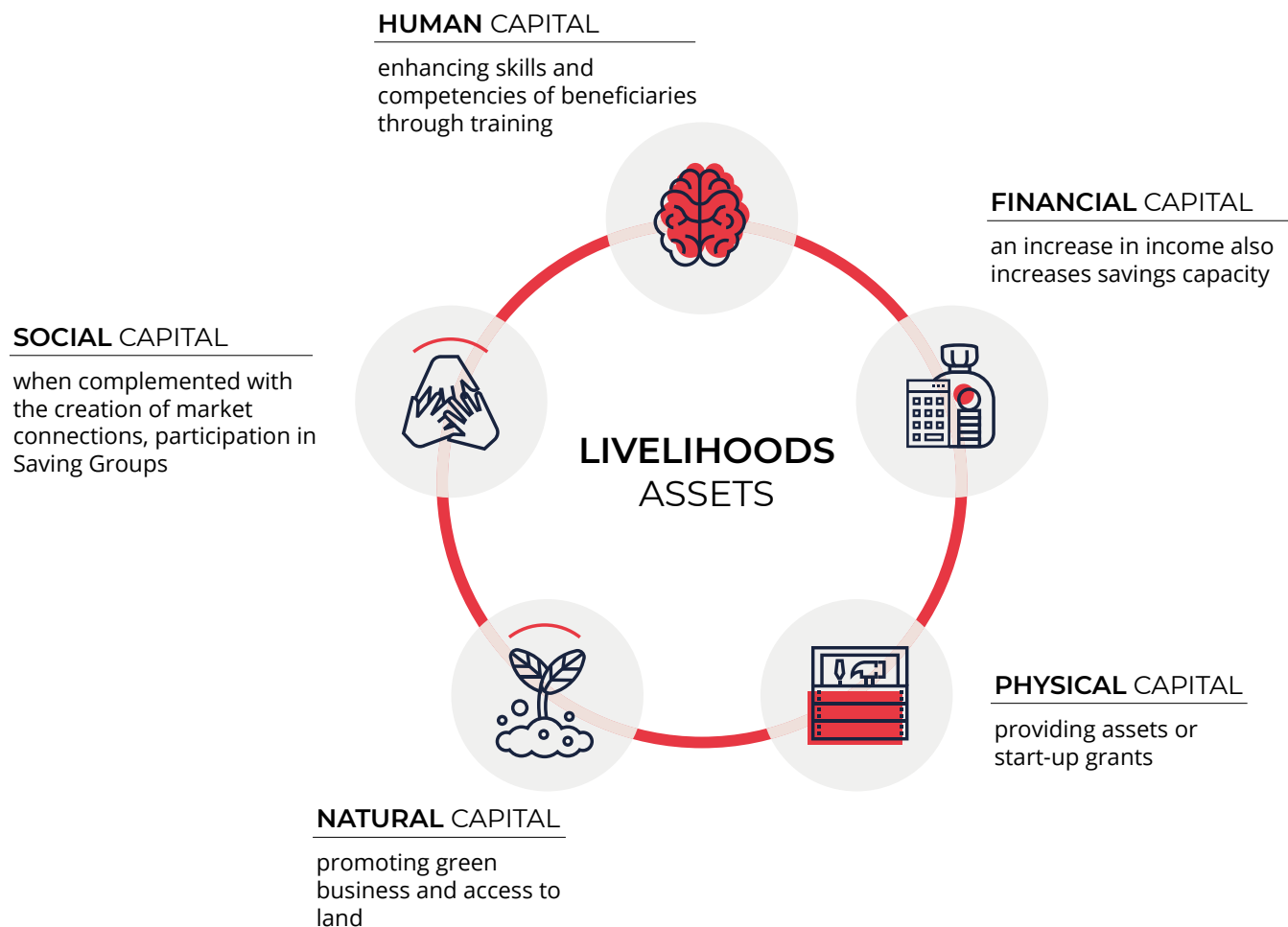


SUPPORTING LIVELIHOODS CAPITALS THROUGH ME

Supporting ME directly strengthens the different capitals outlined in the Sustainable Livelihoods Framework (SLF).



TYPE OF BUSINESS ME

Definition and common characteristics of ME

Small enterprise

- ▶ Liquid and fixed assets ranging in value from several thousand to hundreds of thousands of USD.
- ▶ 10+ employees.
- ▶ Formal licence and business operations.



Micro-enterprise

- ▶ Liquid and fixed assets ranging in value from several hundred to several thousand USD.
- ▶ 1 to 10 employees.
- ▶ Sometimes lacking a formal licence, but often with a fixed location and hours.



IGA Income generation activity

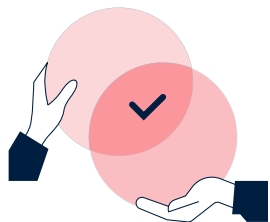
- ▶ Little or no fixed assets, total assets of USD 30–1,000.
- ▶ Work may be part-time or sporadic, perhaps done from the person's home.
- ▶ Self-employment, with several ways of earning income

Subsistence producer

- ▶ Similar to income generation but with a lack of experience of, or access to, cash economy.
- ▶ Geared mainly to self-consumption and barter

ME COMMON CHARACTERISTICS ADDRESSED BY RCRC

They are common characteristics before the intervention takes place.



Primary source of income

For many people, MEs are a form of self-employment and the primary source of a family's income, not just an extra income.

Unpredictable economic environment and seasonal fluctuation of income

Uneven income distribution over the year is often linked to high seasonal fluctuations in revenue and expenditure. Production is often dependent on climatic conditions, especially in rural areas.

Informal

Often MEs are not officially registered and do not pay taxes, etc. This lowers the set-up costs but makes them more vulnerable to shocks.

Risk-averse

MEs tend to be highly conservative. For example, they do not take the opportunity to sell more, (and therefore do not take the risk). They produce a limited quantity with the main objective being to sell all products made.

Little and short-term horizon

They can be established with little planning and can appear and disappear overnight.

Limited fixed assets

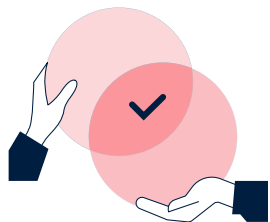
The start-up costs are often low. They might need basic assets such as furniture, cooking pots, fridges, livestock or seeds, etc.

Little reinvestment

Often the owners of MEs are not growth-oriented and invest only the minimum in the business.

ME COMMON CHARACTERISTICS ADDRESSED BY RCRC

They are common characteristics before the intervention takes place.



Traditional skills

Microentrepreneurs often acquire competencies by self-learning through practice.

Traditional technology

MEs typically use simple or traditional technology.

Family labour

If the ME owner requires additional labour, it is usually that of a family member rather than a paid employee.

Mixed with the household economy

ME owners tend not to separate their business from their household budget. If they or a family member needs money for food or medicine, they get it directly from the profits of the ME.

Illiterate or semiliterate

ME owners may not be able to read or write.

Negligible product diversification or value addition

ME owners tend to sell the same products as many others in the market.

Limited bookkeeping

Most ME owners do not keep written records. They do “hand-to-pocket accounting”. They may not know how to determine whether their ME is profitable.

No access to credit or insurance

Many ME owners do not have access to formal income-smoothing mechanisms such as credit and/or insurance, often because of the lack of formal institutions especially in remote areas, and the fact that they do not consider wealth-constrained households to be creditworthy.

ME PROGRAMMES SWOT ANALYSIS

STRENGTHS

- ▶ Respect for the beneficiary's dignity.
- ▶ Strong ownership and sustainability.
- ▶ Appropriate for vulnerable households, requiring motivation and basic skills.
- ▶ Provide a solution for urban and peri-urban settings.
- ▶ Adaptable to different livelihood activities.
- ▶ Feasible in recovery and development phases.

WEAKNESSES

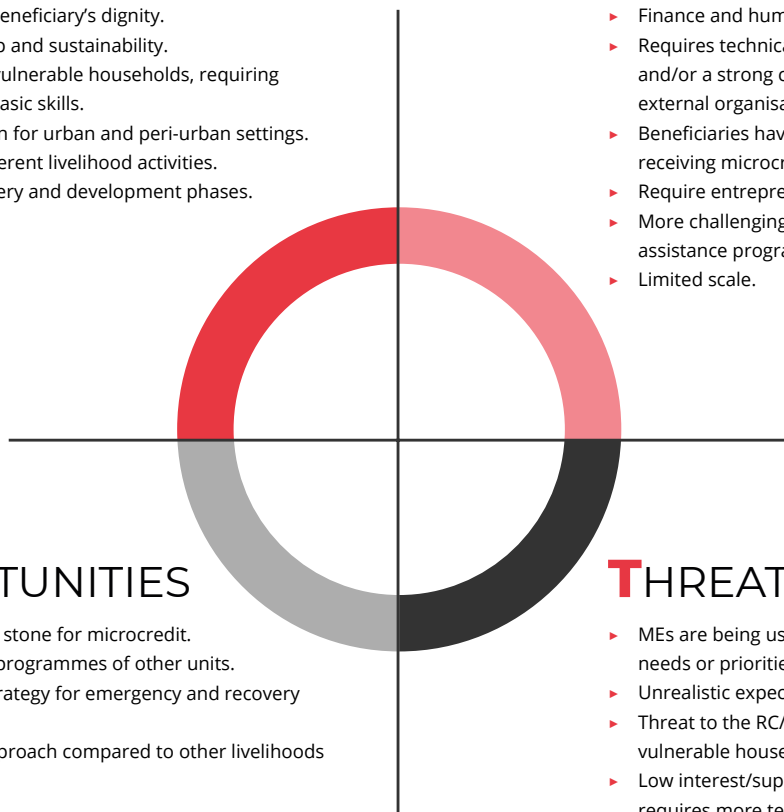
- ▶ Finance and human resources intensive.
- ▶ Requires technical capacities of the team for the implementation and/or a strong connection with government technical units or external organisations.
- ▶ Beneficiaries have less responsibility and ownership than when receiving microcredits.
- ▶ Require entrepreneurial spirit and basic management skills.
- ▶ More challenging to deploy and implement than standard assistance programmes.
- ▶ Limited scale.

OPPORTUNITIES

- ▶ Act as a stepping stone for microcredit.
- ▶ Integration with programmes of other units.
- ▶ Can be an exit strategy for emergency and recovery programmes.
- ▶ Cost-effective approach compared to other livelihoods activities.

THREATS

- ▶ MEs are being used as a response when people have different needs or priorities.
- ▶ Unrealistic expectations of staff without ME experience.
- ▶ Threat to the RC/RC image if not offering alternative responses for vulnerable households excluded due to lack of skills or motivation.
- ▶ Low interest/support from NS management boards as ME support requires more technical skills than distributions.



DEFINING THE OBJECTIVE AND SCOPE OF THE ASSESSMENT

Before conducting ME opportunity assessment

DEFINE:



OBJECTIVES



THE EXPECTED RESULTS



THE SCOPE OF THE ASSESSMENT

CONSIDER:



The target area
(rural, urban or peri-urban)



The programme's
approach



The timing of the
assessment



The cost / benefit of the
assessment activity in relation to
the scope of the ME programme

CONTEXT:

RURAL



- ▶ Opportunities will have a strong component linked to the existing primary activities and, therefore, in the value chains/market systems.
- ▶ Success of an ME is very much dependent on the existing supply and demand of products and services and the available resources.

URBAN



- ▶ Opportunities are linked to processing, crafts and service sectors.
- ▶ Success of an ME is strongly dependent on the added value they offer (compared to the competition)

FEASIBILITY OF A ME PROGRAMME

CHECKLIST

will help you decide whether an ME programme is a feasible option:



- ✓ **Functioning markets.**
- ✓ **Target population** must be able to cover their basic needs during the ME programme cycle until their ME becomes profitable.
- ✓ **Alignment with government policies.** Support to MEs for the target population should be in accordance with national government policies.
- ✓ **Beneficiaries' preferences.** ME should be part of the target population's economic activities of interest and motivation.
- ✓ People must have **a certain level of stability** to undertake the business.
- ✓ **Programme duration.** ME programmes should last long enough to support the re-establishment or creation of MEs and their accompaniment/coaching.

Other considerations:

- ✓ In line with traditional (community) dynamics.
- ✓ Organization's capacity to implement ME programmes.

TARGETING SELECTION CRITERIA



VULNERABILITY :

such as lack of income sources, loss of productive assets, households with all its adult members unemployed, etc.



MOTIVATION

of the beneficiary to undertake the foreseen activity.



SKILLS and KNOWLEDGE :

the person's existing skills (language, etc.) as required to perform the proposed activity and their knowledge to perform the activity.



EXPERIENCE :

beneficiary's experience working on the proposed activity.



PRECONDITIONS :

the existence of basic conditions and resources to ensure the programme's success.

In addition, when defining criteria, there may be:

- ▶ Exclusion criteria and/or inclusion criteria which determine eligibility.
- ▶ Prioritisation criteria, which may be weighted.

INCEPTION PHASE

ACTIVITIES

The Inception Phase is the first step to have a **'reality check' of the proposed programme** approach to the stakeholders and participants of the project and to seek approval of the workplan and budget.



BUILDING RELATIONSHIPS

WITH LOCAL PARTNERS AND/OR SERVICE PROVIDERS

- ▶ Workshops to disseminate the programme, objectives and outputs to local authorities and relevant stakeholders
- ▶ In many contexts, a programme committee, a representative body of the community where the programme will be implemented, is created at this stage



ME OPPORTUNITY ASSESSMENT

- ▶ This assessment could be done during the design of the ME programme and/or during this inception phase



SELECTING

FINAL TARGETED SITES



CAPACITY BUILDING

FOR STAFF AND VOLUNTEERS



ADMINISTRATION, FINANCIAL AND LOGISTICS


COORDINATION AND SUPERVISION MECHANISMS



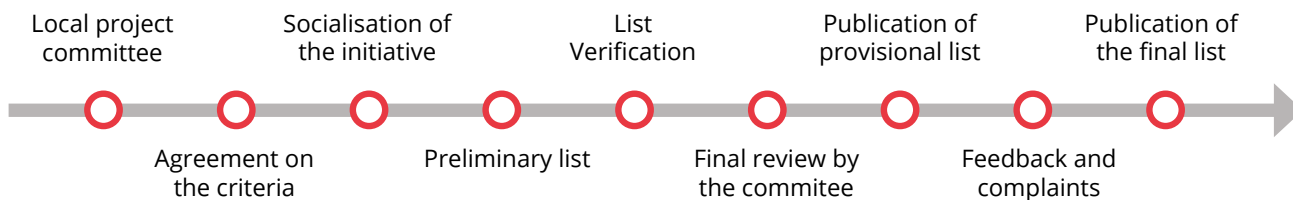
DEVELOP AND IMPLEMENT

A COMMUNICATIONS STRATEGY AND AWARENESS MATERIALS

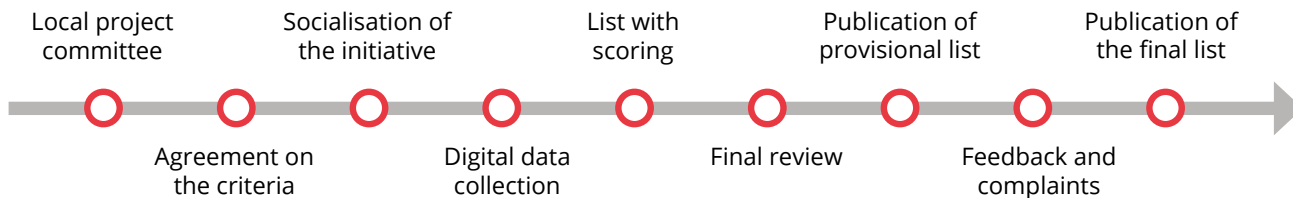
SELECTION OF BENEFICIARIES

EXAMPLES  of targeting mechanisms

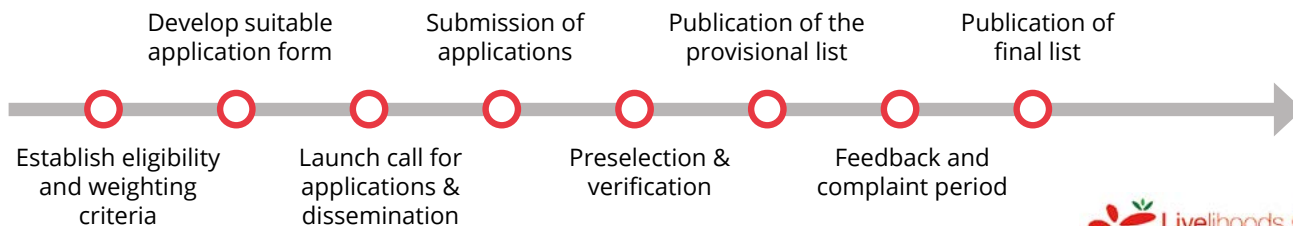
1 COMMUNITY-BASED/ADMINISTRATIVE TARGETING MECHANISM



2 SCORECARD TARGETING MECHANISM



3 SELF-TARGETING MECHANISM



TRAINING OF BENEFICIARIES

MAIN CONTENT

Business skills training can support beneficiaries to plan and run their businesses.



DEFINE THE BUSINESS IDEA.

DETERMINE THE STRENGTHS AND WEAKNESSES, THE OPPORTUNITIES AND RISKS presented by their business idea.

LEARN ABOUT THE IMPORTANCE OF MARKETING and develop a simple marketing plan.

LEARN HOW TO CONDUCT A ME OPPORTUNITY ASSESSMENT to gather the information required to plan and implement their business idea.

ESTIMATE THE INCOME, COSTS AND PROFIT of their business idea.

DETERMINE THE CAPITAL they need to start the business.

LEARN HOW TO KEEP SIMPLE RECORDS.

INTEGRATE ALL THE INFORMATION ACQUIRED
into a simple business plan.

ESSENTIAL INFORMATION OF A BUSINESS PLAN

AS A MINIMUM

a business plan should contain information concerning:



BUSINESS IDEA: Type of product or service to be offered. Reflect on the added value and how it differs from the competition.

START-UP BUDGET.

ECONOMIC PLAN: Estimating the potential income, expenses and profit (business cycle –weekly, monthly, annually), investment and depreciation costs, fixed costs, variable costs, prices, sales forecasts, etc.

KEY RESOURCES: Human resources, goods, machinery, physical space, etc.

KEY PARTNERSHIPS TO BE ESTABLISHED: authorities, providers, clients, etc.

BASIC OPERATIONAL PLAN OF THE BUSINESS.

BASIC MARKETING PLAN.

STRENGTHS AND WEAKNESSES AND THE OPPORTUNITIES AND RISKS of their business idea.

CALCULATION OF THE AMOUNT OF THE GRANTS

GRANTS

When designing a micro-entrepreneurship programme determining **THE RIGHT GRANT SIZE IS CRITICAL.**



THE AVERAGE AMOUNT OF MONEY NEEDED TO START UP A ME VARIES DEPENDING ON THE TYPE OF ACTIVITY, THE CONTEXT, and other factors, such as donor constraints or programme requirements.

If the amount granted is **INSUFFICIENT,** IT CAN AFFECT THE EFFECTIVENESS of the programme, while being **TOO GENEROUS** can have a **NEGATIVE IMPACT ON ITS EFFICIENCY.**

IT IS ADVISABLE TO CALCULATE THE MINIMUM START-UP COST, which its recommended to be variable, based on the business plans. Consult other microentrepreneurs or beneficiaries, microfinance institutions, vocational training institutions, local authorities and other organisations implementing ME programmes in the area.

RECOMMENDATION FOR MONITORING ME PROJECT

MONITORING

is the systematic collection and analysis of information to track progress and check compliance with established standards.



Monitoring of micro-entrepreneurship **SHOULD BE DONE REGULARLY** -closely in the first months of implementation and continue to do so for at least six months to one year- depending on the type of programme, entrepreneur profile, team availability, and timeframe.



It can help the MEs adapt their businesses from what was planned by **INTRODUCING UPDATES** based on price changes, deviations in business profits, changes in the supply chain, etc.

TOPICS TO MONITOR:

- ▶ Number of applications received.
- ▶ Number and type of businesses selected.
- ▶ Number of people trained.
- ▶ Status of the businesses supported: fully running, partially running, stopped, not yet started.
- ▶ Progress made towards achieving business plans.
- ▶ Challenges & ways forward.
- ▶ Monitoring of project indicators.

PROTECTION, GENDER AND INCLUSION PGI

PGI



When designing ME activities, **consider gender, age and diversity analysis**, responding to how gender influences access to economic resources, capacities, risks, and vulnerabilities, to ensure accuracy, ownership and sustainability.

COLLECT DISAGGREGATED DATA, including amount of time women and men (girls and boys) spend on unpaid work.

MEET WITH WOMEN AND MEN OF ALL AGES, with special attention to vulnerable groups, separately to determine their specific needs, capacities and challenges.

ENSURE ALL ACTIVITIES ARE EQUALLY ACCESSIBLE TO ALL and consider factors such as control, decision-making.

ENSURE THAT DISTRIBUTION MECHANISMS ARE GENDER-SENSITIVE (technology, distribution points -location, time, security issues, cultural constraints).

CONSIDER SPECIFIC MEASURES related to combating gender-based violence.

THE PSYCHOSOCIAL IMPACT should be taken into account.