

**Microenterprise Development Support Strategies:  
Review of Best Practices**

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## **Women and Indigenous People's Microenterprise Support Strategies: Review of Best Practices**

### **I. Introduction**

While there has been a major focus and increase on microfinance and microcredit programs in recent years, microenterprises (MEs) still face significant business development and growth challenges. In a developing country context, they are predominantly found in the informal sector and their growth is hindered by limited access to affordable credit, markets beyond their immediate local area, new technologies, quality control, access to materials and the small size of their staff. Microenterprises operating in the informal market also encounter the challenges of working within an unregulated market. While they may pay little or no taxes, they also are not readily able to benefit from government support services for small businesses or the protection the law affords businesses. There is also a general perception that microenterprises have little capacity for growth and a tendency to think of them as consisting mainly of street hawkers or small cottage craft producers.

Women's microenterprises face even greater challenges related to gender discrimination, racism and marginalization. This is in part because in most countries they play a dual role and have to both work in the productive sector and have the prime responsibility for the care of their families at the household level. This double burden restricts the amount of time they have to invest in their businesses and means they have to become quite skilled at juggling family and business responsibilities. For cultural and legal reasons, women microenterprise owners also generally have less access to credit than men and often have fewer assets upon which they can draw to finance their businesses. They may also encounter resistance to their involvement as business owners or operators in some more traditionally male-dominated sectors. Due to family responsibilities and often cultural reasons, they may also be limited in their availability to travel to promote their products or participate in marketing opportunities.

Another factor that has received little attention is microenterprise production over-capacity of specific products in a given economy. This results in a high number of producers making the identical or similar product results in fierce competition, and saturated markets. While this situation is not amenable to increasing or driving profitability among the micro-producers, developing their export capacity may offer immense potential for them to reach new markets and to relieve pressure and supply of these products in the domestic market.

Many microenterprise support programs also appear to focus on microenterprise development at the survival level. In this mode, the microenterprises tend to operate on a day-to-day basis and are not focused on nor have the capacity to grow beyond a one to two person operation that serves a tiny local market. To finance their daily operations, these microenterprises also often have to borrow

money on a daily basis from loan sharks at extremely high interest rates . Thus program supports for microenterprises at the survival level have tended to concentrate on increasing their access to credit through microfinance programs. This approach to microenterprise support has been fairly well documented.

Other examples in the region include some excellent attempts to take microenterprises to the next stage of growth to establish them as true businesses and which will ultimately lead to a more sustainable form of development. It is significant that a number of economies are struggling with this same challenge by trying to develop creative microenterprise development schemes.

Despite this, there is still a scarcity of documentation about other types of microenterprise support programs that focus on strategic growth and the building of microenterprise capacity from the micro to small enterprise level or which try to build microenterprise growth by strengthening their links to the international market. This paper reviews eight alternative strategies used to support microenterprise growth and development with a particular focus on women's microenterprises. The strategies are classified as follow and include:

1. Facilitators
2. Aggregators
3. NGO businesses and Fair Trade Organizations
4. E-Business and E-communities
5. Catalogue distribution
6. Equity contributions
7. Franchises
8. Public policy support measures

The key to the success of many of these alternative strategies is that they involve a multisectoral approach: a collaboration between the public and private sector and often also with civil society and academic institutions. These multi-sector partnerships represent the strength of these strategies, however, often require considerable coordination. This paper provides a brief review of each of the above eight strategies, indicates their specific target groups, and briefly discusses their implications for women's enterprises.

The strategies are based on the premise that despite the multiple challenges that microenterprises face they still have a tremendous potential for growth and to help build more sustainable development at the community and national levels. They are also based on the understanding that microenterprises represent both a large source of employment in developing countries<sup>1</sup> and can generate considerable innovation. There is also increasing awareness that a growing number of microenterprises either operate in the formal sector or have the potential to do so.

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<sup>1</sup> *'Profiles of SMEs and SME issues in APEC 1990 -2000.'* Published by the APEC Secretariat in 2002

APEC data from 2000<sup>2</sup> indicated that there were about 49 million non-agricultural small and medium enterprises (SMEs) and microenterprises in the region, half of which are in China and Indonesia. In the region as a whole, they made up about 95% of all enterprises and employ approximately **80%** of the workforce. It is also of note that **35%** of APEC's SMEs are women-owned. This percentage is even higher in the microenterprise sector where the majority of enterprises are women-owned. In both rural and urban areas, SMEs and microenterprises are the largest source of employment and net new jobs, especially for women and youth. Micro-enterprises are also far more numerous than SMES and make up around 75% of all enterprises in the region<sup>3</sup>.

While most SMEs and microenterprises work within their own domestic markets and are unlikely to grow in size significantly, a small proportion of SMEs and microenterprises are internationally oriented and have high growth potential. Another group of microenterprises has the potential to become export oriented if they can access the right program supports or if their governments create an enabling policy environment. These include small scale producers with a wide range of products and services to offer, particularly in handicrafts and tourism. A third group that has great potential for growth is domestically-based, but with the right supports could link up with a range of larger businesses already involved in export as suppliers of either products or services. Their business growth thus would remain domestically-based but would be strengthened by the export connection along the supply chain. All the strategies presented can be examined from the perspective of growth at the domestic level as well as microenterprise growth through increased linkages with international trade.

Increased access to information and knowledge of proven practices that enhance microenterprises' production capabilities are crucial to creating business expansion opportunities. There is also a need for a better understanding of microenterprise growth in general, as well as women and indigenous people's current participation as small scale producers and suppliers in both the formal and informal economies, in particular.

The Women Leaders Network<sup>4</sup> (WLN) has been promoting increased support to women's microenterprises since 1998 when it first successfully advocated that the APEC SME Business Forum include recommendations to provide more support and recognition of the importance of women's microenterprises in APEC countries. The Network has argued that to create an economic environment that would foster increased and sustainable growth in the small-scale production sector, APEC economies need to pay increased attention to policy and program

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<sup>2</sup> *op. cit*

<sup>3</sup> *ibid.*

<sup>4</sup> A network of women leaders from the APEC region drawn from the public, private, civil society and academic sectors whose mandate is to advocate for the integration of gender issues in international trade policies within APEC. CIDA provided support for the formation of the Network through its Gender in APEC project from 1996 – 2000.

support measures to programs in addition to micro-finance. The WLN has also actively promoted the idea that it is critical to incorporate a gender perspective in business development strategies in general – a viewpoint which was subsequently adopted by APEC leaders as official policy in 1999.

This paper represents the first step in a process that seeks to go beyond the traditional approach to documenting best practices that involves four steps:

1. Review alternative strategies to support microenterprise development which have been effective in a developing country context and present these for discussion with key stakeholders in Asia using the 2006 WLN and APEC meetings as a venue.
2. Based on these discussions, assess which combinations of strategies could serve as the most effective means of promoting microenterprise growth in a developing country context, particularly for women and indigenous people's microenterprises.
3. Use this analysis as the foundation for a series of feasibility studies on microenterprise growth strategy combinations that would generate a set of microenterprise growth toolkits and guidelines for the implementation of several different policy and program support models and approaches.
4. Establish pilot programs in several developing countries in Asia based on the models and to use these programs to support the growth of women and indigenous people's microenterprises through increasing international trade links within this sector.

The content of this paper represents the first step in this process.

## **II. Characteristics of Women's Microenterprises and Businesses**

Women-owned microenterprises are likely to be home-based, seasonal or part-time, unincorporated (sole proprietors), or located in rural settings, and more reliant on local and community markets. Small businesses owned by women have been found to often exhibit the following gender-specific characteristics exhibited by women's businesses in general include the following:

1. Have a strong commitment to their local community, particularly in terms of sourcing and employment,
2. Have a strong commitment to a vision, that encompasses their private and business lives. This means that they constantly strive to develop sustainable business with manageable growth rather than aiming for immediate high growth and overtrading.
3. Focus upon the personal relationship aspects of business contacts, which supports long-term ambitions, (which include high turnover and profitability),

4. Develop contacts through active networking, which they perceive as a rich business resource.
5. Grow their business through a range of relationship alliances that enable the creation of more businesses and trade. While this may result in slower growth of women run businesses, as measured traditionally by increased number of employees, it also generally fosters much more sustainable growth.
6. Perceive themselves to be at the centre of their business organization with teams and working groups emanating from that central position, rather than develop rigid hierarchical structures in which they are positioned at the top<sup>5</sup>.
7. Women whose businesses are at the relatively early stages of development generally respond best to receiving advice and mentoring from other women entrepreneurs<sup>6</sup>.

Any strategies that focus on supporting the growth of women's microenterprises will need to take these factors into consideration and find ways to build on these strengths and behaviours. In general, business development service providers in the public, private, non-profit and academic sectors are not aware of these gender-specific characteristics and how they can affect business development from both a positive and negative perspective.

### **III. Microenterprise Case Studies**

Anecdotal evidence indicates that the typical services provided to women-owned enterprises take a conventional approach, targeting start-ups and the infusion of equity as key program components. Business expansion program elements remain focused on businesses and sectors that demonstrate potential for export development; target remote areas linked to specified, major developments, or are aimed at tourist development. Where programs exist, generally they are focused on financing for business. Program components that examine and assist industries, or specific clusters of businesses, by highlighting productivity potential of the entire sector may provide an opportunity to enhance women and indigenous people's enterprises.

In 2004, a series of wide-ranging case studies in five economies on informal and marginalized producers was sponsored by APEC's Committee on Trade and Investment (CTI)<sup>7</sup>. These studies found that:

Trade facilitation and promotion initiatives tend to focus on the needs of those businesses that are considered by government agencies and

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<sup>5</sup> Elizabeth Muir. "Thinking Outside the Box". Cited in *Trade Matters, Best Practices & Success Stories*, Commonwealth Secretariat. 2002. London; Commonwealth Secretariat.

<sup>6</sup> Foundation of Women Entrepreneurs of Canada. 2000, *Best Practices to Support Women Entrepreneurs in Canada*, p. 12

<sup>7</sup> The Committee on Trade and Investment is a permanent committee within the APEC for and has established links to many of its women initiatives of Women Leaders Network (WLN).

financial institutions as being already export-ready. Thus, the issues identified by very small producers, in particular women producers, as key to the success of their export aspirations, may not be well integrated into government trade policy<sup>8</sup>.

They further revealed that:

Many programs have been developed by national governments and international organizations to support women entrepreneurs, on the assumption that supporting individual female entrepreneurship will promote overall economic growth. These programs tend to target women who are believed to be most likely to succeed, on the assumption that benefits from such investments will “trickle down” to other sectors of the economy. Activities include entrepreneurship training and credit, and strategies to remove legal and institutional impediments to women's entrepreneurship. These programs, however, may not be relevant or accessible to those they are intended to benefit, as the case studies reveal. In addition, women entrepreneurs may not even be aware of many government trade facilitation and business support programs.<sup>9</sup> (Gibb et al. 2004)

The women producers described in the five case studies illustrate several dimensions<sup>10</sup> of “marginalization”:

- In some of the case studies, the women live in rural or semi-rural areas, at a distance from the main urban centres that have strong internet and other linkages to export markets.
- Some are ethnic minorities.
- The business development and export needs of very small producers may be marginalized in trade ministries that are better equipped to address the interests of larger producers, whose organizations are well-positioned to engage with government.
- Many women business owners operate businesses that are very small, with few or no employees. The economic significance of these businesses may be largely statistically “invisible”, because they take place in the informal economy, for which data are weak.
- Many women-owned businesses are in services, a sector where women are substantially employed, and where women operate, or have the

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<sup>8</sup> Gibb, Heather, Supporting Marginalized Women Exporters: An overview of Issues and Strategies. Background Paper CT134/2003T. September 2004. The North-South Institute. p. 11.

<sup>9</sup> Gibb, *op. cit.*, p. 17.

<sup>10</sup> *Ibid.*, p. 11.

potential to operate, small businesses that could be supported through gender-aware national trade policies. Weak data for this sector and comparatively low attention accorded to services by trade policy-makers can obscure both the value of and potential for these women exporters.

- The associations and networks that support marginalized women entrepreneurs frequently are not included in trade-related capacity-development initiatives or in consultations on trade policy. These organizations play a key role in linking small producers to government programs and international markets, but may have neither the time nor financial resources to monitor trade policy and develop policy documents for governments.

Gibb further makes the case that:

An “empowerment approach” to supporting the economic activities of marginalized women producers pays attention to the characteristics of those activities (for example, women’s businesses tend to be very small, with small cash flow) and women’s constraints in skill, time and access to productive resources. An empowerment approach typically goes beyond supports for individual entrepreneurs and places greater emphasis on grassroots organizations and networks that support the producers: entrepreneurship training and credit are seen as entry points to effect more broadly based development objectives. The World Bank has described empowerment as “the expansion in people’s ability to make strategic life choices in a context where this ability was previously denied to them”<sup>11</sup>.

### **Opportunities for Microenterprise Growth**

One objective in examining and developing a composite of the various microenterprise growth support strategies is to identify ways to grow specific clusters of microenterprises and women businesses, products and services of women.

The profitability and growth of women-owned businesses will be key to their expansion. Currently there are gaps in addressing productivity issues in the sectors in which these businesses are found, sectors that have a direct link and impact to individual business development, and expansion. Potential opportunities for expansion are likely to be found in:

1. Business sectors that are experiencing high growth
2. Trade and exporting
3. Supporting major events (Olympics, business with multi-nationals)
4. Government procurement measures

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<sup>11</sup> Gibb, *op. cit.*, p. 18.

5. Traditional small production enterprises such as arts and crafts
6. The informal sector
7. Tourism.

The barriers facing women's microenterprises are well documented and include limited access to:

1. Equity and debt capital;
2. Business and market development
3. Workforce training and experience
4. Land and other key resources
5. New technology and innovation
6. Networks that enable them to expand their product and services range; and
7. *A policy and cultural environment that supports and promotes women to pursue and develop and expand business ideas.*

Market accessibility often due to isolation is one of the largest inhibiting factors to starting and growing women's businesses especially home-based businesses. Small businesses which are isolated tend to lack:

- Models that women emulate and learn from;
- Information access and sharing;
- Coaching that generates business start-ups, leaders and champions that form the nucleus of business activity; and
- Access to networks to create connectivity that lead to economic opportunities, greater trade, and innovative measures for exports and international markets.

Women leaders realize that it is necessary to: actively promote models to create networks and markets and expansion; to engage women by offering scale-appropriate solutions for them to enter trade arenas; and increased linkages to trade opportunities. This means having a people connection when women are exploring potential, identifying the interested people by seeking them out, holding workshops, training sessions, and walking with them through the conceptual stages. Networks and connections are also important in creating momentum for the women's business activity to achieve business expansion.

#### **IV. Types of Product Expansion Strategies**

A number of business models, strategies, and approaches drawn from both Canadian, and international experiences, particularly among WLN participants from across the Asia Pacific region are having some success, and have been described as best practices in various fora and research. A typology for these different product expansion strategies highlights some interventions for targeting both the informal sector and high-knowledge firms owned by women.

1. **Facilitators:** Intermediaries that work with businesses to scope opportunities in the marketplace and identify ways to facilitate co-operative activities for women to grow their small production businesses or products. Facilitators work with the small enterprises to assist them to get their products ready for distribution including identifying and developing markets for specific products. This can include measures such as catalogue distribution.
2. **Aggregators:** This approach is concerned with bringing together businesses, products and services that are highly similar in design, quality and market identification under one common product offering in the marketplace.
3. **NGO Businesses and Fair Trade Organizations:** Help minimize risk for marginalized producers. They provide marketing services that specifically target the poor – providing the business development and marketing services for marginalized producers.
4. **E-Business and E-communities:** Electronic forums that connect participants and stakeholders online to share learning and best practices, forge market and trade development activity, and enable feedback through a dynamic platform, video clips, web casting, videoconferencing and other technological tools.
5. **Catalogue Distribution:** Product offerings in hardcopy or virtual format that enable an entrepreneur to offer an assortment of products in the marketplace through targeting of a specific type of consumer.
6. **Equity contributions:** Highlights the conventional approach to business start-ups and expansions whereby entrepreneurial assistance is provided through equity contributions in the form of loans and grants, and or technical expertise is made available.
7. **Franchises:** A licensing system through which the owner (franchiser or licensor) of a product or service permits the granting of a license to others to market her product or service (franchisee) within a defined territory, following the guidelines established by the licensor.
8. **Public policy support measures:** Government and often private sector driven measures designed to target specific impacts or reach critical objectives in business activity.

The following tables outlines samples of each of these strategies.

<b>Types of Model for Growth:</b>
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<b>1: Facilitators</b>		
<b>Characteristics</b>	<b>Target</b>	<b>Examples</b>
<p><b>What are Facilitators?</b></p> <p>Facilitators are <u>intermediaries</u></p> <ul style="list-style-type: none"> <li>• Works with small producers to scope opportunities in the marketplace.</li> <li>• Identifies ways to facilitate co-operative activities for women to grow their small production businesses or products.</li> <li>• Market entry and preparations require that government and private sector play role in supporting coordination efforts.</li> <li>• Wider engagement of industry, sector councils and women's networks necessary</li> <li>• Has a built-in quality control element that results from a degree of product standardization as products or businesses are consolidated for market.</li> </ul> <p>Production controlled by extent of market entry and new suppliers (women producers) can be added as market share increases.</p>	<p>Informal sector producers</p> <p>1 and 2 person business operations</p> <p>Businesses with a single product line</p> <p>Cooperatives</p>	<p><b>Specialty Facilitators- <u>Uniquely Program</u></b></p> <p>The “Uniquely” program has proven to be a “Best Practices” strategy, with over fifty programs in Canada and two programs internationally ([Puerto Rico and Slovenia). Parts of this model program have also been adapted and utilized by many Southeast Asia countries (Laos, Cambodia, Thailand, Indonesia, Malaysia, and the Philippines), and most recently in Afghanistan as part of an economic empowerment program for women.</p> <p>In the “Uniquely” business model, small business owners have their products evaluated by design and merchandising experts to help them improve their marketability. Participating regions and/or countries then have the opportunity to take their products to a large, wholesale tradeshow as a part of the “Uniquely” marketing program. The Uniquely program has helped thousands of small businesses in both developed and developing countries and in rural areas gain access to new markets, and build their product design and business management skills.</p>

<b>2: Aggregators</b>		
<b>Characteristics</b>	<b>Target</b>	<b>Examples</b>
<p><b>What are Aggregators?</b></p> <p>Aggregators are concerned with bringing together businesses or product and services that are highly similar in design, quality and market identification under one common product offering in the marketplace.</p> <ul style="list-style-type: none"> <li>• Works with small producers to fill orders that may be identified in the marketplace.</li> <li>• Sets standards and quality control procedures and process</li> <li>• Typically deals in one product area and rarely in the services sector.</li> <li>• Serves a broker function.</li> <li>• Has a two-way function within the marketplace. Requires wholesale and retail contacts, and proven efficiency in delivery systems.</li> <li>• Develops links in and into market channels and serve as coordination centers to ensure specific products.</li> <li>• Typically offer specialty items</li> <li>• Highly digitization-centered.</li> </ul>	<p>Informal sector producers</p> <p>Single producers</p> <p>Cooperatives</p>	<p><b>TAMBON PROJECT</b></p> <p>The One Village - One Product movement was originally started in the Oita Prefecture in Japan. This approach attempts to encourage a diverse production range among a large group of producers by improving upon and refining the locally available resources and produced goods that are acceptable internationally. Inspired by this idea, the Thai government has been promoting local industry through the manufacturing of attractive specialty products based on the abundant native culture, tradition and nature. This campaign is called, One Tambon One Product (OTOP) in Thailand because the target area is the administrative unit known as Tambon or the equivalent of village or town in English.</p> <p>The program is nationwide, covering nearly all of Thailand's 7,252 districts. One Tambon is predicated on the idea that every Thai tambon (sub-district) has a variety of specialized local products. The project's key assumption is that each community has a comparative advantage in one or more of these traditional products. The project's role is to assist the communities in modernizing the production and distribution process of these products so that they can be competitive at the national and international levels. The government's role is to identify candidate products and then to assist their development by providing the necessary support for their eventual success.</p> <p>The program is clearly intended to find new niches in foreign markets and develop new winners to provide an alternative to foreign direct investment-based and mass produced exports that the country has been fast losing out to with China and other countries in the region that have cheaper labor.</p>

**(TAMBON PROJECT cont'd)**

While the program's initial attempts and success must be critically evaluated, preliminary reports indicate that it, along with some of the government's other fiscal activities has contributed to terminating asset deflation, reviving domestic demand and bringing about positive asset demand and asset price expectations.

Encouraging results stemming from the One Tambon project and government figures put total sales of village enterprises under the program at \$558 million in 2002, with an average profit margin of 26 percent. Their products are also finding their way to the shelves of luxury shops in Japan, the United States and Europe, thus enabling the village producers to earn four or five times more on each item than when sold in the local market.

The targeted industries include textiles, wooden products, baskets, ceramics and mulberry papers. Government programs have been assisting in introducing local specialty products from the One Village One Product in Thailand to the Japanese market since March, 2002.

The range of products includes textiles, hand-made papers, basketry made of bamboo and other plants, ceramics and wood products. Japanese experts active in the field of handicrafts take part in the search for and development of products that will fit Japanese life styles. They also go to Thailand to participate in the project. Expert teams create the concept design for product development through the project. Design experts based in Thailand, together with village producers, jointly make prototypes based on the concept design. The experts hand over the design rights to the public in Thailand. The project has set a target of approximately 30 items per team to be developed as prototypes. The expert team, comprised of designers, buyers and magazine stylists, has visited various regions and provinces. To date, the collected product samples totaled 600 items including:

1. Fabric (silk/cotton): 130 items
2. Basket: 110 items
3. Saa Paper: 80 items
4. Ceramic: 180 items
5. Wooden product: 100 items

The Ministry of Commerce has divided the manufacturers of the OTOP products into 3 groups: Export Potentials, National Market Potentials, and Local Market Potentials. Support from the Department of Business Development is given to groups with local market potential. The groups are then developed, to elevate their potential to sell goods to national and international markets. The groups are provided with marketing channels and support to develop their products in order to go to national and export markets. *A Project to Promote and Expand the Markets for Community Products* –aims at finding channels to distribute the OTOP products to all regions within the country, and provides marketing knowledge to the OTOP manufacturers.

The collected product samples and prototypes are displayed at public exhibitions, for example: the Spazio 1 Exhibition Center, Ebisu, Shibuya, Tokyo, aiming at building a good image of OTOP, especially to mass media; and promoting business possibility for OTOP movement. Monitoring surveys on displayed samples and prototypes has been conducted with Japanese buyers. The prototypes and results of monitoring surveys are also publicized in, and promoted through “Made in Thailand” brands, organized by the Ministry of Commerce.

Seminars are organized to give village producers and SME entrepreneurs the guidance for product

development. An example of such a seminar is "Product Development Targeted at the Japanese Market" at the Department of Export Promotion, Ministry of Commerce

To promote distribution organizations such as the Japan External Trade promote distribution Organization (JETRO) provide facilities by (1)inviting one village producer to Japan for business and (2)joining ,Bangkok International Gift & Houseware 2003 organized by the Ministry of Commerce.

Example 2- Toi Iho

The Toi Iho mark, is a registered trademark, used to promote and sell authentic arts and crafts in New Zealand. Te Waka Toi Market, in consultation with Maori artists facilitated the creation of the mark.

The Toi Iho Maori Made Mark is for individual and groups of artists who are Maori descent, and guarantees that the product was Maori-made and provides assurance of quality. The design is used to authenticate exhibitions and performances by artists. A website lists all artists who are licensed users of the retailers who stock the products.

<b>3: NGO Businesses</b>		
<b>Characteristics</b>	<b>Target</b>	<b>Examples</b>
<p><b>What are NGO Businesses?</b></p> <ul style="list-style-type: none"> <li>▪ An NGO identifies the market and takes responsibility for product design, marketing and distribution.</li> <li>▪ The NGO trains women or other specific group to make the products the NGO sells and exports.</li> <li>▪ The women act as sub-contractors to the NGO and are assisted to set up home-based microenterprises based on the production of the NGO products.</li> <li>▪ NGO often provides other training and services to their sub-contractors.</li> <li>▪ All profits from the sale of the products produced by the women sub-contractors are reinvested into the NGO's programming.</li> </ul>	<p>Informal sector producers</p> <p>Poor women from urban areas.</p>	<p><b><u>Tabitha</u></b><sup>12</sup></p> <p>Tabitha is a Christian-oriented NGO that operates in multiple countries to support a range of development programs. It does not use its operations to proselytize its beliefs, but rather focuses on community development activities. Its program is based on the premise that most women already have marketable skills and that what they really need is confidence in themselves and assistance in saving their own capital so that they can start to build businesses based on their skills.</p> <p>Tabitha's cottage craft development program in Cambodia works on the premise that if the goal of a program is to assist women generate a higher income, then it should be set up so that the women can earn an income immediately. It does this because poor women cannot afford to take off six months to a year to learn how to sew up to factory standards or to become skilled dressmakers. They are selective in their sub-contractor selection and only recruit women who already have some basic sewing skills and who demonstrate an entrepreneurial spirit.</p> <p>The women work in a workshop setting for six weeks producing simple cottage handicrafts designed by Tabitha international staff in response to what will sell well internationally. Their training during this period involves learning how to sew the actual items to be sold. Tabitha does not act as a charity. Instead they maintain high quality production standards. The women participants have 2 weeks to learn to produce to the standard required or else have to leave the program.</p>

<sup>12</sup> Asian Development Bank. 1997. *Skills Training as a National Strategy for Poverty Reduction: Women and Vulnerable Groups*. Phnom Penh, Cambodia

**(Tabitha cont'd)**

During their training period in the workshop, the women also receive training in goal setting and are encouraged to believe in themselves and their own abilities. They are also paid each week for the products they produce. Tabitha deducts half of their weekly salary to pay for the cost of a used sewing machine which they take home with them at the end of the program so they can set themselves up as semi-independent sub-contractors with a home-based business.

After the women have completed this six week period they work at home according to their own schedule and needs. Each week they come into Tabitha and pick the materials they will be sewing for the week. At that time they are paid for the work they did the previous week and given any additional training they might need to make any new products that the Tabitha designers have developed as well as to discuss any problems they might have. The Tabitha workers also visit them on a weekly basis to give them motivational and counselling support regarding the goals which they have set. The focus is on lifeskills and self-esteem training combined with the opportunity to earn an income while the women slowly upgrade their sewing skills through on-the-job training.

In 1997, the women initially started out making about \$60 a month. This increased to \$100 to \$130/ month depending upon how skilled they became and how many hours they decided to work. A comparable job sewing in a local clothing manufacturer in Cambodia in the same year paid approximately US\$30 a month and often involved long hours and forced overtime to meet production targets.

Tabitha buy the products the women produce which they sell in a store and showroom where they market the cottage crafts produced by the women both locally and internationally. Tabitha established its operations in 1995. They started with a capital outlay of only \$12,000 and were totally self-sufficient within a two year period. Their first year sales grew from \$52 in their first month to \$120,000 per year. At the time they were interviewed, they fairly realistically anticipated being able to further grow their sales to a quarter of a million dollar business by 1999. All profits are reinvested in the NGO and used to extend the programs to more people and to generate new markets and products.

Tabitha works predominantly in poor, urban communities and works with poor women to help them establish their own home-based microenterprises. The women work as sub-contractors for a two year period. During this time Tabitha also works with the women to establish savings and alternative business development plans. The idea is that by the end of the two-year period the women and their families should have sufficient savings and skills to establish other businesses, either on their own or in collaboration with other family members. The organization then recruits new groups of women who they train to make their products and to work with in this sub-contracting arrangement. Tabitha operates a similar and equally successful program in the Philippines, where by the end of 1997 they had trained and worked with 10,000 women.

<b>4: E-communities</b>		
<b>Characteristics</b>	<b>Target</b>	<b>Examples</b>
<p><b>What are E-communities?</b></p> <p>E-business assists women to make big economic gains by connecting women with the potential distributors and customers for their products and services.</p> <ul style="list-style-type: none"> <li>• Requires connectivity and Internet access, plus technical assistance.</li> <li>• Facilitates on-line activity for communities and individuals. Helps to develop and organize knowledge through on-line discussions and chat groups.</li> <li>• Can link individuals to virtual trade missions such as Virtual Aboriginal Trade Show (VATS)</li> <li>• Makes available “Turn Key” sites that provide all listing “Know How” to offer product and services .</li> <li>• Current global government policy supports substantial investment in this type of internet-based activity.</li> <li>• Requires secure access and use.</li> <li>• Must support a broad range of modems for speeds as well as various platforms</li> <li>• Website user retention can be quickly measured.</li> <li>• Technology ramp up for first-time users is relatively low.</li> <li>• Serves to maximize communications options (dynamic platform, video clips, web casting, video-conferencing) to help harness women's communications and community building skills.</li> </ul>	<p>Women wanting do business globally</p>	<p><u>Example 1: Trade Builders, Inc</u> This company works with a global network of leaders to help advance development for women's enterprises at all levels, and disseminates best practices to women.</p> <p>It creates on-line forums and communities and serves as an accelerator for sharing best practices; sets up video-conferencing to further develop the relationship among business people who have been introduced or matched through on-line initiatives; uses on-line polling to secure timely feedback, build consensus and develop action agendas.</p> <p>It offers trade facilitation services or Virtual Trade Missions, and links to on-line events of interest to the virtual trade community as well as connects participants with other key stakeholders on-line.</p> <p>It also works with business associations and other community leaders and women to develop an e-biz community and provide relevant resources including training.</p> <p><u>Example 2-WWW.WEBTAMTAM.COM</u> This site was developed to assist aboriginal business owners list their products.</p> <ul style="list-style-type: none"> <li>- Provides assistance with presenting concepts and graphics</li> <li>- Provides a shell for Business to Customer to develop a standard e-commerce website with e-catalogue management: tax calculation, shipping, order forms, invoices, choices of various credit cards and currencies payment and on-line secure payment solutions.</li> <li>- Customers shop from one e-boutique to another and pay at the end of their browsing. Each boutique is identified on the invoice.</li> <li>- Structure also has a B2B site in place</li> <li>- Cultural and information sections are bilingual</li> <li>• Can expand to do workshops, conferences.</li> </ul>

<b>5: Catalogue Distribution</b>		
<b>Characteristics</b>	<b>Target</b>	<b>Examples</b>
<p><b><u>What are catalogue distributions?</u></b></p> <p>Catalogue distribution can offer from one to a multitude of items directed at the consumer or other businesses.</p> <ul style="list-style-type: none"> <li>• Is a scalable enterprise (can offer one item or related items)</li> <li>• May require industry harmonization by specific product categories</li> <li>• Requires production and publication facilities for picturing products</li> <li>• Can be on-line, reducing publication costs</li> <li>• Can be business-to-business (B2B) or Business-to-consumer (B2C)</li> <li>• Can consolidate with other catalogues offerings.</li> <li>• Initial circulation could involve high costs</li> </ul>	<p>Business to Business</p> <p>Business to Customer</p> <p>Rural-based Businesses</p>	<p><u>Example: Cold Water Creek</u></p> <p>Cold water Creek is a private women/family-owned business that was founded in Sandpoint, Idaho in 1984. It started as a home-based mail order business specializing in women’s apparel, jewelry, fashion and gifts. It has since grown to become today, a major thriving business with approximately 4,000 employees and its home office has grown to a 20-acre campus. They now have an East Coast Operations Center in Mineral Wells, West Virginia that ships packages to a large customers base, as well as replenishing stores from coast to coast. The growth of Coldwater Creek exemplifies how a small-scale production operation can grow into a major force over time.</p> <p>Coldwater Creek is a retailer of distinctive women's apparel, jewelry, gift items and home accessories. The business grew from selling just a few products to become a major retail distributor. It now collects products from locations around the globe as part of its product offerings.</p> <p>The company also currently sells its merchandise through its core catalogues; Northcountry and Spirit, via its e-commerce Web site at <a href="http://www.coldwatercreek.com">www.coldwatercreek.com</a> and through a growing number of highly visible retail stores located in major metropolitan areas in North America.</p> <p>This company is notable because it started its operations from a more rurally based location and has worked its way into the urban centers through implementation of a long-term expansion strategy.</p>

<b>6: Equity contributions</b>		
<b>Characteristics</b>	<b>Target</b>	<b>Examples</b>
<p><b><u>What is meant by equity contributions in this context?</u></b></p> <p><u>Equity contributions</u></p> <ul style="list-style-type: none"> <li>• Financial assistance is obtained through equity programs provided by government programs, economic development programs, and other institutional developers.</li> <li>• The business is provided a percentage of the start-up or expansions costs and their contributions can include “sweat equity”.</li> <li>• Uses government resources to provide technical guidance.</li> <li>• Combines equity contributions with other loan products to further finance the business</li> </ul>	<p>Specific target groups identified as a priority by the governments in question.</p> <p>Widely available</p>	<p><u>Example 1- Aboriginal Business Canada</u></p> <p>Aboriginal Business Canada works to increase the number of Aboriginal-owned firms in Canada. Financing is provided to help entrepreneurs establish or buy a business that are proposing to carry on a particular commercial activity for the first time. Support falls into 4 categories:</p> <ul style="list-style-type: none"> <li>• Tourism</li> <li>• Manufacturing</li> <li>• Business, professional or scientific or technical services</li> <li>• Innovation</li> </ul> <p>Examples of business innovation include developing new products or adapting existing ones.</p> <p>ABC also helps businesses expand in to new markets in Canada (generally, to a market located at least 100 kilometers away) expand into new markets. These businesses have to be operating successfully for at least one year, be financially stable and a proven cash flow, have a targeted marketing plan, and have catalogues, price lists, adequate inventory levels, production capacity and distribution systems to show that the business can supply the market.</p>

<b>7: Franchises</b>		
<b>Characteristics</b>	<b>Target</b>	<b>Examples</b>
<p><b>Franchises</b></p> <ul style="list-style-type: none"> <li>• Prior to the signing of a franchise agreement or any payment by the prospective franchisee franchise disclosure documents present all material facts (defined as any information about the business, operations, control of the franchiser or the franchiser's associates and about the franchise system) that would reasonably be expected to have a significant effect on the value or price of the franchise for sale or the prospective franchisee's decision to acquire the franchise.</li> <li>• In current models, a significant start-up capital required and it tends to target small business start-ups as opposed to microenterprises.</li> <li>• The Franchisee is required to make on-going purchase of shares.</li> <li>• Involves franchise fees.</li> <li>• Businesses open with a turn-key operation.</li> <li>• Cash flow financing is significant.</li> <li>• Detailed planning and marketing information is provided to specification of the area.</li> <li>• Suppliers are already identified.</li> </ul>	<p>Persons with sufficient access to capital financing</p>	<p><b><u>Example 1- Home Hardware</u></b></p> <p>Many communities across Canada have been involved in franchise purchases as a community-owned and run venture. For example, a number of hardware stores have been established on aboriginal reserves. These enterprises are able to take advantage of the community's purchasing power through the local government requiring residents to use community finances to purchase materials or services for community-related activities at the community-owned establishments. This extends to public institutions such as schools, health centers, band offices, recreation programs and other locally-funded initiatives.</p> <ul style="list-style-type: none"> <li>-Investment capital required over \$1 million</li> <li>-Requires community ownership</li> <li>-Building and land is leased from community (under the Indian Act provisions and restrictions)</li> <li>- Requires a partnership approach involvement of local government and private investors</li> <li>- Smaller stores are generally owned by private entrepreneurs</li> </ul> <p><b><u>Example 2- The Body Shop</u></b></p> <p><b>The Body Shop</b> uses its 1800 distinctly owned businesses to promote positive change in communities, the country and the world. Although the Canadian chain is presently no longer offering franchise opportunities, it is a highly successful business model that focuses on women's care products, doing business with women and which supports women's initiatives. Body Shop franchises are still available in the United Kingdom.</p> <p>The body shop was a pioneer in:</p> <ul style="list-style-type: none"> <li>• Supporting community trade</li> <li>• Against animal testing</li> </ul>

<ul style="list-style-type: none"> <li>• There is room to add to merchandising stock outside the franchise products.</li> <li>• Provides necessary training to the business owner.</li> <li>• Provides material for local advertising and promotion to supplement national advertising.</li> <li>• Could be adapted for microenterprise start-ups.</li> </ul>		<ul style="list-style-type: none"> <li>• Addressing women's self-esteem</li> <li>• Offering environmentally friendly products</li> <li>• Defending human rights</li> <li>• Raising the issue of violence against women</li> </ul> <p>The strategy used to expand a single product line since the first store was opened in England in 1976, was to engage women on many different levels, including personal development and self-esteem, business development and as leaders in their communities. The Body Shop also used socially conscious marketing as a key strategy.</p>
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<b>8: Public policy support measures</b>		
<b>Characteristics</b>	<b>Target</b>	<b>Examples</b>
<p><b>What is meant by Public Policy measures in this context?</b></p> <p><u>Public policy measures are:</u></p> <ul style="list-style-type: none"> <li>• Government supported and encouraged.</li> <li>• Private sector is engaged and plays a significant role.</li> <li>• Certification registry ensures that women businesses are targeted and remain recipients of the benefits.</li> <li>• Works in partnership with women's business organizations located throughout the country.</li> <li>• Targets specific women-owned businesses.</li> <li>• Provides a national standard of certification for women-owned businesses.</li> <li>• A function exists to provide corporate members and certified women's business enterprises (WBEs) with access to a range of B2B sourcing tools including, an Internet database – <a href="#">WBENCLink</a> – that contains information on certified women's businesses for purchasing managers nationwide.</li> </ul>	<p>Informal sector producers</p> <p>1 and 2 person business operations</p> <p>Business Start-ups and expansions</p> <p>Services sector</p>	<p><b><u>Women's Business Enterprise National Council</u></b></p> <p>Founded in 1997 in the USA, WBENC is an advocate of women-owned businesses as suppliers to America's corporations and works to foster diversity in the world of commerce with programs and policies designed to expand opportunities and eliminate barriers in the marketplace for women business owners. WBENC works with representatives of corporations and government to encourage the utilization and expansion of supplier/vendor diversity. This certification is accepted by 700 major corporations across the country, and a number of federal and government agencies. Women's small businesses and microenterprises can use WBENC certification as an important marketing tool.</p> <p>Research projects and surveys, primarily of CEOs and corporate procurement decision-makers, help to identify impediments to doing business and suggest "best practices" to maximize WBE opportunities and expand and enhance supplier diversity programs.</p> <p><b>Certification Requires:</b></p> <ul style="list-style-type: none"> <li>• US Citizenship or US Resident Alien Status</li> <li>• Fifty-one percent ownership by a woman or women.</li> <li>• Proof of effective management of the business (operating position, by-laws, hire-fire and other decision-making role.)</li> <li>• Proof of the owner's control of the business as evidenced by signature role on loans, leases and contracts.</li> </ul> <p>The details of certification are provided at:</p> <p><a href="http://www.wbenc.org/certification/index.html">www.wbenc.org/certification/index.html</a></p>

(WBENC cont'd)

The business can apply to be certified by completing an online application. Once this has been submitted, the applicant receives an email (within 24 hours) directing them to their [Partner Organization](#). Upon receipt of the notification they need to mail the "[Required Attachments](#)", [notarized sworn affidavit](#), a printed copy of their application and a non-refundable processing fee that ranges from \$250 to \$350, depending on where the business is located, to the assigned Partner Organization. There are no other fees for processing, but companies pay an annual processing fee and must undergo a re-certification process every year. The certification process takes 60-90 days from the time the Partner Organization receives the completed application packet.

WBENC has 14 [Partner Organizations](#) across the country that handle WBENC certification in all 50 states.

### **5% Set Aside Policy for Women-Owned Businesses**

The US government also sets aside a minimum of 5% of all government procurement contracts for small businesses, women-owned businesses, and small businesses owned by minorities. The businesses still have to take part in the competitive process, but gain a few extra points in their bids based on their belonging to one of the designated groups.

**Table 1: Summary of Microenterprise Development Support Program Characteristics**

Strategy	Target Groups	Builds Networks	Product Pooling	Internet Based	Requires Public Sector Support	Provides Financing	Provides Training
<b>1. Facilitator</b>	<ul style="list-style-type: none"> <li>▪ Informal Sector producers</li> <li>▪ 1-2 person businesses</li> <li>▪ Businesses with a single product line</li> <li>▪ Cooperatives</li> </ul>	✓	✓	May be one means of facilitation	✓		✓
<b>2. Aggregator</b>	<ul style="list-style-type: none"> <li>▪ Informal Sector Producers</li> <li>▪ Single product producers</li> <li>▪ Cooperatives</li> </ul>	✓	✓		✓		
<b>3. Catalogue Distribution</b>	<ul style="list-style-type: none"> <li>▪ Business to Business</li> <li>▪ Business to Customer</li> </ul>		✓	✓			
<b>4. E-Communities</b>	<ul style="list-style-type: none"> <li>▪ Women wanting to do business globally</li> </ul>	✓	✓	✓	✓		
<b>5. Equity Contributions</b>	<ul style="list-style-type: none"> <li>▪ Specific groups identified by government as priority targets.</li> </ul>				✓	✓	
<b>6. Franchises</b>	<ul style="list-style-type: none"> <li>▪ Persons with sufficient access to capital financing.</li> </ul>						✓
<b>7. Public Policy measures</b>	<ul style="list-style-type: none"> <li>▪ Informal sector producers</li> <li>▪ 1-2 person businesses</li> <li>▪ Business start-ups and expansion</li> <li>▪ Service sector</li> </ul>	✓		✓	✓		✓

<b>8. NGO Businesses</b>	▪ Poor, urban-based women		✓				✓
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## **V. Summary of Common Elements of Microenterprise Support Strategies**

The following highlights several common elements in the strategies and models used.

1. First and foremost is a requirement for there to be a facilitator of some kind – most commonly this is the public sector. However, civil society and academic institutions can also play this role.
2. The second is a strong focus on the building of networks among microenterprises. This is generally accompanied by some form of product pooling.

Neither of these common elements is surprising given the nature of microenterprises and the relatively limited amount of staff and often financial resources most have at their disposal, particularly during their start-up phase. Their small size and relative isolation if they are based in rural areas means that there is often a strong need for an external body to help facilitate their growth. systems. A larger external organization that is not in competition for business with the microenterprises can help them take advantage of some economies of scale that would not normally be available to them. These can include:

- Product pooling at the local, regional, provincial and national levels
- Access to affordable services such as product designers, market analysts, and business growth advice
- Increased access to market information and new technologies
- Increased access to product distribution
- Legal and professional advice.

If these external services can be combined with increased access to affordable credit through either a microfinance program or a program that facilitates their access to more traditional financial institutions, the effectiveness of the external services is likely to increase almost exponentially.

At the same time, while these facilitation and aggregation services may be initiated externally that does not mean that they should all be provided free of charge by the public sector in all contexts. This is one of the factors that needs to be addressed in the feasibility stage. For example, it would likely make sense for information and business counselling to be provided free of charge by the external facilitators, but possibly to charge at least a nominal membership fee for joining a product pooling cooperative or web advertising program. In general, depending upon the population target group there are some strong arguments to be made for setting up these programs on at least a partial cost recovery basis. If

the services are of value and are essential for the microenterprises to be viable and to grow, the businesses should be willing and eventually able to pay for these services.

The service rates charged could be subsidized and in most countries there would likely need to be a sliding scale of charges depending upon the stage of growth of the business and the actual financial stability of each microenterprise, with businesses at the start-up phase likely being exempt from these service charges. However, the external organizations can model good business practice by ensuring that their programming is at least partially self-funded. The Tabitha program in Cambodia operates on this principle and was completely self-funded after a year of operation.

### **Elements Needed in Women's Microenterprise Support Programs**

An ideal microenterprise support program would include the following elements:

1. A review of the country's legal and regulatory frameworks to determine if they have an equal impact on microenterprises as they do on SMEs. This review should include an analysis of the gender impacts of the different laws and regulations.
2. Based on the results of this review, a program to support policy changes to help create a positive growth environment for microenterprises
3. Access to business development advice and training
4. Access to information on potential markets
5. Access to expertise on product design
6. Access to product pooling venues
7. Access to service centres (e.g., the possibility of renting an office space for a few hours in the capital city to meet with clients).
8. Access to new technology (e.g., video conferencing, internet, etc.); and
9. Access to financing for product/service development and business expansion
10. Access to legal and professional advice
11. Links with affordable credit programs.

In essence, there is a need for a kind of one-stop service centre. These centres can be set up with a physical location or they could be internet based – depending upon the particular market segment they are serving. They could also be established as a form of collaborative partnership that involves the public and private sectors as well as civil society organizations and academic institutions, with each body providing the service in which they have the most expertise. An example of this type of collaborative sector women's business support service can be found in the Western Economic Diversification Canada program. Although the program is Canadian-based, the way it has been structured could be readily adapted for effective use with microenterprise support programs in diverse developing country contexts.

## The Western Economic Diversification Canada Program<sup>13</sup>

The Western Economic Diversification Canada (WD) is a federal government department that is working to strengthen Western Canada's economy. Their programs and services support three strategic directions – those of “[Innovation](#), [Entrepreneurship](#) and [Sustainable Communities](#)”.<sup>14</sup>

One of the WD's most highly successful models for supporting women entrepreneurs is its Women's Enterprise Initiative (WEI). The federal government gave each of Canada's four Western provinces funding to establish a non-profit enterprise development program for women and set up the four centres with sufficient local control to allow each centre to develop programs and services tailored to the specific needs of the communities and province they serve. All four centres do, however, share a similar mandate.

The four Women's Enterprise Initiatives include the:

1. Manitoba Women's Enterprise Centre
2. Women Entrepreneurs of Saskatchewan
3. Alberta Women's Enterprise Initiative Association
4. Women's Enterprise Society of British Columbia

Each centre offers women entrepreneurs access to a loan fund, advisory services, networking and mentoring, assistance finding the best fit for their business with existing services and a range of other unique products and services to support women entrepreneurs. Their guiding principles are to:

- Provide a range of services to women who want to launch or develop a business
- Endeavour to increase awareness of entrepreneurship and individual enterprise as a career choice for women and girls
- Work with current service providers in the public and private sectors to coordinate services for women and make them accessible, while avoiding duplication
- Trace the evolution of women's needs over time, through proposals for new services from women in business
- Provide services that are accessible to all women in the four western provinces.
- Provide client-oriented services.

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<sup>13</sup> Information in this section is based on material drawn from the [Prime Minister's Task Force on Women Entrepreneurs](#) and from the [Best Practices to Support Women Entrepreneurs in Canada](#) report presented as Canada's contribution to the 2004 OECD 3<sup>rd</sup> Conference on Women Entrepreneurs in SMES.

<sup>14</sup> WEDC website. [http://www.wd.gc.ca/default\\_e.asp](http://www.wd.gc.ca/default_e.asp)

## Successful WEI Program Elements

The Canadian Prime Minister's Task Force on Women Entrepreneurs noted that the WEIs are run for women entrepreneurs by women entrepreneurs and that they operate their services in a highly cost effective manner due to their non-profit nature. Both these factors have contributed to their overall success and merit a closer look as potential models for use with women's enterprises. The Centres have also developed strong linkages with other federal/provincial government service providers and with the private sector to facilitate the coordination of existing services and provision of seamless and cost-effective service delivery to their clients.

Through their initial research initiatives, the WEI also established that there were two main gaps in service that they needed to address. These gaps included:

1. A need for incremental access to credit for growth-oriented women-owned businesses, to ease a financing gap that is widely regarded as especially severe for young firms.
2. Training, business counseling services and mentoring that help fill the experience gap that hinders women-owned firms from growing as fast as those owned by men.

Consequently, the WEIs designed their programs to try and close these gaps and to focus as much as possible on providing women entrepreneurs with one-stop shopping with regard to business development services and loans or loan referrals.

The Manitoba Women's Enterprise Centre in Manitoba is noted as being one of the most successful of the four WEI centres. One reason for this is that it is located on the same premises as Industry Canada's Business Centre and the Manitoba Business Centre. The Manitoba centre also works closely with the other three Business Centres and with the Economic Development Council for Manitoba Bilingual Communities organization with each referring clients to the other and also sharing resources on site. Consequently, the WEI Centre is able to act as a one-stop access point for women entrepreneurs requiring information, funding, support and advice without the women entrepreneurs having to run around from place to place to find out what services are available. It also means that each of the different services can readily streamline their services and not duplicate the work that each organization is doing.

Another important factor is that the facilities are friendly and inviting and do not intimidate the women entrepreneurs. This would be even more necessary for women microenterprise owners in developing countries as many initially come from poor backgrounds and would not normally feel at ease going to a government office or a formal bank for advice.

### **Lessons Learned**

1. Public sector – non-profit organization joint initiatives can be highly effective, but there is a need to guarantee core funding to ensure continuity of services.
2. Programs to support women entrepreneurs are often best run by other women entrepreneurs. The same principle would likely apply to support the growth of women's microenterprises.
3. The WEIs program has been so successful in Western Canada that women entrepreneurs across the country have specifically asked the federal government if they can establish similar programs across the rest of the country following a similar model that builds upon existing programs and resources where they already exist and which has the autonomy to tailor services to the needs of the individual communities.
4. Women respond well to business support services operated and designed by other women entrepreneurs. This is also likely to be the case in many developing countries given the different types of gender discrimination that women in business face.

## **VI. Links with Microfinance and Other Loan Programs**

This type of multi-service centre could be combined with the type of people's banks that have begun to develop through microfinance programs. One such program in the Philippines, MODE, that was originally established as a people's agricultural bank has had tremendous success. Their original goal was to raise enough funding through their microcredit program to help pay for a building to house their NGO and to support some of the program services. They found to their surprise that their microfinance program was so successful that they decided to expand their microfinance services rapidly with a focus on service to the rural areas.

ACLEDA in Cambodia is another example of a microfinance program that evolved into a community bank and with which the public sector could partner to set up women's microenterprise support centres. The ACLEDA program started by offering week long courses (33 hours long) in business management and how to develop a business plan to the urban and rural poor. Participating in the course was a precondition for microenterprise owners to qualify for a loan to either start or expand their businesses. The organization found that most potential borrowers could not dedicate more time than a week for this type of training as most of them were working at a fairly basic survival level and needed to keep working in order to feed their families.<sup>15</sup>

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<sup>15</sup> Asian Development Bank. 1997. *Skills Training as a National Strategy for Poverty Reduction: Women and Vulnerable Groups*. Phnom Penh, Cambodia

In the mid-1990's when the program first started operating, ACLEDA charged its microenterprise level clients interest rates of five percent per month. They justified this on the grounds that the loans were not secured and because the payments are made in the national currency, riel, which had a fairly volatile fluctuation rate in terms of value. This rate was also significantly less than the interest rates charged by the alternative sources of credit for microenterprises in the country. The loan period was up to six months and payments were made on a weekly basis unless the business was located quite far from the ACLEDA offices. Another condition of the loan was that the clients had to form a solidarity group with members from the same area. ACLEDA staff would visit each solidarity group once a month to discuss how their businesses were doing and to provide additional business development advice and support.

The initial loan size for a microenterprise was a maximum of US\$150 per person in the solidarity group and almost all of the loans at this level were made to support trading activities. In addition, 99.9% of their clients at the microenterprise level were women. Once they had successfully repaid one loan, their clients could negotiate a larger loan size to help expand their businesses and many of their microenterprise clients were second and third time borrowers. By 1996, ACLEDA had made 20,000 loans at the microenterprise level.

ACLEDA also provided loans for small and medium enterprises with different qualifying conditions. For example, small enterprise had to provide some form of collateral and have no more than five employees. The interest rate for this level of business was 18% per year and the repayments were made in US dollars. Most of their borrowers at the small enterprise level also made loans to support trading activities. A majority of them also had an agricultural base where the borrowers planned on getting a return on their investment within three months of obtaining the loan.

The organization also provided loans for medium sized enterprises and observed that men have more access to credit in this loan category than women do. Officially their uppermost loan limit in this category was \$74,000, but by December 1996 the most they had lent in this category to any one business was \$30,000 and they had only made a total of four loans to medium sized businesses. Interest rates at this level were also at 18% and repayable in US dollars.

It is the range of loan options that make the ACLEDA model different from many other microfinance programs. Although their main clientele are microenterprises, they do provide services for SMEs as well as repeat loans for their microenterprise clients. This opens the door for their more successful microenterprise clients to make the transition to the small enterprise level without having to change financial institutions and the opportunity to continue their financial relationship with an organization that understands the dynamics and particular challenges of microenterprise growth and development.

Another key to ACLEDA's initial success is that they recognized that in a post-conflict economy such as Cambodia, women microenterprise owners could not afford to risk large sums of money and that growth would most likely take place in incremental stages. Second and third loans ranged up to US\$500 and one of their most successful clients was trying to talk them into lending her US\$10,000 to set up a shrimp farm and large rice mill at the time she was interviewed. The other key to their success was that they provided on-going business development training in small increments as well with each monthly visit to the solidarity groups including a mini-business seminar. That way none of their clients had to take much time away from developing or operating their businesses but over time were given training in basic business management.

Whether the microfinance component of a business support program is run by an NGO, a private sector company or the government would depend upon existing conditions and laws in each country. However, what is clear is that microenterprise and business development support models that involve multi-sector partnerships that provide a range of services to the client businesses tend to be the most effective.

The table which follows on the next page summarizes the kinds of roles that the different sectors tend to play in microenterprise support programs.

**Table 2: Roles of Different Sectors in Microenterprise Development**

<b>Government</b>	<b>Civil Society Organizations</b>	<b>Private sector</b>	<b>Academic Institutions</b>
Supports mass scale production with quality controls and codes of conduct	Serves as network intermediaries and facilitators	Target group is small producers	Tracks and analyzes economic trends affecting microenterprise development
Supports specific target groups within the population that may be otherwise disadvantaged.	Business association involved in distribution	Develops partners	Conducts research on topics and questions of particular interest and use for microenterprise development
Establishes branding (national products)	Helps identifies partners and business matches for specific target groups	Sells business to business services to support microenterprise growth	Provides expertise in microenterprise development and gender analysis
Develops policy to create positive environment for microenterprise growth	Supports networking activity	Develops branding of specific products and services	Provides training in microenterprise development and gender analysis for businesses
Facilitates access to international markets for domestic businesses	Provides affordable or free support services to specific target groups	Helps develop access to distribution Involved in product distribution	
Tracks and analyzes economic trends affecting microenterprise development through national statistics agencies	May provide access to micro-finance	Finds or engages multiple producers of similar products and may purchase products and services from microenterprises	

From this summary it is possible to see both the areas of overlap and interest as well as the unique functions that each sector plays. The lead role in providing support services for microenterprise development generally comes from the public sector and civil society organizations (CSOs). In some countries it is the CSOs that take the lead in developing microenterprise support networks, in others it is the government. In either case, there is a need for the two sectors to work in collaboration to maximize the use of scarce resources. The private sector tends to take more of a service role in that the larger companies will often sell their services to microenterprises. The larger firms can also be called upon to work with the microenterprises as suppliers of products and services for their firms. The academic sector serves a role both in terms of documenting economic trends affecting women's microenterprises as well as provides expertise and some capacity-building of the different stakeholders involved.

## Growth through International Trade Links

Whichever combination of strategies are put together another important link to be developed is to find ways to help microenterprises make international trade connections. These can range from a focus on developing microenterprises as domestic suppliers to larger businesses that export their products and services to the establishment of product cooperatives or the use of other product pooling venues. It does not mean that each and every microenterprise involved in the business support programs would become an exporter, but rather that the business support centres could include the building of international trade networks as one strategy to facilitate microenterprise growth. Programs that have done this have seen some considerable success, particularly if combined with the use of internet technology as a focused marketing tool.

An example of the impact of export focused programs for microenterprises is demonstrated by the case of Starfish Oils Limited in Jamaica<sup>16</sup>. The company is owned by Sharon McConnell-Cooke and her husband, Kynan. Ms. McConnell-Cooke had been trained as a certified aromatherapist and Yoga teacher and began experimenting with the production of therapeutic blends of scented body, bath and massage oils. She dreamed of using these oils to create a special product. Like many microenterprises initiated by women she started her company with her own resources - and no business plan. She initially sold her products at local craft fairs.

However, she also realized that her market in Jamaica would be quite limited and that there was a need to diversify her fledgling business so she switched to producing scented candles, oils and soaps to serve the tourist market. She launched this new business in 1995. It has grown since then to a highly successful business that manufactures and exports a line of aromatherapy oils, candles, and handmade soaps. The company now employs 15 staff and is based in a 4,500 square foot factory in one of Kingston's private industrial parks.

While Starfish Oils is now a small enterprise, in its initial years of operation it went through all of the growing pains and challenges that face any new microenterprise. Ms. McConnell-Cooke found that initially the company received very little help. She and her husband had to do a lot of running around to various agencies to expand the business once it grew beyond the local craft fair stage. Amongst other things, they did not know that they needed a Tax Registration Number, a Tax Compliance Certificate and other bureaucratic requirements which they found somewhat overwhelming, especially those necessary for them to become certified as exporters.

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<sup>16</sup> Case study excerpt adapted from: *Commonwealth Businesswomen; Trade Matters, Best Practices & Success Stories*, Commonwealth Secretariat, London; Commonwealth Secretariat. 2002

However, once the company was able to connect with the Jamaica Manufacturers' Association and the Jamaica Exporters' Association (JEA), they found help getting through this process. They also subsequently received technical assistance through the JEA's Small Business Export Development program, funded by USAID. This helped them improve their business skills, their company efficiency and provided them with guidance on production and product line identity. The program also helped connect the microenterprise to export markets through supporting their participation at international trade shows and providing them with significant low-cost financing as well as access to a \$35,000 World Bank loan.

Based on the response their products got at the trade fairs she attended, Ms. McConnell-Cooke realized that there was a huge potential market in the USA, Japan and Europe and it became clear that the company needed to adopt an internet-based form of marketing. In response, Starfish Oils' web site, [www.starfishoils.com](http://www.starfishoils.com) was launched in October 2000. The site required an investment of US\$20,000 to develop. The business also had to restructure itself so that all Starfish Oils' products destined for overseas markets would be shipped from the United States. The first eight months following the launch of the website saw the company's sales increase by 800%. This growth has both stabilized and continued and the company saw average growth in sales of 40% per year.

The distribution arrangement that Starfish Oils Limited is using is one that could readily be emulated by other microenterprises, particularly if a product pooling process is used. The Starfish Oil products are warehoused in Miami and a US-based company provides a complete outsourced e-commerce and fulfillment service which sells and services customers through the internet – thus limiting the amount of upfront capital investment required. The distribution company's services include customized design and daily operation of a Web store, order processing and fulfillment, phone and on-line customer support and management of all customer returns. The distribution company charges about 30% of sales as their fee.

Some of the lessons that Ms. McConnell-Cooke learned from the process of establishing this successful business from a microenterprise base that could be applicable to other microenterprise support programs include:

- Get the company to test its market at a very local level first.
- Encourage the microenterprises to be open to diversifying from their original idea and vision if the market demands it.
- Integrate the local culture into the microenterprise product if possible
- Provide access to affordable credit through government, donor agencies money as well as bank financing.

- Encourage the microenterprises to use technology to help market their products but make sure that it is part of an overall market strategy and keep in mind that it is just one marketing tool.
- Encourage microenterprises to cut capital costs and overhead by outsourcing services and distribution where feasible.

## **VII. Next Steps**

### ***Step One: Development of Program Prototypes***

From this brief review of alternative strategies to support the growth of women's microenterprise at the domestic and international levels, it is possible to see that there are multiple successful options available to countries wanting to support increased microenterprise growth as a means of promoting sustainable development and sound economic development policies. It is also possible to see that rather than one particular strategy being the most effective, it is often the combination of several different strategies that facilitates steady economic growth for women's microenterprises. While increased access to credit is an important core element in microenterprise growth programs, even microcredit programs have found that they are most successful when they also provide additional business support services to their clients.

Thus a useful next step would be to develop prototypes that combine the most effective microenterprise support strategies and models. These prototypes would include programs that are public sector-based, as well as those that are private sector, civil society and academic institution-based. They would examine the feasibility of programs that are totally government-funded, ones which are self-funded, ones which are funded through donations, etc. as well as combinations of these different funding models. The prototypes would combine a variety of the services that different program evaluations and a review of successful operations have shown to be the most in demand and the most effective. The selection criteria attached in Annex A provide an overview of the key factors that need to be taken into account in the development of the program prototypes.

**Table 3: Potential Microenterprise Support Program Prototypes**

Public Sector Driven	Domestic Growth Focus	Export Growth Focus	Policy Focus
Civil Society Driven	Building of domestic Networks	Establishment of Fair Trade Organization or NGO Businesses	Capacity building and training
Private Sector Driven	Business to business services and products	Use of microenterprises as suppliers	
Academic Sector Driven	Microenterprise and gender research	Microenterprise and gender research	Establishment of training institutes to support microenterprises

**Step Two: Consultation Process**

Determining what would represent the best combination of microenterprises support strategies will require a consultative process with key stakeholders working with microenterprises in developing countries. These stakeholders would include:

- Ministries of Commerce, Finance and Women in developing countries in Asia
- Businesswomen's associations in developing countries in Asia
- NGOs that work on microenterprise development or which function as NGO businesses or as fair trade organizations
- Academic institutions that do research on microenterprise growth and/or provide training services for microenterprises
- International development cooperation agencies working with microenterprises
- Successful women entrepreneurs and businesswomen
- Representatives of indigenous women from the region

The first round of consultations currently planned to discuss the potential prototypes would be at the the Women Leaders Network meeting in Vietnam in September of this year since there will be many representatives from the stakeholder above participating. It would also be helpful to obtain feedback from specific CIDA country programs in the Asia Branch that have a specific interest in working in the area of microenterprise and private sector development.

**Step Three: Country Selection for Feasibility Studies**

Based on the feedback from this consultative process, the WLN would select several economies in which to conduct feasibility studies on the different prototypes. In this context feasibility studies refers to an assessment of existing

programs offering the different elements included in the prototypes to determine what kinds of resources are needed to establish them and what lessons learned these programs have to offer. The end result of these feasibility studies would be the development of specific guidelines and a detailed toolkit outlining the different steps, core elements and resources required to establish each of the prototypes in a developing economy context.

***Step Four: Establishment of Pilot Microenterprise Support Programs***

Depending upon which Asian countries express interest in participating in this project, the idea is to establish a pilot program for each of the program prototypes to both increase support services for microenterprises and to test the viability and effectiveness of the joint programs. The implementation of this part of the project would also be tracked and documented for lessons learned to support the establishment of the most successful prototype programs in additional economies and countries in the region.

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