

Planning and Developing Community Micro-Enterprise

Dyutiman Choudhary, Ahmad Javid Ghyasi, Sima Rezai

Background

In Afghanistan, most micro-enterprises are easy-to-start income generating activities requiring little capital and often initiated and managed by households or individuals. Some are family enterprises such as carpet making, embroidery, and crafts handed down through generations. They make use of simple technologies, equipment, and resources usually available in the community and in nearby areas. Micro-enterprises owned and managed by local communities are called community enterprises. Various agencies in Afghanistan that promote enterprise development reach out to these small-scale community enterprise producers and artisans, offering training programmes on ways to diversify products and services, organising producers into enterprise groups to help link them to markets, and other services for strengthening strengthening micro-enterprises and improving community income.

Micro-enterprises provide off-farm employment and income in rural areas and benefit poor families, women, and disadvantaged groups. Although they require minimal capital, the requirements to start a micro-enterprise are nevertheless too high for the poor to afford.

Micro-enterprises in Afghanistan



Improving skills for enterprise development through bio-briquettes and a green house

- Backyard vegetable growing
- Dry fruits
- Poultry
- Dairy products
- Food processing
- Backyard soap making
- Honeybees and honeybee products
- Saffron
- Cumin
- Herbal medicine
- Gems cutting and polishing
- Seed production
- Fish farming
- Woolen yarn, carpet weaving
- Handicrafts

Small victories in micro-enterprise



Vegetable farming increases family income

After a bad harvest year, Asefa, a widowed farmer from Kool village, cultivated improved varieties of garden crops through a self-help groups' programme of CRS, a relief organisation working in Afghanistan. The little backyard enterprise has been her means of supporting her six children.

Qandi Gol, another woman farmer, has also been helped by the CRS self help groups programme. When her husband went to Iran for work, she supported her eight-year old daughter from income cultivating a new variety of tomatoes through the programme.

Seventy other women have been supported by this NGO's micro-enterprise programme to establish their backyard garden plots of garlic, okra, tomato, onions, saffron, and other crops. Backyard farming has brought food to their dinner tables and improved nutritional levels in the community. More important, the women gained income generating skills, greater confidence in themselves, and new hope for the future.

Therefore, micro-enterprise development requires thoughtful, careful planning.

Studies on micro-enterprise trends in Afghanistan have highlighted their existence within larger networks of firms and their dependence on other actors, factors, and conditions that affect their viability and performance. Using recently developed enterprise development approaches and methods, this section offers step-by-step guidelines on planning for the set up of a micro-enterprise.

Stages in planning a community micro-enterprise

Stage 1. Identify micro-enterprise activities or projects, set goals, and identify target groups

- Set the goals of the micro-enterprise and a programme for its development
- Identify where the operation will be located
- Define and decide the target groups
- Identify potential partners and other local organisations such as the Shuras
- Organise and mobilise identified target groups into interest groups
- Agree on the process of developing the enterprise with the identified partners; set partner roles and responsibilities.

For facilitators such as professional staff of nongovernment organisations, government agencies, business association members, extension workers, and others, it is important to understand the goals that the target groups have set for developing a micro-enterprise. Integrate these goals into the planning and development process. (For participatory approaches to integrating communities in the planning and development process, refer to the chapter on 'Working with Communities'.)

Stage 2. Select products and services and assess the markets

Selecting products and services

- **Identify products and/or services.** Consult community members through focus group discussions, key informant interviews and other methods, and refer to useful reference materials such as books, websites, others in preparing the products/services list.
- **Shortlist products and services.** Narrow down the list to realistically possible products and services based on social, economic, and environmental considerations. Social considerations include community interest, gender, social equity, access, tenure, policy, and institutional support requirements. Economic considerations include technology and the requirements of the market. Environmental considerations include impacts on the environment of sustainable harvest limits, ecology standards, pollution, hazards and risks of producing the products, among others.
- **Make a final list.** Select the final products or services to develop together with the target groups. A sub-sector ranking table can be used to make a final list of around 2-3 micro-enterprise products and services. (For detailed methodology see Frank Lusby, Promotion of Commercially Viable Solutions to Sub sector and Business Constraints, March 2004.)

Studying their markets

Carry out market studies to:

- identify market demand for the selected product/s and/or services including market prices and volume demand,
- identify market requirements in order to sell the products (standards; certification, laws, regulations, procedures),
- study the competition (competitors and competing products), and
- compare costs with similar products already in the market.

Carry out further market research to:

- obtain the necessary information for making decisions on marketing
- identify specific buyer requirements and demand trends
- see actual market opportunities for the products and services

Stage 3. Map and analyse the product/s' value chain

A value chain describes the many different activities required to bring a product or service through the different stages of production, transformation, and delivery to the final consumers (Kaplinsky and Morris 2000). The following is an example of the product value chain for saffron in Afghanistan as a whole, and in Herat in particular.

Value chain mapping, as illustrated in Figures 1 and 2 above draws a basic map of activities and actors or operators involved in producing and transforming the products and bringing them to the final consumers. A detailed value chain map allows us to explore key issues, constraints, and opportunities and identify where the target groups are in the chain. (Participatory market chain analysis [PMCA] is

Figure 1: Basic sequence of functions in the saffron value chain in Afghanistan

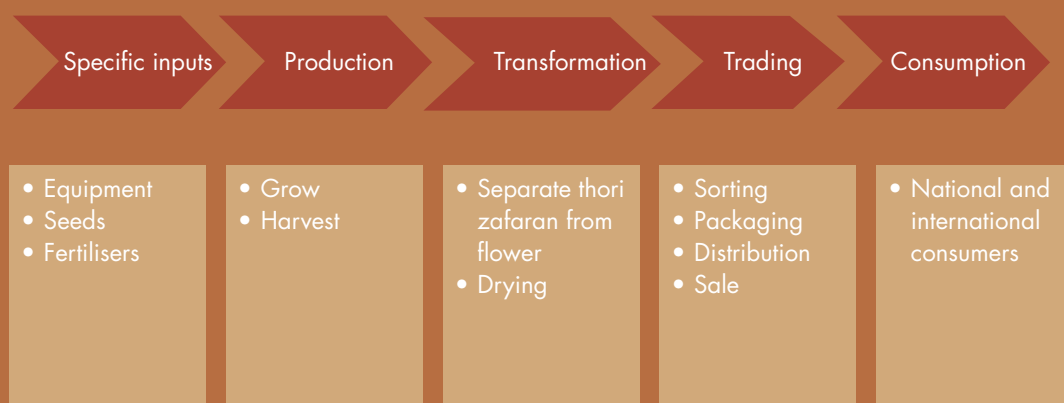


Figure 2: Major operators in the saffron value chain in Herat



an approach used by Practical Action, which is defined as a method of engaging market chain actors in sharing knowledge and building trust in order to generate joint innovations). Participatory value chain mapping and analysis is done to draw an outline of the value chain and is prepared by facilitators together with the target group/s and specific actors or operators in the chain. It helps in calculating the financial returns to operators of the chain (especially the target group), identifying important operators and ways in which returns are distributed among different operations. The value added at each stage is calculated.

Stage 4. Design an upgrading strategy

Developing a strategy or action plan to achieve the common goal/s set by the target groups is important in putting the micro-enterprise plan into operation. Develop a vision and strategy for upgrading, together with target group and stakeholders. Tap the opportunities or address the constraints in the value chain

The following steps may be taken to design the enterprise's value chain strategy.

1. *Develop a goal and strategy for improving the status of target groups and to facilitate their participation in the value chain.*
2. *List the different strategies.*
 - Shortlist a few (2-3) effective strategies to address problems in the value chain and meet the goals.
 - For each of the strategies review the factors for economic, social and environmental aspects to analyse the strengths and weaknesses of each strategy. This can be used as the baseline information for future evaluation.
 - Select the best strategy for implementation.
3. *Identify important areas of influence that can stimulate change.* For example, simplifying processes and regulations for accessing credit in the rural areas creates interest among target groups to participate in the development of micro-enterprise.
4. *Assess Business Development Services (BDS).* These are any non-financial services provided to businessmen either on a formal or informal basis. They relate to research, production, processing, marketing, quality control, accounting, management, training, and other activities required by micro-enterprises at different stages. Business chambers, the private sector, specialised institutions in local areas can provide business development services to starting micro-enterprises.
5. *Source credit.* At present, financial services are available for entrepreneurs from micro-credit institutions. Self-help groups may also be formed to generate savings and provide loans among members.

Types of value chain upgrading

Process upgrading – reorganising productive activities to achieve a more efficient transformation of raw materials (inputs) into finished products and services (outputs)

Product upgrading – moving to better, high utility value products

Functional upgrading – acquiring new functions that use new skills, or abandoning old functions

Governance upgrading – strengthening local institutions and policy implementation

Value chain coordination upgrading – including different institutions and stakeholders to leverage support for upgrading

Market upgrading – targeting more profitable markets

Upgrading strategies and actions

- Facilitate for target groups to enter the value chain and be able to tap into opportunities.
- Improve the quality of existing production activities.
- Adopt more value adding functions.
- Increase links and working relations among micro-entrepreneurs and strengthen coordination of activities at the production end by the entrepreneurs.
- A combination of increased functions and horizontal links lead to coordination of production and other functions by target groups.
- Concentrate on fewer functions and activities.
- Reduce working links between micro-entrepreneurs.
- Simultaneously reduce working links and number of functions.
- If unable to successfully enter the value chain, voluntarily exit from the chain.

Stage 5. Make an enterprise development plan

Develop a business plan for the enterprise. A step-by-step process showing the elements to include in the business plan is shown below.

Stage 6. Begin the pilot phase and build competency

- Mobilise financial resources to start the enterprise.
- Build the capacities of entrepreneurs and stakeholders by organising training programmes and exposure trips.

Things to consider when making an enterprise development plan

- *Background and overall goals of the enterprise* – Examine the current situation, the rationale for the micro-enterprise, how it will change or improve the situation.
- *Production* – Describe the product/s to be produced or service to be provided, the supply and collection of raw materials needed, sustainable raw material production, quality control (for example, organic cultivation), harvesting, storage, product production process (primary and secondary processing), production capacity; in the case of crops, description of the site for the potential enterprise, communication facilities, infrastructure, others.
- *Technology* – Identify tools, equipment, machinery, packaging, infrastructure, energy, supplies needed, other technologies required.
- *Marketing and sales* – Incorporate the results of market research in the plan and how to appeal to the identified market, the market mix; develop a market strategy including how to develop customer relationship, get feedback, purchase and supply terms and conditions, promotion schemes, sales target, a sales plan, other marketing and sales details.
- *Management* – The plan should include the legal status of the micro-enterprise, its interface with regulatory bodies, skills, experiences and competencies of the community or staff in relation to the enterprise, management structure and team, decision making, operations, compensation, monitoring and supervision, relationship with stakeholders, interface with the community, distribution of benefits, and other management considerations.
- *Finance** – Start-up costs and capital needs, gross profit, net cash income and net profit, proposed financing plan with a loan repayment schedule, payback period, breakeven point, return on investment, profit and loss statements, cash flow projection, are some key elements.
- *Risk analysis* – Anticipate and analyse the major risks to the enterprise specific to the industry and its geographic location.
- *Regulatory environment* – This includes general policies, business laws and regulations, legal acceptance, export/import requirements, access to resources, tenure, others.

* Field workers cannot be expected to be knowledgeable on all types of enterprises and may need to call on experts to ensure complete and reliable data for estimating cost and income factors such as input and output volumes, quality, prices, etc.

- Provide and seek support in establishing the enterprise.
- Form an entrepreneurs' association, federation or similar body and facilitate the process of drafting the by-laws and registering the enterprise through related government departments.
- Facilitate linkages with government agencies, input suppliers, chambers of commerce, markets, research agencies, banks, transporters, I/NGOs, other sectors.
- Document the results, problems faced, and share impacts and achievements with various stakeholders.

Stage 7. Evaluation, adjustment, or exit

- Evaluate the enterprise's result in terms of economic, social, and environmental aspects.
- Based on the evaluation, identify the constraints with the aim of overcoming them or further developing the sectors over the long run.
- Formulate a new/adjusted strategy and start a new cycle.
or
- Where chances of success appear bleak, end the project and exit. Try to identify other areas or potential micro-enterprises through which the goals of the facilitating institution and target groups can be fulfilled.

Conclusion

Observations and Implications – The links of micro-entrepreneurs to the larger business environment are crucial in understanding the growth pattern of the industry, the power dynamics around it, and to have adequate support services to ensure the success of a micro-enterprise. Mobilising the micro-entrepreneurs to form business associations and linking them to the chambers of commerce are ways by which their local issues are conveyed, and desired changes put to effect through advocacy and reforms for the benefit of the small entrepreneurs. At the micro level, the poor need specialised services and an environment in which they can participate equitably in the enterprise and have a fair share of the benefits. But the bottom line for business support should be commercial viability of the enterprise that creates pro-poor outcomes.

Potential areas for intervention – For enterprise development these include vegetables and dried fruits, green house, poultry, and dairy products, food processing, soap and detergents, honeybees, saffron, cumin, herbal medicines, gems-cutting and polishing, seed production, fish farming, woollen yarn, carpet weaving, handicrafts, vocational training and services.

What do we need for it? Technical experts, training, exposure, market information, funding, technology, business associations, social venture capital, public-private partnerships, access to micro-credit, provision of business development services are some of the resources a starting or ongoing micro-enterprise will need.



Clockwise from top: Participatory enterprise planning; Accessing quality inputs for agri-enterprise development; Transport requires sufficient production volume to make it economical; Selling local products