university which did the monitoring and evaluation. In other cases, outside monitoring does not work so well, e.g. in the case of CIDA-appointed monitors. I think there are probably some examples of lessons to be learned.

Norm: The Rural C.O. Success Indicators represents a lot of detailed work. The SAP Sri Lanka list is just a list. It is not a framework. It is important to distinguish between indicators and results. We found a lot of results but we did not find a lot of really good indicators. This is an area where a lot more work is called for.

Janet: We had an interesting discussion about who defines success. If we look at participants' definition of success, what would they say? Kaiser said it was definitely income. That might be the first thing people say, but the highest priority might be health or education or something else. We never really concluded on that. It's important for us to look at what the people we are working with define as success.

Kaiser: The reason we can't agree arises in part because we have not answered the question of whether we are dealing with micro-enterprises as a business enterprise or as a development activity.

Janet: It may not be possible to make the distinction. What makes the transformation possible is the fact that you take a business approach.

Rieky: But the problem arises from the multiplicity of objectives and not being explicit about the assumptions and values that underlie those objectives. Sometimes, even if they are not exactly conflicting, more of one means less of another.

Lalita: We can think in terms of phases. The first phase could be the developmental. Later on it could become a business enterprise which employs people and which gives employment. It cannot be this way or that way. It has to be combined.

Evans: The question of goals depends on the perspective. Is it that of the entrepreneur or that of the organization? For the entrepreneur, the goals are very clear. It's only to the organization that the goals may not be clear.

Kaiser: We can look at the objectives of the enterprise as necessary conditions, and the developmental objectives as sufficient conditions. The necessary condition is the very survival of the micro-enterprise as a business enterprise. If we have developmental goals, let us add them on as sufficient conditions.

Farhad: All enterprises are subject to massive changes in the political economy, and they do in turn effect some change upon the political economy. What we mean by development differs from one organization to the next. There are different camps. There is no one single definition of development. What we are saying when we get involved in micro-enterprise development is that they need some non-market, or extra-market intervention, either from the state or from NGOs. The question we must ask is what particular kind of micro-enterprise requires development in a given society. In urban areas we may support the vendors, for example, who are coming from the poor areas. In the rural areas you can find handloom, for example. The choice of this sector should be clear from the broader perspective of the society, not the individual goal of the entrepreneur. If we add these social goals to each enterprise, that is too much. It may actually disempower individuals.

Janet: Our experience surfaced conflicts between business-oriented goals and social transformation goals. We spent a lot of time advocating different delivery methodologies, for example participatory methods in defining objectives. What sold this was not social transformation; it was that it worked better.

Rieky: This has been an interesting discussion, talking at a lot of levels, from the micro to the macro, and talking very much about our capacity as NGOs to set both strategic and realistic goals. We have all been throwing in separate points, and different perspectives, values, and assumptions, and ending with a muddle. These are all points we need to continue to struggle with. Just as at the end of the first workshop, we conclude that we have to dig a little deeper. Again, we are at that point where we are realizing that we have differing sets of values and assumptions that underlie our approaches, and one of the problems is that we are not willing to be rigorous enough in terms of naming the ones that are really realistic or strategic. It's easier to add on than to be tough.

6. Follow-up to the Learning Circle

Rieky said that the CCIC has allocated \$10,000 of the grant from IDRC for the Learning Circle to follow-up.

The intention of the follow-up is threefold:

1. to help NGOs to improve their practice
2. to explore policy advocacy possibilities (since the focus has been on policy dimensions of micro-enterprise and how they relate to sustainable human development)
3. to help other NGOs, and us as participants, to build on and continue their learning.

Points 1 and 3 seemed alike to some participants. Rieky clarified that not all the constraints to improving our practice are due to lack of knowledge. There are also constraints arising from the way we organize and think about our work, our paradigms. For example, one constraint discovered in the interviews done between workshops is that program officers who handle micro-enterprise programming are also dealing with health, nutrition, and a variety of other areas, and unable to develop sectoral expertise in any one of them. They don't have the time to invest that would make improvement of their practice possible. To improve the practice of NGOs, one would have to examine the constraints to implementing the learning and provide support to organizations to change their methods. Many NGOs are now coping with budget cuts. We have at the same time to see how we can work differently and more effectively. This is the point of Point 1; it's different from Point 3, which is about understanding the issues.

CCIC also has some additional money for the preparation of a report and its dissemination.

Our other resources are the knowledge, interest, and relationships that exist among us. These could be translated into action inside our NGOs, within the community, and directly with each other.

The participants worked in three groups -- one for each of the areas above -- to brainstorm possibilities for follow-up, to select the ideas with the most potential, and to do some initial planning around them.

Group 1 Helping NGOs to improve their practice (Presentation by Marion Villanueva)

The group began by brainstorming around the problems that NGOs have. They then focused on solutions and identified three priority areas.

1. Develop support systems for professionals in the new field of micro-enterprise. The group sees micro-enterprise as a new, evolving field.

- Increased training
- Development of manuals
- Documentation of best practices.

Perhaps the Learning Circle could play a catalyst role in developing the support system for the field.

Perhaps the Learning Circle should aim to intervene in the Micro-Credit Summit in February 1997.

2. Research / Capture lessons learned and share them. Document best practices. Explore models and methodologies. NGOs could document their experiences, organize seminars. Information on best practices, models, and methodologies could be shared on the Internet or in a newsletter.

3. Board development and education.

- Diversify the membership of Boards: to get better skills, to get better gender balance, to get southern members onto Boards of northern NGOs, to get clients / participants onto the boards of southern NGOs.
- Provide training in both development and business issues.
- Operational flexibility is needed in relation to structures, staffing, technical assistance, and in terms of strategy.

To achieve these things, we need to encourage debate within organizations, to have the same kinds of debates we have had here within each of our own organizations.

Janet commented that this field is not very old, and in many organizations there is not more than 2 or 3 years of experience with it. This creates problems in implementation, especially from a methodological and technical perspective. We are trying to combine sensible business practice, which is very well documented, with the social component. This isn't easy. We spent a lot of time talking about staffing issues because we are trying to get people who combine these two perspectives. Who do you start with? People with a business orientation, and then push them in the direction of the social, or vice versa? There is now a certain level of professionalism required, and we can't take 5 years to develop our staffing. We need to think about what makes a professional in this field. It includes the whole social development perspective. We need to look at standards and at programs to support professionals.

Group 2: Policy advocacy. (Presentation by Jean Symes)

The group noted that the key event on the horizon now is the Micro-Credit Summit in Washington in February 1997. It seems appropriate to have a strategy for preparing for this. Much of the work needs to be done through this summer. The group made the following suggestions:

1. Workshops providing a critical analysis of the credit-centred approach to the eradication of poverty, by September. (Approximate cost \$5000 each).

Jean referred to the Micro-Credit Summit paper by Results Canada, which claims that by the year 2005 they will be able to eradicate poverty by providing micro-credit to 100 million families around the world. This would demand a budget of about 20 billion dollars, of which 7 billion would be for training. They have many prominent people going to the summit. They begin with the premise that the eradication of poverty is simply a matter of providing enough credit to enough people.

It would be possible to organize workshops fairly easily in Bangladesh and Pakistan. Farhad offered that UBINIG could organize a CCIC workshop with BRAC, Grameen, Proshika, and others to discuss the work they are doing and work on a critical analysis of that particular paradigm.

2. A World Wide Web site to share information on the subject, to be set up by CCIC by September. (Approximate cost: \$5000).

3. Writing and translation of documents on the subject. For example, there are some documents already available in Bengali about various dilemmas within a focus of

micro-credit only. Both UBINIG in Bangladesh and the Sustainable Development Policy Institute in Pakistan could provide documents if funds were available for translation (\$500 to \$800). These could be made available on the WWW site and through mail-outs of hard copies.

4. Advocacy with Canadian policy makers, using the documentation above. If we did the preparatory work by September in time for the preparatory summit, we could send people to the preparatory summit with good documentation. We might not change how people think there, but we could get a better idea of how the process is developing towards the February summit.. We could also use the material and the experience in doing advocacy in Canada and other places people are able to use it.

Group 3: Helping NGOs to build on and continue their learning. (Presentation by Steve Estey)

1. Appoint a CCIC staff person to collect and index micro-enterprise research. There is a lot of material that people are not aware of. This would allow a person looking for material in a particular area to find it, say, in an annotated bibliography. This could be put on a WWW site, as suggested by group 2. It could also be put in documentary form on an FTP site. This work should be written into the job description of a CCIC staff person. This person should have a reference group from across the community, not just from the NGO community. It should include members from the banking and academic communities, as well as NGO practitioners.

2. Research into standardization. Establish common technical terms so that we are communicating clearly about these issues. Standardization is also important in developing methodologies of programming and of evaluation techniques. Young academics and consultants who are interested in establishing their careers could take on this work, possibly assisted through CCIC-funded research grants. NGOs might be interested in participating in some of this research. There may also be academic and government sources of research funds.

3. Raise the profile of micro-enterprise programming with a series of presentations and papers. Do this first in the development community, then in the broader community. Develop a critical analysis of micro-enterprise as a tool for social change.

Norm commented that the South Asia Partnership has been working with students of the Norman Paterson School of International Affairs at Carleton University to work voluntarily on research projects that have mutual benefit. Money, while helpful, is not the main thing they need. They require contact with the right people in NGOs, people who can invest the time they need into working with them. This kind of program has not been as successful getting higher level, longer-term research projects, however. Marion added that PDAP has a similar program with the Guelph Rural Planning program, and is trying to get the professors involved too.

CCIC role

Commenting on the major role envisaged for CCIC in the proposals for follow-up made by the three groups, Rieky told the meeting that there is a lot of pressure, especially in the Policy Team, against CCIC's becoming a specialist in any particular area. The

reason for this is that CCIC could just as easily be asked to specialize in health or gender or environment in addition to micro-enterprise and would soon be well beyond its capacity. The Policy Team feels that its most effective role is to focus on broader issues such as ODA reform, and CIDA reform, and the community as a whole. It is not feasible or desirable for CCIC to become the expert on sectoral issues.

The recommendations that CCIC help members to work together with academics, or encourage members to take policy positions, or help set up research and documentation capacity, are suitable roles for the CCIC. Housing the capacity or the staff time in CCIC, however, would not get much support from either the staff or the Board.

Rieky asked the group to consider alternative approaches, and particularly to discuss the role that people here present or their organizations could play in the follow-up.

Norm mentioned that SAP produces a newsletter called Asian Currents every few months, with a focus on a particular theme. It could do a special issue on micro-enterprise, taking a critical stance, and share that with other organizations in their network.

Jacob argued that these proposals for CCIC action were being brought forward by members of the CCIC, and that they were valid requests to make of the Council. He felt that unless the CCIC invested in this follow-up, the chances of it being a good learning process would decrease. Without follow-up by the CCIC, he said, the Learning Circle will have been a pleasant and personally-enriching experience, but of no further consequence to our industry. Our industry has a credibility gap with the public, and good follow-up would help to close that gap. He argued that the CCIC should take on the role of “proactive enabler” in the follow-up.

Hugh and Jean agreed with this position, arguing that CCIC should play a leadership role.

Norm mentioned that, in his experience, people do not normally feed back into CCIC about their follow-up to this kind of workshop, and that they should do that.

Janet said that all the different proposals suggested to her that we need a “bumper sticker” to provide a simple statement of what was accomplished. For her that simple statement is that we need to build the social development component into micro-enterprise. If we can start to get the community thinking about that in some way, we may get them discussing it and beginning to change their practice. That’s why we recommended working at the Board level. We need to stir things up and get people questioning their practice.

Rieky suggested that when CCIC gets its database functioning in the fall, they could identify the dozen or so members most involved in micro-enterprise or income generation and hold a more structured workshop with them to put these issues on the table. Hugh and others suggested that case studies be prepared in advance for any such workshop, but it was acknowledged that this had not been very successful in past workshops, such as the one on Sustainable Human Development.

Rieky: Let’s contrast the strategy of getting out a simple message to our members and

their partners, such as “Micro-enterprise is not a panacea” or “We’re neglecting the social side,” with the strategy of investing in quality research, either original research in the form of case studies, or an annotated bibliography. Which would you give priority?

Jean: The former is the proper role for CCIC, informing members of the controversies and issues in the field. CCIC itself does not need to do the latter, but you can talk to other organizations and collaborate with them. You can let IDRC or Coady, for example, know how CCIC sees the issues and suggest areas where research would be most useful. CCIC should take leadership, animating its members to get active in areas such as advocacy, and helping them with follow-up.

Janet: We have invested a lot in creating this group. We should try to maintain it as a reference group in some way. Perhaps the membership could evolve; we could welcome other people into it.

Jean: We could use Au Courant to let people know about the Learning Circle, to print excerpts from the workshop report, to do think pieces on the issues. This would go not only to CCIC members but to a broader audience.

Marion: The Caucus of Development NGOs in the Philippines is having a similar kind of workshop at the end of the year. They know about our Learning Circle. It would be useful to share the outcomes of our Learning Circle with them. There may be room for international participation. I will ask them to send an invitation to CCIC, and CCIC can facilitate ways of getting others involved.

7. Reflections on the Learning Circle Process

Rieky:

It is a new approach for CCIC to pick a small group and make a substantial investment in it to develop both learning and knowledge that will be useful to the community as a whole. We chose to focus on micro-enterprise as a more concrete approach to the issue of sustainable human development (SHD) that we began discussing at the SHD workshop as part of the Foreign Policy Review process. When we began discussing sustainable livelihoods, we found such a wide range of expertise, from complete neophytes to highly experienced professionals, that only general discussion was possible. We did not arrive at any useful policy lessons for NGOs, or donors, or governments. It was interesting but did not lead to any action. For this Learning Circle, then, we wanted a diverse group, including southern partners and non-NGO practitioners. We thought this would be a more useful mix to promote learning and knowledge and then move both policy and programming action in more progressive directions. Now we want to hear from you participants: (a) To what degree was this a good choice? and (b) How can we improve it in the future?

Rieky felt her own boundaries had been pushed a lot farther by this process than by the SHD workshop, but she wondered if she had just been left with more questions. She posed the following questions to the group:

- (1) What (if any) has been your learning?
- (2) Have we added to the body of knowledge regarding the links between

micro-enterprise and SHD?

(3) How did this come about (if it did)?

(4) What ideas do you have for improvement?

The group took time to write answers to these questions individually, then each spoke their responses as follows. The comments are recorded here by the number of the question above being addressed, wherever this was clear.

Hugh Landry:

(1) I am not sure that I learned anything completely new here, but there was certainly a lot of clarification and reinforcement, particularly around the benefits of the holistic approach. Looking at those cases was really helpful; that reinforced the value of the sectoral or sub-sectoral approach.

(2) I don't think we have added to the body of knowledge. We have generated a number of issues and questions. If we do some work on them, this will add to the body of knowledge. That is useful work, but it hasn't yet added to the body of knowledge.

(3) The learning and the identification of issues happened through our discussions.

(4) We need a lot more work before the workshop takes place.

A more precise agenda would be helpful if the objective is to add to the body of knowledge; I am happy we didn't have a more precise agenda for this workshop, though.

Regional forums before the main workshop would be useful. These could be international and/or in the regions of Canada.

The locations, the facilitation, and the process have all been very good.

Kaiser Bengali:

(1) It's difficult to say what I have learned in quantum terms. My understanding of several issues relating both to micro-enterprise and to the developmental and social transformation question has broadened as well as deepened. I know better now why I hold a certain view or why I no longer hold it.

(2) I attribute this to the very interesting mix of participants here, both from Canada and from outside, and to the unregimented style of the discussions.

(3) The process in future could be more results-oriented. We cannot just keep on asking questions. Some results at some point need to be expected.

I agree with Hugh about regional conferences. We would be willing to host the next one in Islamabad.

Evans Maphenduka:

(1) I will be able to tell how much I have learned when I see the complete document. For now, I can say that there are certain things I have come to appreciate because of the discussions this time:

- a different approach to digging deeper into issues and understanding them better than we would if we just stuck to our own narrow way of thinking
- the complexity involved in assessing the impact of micro-enterprise programs on social transformation. We have a lot to learn in order to handle that question in a more meaningful way.

There were a lot of questions asked here, but there were a lot of answers given as well. I might not be in a position now to have comprehended every answer to every question that was raised. When the final document comes out, it will be very useful for me to read it and begin to appreciate answers to some of the questions that were raised while we were here. The document will be very important.

(2) Every debate adds value to the body of knowledge. We could generate a lot of bumper stickers from what we have learned here, not just one.

(3) We have had a very rigorous debate. We have questioned our assumptions.

CCIC has the toughest job of trying to capture everything that was said in a document that will be read not only by us but by people outside this room.

Jacob Kramer:

(1) I have learned a great deal: how wide the field is, how different the impacts can be, social transformation elements, some critical conditions for the successful design of micro-enterprise and micro-credit.

(2) We have not added much to the body of knowledge if by that we mean something that is written down and can be accessed by other people. That is not a bad thing, assuming this process to date is seen as an initial investment. It has generated a lot more questions, and that's good. When I was a first year Economics student, I had all the answers; by the third year I had more questions than answers.

(3) If the process stops here, my appreciation of it will disappear completely. We have laid the foundation of the building but we haven't built the house. If this process does not continue, the investment will simply be lost. In that case, we would have been better to bring in leading practitioners from Finca and elsewhere to lecture us. Then I would have walked away with a lot of learning. As it is, this process does not as yet have any impact on my work.

Norm Maclsaac:

(1) The process raised more issues, more questions, than answers. There was more clarity on issues and concepts. I appreciated the experience and insight of UBINIG and our southern partners. It was crucial to have a good group of southern partners here, and that should always remain strong. I also got a better understanding of the different paradigms in the NGO community and where people are at.

(2) The process has contributed to reflection and the depth of our understanding but it has not added to the concrete, technical body of knowledge. Some of the discussions on the sub-sector approach were in that general direction. There is potential to do more of

that in the follow-up.

(3) The CCIC Learning Circle generated broad interest in the issues in the NGO community. There were lots of comments on the documents that went out. This gave us impetus to dig deeper and find new and better resources. Everybody had their own way of doing that: looking for more articles, going and interviewing people, and so on, and it was a great gathering of information. Many people read the background paper, and many read Brian's article in Au Courant.

(4) We should always have the opportunity between workshops to go outside and multiply the number of organizations involved with the Learning Circle, as happened in this case.

There could have been more guidance from CCIC for the working groups between workshops. There might have been a CCIC person on each working group to provide more support, pushing, logistics, and information.

There could have been more preparation by the participants for the first workshop.

It would have been better to have more Latin American input; it's good to have the benefit of the range of different regional experiences.

We could also have had a wider range of NGOs participating, including Calmeadow, Socodevi, CCA, Care -- some of the biggest agencies working on micro-enterprise were not present. We need to reflect on why that was and make sure it doesn't happen in the next Learning Circle.

This was a completely anglophone group, and that will limit the dissemination of information. The ripples have not been created in the francophone community. When I contacted organizations in Quebec they were not nearly as aware as organizations in English Canada.

Jean Symes:

(1) I found this process quite useful. This kind of workshop, where there is a lot of discussion and time to track things down allows much greater depth. The process allows us to share our thoughts and test our assumptions in a dialogue with a diverse group of people.

I have come to understand the importance of holistic strategies, and different approaches to micro-enterprise, and the conditions of success for different kinds of strategies. I have clarified which are the useful strategies for the promotion of micro-enterprise, and which are the more problematic.

There was clarification of the role of credit as well as different perspectives on the use of credit. It was useful to hear other peoples' experience and to abstract and pattern from that in the group.

(2) I don't know the body of knowledge in its entirety, but I have had some thoughts and findings that are new to me.

(3) We did this in our discussions by tracking down contradictions. Sometimes it felt circular, but it was really a spiral allowing us to get closer to what the contradictions were.

(4) I have a desire now to go more into depth into certain things, but I think I should separate that felt need from ideas for improvement of this kind of process. This kind of process is quite useful, and the way it was done is quite useful. We could think of following up this process or similar ones with more structured workshops that allow us to go into more depth on particular questions.

This is a good size for a group. It's small enough that the plenary is not too large when you bring discussions back from small group work.

This kind of workshop has to be self-selecting. People have to want to be here. If Calmeadow doesn't want to come, we can't do much to get them to come without changing the nature of the exercise. Maybe we could find other ways to promote discussions with organizations like Calmeadow.

Lalita Krishnaswami:

(1) The process of the workshop has been formally informal, or informally formal. That has been very good. Working in small groups has been very beneficial. I have worked with each and every person here in a small group, and that has been a very good learning experience. I have learned a lot about different approaches to micro-enterprise. This helped to clarify my own work, by reiterating what we are doing in each of our own organizations. This has been good learning for me personally.

(2) I don't know about adding to the body of knowledge; I have added to my knowledge.

(3) How did this come about? The whole process from the first workshop through this workshop, from assumption to social transformation, has been a very good learning process for me.

Marion Villanueva:

(1) It has been helpful to identify what the problems and issues are in micro-enterprise development. These workshops have really helped to crystallize the issues: what makes micro-enterprise work or not work, and when is it considered successful or not. Coming together as NGOs with the long-term vision of sustainable human development has helped in developing a framework for viewing micro-enterprise development.

(2) I'm not sure if this has added to the body of knowledge, but we have added to the reflection that has taken place elsewhere, for example at Calmeadow. It has helped to identify this as a new field and to identify what the issues are within it. It is less than 15 years old as a field. We have moved from income-generating activities to a micro-enterprise approach in a short time. This is true in the Philippines. I am eager to hear what our southern partners have to say about it in the Fall. A lot more work needs to happen

(3) It came about through small groups, good discussion topics, and so on. The other thing that has helped me was the work between the two workshops. We didn't get as much done as we wanted, but we did get around to do some and that helped my learning a lot.

(4) The work between the two workshops was important but it could have used more push from the CCIC or from each other, or an anchoring of the working groups.

Terry Gay:

(1) The struggle I have had with the group is never getting answers, but then I am not satisfied with the answers I have got outside of this process. I see in retrospect that struggling with the issues is the best method of learning. I am beginning to question how good we at WVC, and I as an individual, are at learning. I want to know how we can become better learners.

(2) This is a process; we have begun to add to the body of knowledge. The tough question is where it goes from here. We are coming to a fork in the road where we have to make some key decisions about where we take this process.

(3) I want to see some results from this process. Even if we do not come up with all the answers, we should move forward to identify the major issues and the constraints and opportunities around them.

Elias Debebe:

(1) On the definition issue, we need greater standardization of terminologies and methodologies. This is very important if we are going to make future discussions understandable.

I have seen that there are various ways of promoting micro-enterprises. There are a large number of questions that need to be answered. The more discussion we had, the more questions came out. I have the feeling that more discussion will raise even more questions.

(2) It would have been better if the steering committee had played more of a guiding role rather than leaving everything to the participants. That way we might have reached a definite conclusion. I am not sure what we have really achieved. The serious shortage of time was also a problem.

Janet Murray:

(1) There are two major things I have learned: (a) We have to accept that there is a contradiction between business and social concerns, and that is healthy as long as we are paying attention to it. The field is young enough that it will probably resolve itself. (b) I have strengthened my analysis; my whole perspective has changed. This forces me as a practitioner to question some of the things I am doing. I think it will send me in another direction professionally.

(2) I don't think we have added to the body of knowledge. It takes in-depth research and analysis to do this. We have come close to arriving at an NGO perspective and a

critique. This is important in the face of forces like those of Results Canada. I feel disappointed that we were unable to go one step further as a group and really commit ourselves to it.

(3) The most useful thing was drawing on the experience of practitioners. The practical experience of people in program management and policy development was excellent. The case studies mobilized this practical experience. I want to commend the international practitioners who were here. I think they brought concreteness to our debate. I think the process was excellent and I want to commend Rieky on the fine facilitation.

(4) I would have liked to see more discussion of methodology and the practical aspects of implementation. I would like to have had some of the credit-only people here to add greater controversy to the debates. I was disappointed that we were not able to make a statement or take some action. We came up with some rich answers and framed key debates but never came to a formal level of unanimity that would have allowed those statements to be put forward as coming formally out of the process.

Steve Estey:

(1) I have learned many things in this workshop. I would mention in particular coming to question micro-enterprise as a panacea. I have learned that we have to see it as part of an integrated whole. Development is a broad and integrated thing, and you can't do one thing without having impact on other things. This was reinforced for me by the discussion around the case study in Bangladesh and the sub-sectoral approach.

(2) The best that any process like this can do is to begin to set an agenda for research. I think that we have done that. We have identified some key questions and concerns on the part of NGOs, northern and southern. We have had some ideas for following up on that, e.g. among academics, in the private sector, etc., and we could benefit from their experience.

(3) I came into the process late. You have all done very good work here. I assume that this is the result both of the first workshop and the work in the interim period.

(4) Be less ambitious. When I got the documentation from the first workshop, I spent a couple of days rubbing my temples and saying "Oh, good God! What have I got myself involved with?" Be realistic about the constraints people face. If you set realistic tasks for yourself, those things are then achievable. You build on your successes and achievements.

Concluding remarks by Rieky:

Two things have contributed to the atmosphere of discussion and learning: (1) We together have created an atmosphere of trust, in which we have felt safe to express our own uncertainties, to feel that we don't necessarily have to have all the answers to our questions. (2) We have been open to exploring the assumptions, world views, and values that underlie our views on micro-enterprise, and expose them to each other. This is a rare commodity in this world, where people are more likely to state their views than to question them. That has been one big success of this workshop. We have all made

that happen. If even a few people had refused to do that, the atmosphere would have been quite different.

Why has the process been less conclusive than Janet and others would have liked? Micro-enterprise takes place within an overall economic context. At this point in history, we are quite critical of the process of globalization, mass unemployment, and loss of economic control that we all feel. None of us is satisfied with the way the world economy is heading; in fact it's quite frightening. On the other hand, we have lost a sense of certainty we once had about what can or should replace it. We lack a model of what a sound and sustainable economy might look like, and where micro-enterprise fits into that.

Part of the dilemma of coming to grips with where micro-enterprise fits in sustainable human development is that. It crystallized for me when Jean started talking about articulated local economies, and when Kaiser started talking about what a real micro-entrepreneur was according to his definition, and why they were important in the economy. To me, while each of those might be valid and useful, how they fit into this overall system that we are now living in, and whether they are reinforcing it or leading to something different, and if so what, is not at all clear. This historical uncertainty we find ourselves in is part of the dilemma that underlies our questioning of the role of micro-enterprise and how to do it in this workshop. That question will be interesting to reflect on and push a little bit further.

8. Some final things

Hugh, Jean, Jacob, and Evans volunteered to read a draft of this workshop report. [The Reference Group later decided to circulate both this draft and the draft statement of lessons learned to all members of the Learning Circle for their comments.]

Jean and Marion asked how CCIC would follow up on the group's suggestions for follow-up, especially regarding the Micro-Credit Summit, which is urgent. There had been offers from Farhad and Kaiser to host workshops around that, in Bangladesh and Pakistan, respectively. Rieky said that she would take it back to the Reference Group. Brian said that the immediate goal is to get the report done and out by the end of the summer. CCIC has been following the summit preparation process. A CCIC person attended the meeting in Ottawa on June 17th and 18th. CCIC would be looking at how they could intervene in the summit and the process leading to it, and would be calling on people in this group to facilitate this intervention as part of the Council. They would have to look at how to devote the limited resources they have, both monetary and human, to the follow-up proposals made. They would call on the Reference Group to help establish priorities, and would stay in touch on this question with this group through e-mail or otherwise. Brian noted that some people from the south who are a part of this group would be travelling to Canada over the next eight months, and that the CCIC would try to take advantage of their presence to have workshops with members.

Brian said that the next Reference Group meeting would be in the second week of July. He went on to thank the members of the Reference Group for their work: they are, in addition to himself, Norm MacIsaac, Rieky Stuart, Brian Murphy, and Richard Marquardt.

He thanked IDRC for its support of this process and of CCIC's policy work over the past two years. He thanked South Asia Partnership for its support of the Learning Circle, both financial and with other resources, as well as Inter Pares, which supported Farhad's attendance.

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Annex 2: Statement on Credit

The following statement was developed by Kaiser Bengali following discussion reported in Section 4.4. Comments from other participants are noted below.

Micro-enterprises can be divided into two broad types:

1. Micro-enterprise as a firm which engages in commercial production of a product(s) or service(s). It contributes to GDP/GNP and employment growth. Starting from support from government and/or NGOs, it is expected to become financially viable to maintain itself and even grow in size.
2. Micro-enterprise as a household income-generating activity, where households can be enabled to mitigate their poverty. Its contribution to GNP/GDP growth is not likely to be measurably significant and, in terms of employment, it can serve to relieve the pressure on the labour market by providing for self-employment opportunities.

Those who are able to absorb support for Type 1 micro-enterprise are not the absolute poor. They are able to mobilise personal funds for starting an operation. They need credit at the later expansion stage. At the initial stage, they need managerial, marketing, and technical training and backstopping support. A sine qua non is a supportive macro-economic policy environment and the existence of a market for their product(s)/service(s). Credit is an important input facilitating the operation of the institutional variables. Financial sustainability of micro-credit institutions is relevant in this case but is a joint function of credit and non-credit inputs.

The absolute poor are the candidates for Type 2 micro-enterprises. However, they are not the entrepreneurial types and are unlikely to become so. They need minimal funds -- a few hundred dollars -- but their repayment capacity is not likely to be assured. Financial sustainability of micro-credit institutions is thus a non-issue in this case.

Studies from a 1500 sample study of micro-enterprises in Pakistan show that 65% of investment was financed through personal and family savings in loans from relatives. Only 8% was financed through banks. They also show that over 95% of micro-enterprises have under-utilized capacity. Capacity utilization is 31% in manufacturing and 20% in services. Of these, 64% of manufacturers and 70% of service providers report the cause of underutilization as "lack of demand".

Comments from other participants:

- The division of micro-enterprises into two categories is useful in some ways (especially in calling attention to the special needs of those who are poorest), but it is an over-simplification. There is a great deal more complexity than this dichotomy suggests. It might be more useful to say that in order to do effective work we need to understand the context, needs, and challenges of those with whom we plan to work.
- Credit oils the system. It is a necessary element. Otherwise, unavailability can cause a bottleneck.

- Subsidies - We need to challenge the mythology of minimalist credit and acknowledge the real costs of providing programs/supports to the poorest.
- Credit vs. finance -- this is an important distinction.
- Collective component to programs - improves viability of roles by dealing with the issue of scale.
- A sectoral approach is more effective/focused

Key Questions

1. Where is credit appropriate and where is it the best insertion point?
 - depends on: types of business/sector
 - developmental phase of business
 - complementarity with other supports/services
2. Should NGOs run credit component? Is it appropriate?

Annex 3: Summary of the evaluation comments

Strengths

As with the first workshop, the main strength identified in the evaluations was the diversity of views and experiences that participants shared with each other. The contributions by overseas participants was especially appreciated. The work in small groups was the most effective location of this sharing; almost everyone mentioned this. Some of the small-group discussions were controversial and quite heated. This work allowed for clarification and closure on several issues. The discussions in plenary allowed these discussions to be further amplified. The constant back and forth between small and large groups made it possible to go into depth and then check the conclusions with the larger group. The plenary was still small enough to allow good participation.

A few participants mentioned as strengths the debate around the clarification of the goals of micro-enterprise programs and the place of social transformation, and the related analysis of social impact indicators.

Other strength mentioned were:

- the case studies
- the exposition of undercurrents in policy reform.
- the crystallization of the debate in the “Table of Contents” exercise.
- the session on follow-up on Wednesday.
- the SEWA slide show
- having evenings free for one-on-one.

Weaknesses

The most-frequently mentioned weakness was the lack of focus in the plenary sessions. They were described as “too freewheeling”, “runaway, uncontrollable debates and argument.” Some debates were tiresome, especially the discussion of indicators. A few disagreed, feeling that we did make progress in the plenary debates. We might have appeared to be going in circles but we were in fact spiralling upwards.

Others mentioned disappointment with the ineffective use of the case studies. One felt the case studies did not represent a broad enough spectrum of micro-enterprise experience. Another felt the approach was good but the outcome disappointing. One person felt we needed a GAD awareness session.

Suggestions for change

A few people felt that more time -- one more day -- and greater focus on the stated objectives would have allowed us to break through and come to closure on several issues.

Some others felt we should make better use of the case study material. One particular suggestion was that full financial information should be a “must” within a case study. One person suggested an exhibition of products produced by the micro-enterprises for display or sale to give a colourful touch and to learning visually about micro-enterprises. One person suggested that next time we add credit-only people like Calmeadow.

Anticipated results

These were quite diverse:

- The beginning of a coordinated process that would ultimately bring about a better understanding of micro-enterprises.
- A further investigation into certain issues -- including indicators for social transformation.
- I would use the learning at the workshop and apply it to my research work and use the concepts and the methodology.
- We will see the need for another [workshop]. We have learned that there are key areas which we need to follow up.
- Better communication between Canadian NGOs and academics.
- More consciousness among at least participants of the controversial aspects of this work; enriched programming.
- A comprehensive report, participation (of some sort) at the Micro-Credit summit in February 1997.

What was it all about? What is your “story” about the workshop?

- What are micro-enterprises and what do we have to do to promote their growth?
- More than ever before I have felt the need to establish the NGOs as authoritative in this field. This has to result from an increased level of knowledge.
- The role of micro-enterprise in social transformation.
- We have moved from “assumptions” to indicators of social transformation in micro-enterprises.
- There is still a need to develop further the learning environment among the participants. We have only begun to experience the trust and critical but supportive reflection among partners.
- The challenges associated with challenging the dominant development paradigm re ME. We spent lots of time in scattered discussion, but it’s hard to synthesize, create a new paradigm.
- People took/made time to reflect

Other general comments

- A good quiet site for the workshop.
- I would have liked to go back with the definition of social transformation.

- It would have been nice if common statements that the group agreed on were arrived at and a result of the circle.