

Enterprises with Purpose:

A guide to supporting resilient and
sustainable local economies





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Disclaimer

This document has been prepared by Ian Barney and Gisele Henriques with the support of a steering committee representing SCIAF and CAFOD programme teams. This toolkit should be used flexibly and based on individual and organisational needs and local circumstances, capacities and legal obligations. Any recommendations presented refer to suggestions made by the authors. CAFOD /SCIAF do not take responsibility for the accuracy of information contained in the document.

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GLOSSARY

- Business model** is a term used to describe the logic/strategy behind a business eg how will a profit be made, what will it offer that others cannot, who will pay for the product or service and how will it ensure that income is greater than costs?
- Break even point** is the point at which total revenue equals total costs or expenses. At this point there is no profit or loss — in other words, the business breaks even.
- Capital** is a term used to describe the money or other assets owned by a person or organisation, available for a purpose such as starting or investing in a business.
- Cash flow** maps the movement and timings of cash in and out of the enterprise.
- Circular economy** an economic approach that focuses on positive, society-wide benefits beyond the current take-make-waste extractive model. It entails gradually decoupling economic activity from the consumption of finite resources and designing waste out of the system, while keeping products and materials in use.
- Cooperative** member-owned business structure. Each country has specific laws regarding cooperatives and how they should function.
- Culture of encounter** CAFOD's conviction for how true transformation happens, through partnerships and mutual learning. It refers to how we relate to each other, our partners, communities and other actors. It's a commitment to accompaniment on equal footing and patient engagement in processes of dialogue and discernment, participation and multilateralism.
- Decent work** "involves opportunities for work that are productive and deliver a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men" (ILO)
- Debt** funds that are owed and need to be repaid (in an agreed timeframe) plus interest on the principle amount. Debt finance can be issued through micro-finance institutions, banks and other financial service providers. Micro loans to individuals or small-scale businesses can enable capital investment or support cash flow. Managing debt can be an issue for small businesses and should be handled with care.
- (Business) enabling environment** the set of policies, institutions, regulations, support services, social norms and other conditions that collectively improve or create a general business setting where enterprises and business activities can start, develop and thrive.
- Enterprise** is an undertaking towards making a surplus or profit; especially one of some complication and risk.
- Enterprise Development (ED)** any initiative or project that engages actively in the market through a commercial business entity (whether privately, publicly or group owned).
- Enterprise with purpose** describes any enterprise that has a driving developmental (social or environmental) objective as its purpose.
- Equity** represents a long-term commitment to support a business through an ownership interest or a stake in the business eg purchase of shares in a business to help it make the initial investment to establish itself or grow.



GLOSSARY (continued)

Expenditure payments made by an enterprise in return for goods and services received.

Grants usually non-repayable gifts (funding for projects), used in some cases as seed money to establish or build capacity in enterprises.

Inclusive business a business that seeks to integrate those experiencing poverty to benefit from business initiatives, thus contributing to poverty reduction and social inclusion.

Income revenue received by an enterprise in return for the provision of goods or services.

Incubation phase the early stages of an enterprise's development. During this phase the business is nurtured from idea to start-up, including comprehensive planning to help establish the business successfully.

Integral ecology is a key concept in Pope Francis' encyclical Laudato Si'. It is based on the simple premise that the social and environmental challenges facing the world are inextricably linked and need a holistic and integrated response "We are not faced with two separate crises, one environmental and the other social, but rather one complex crisis which is both social and environmental."

Integral Human Development (IHD) seeks to consider and respond to all the needs of the people for whom we work – not just financial needs, but also physical, natural, social, psychological, spiritual and human needs.

Living wage/living income s the remuneration received by a worker in a particular place that is enough to provide a decent standard of living. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unforeseeable events.

Local economic development is more than just economic growth. Promotes participation and inclusion, connecting economic actors, consumers and their resources. It is a response to the challenges of globalisation and the drive for decentralisation, resulting in better employment and a higher quality of life for men and women (ILO).

Market is where a buyer and seller meet (physically or remotely, eg internet) to exchange goods or services.

Nexus programming refers to linking different programming efforts, for instance across humanitarian response, advocacy and longer-term development. It is an integrated approach that operates across thematic areas that complement each other.

Patient capital are long-term loans or equity, typically with low or no interest, suitable for initiatives offering significant social or environmental impact over the long term. Patient capital investors are generally more willing to take risks and forgo financial returns to achieve long-term social and environmental impact.

Payback period the length of time it takes to recover the cost of an investment.

Profit describes the financial benefit achieved when revenue generated from a business activity exceeds the expenses, costs and taxes involved in sustaining the activity in question. It is the difference between income earned and expenditure incurred relating to goods and services sold during a period.



GLOSSARY (continued)

Reserve fund an internal fund used by the enterprise to reinvest in the business, support growth and innovation, cash flow, and/or other shared objectives.

Resilience is about understanding and engaging with a changing world; enabling communities to self-organise, prepare for shocks and stresses, and use change to adapt, regenerate and flourish¹. It is commonly defined as the ability to anticipate, absorb and recover from shocks and stresses.

Micro, small or medium enterprise enterprises defined by number of employees, size of investment or turnover. In many countries, "small" businesses are most frequently defined as having fewer than 50 employees and "micro" businesses fewer than 10.

Proforma financials templates to display financial data related to the enterprise.

Regenerative enterprises are those that contribute to and are nourished by the systems in which they exist, the local economy and their natural environment. This symbiotic relationship serves multiple purposes. It generates decent, dignified work, creates opportunities to bring people together and cares for the natural environment. Underpinning all of this is the hope for a different economic model that supports people and the planet.

Social enterprises are businesses with primarily social objectives whose profits are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximise profit for shareholders and owners.

Social investment is the provision and use of capital to generate social as well as financial returns. Social investors weigh the social and financial returns they expect from an investment in different ways and will often accept lower financial returns in order to achieve greater social impact.

Solidarity economy refers to an ethical and values-based approach to economic development that prioritises the welfare of people and the planet over a single focus on profits and unfettered economic growth.

Subsidiarity is supporting those at and towards the bottom of the value chain in assuming their rightful role and to benefitting fairly from the goods and services they produce.

Sustainability refers to the concept of meeting our current needs without compromising the ability of future generations to meet their own needs. The three pillars of sustainability cover equally important economic, ecological and social factors.

Turnover the amount a business makes in sales during a period, also referred to as income.

Value chain the various stages involved in developing a product or service from raw materials to end-user. A value chain is very similar to a supply chain but emphasises understanding the value added by each link in the chain.

Whole systems design an approach that integrates social, economic and environmental factors into a comprehensive design solution.

Women's economic empowerment refers to "women's ability to participate equally in existing markets; their access to and control over productive resources, access to decent work ... and increased voice, agency and meaningful participation in economic decision-making" (UN Women)

¹ See Towards Resilient and Sustainable Communities: CAFOD's Toolkit to Support Integrated Programme Design

INTRODUCTION

■ Aims of the document

CAFOD and SCIAF have been working with their local partners to support small enterprises for many years. For the purposes of this guide, we define Enterprise Development (ED) as any initiative that engages actively in the market through a commercial business entity (whether privately, publicly or group owned). As Catholic agencies, we are committed to working with the poorest and most disadvantaged communities who engage with enterprises in many ways, as workers, suppliers (including producers) and customers. Our support to enterprises over the years has included providing grant funding for business development, technical accompaniment, fostering learning opportunities and engaging with advocacy initiatives that support dignified work and inclusive economic opportunities.

In 2015 CAFOD produced the first version of this guide entitled **“Building Resilient Livelihoods Towards Local Economic Development: A CAFOD Guide to Enterprise Development”**. It helped CAFOD programme staff and partners develop better Enterprise Development initiatives. Learning from this approach was documented in **“Enterprise Development: Key Learning from our Partners and Entrepreneurs in the Middle East, Asia, Africa and Latin America”**. For SCIAF, the primary focus has been supporting agricultural production, with limited attention to the business side of farmer led enterprises. Yet the need to shift focus is recognised if we are to support the small producers with whom we work to truly flourish.

Pope Francis’ encyclical ***Laudato Si’, Care for Our Common Home***, launched in 2015, inspires people of all faiths and none to care for our natural environment. In it, he states, “we are not faced with two separate crises, one environmental and the other social, but rather one complex crisis which is both social and environmental.” As a result, “Strategies for a solution demand an integrated approach to combating poverty, restoring dignity to the excluded, and at the same time protecting nature.” In such an “economic ecology,” the protection of the environment is seen as “an integral part of the development process and cannot be considered in isolation from it.” The encyclical urges us to see our mandate as one that responds to the “Cry of the Earth and the Cry of the Poor”.

“
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with two separate
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environmental.

Pope Francis, *Laudato Si’*

COVID-19 and enterprises

COVID-19 has caused the largest public health crisis in living memory and unleashed a major economic crisis that will reverberate globally with differentiated impacts on the poorest and most vulnerable. Small and medium enterprises are the engines of local economic development, and this global economic downturn will have significant repercussions on them. Already the devastating impact on small and medium enterprises is evident, resulting in a loss of liquidity, jobs and demand.

Economic recovery will depend on many factors but working with local small and medium-sized businesses will be critical to efforts that support local economies to bounce back. Learning from the Ebola crisis indicates that localised economic strategies, including short value chains where local suppliers meet local demand, are more resilient. This makes a case for strengthening small and medium-sized local economic actors in recovery efforts, so they are better able to meet local needs and multiply benefits for producers, consumers, and employees.

In the course of the COVID-19 crisis our partners have had to adjust their ways of working to keep communities safe. Many businesses struggled; others failed. This guide offers insights into working with small economic actors so they can drive recovery and continue their essential function in the local economy.

■ What does this guide cover?

This guide seeks to support programme teams and partners working directly with enterprises to enhance their viability and sustainability. This revised guide seeks to refresh the original guidelines created in 2015, build on feedback and learning from programme staff and partners, and reflect an “integral ecology” approach in our work with small enterprises.

■ Using this guide

SECTION 1 provides the context of our approach to Enterprise Development, its foundations in Catholic Social Teaching and alignment with Integral Ecology.

SECTION 2 covers our higher-level Theory of Change for Enterprise Development and an overall framework to support programme quality and Monitoring, Evaluation and Learning (MEAL). It consists of an assessment tool that supports **programme staff and partners** in designing Enterprise Development initiatives that align with good practice principles. It can be used as a one-off assessment or, if repeated regularly, can monitor the evolving strengths of the programme and the capacity of partners in this area of work.

SECTION 3 offers a step-by-step manual to assist **partners and entrepreneurs** in working through the various elements of a thriving enterprise. It outlines an interactive, participatory business planning process with guidance notes and links to practical support tools.

SECTION 4 draws on our existing work to influence an enabling business environment for inclusive and sustainable enterprises. It is intended for **partners and entrepreneurs** to address root causes and not just symptoms of issues facing small businesses, and strategise for collective influencing and action. We believe that encouraging governments and other key stakeholders to create a more supportive business enabling environment for businesses with purpose is essential and complementary to our work with specific enterprises.

SECTION 5 introduces a variety of complementary tools to support this work.

The Guide features case studies from CAFOD and SCIAF programmes and seeks to share and encourage learning across portfolios. *All programmes are encouraged to adapt the suggested tools to their context and reality.*

In the sections that follow these symbols are used to identify tools, exercises, case studies and further resources.



Tools



Exercises



Case studies



Further resources



SECTION 1: CATHOLIC SOCIAL TEACHING AND ENTERPRISE DEVELOPMENT

CAFOD and SCIAF seek to support communities in developing sustainable, diversified livelihoods that allow them to live in dignity, while protecting and restoring the natural environment. We work through local partners who are rooted in the communities they serve and challenge the power dynamics and unjust systems and structures that shackle people in poverty.

We recognise the need to move “beyond aid” and to build on the potential of local economies to achieve more inclusive economic development that allows poor people to thrive. Addressing the causes and symptoms of poverty requires a two-pronged approach focusing not only on programming responses but also how we influence the policy environment. Enterprises can play a crucial role in both these aspects.

As Catholic agencies, CAFOD and SCIAF are committed to the principles of Catholic Social Teaching (CST), which emphasises the close relationship between livelihood and our dignity as human beings made in the image and likeness of God. The dignity of work is a recognition that we are more than “mouths to feed” and ought to be “artisans of our own destiny” (Populorum Progressio, 65).

In that sense, an economic enterprise can be seen as participation in God's creation with both material and social benefits. Within CST, however, is the recognition that economic activities must operate within a **broader moral framework** of honesty and accountability, respect for human dignity, fairness, and a vision of integral and authentic development that goes beyond material profit. These economic activities should, therefore, support the Common Good, align with a preferential option for the poor and protect the Earth for current and future generations.



SCIAF partner Comboni Samaritans in Uganda.



“

We were created with a vocation to work. Work is a necessity, part of the meaning of life on this Earth, a path to growth, human development and personal fulfilment. Helping the poor financially must always be a provisional solution in the face of pressing needs. The broader objective should always be a dignified life through work. [...] To stop investing in people, in order to gain greater short-term financial gain, is bad business for society.

Laudato Si’ 128

”



Our conviction is that bold social initiatives must have the chance to thrive as viable businesses, to sow the seeds of an alternative economic model that is more just, inclusive and supports the environment. “Our common home is falling into serious disrepair” (*Laudato Si’* 61); we need to move beyond a linear extractive economic model towards a social solidarity approach, that benefits people and the planet equally.

Table 1: Catholic Social Teaching’s Contribution to our enterprise work

Principles	Implications for our enterprise development work
Common good	GOAL BEYOND PROFIT: We seek to support enterprises with a broader social and environmental purpose. Preference is given to businesses that encourage collective action, boost social capital and reflect environmental stewardship.
Solidarity and inclusion	FOCUS ON THE MOST MARGINALISED: We seek to improve the lives of the poorest and most marginalised women and men directly or indirectly, encouraging collaboration and ensuring no one is left behind.
Sustainability	We are committed to ensuring the enterprises we support are ECONOMICALLY, ECOLOGICALLY AND SOCIALLY SUSTAINABLE . We seek to support enterprises that respect the planet’s finite limits.
Dignity, participation and subsidiarity	We seek to enable ENTERPRISES THAT ARE ECONOMICALLY VIABLE AND SUPPORT THEM TO BECOME INDEPENDENT , moving beyond dependence on aid. We work within a broader ecosystem of actors, collaborating and adding value. We seek to EMPOWER ENTREPRENEURS TO TAKE THE LEAD IN THEIR OWN BUSINESSES .
Reciprocity	Our work encourages TRANSPARENCY AND ACCOUNTABILITY and prioritises business models that seek to exemplify good governance, strengthening structures where members can have a voice in the enterprise.
Justice	We seek to understand and, where possible, affect structural systemic barriers that prevent small businesses thriving. This requires a broader understanding of the policies and processes affecting these businesses and strives to influence the ENABLING ENVIRONMENT .

■ Integral ecology - honouring the true source of wealth

Laudato Si’, speaking from the perspective of the complex social and ecological crisis before us, builds on the insights of previous teachings of the Church, that enterprise is called on to serve humans in their dignity, promote integral human development and contribute to the Common Good. The world today requires a new economic model that is geared towards solidarity and subsidiarity, responding to the “Cry of the Earth and the Cry of the Poor”.

The “global ecological conversion” (*Laudato Si’*, 5), that Pope Francis calls for, is also needed in the global economy. A **new definition of progress demands a different economic model**, valuing the Earth not just for how it can be used but for its intrinsic worth, to be enjoyed by all living and future generations. For this reason, we seek to encourage enterprises that have a particular ethos and deliver multiple benefits for communities. We call these **enterprises with purpose**.

CAFOD and SCIAF's commitment and role in Enterprise Development

Both CAFOD and SCIAF share a common vision of how to support people to escape poverty, preserving their human dignity and agency. We share the commitments set out in CST and *Laudato Si*, especially the need for an Integral Ecology approach that is holistic and moves beyond the symptoms of poverty and injustice to address structural issues and protect our planet. **Integral Ecology reminds us that everything is interconnected and that relationships of reciprocity are the true source of wealth and prosperity.** Enterprise is thus called to protect and restore “three closely intertwined relationships: with God, with our neighbours and with the Earth itself.”

CAFOD's strategic framework, **Our Common Home**, promises that we will “dare to be different” and work for a new understanding of progress that responds to both the “Cry of the Earth and the Cry of the Poor” (*Laudato Si*, 49):

“In doing this, we commit to celebrating and supporting the abilities and achievements of local people, especially women and young people, local experts and social movements in conjunction with the network of our Catholic community across the world.”

Thus, led by partners and alongside communities, we aim “To support and enable people, communities and our local partners to be artisans of their own destiny” (Point 2 of Our Mission) and “To challenge and transform the structures and behaviours that drive poverty, vulnerability, inequality, injustice and exclusion and harm the natural world” (point 3 of Our Mission).

CAFOD's strategic framework interprets Integral Ecology through a specific set of characteristics. Table 2 outlines how we have applied these to Enterprise Development.



Farmer supported by SCIAF partner Comboni Samaritas of Gulu, Uganda .

Table 2: CAFOD’s Integral Ecology characteristics applied to Enterprise Development

Integral ecology characteristics	Implications for Enterprise Development We seek to encourage:-
WHY enterprises? We will respond to: <ul style="list-style-type: none">• The inseparable cries of the poor and the earth.• The needs of the poorest, the vulnerable and the excluded.• Safeguarding the environment aiming to regenerate it when possible.	<ul style="list-style-type: none">• Commitment to impact the poor, the environment and wider society positively;• Clear impact on poor/marginalised people (eg women's economic empowerment, working with migrants, refugees or those with disabilities);• Intent to protect and regenerate the environment (eg improve waste management, promote sustainable agricultural practice, encourage renewable energy). We will not work with enterprises that damage the environment;• An inclusive approach that benefits a broad cohort of people, including the young and elderly.
HOW we do it? We are committed to: <ul style="list-style-type: none">• A culture of encounter.• Local agency, voice and leadership.• Influencing for long-term structural change.	<ul style="list-style-type: none">• Multi stakeholder engagement (supply chain, intermediaries, wholesalers, retailers, other businesses, unions, associations, local government etc);• Connections to a broader network of relationships / mutual support that benefits the local economy;• Collective enterprises that support social cohesion and cooperation;• A participatory, inclusive approach where capacity strengthening is embedded throughout the process;• Peer-to-peer learning;• Entrepreneurs to drive their own businesses;• Reduce dependency on aid by engaging in local market opportunities;• Promote sustainable local business that, together, make a web of actors (enterprises, Civil Society Organisations, networks) that influence the enabling environment.
WHAT we do? We will ensure there is: <ul style="list-style-type: none">• Holistic, rigorous analysis and design leading to integrated, multi-year and multi-stakeholder programmes.• Safeguarding and inclusion.• Effective monitoring and evaluation for good practice and adaptive management.	<ul style="list-style-type: none">• Holistic and informed design, eg including market information;• Wider programmatic objectives aiming to achieve broader social, environmental and economic gains;• Offering long-term support that is flexible and evolves with the needs of the partner/enterprises and the local economy;• Ensuring that partners comply with safe and inclusive programming guidance;• Monitoring progress effectively using data that is useful to the enterprise.

Similarly, SCIAF's Strategic Focus (2021 – 2025), “Responding to the Cry of the Poor and the Cry of the Earth: Building a Just and Green World” commits to work so that “people enjoy a better future, live in safe, secure communities in flourishing environments, influence decisions that affect them and support their families by building sustainable ways of earning their living. Underpinning this is a commitment to promoting integral human development (IHD).

At the centre of SCIAF's **Integral Human Development Framework** are four guiding principles: firstly, that everyone has an innate dignity and set of rights, secondly that we are social persons, living within families, communities and countries, thirdly we are all spiritual beings, and finally we were made to be at one with nature.

Practical implications for Enterprise Development

CAFOD and SCIAF are committed to work with the poorest and most disadvantaged communities who will engage with enterprises in many ways, eg as workers, suppliers (including producers) and customers. Enterprises inevitably come in many shapes and sizes, some individual and some collective. This guide does not prescribe one over another but does strongly suggest that HOW an enterprise conducts its business is crucial to its fit with CST, Integral Ecology and our missions.

This Guide is aimed at contributing to our partners' good practice. By its nature, it strives to help enterprises become independent, viable businesses. Our challenge is to support enterprises that are led by the poorest who face many challenges in running their businesses. We recognise this work takes time and are committed to this mission. In so doing, we are likely to occupy a niche in Enterprise Development. It may be that we begin to see our role as supporting early stage enterprises and helping them graduate to other partners/business support services and eventually full autonomy as they become more established.

In light of the above, this guide emphasises:

- **Enterprises with Purpose:** Particularly those that have the potential to contribute social and environmental benefits;
- A **Culture of Encounter:** Encouraging inclusive, participatory processes, peer-to-peer learning and collaboration between enterprises and local actors;
- The **Voice and Agency of Local Entrepreneurs:** Ensuring the protagonism of local entrepreneurs who will continue to nurture their businesses after the project ends;
- Addressing **causes and not just symptoms of poverty:** This might involve encouraging enterprises and other actors to come together to influence the business or enabling environment;
- Enterprise Development as part of holistic, **integrated programming:** Designing for complementarity and reinforcing the potential role of enterprises in different contexts, for instance, economic recovery after disasters or as part of peace-building efforts;
- Ensuring that the type of support offered by CAFOD/SCIAF and partners is consistent **with good programming principles** and does not undermine the entrepreneurial foundations of Enterprise Development.



Community entrepreneur in Ethiopia supported through SCIAF's UKAM 5 project.



SECTION 2: ENTERPRISE DEVELOPMENT PROGRAMME QUALITY

Purpose: This section sets out a direction of travel, outlining key principles for successful Enterprise Development. It is not a “straightjacket” but offers insights to ensure we maximize lasting impact. In this section we outline our **Theory of Change** and **Key Programming Principles** to support the design of interventions that have a strong developmental impact, are commercially viable and sustainable.

Who: This section is targeted to **programme staff and partners** who directly accompany entrepreneurs. It is intended to inform conversations on good practice in Enterprise Development, ensuring it reflects broader principles of working with the poorest, ensuring environmental stewardship and safe, dignified and inclusive programming.

When: The approach is best used at the design stage, but, if used regularly, could also serve to identify bottlenecks and capacity-strengthening plans, as well as support the monitoring of progress.

In this section we introduce the **Enterprise Development Programme Quality Marker**. It combines 10 key dimensions of programme quality across the three pillars of our approach: strong developmental impact, strong commercial proposition and strong intervention design. The Enterprise Development quality marker is a self-assessment tool that supports discussion with partners and provides targeted feedback on how to improve interventions. It links to a **Business Planning Scorecard** that outlines key steps for an inclusive business planning process, helping partners and entrepreneurs ensure they are covering critical elements of good practice. A sample MEAL **framework** is also provided to assist partners and businesses to monitor progress and impact.

■ Supporting enterprises with purpose: Our theory of change

We know that the countries and contexts in which we work vary enormously, as do the nature and capacity of our partners. We work with partners to support small enterprises because we believe that they can make an important contribution to their local economies, communities and the environment. **Locally owned businesses play a central role in thriving communities and are among the best engines for inclusive economic opportunities.**

We want our work to impact the poorest and most vulnerable. We choose to work, where possible, with enterprises that are committed, as a core element of their business model, to achieving a strong development impact - **Enterprises with Purpose**. The impact we seek by investing in Enterprises with Purpose - is to enhance the social and economic status of poor and marginalised people without damaging the environment, preferably seeking to regenerate it for future generations. These impacts are likely to be multiplied through the relationships the business has with employees, suppliers, customers and other local economic actors, who together make up the broader ecosystem of the local economy. We recognise the role of women as important catalysts for community development and seek to support women-led businesses and women’s economic empowerment (WEE). We also recognise the importance of collectively owned businesses as they support communities to come together to spread risk, pool resources and leverage voice.

The cultures of aid and enterprise can often conflict. It takes experience and expertise to ensure that support is appropriate and for this, we count on our network of remarkable

locally rooted partners. Our work focuses on the poorest and most vulnerable people (especially women), who are, highly risk adverse, have limited resources, little access to capital and may not possess the numeracy and literacy skills required to manage thriving businesses. As a result, gains are slow and often require significant investment and support. We know that to be successful, our support must be long-term, patient, tailored and respect the leading role of the entrepreneur(s). **Working with the right partners is critical to the success of these interventions.**

We also seek to improve the business-enabling environment, ie the policies and regulations that support or hinder small businesses, thereby reducing the need for external support in years to come. In so doing, **we aspire to move from practical help to individual businesses to strategic support to a broader network of Enterprises with Purpose, multiplying benefits to the wider local economy.**

We support Enterprises with Purpose by:

- Providing financial and technical support to strengthen the capacity of our partners to:
 - Provide tailored, flexible technical support to enterprises (See Section 3);
 - Encourage networks of enterprises and supportive actors (eg CSOs, unions, cooperatives etc) to demonstrate the value of Enterprises with Purpose and improve the enabling environment for such businesses (See Section 4)
- Facilitating peer-to-peer learning between partners and enterprises, including learning from good practice in the sector.

The desired results of our work in this area are:

- **Impact:** Benefits to poor and marginalised people and the environment.
- **Outcome:** Enhance the commercial viability of the enterprises.
- **(Additional) Outcome:** Promote a network of local enterprises and actors who can support each other and influence the enabling environment.
- **Intermediate Outcome:** Strengthen the capacity of partners to support locally led, commercially viable businesses.



Group REWA, food processing entrepreneurs making tomato sauce in Baucau, East Timor.

ILO data² shows that micro- and small enterprises account for a staggering **70% of employment** worldwide. In many countries, more than 90% of all enterprises can be classed as SMEs.

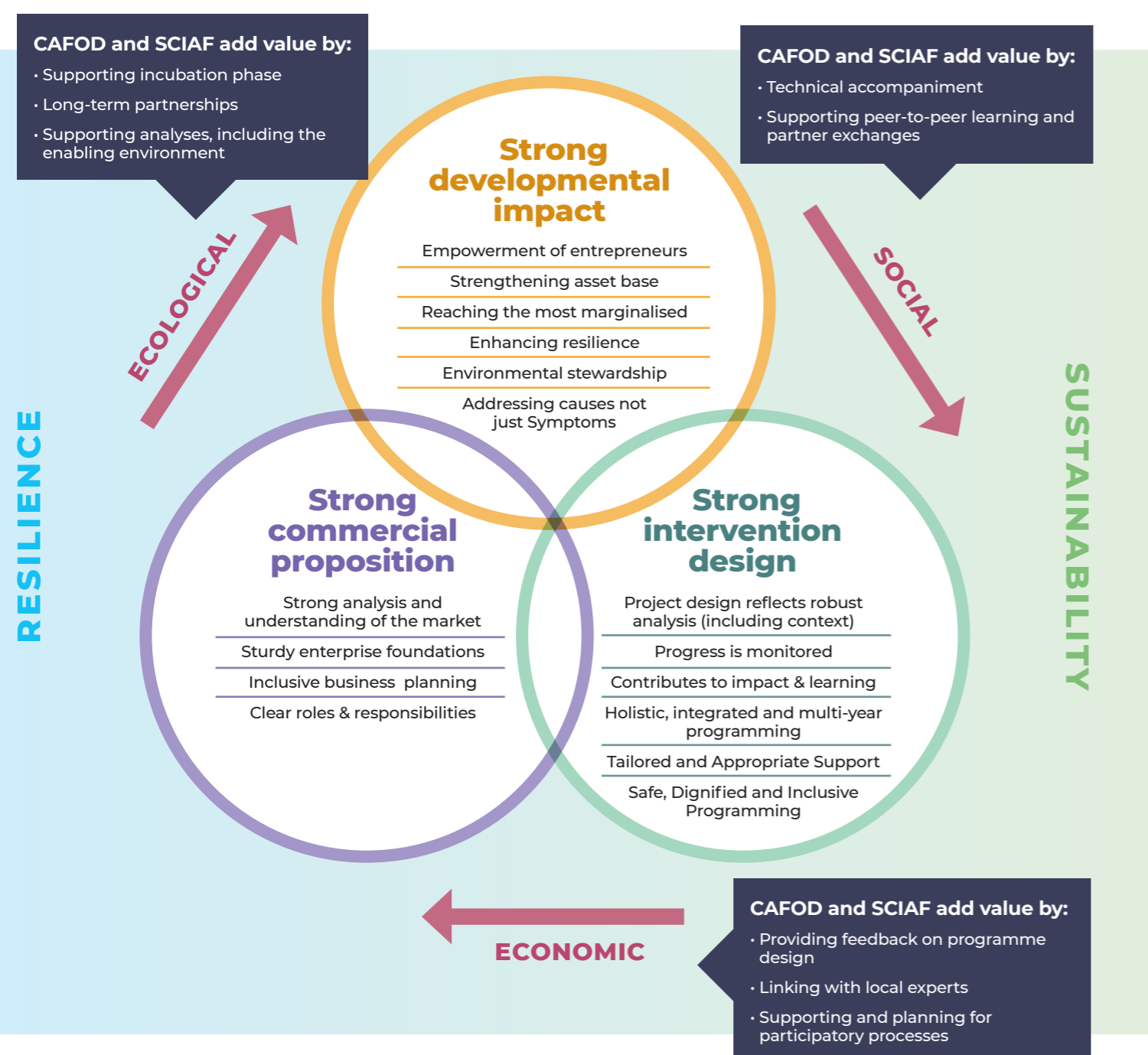
² www.ilo.org/infostories/en-GB/Stories/Employment/SMEs

■ Enterprise Development programming quality principles

The following section outlines the key pillars of our programme approach which we believe are essential for good Enterprise Development programming (Figure 1).

- Strong Development Impact
- Strong Commercial Proposition
- Strong Intervention Design

Figure 1: Enterprise Development programming principles



■ Strong development impact

Catholic Social Teaching (CST) and our organisational missions encourage us to work with the poorest and most marginalised people and “leave no one behind”. This includes women, disenfranchised and excluded groups, including people with disabilities. Integral Ecology adds to our mission, encouraging us to work for solutions that protect the environment and begin to redress years of extractive and harmful practices that are damaging our planet. We are therefore called to begin to address the structural causes of poverty and environmental degradation, not just the symptoms. Building this element into an Enterprise Development plan can be challenging but it can also be an opportunity to broaden impact.

Working with the poorest and most marginalised

We are committed to working with the poorest and most marginalised, who face many challenges as entrepreneurs. Experience and learning from the sector³ indicate this can be a challenging cohort to serve, due to high degrees of vulnerability and risk-aversion. Nonetheless, it is our mission to work with the poorest and most vulnerable. There are many ways of enhancing benefits to them, such as through their role as suppliers, employees, business owners and/or customers.

- **Ownership:** We encourage entrepreneurs to have full ownership of their business, leading the process from idea, to operations and management (see section 3 for our inclusive business planning process). These can be individual or collective businesses.
- **Employment and Decent Work:** Enhancing employment and decent work opportunities is another way to multiply benefits to the poorest. For this we must ensure workers have stable, decent, safe work conditions⁴ and are paid a fair wage.
- **Suppliers:** Enterprises depend on their supply chains and connecting small local producers to enterprises is a way of creating linkages or a *values chain*. Can the enterprise procure its’ supplies from local small producers thereby multiplying benefits down the chain? Is the price paid to them fair? Does it link with other strategic actors in the chain?
- **Customers:** Providing fairly priced quality goods and services to the local economy is also a way to enhance impact for poor and marginalised people. Links between local businesses and their customers, if reinforced, can boost solidarity and strengthen the local economic web.
- **Fostering Solidarity:** By encouraging people to work together and optimising a mix of linkages, Enterprise Development interventions can encourage diversity and inclusion (mix of age, skills and talents) and strengthen mutual cooperation and social cohesion, spreading benefits beyond a specific enterprise.

Group versus individual enterprises

Choosing whether to work with individual or group enterprises requires deep understanding of vulnerability and clarity on the impact we want to see. As agencies, we work with both individual and group enterprises and the choice depends on the analysis and strategy chosen to maximise benefits. For instance, when encouraging economic recovery after a shock or crisis, it may be necessary to support individual small business owners to rebuild as part of a broader economic recovery effort.

In other cases, especially when dealing with very vulnerable people, we may want to focus on mutual cooperation in an effort to reinforce capacities, spread risk and pool resources.

Working with collective enterprises can be challenging, issues of transparency and good governance can make or break a business. But cooperatives, associations or other group-based enterprises have many benefits and can bring the powerless (including young people) together with a mix of skills and abilities to improve chances of success. Collectives also facilitate the leverage of voice and market presence which is critical in helping members advance from price takers to price setters. Well-functioning collective enterprises can also contribute to social cohesion and cooperation, with diverse groups working towards a common goal or purpose. Harnessing different capacities within collectives and building on them is critical to the success of group enterprises.

³ https://www.researchgate.net/publication/316561533_Micro_Enterprise_Development_and_Income_Sustainability_for_Poverty_Reduction_A_Literature_Investigation

⁴ CAFOD (2019), “Decent, green jobs for marginalised economic actors: What is the future of work for these players?”



Case Study

Economic recovery, a case from Homs, Syria

The city of Homs has not witnessed any significant violence since the summer of 2017, and some of the displaced residents have started to return. However, recovery has been very slow, and economic activity is much lower than it was before the Syrian unrest. Neighbourhoods that were once lively and bustling are inactive and empty. The years of war and its impact on the local economy has made it almost impossible for small entrepreneurs to maintain their own business.

In collaboration with Caritas Luxembourg (FCL) and Wide Approach to Sustainable Livelihoods (WASL), CAFOD and SCIAF partners on the ground designed an economic recovery and livelihood intervention aimed at supporting small entrepreneurs to get back on their feet. The strategy sought to increase economic activity and revitalise the city.

To achieve this, the design team used the guiding principles in the **Minimum Economic Recovery Standards** (MERS) which outline best practice in building the economic resilience of crisis-affected communities. Partners targeted experienced small entrepreneurs whose businesses were affected by the crisis. This included not only business owners but employers who were experienced in running businesses. Entrepreneurs were invited to an interview where they were asked about themselves and their proposed businesses (to screen for vulnerability and ensure the poorest were being targeted). Applicants were shortlisted and took part in a training session on entrepreneurship. The training covered market analysis, the management of small businesses and business plan development. The session helped applicants develop a business plan application which they submitted to the partner. Applications were reviewed and entrepreneurs interviewed. Based on the business plans' quality, scope of impact and commercial viability, 20 entrepreneurs were selected in the first round. Selected business ideas underwent market analysis to ensure commercial viability.

The entrepreneurs received a grant to cover the set-up expenses for their business. This also included the repair of war-damaged shops. Partner staff accompanied them during set-up and helped them buy equipment, connected them with suppliers, and monitored the process. Within 1-2 months all the businesses were operating.

Partners will continue to monitor and offer technical support to the entrepreneurs for a year while they get back on their feet. The approach, whilst focused on individually owned businesses was also designed to build connections across the local economy. For instance, linking painters with shop owners who needed to repair their shops. The programme has also created opportunities for entrepreneurs to come together and share challenges and solutions to similar problems.

Gender and Women's Economic Empowerment (WEE)

Women play a central and important role in local economies, not only in how they manage their household resources but also in terms of their broader economic function in society. Gender dynamics is a critical issue to consider in all ED work.

Women's Economic Empowerment can be defined as, "Women enjoy their right to control and benefit from resources, assets and income. When they are able to manage risks and improve their economic status and wellbeing. Central to this is a degree of independence, agency and empowerment so they are able to collectively organise and come together to influence decision-making at their household, community and social levels".

This is not just about ensuring women are treated equally or that enterprise initiatives contribute to **practical benefits** for women (eg reduced physical workload, higher prices or wages). Ideally, our Enterprise Development work should seek to empower women and help overcome the structural barriers to their effective participation in economic activities, in that sense contributing to **strategic gender benefits** (eg empowerment, leadership, overcoming role stereotypes). Engaging women meaningfully in this work

requires a gender-sensitive approach. Encouraging and supporting enterprises run by women is an effective way of multiplying development gains. This requires tackling the ingrained social and structural challenges that affect women's entrepreneurship, such as access to and control over resources (see tool 3 for more on WEE).



Case Study

Supporting Women's Economic Empowerment in Malawi - the Kapesi Women Empowerment Programme

CADECOM is a SCIAF partner in Malawi working on women's economic empowerment.

Due to gender norms in the country, women's entrepreneurial potential is constrained as they have to juggle household chores, farm work and a variety of social-cultural functions. Women also have lower literacy rates with parents often preferring to educate a male rather than a female child. High illiteracy and low numeracy skills compromise women's ability to pursue entrepreneurship. Further to these challenges, women have no control over how land is used, making them dependent, vulnerable to gender-based violence and less productive.

CADECOM's intervention was designed to lift women out of poverty and improve their economic empowerment. The programme originally focused on agricultural production through the provision of leadership training, livestock management, seed saving, sustainable crop production and woodlot management. Village Savings and Loans Associations (VSLAs) were established to increase savings and improve financial management while encouraging the women to work together.

The programme produced significant improvements in agricultural production, food security and participants' livelihoods. It also served to empower women in their role as economic actors, for instance building their confidence and ability to market collectively, allowing them to pool volume and better negotiate price.

The programme not only addressed women's practical needs (income and food security), it also sought strategic gains (empowerment and collective action). Learning thus far indicates that progress takes time but that incremental steps can build sustainable change. Working in close collaboration with women farmers, local leaders and extension workers, the intervention helped women grow in confidence, enabling them to participate in community activities and take up leadership roles. Working collectively helped them coordinate the heavy workload and strengthened agency with buyers. A woman's economic empowerment can increase her confidence and help her realise her potential and rights, which in turn benefits the whole of society.



SCIAF partner CDJP Kabgayi supports women farmers to gain their livelihood in dignity.

Environmental Stewardship and Regeneration

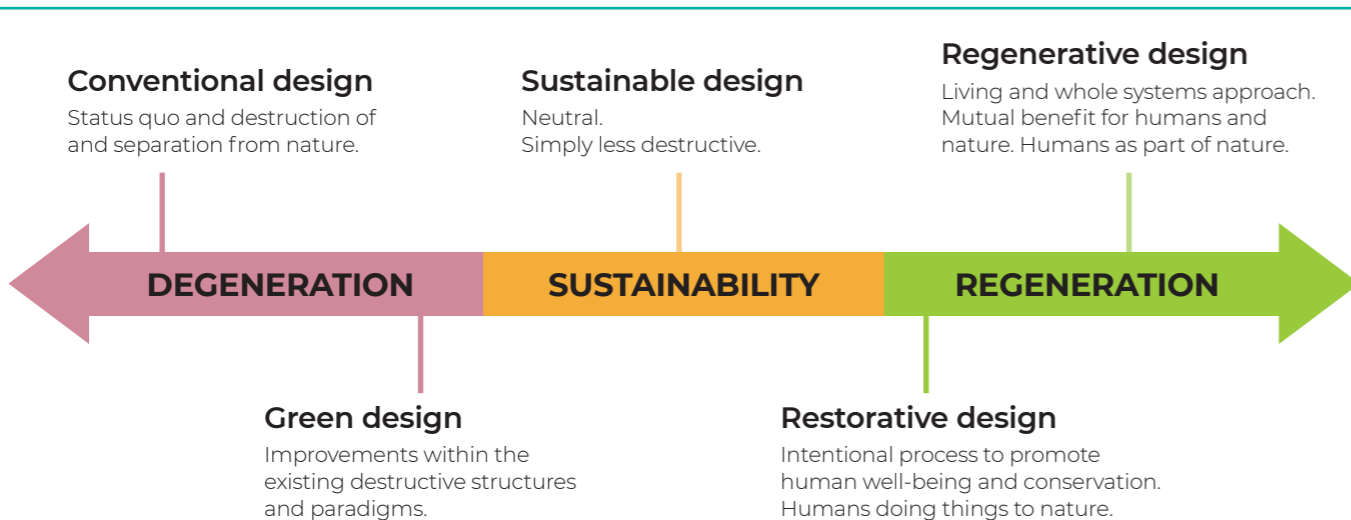
Integral Ecology calls on us to be ambitious, recognising that, to halt and reverse climate change and environmental degradation with the urgency we need, sustainability is not enough! A range of efforts are needed to reverse degradation and protect the environment. We wish to play a part in ensuring the enterprises we support, at the very least, do no harm to the environment and, preferably, contribute to its regeneration.

Examples of how enterprises can support environmental stewardship and regeneration include:

- Innovative ways to reduce/absorb carbon: Good agronomic practice and soil management (agroecology, agroforestry, organic farming), eg sourcing agroecological organic inputs for food processing, producing and selling vermicompost, etc;
- Circular economy: Turning waste streams into asset streams, eg recycling enterprises, upcycling materials to rebuild infrastructure after a natural disaster;
- Water conservation and reforestation: eg reusing grey water to irrigate gardens, tree and plant nurseries;
- Sustainable management and use of forest resources: eg responsible commercialisation of non-timber forest products, honey, nuts, fibres;
- Sustainable management of mangroves and fisheries: eg seaweed production, protection of coastal areas that support responsible fishing and management of fish stocks;
- Animal integration into farming systems: eg nutrient recycling on farm through use of animal manure as natural fertiliser and holistic management practices;
- Energy efficiency and use of renewable resources: eg solar-powered pumps, vegetable-based oils and other low-emission substances.

Box 1 Illustrates a simple continuum from conventional to regenerative design principles that can be applied to Enterprise Development. The axis demonstrates how design approaches integrate nature, ranging from conventional business-as-usual approaches that are largely extractive, to more regenerative whole-systems approaches where nature is equally considered. Green, sustainable approaches may be better than conventional

Box 1: Designing for regenerative enterprises – A whole systems approach



ones, but they do little to challenge the existing destructive paradigm and repair the damage we have done to the planet. For this we require a **whole-systems approach** where benefits to nature are included in our intervention logic. How can we design and support enterprises that not only benefit the poorest but also the Earth?

Doing no harm or maintaining the status quo is not enough. The environmental stewardship spectrum in box 1 shows the incremental range needed to advance beyond sustainability towards restoration and regeneration. Our ambition is therefore twofold: ensuring we are reducing potential risks to the environment and supporting enterprises to include environmental benefits as part of their strategy.

To that end, our **Environmental Stewardship Tool** can support teams, partners and entrepreneurs in:

- 1) screening for potential risks to the environment as a result of the intervention and planning effective mitigation strategies to reduce and manage risks;
- 2) providing environmental stewardship pointers for enterprises to consider.

The risk register supports our due diligence in doing no harm, minimising any potentially detrimental impacts on the environment. In addition to understanding, reducing and managing these risks, we strive to support enterprises that will make a positive contribution to the natural environment. Use of resources, such as water and energy, needs to be considered as do the higher aims of supporting biodiversity, responsible use and management of land, fisheries and forests as well as recycling efforts that reduce waste by turning it into assets. Tool 4 provides further guidance to support teams in this critical question.



In Bangladesh, CAFOD partners support farmers to produce agroecologically; this includes the production and sale of vermi-compost, a natural fertiliser, that contributes to soil health and rehabilitation.



Case Study

Regenerating soil and livelihoods through rural enterprises in Bangladesh

Since the late 1970s, chemical fertilisers and pesticides have increasingly been pushed on to farmers across Bangladesh as part of the 'Green Revolution', resulting in harmful implications for human health, soil and water quality. The subsidising of chemical fertilisers and the pressure placed on farmers to produce enough crops to meet Bangladesh's rapidly growing population has led to an over-dependence on and indiscriminate application of chemical fertilisers and pesticides. Failure to replenish the soil with organic matter has left soils in many parts of the country lacking sufficient nutrients conducive to agricultural productivity. Depleting organic matter reserves in soils has also had implications for food security in Bangladesh which is increasingly vulnerable to climate change. Unpredictable rains and unexpected weather conditions make it ever more difficult for farmers to plan their production effectively, and depleted soils exacerbate the situation. Improving Bangladesh's soil fertility is, therefore, crucial for small-holders to better withstand and adapt to the impact of climate change. It's also key in enabling them to provide food for their families and communities, strengthen local markets and develop thriving economic activities for generations to come.

CAFOD has partnered with Caritas Bangladesh, USS Jessore, Practical Action Bangladesh and Caritas Switzerland to put agroecological principles at the heart of a three-year, DFID-funded Climate Resilient Agriculture programme, working with small-holder farmers in the Dinajpur, Rajshahi, Jessore and Sylhet divisions of Bangladesh. A key component of the project included introducing farmers to vermicompost - a nutrient rich, organic fertiliser produced from the excreta of earthworms. Farmers began to produce vermicompost to apply on their own farms and for the wider market. Community-based structures, called Rural Sales and Service Centres (RSSCs) were set up to support the sale and marketing of vermicompost.

As a result of using the vermicompost, farmers witnessed an improvement in soil fertility, including a reduction in harmful pests and diseases. Over 8,600 households increased food production by at least 20% after using vermicompost and 6,327 households diversified production (from 3 to 12 different vegetable varieties) on previously unproductive land after using vermicompost. In addition, 7,067 households reported increased income, largely attributable to the sale of surplus crops produced using vermicompost. Due to increasing awareness of the importance of safe food and the impact of chemical pollution, demand for vermicompost is growing throughout Bangladesh. The Rural Sale and Service Centres have made vermicompost available in the local market for the wider community to purchase. The average income from vermicompost was between £53-62 per month.

Women have been at the heart of these businesses enabling them to contribute to household expenses and their children's education. Some women were even able to return to school to pursue further studies. In Bangladesh, women have traditionally not been able to engage in business ventures. In so doing, many have positively boosted their confidence and received increased respect from members of their communities. Given the market opportunity afforded by vermicompost, many women re-invested in their businesses and built larger shelters to accommodate expansion.

Recommendations from the evaluation encouraged greater investment in business skills and management capacity in Rural Sales and Service Centres, so they can continue to grow the businesses and further develop the value chain for organic fertilisers like vermicompost. There is huge market potential, which is currently underserved, and these women are ready to take advantage of the opportunity. These findings are corroborated by **research completed by Practical Action and IIED** (the International Institute for Environment and Development) in 2016, which calls for greater promotion of agroecological practices (including vermicompost) by increasing the use of organic matter to improve soil fertility and crop production. This case demonstrates how a business can be designed to benefit both people and the natural environment.

Addressing Causes, not just Symptoms

Integral Ecology challenges us to address the causes and not just the symptoms of the "Cry of the Earth and the Cry of the Poor". In addition to aspiring to support enterprises that respond to the challenges of poverty, gender inequality and environmental degradation, we are also keen to explore ways in which our Enterprise Development work can influence the broader **Business Enabling Environment** (BEE). This might be by seeing Enterprise Development as a complementary activity to initiatives with a shared **systemic objective**, for instance, by actively encouraging networks of local enterprises and supporting actors to influence government for positive changes to the enabling environment (see **Section 4** for more information).

■ Strong commercial proposition

Managing an enterprise is no easy task. Unfortunately, there is no magic formula for ensuring that an enterprise is successful. We must not forget that enterprises need to generate a profit (a surplus of revenue over costs); not only because it is the basis of commercial viability but also because it helps businesses build a reserve to cope with the inevitable market stresses and shocks or, more positively, to invest in their business in the future. The commercial viability of the business idea is therefore critical: without it the enterprise will never become independent. There are some basic elements that can increase chances of success, one of which is good planning and market analysis.

Business planning

To help ensure that all enterprises have a strong commercial proposition, we should support them to develop a plan for their business. While the level of detail in these plans will vary depending on the scale and complexity of the business, the questions and process remain relevant to all. Business planning needs to be fit for purpose, so it is important to tailor the process to the scale of the business.

The key elements of the plan should include:

- 1 Enterprise's Purpose
- 2 Business Idea and Market Opportunity
- 3 Operations and Logistics
- 4 Understanding the Business Enabling Environment (BEE)
- 5 Organisation and Management
- 6 Financials
- 7 Risks and Assumptions
- 8 Business Summary

Inclusive process

A business planning process is much more than just developing a business plan. While the product (the plan itself) is important, the process of how it is developed is perhaps even more critical. **Section 3** introduces practical step-by-step guidance for entrepreneurs (with the support of partners) to develop their own business plans. We have called this the **participatory business planning process**. It seeks to increase the capacity and ownership of entrepreneurs based on the 8 key elements of business planning. A complementary Business Plan **Scorecard** supports partners and entrepreneurs in assessing the strength of this plan and identifying areas for improvement.



“
We work primarily with collective enterprises who have the desire and potential to influence the policies and regulations that govern small businesses. This is also a political agenda. We need to change the system! By coming together to leverage voice and influence the enabling environment we can be more strategic and have impact for the whole local economy.
”

Winston Berrios, CAFOD staff, Central America



Case Study

Holistic and inclusive business planning

Modern energy can be an enabler for income-generating activities, when combined with other types of support. However, too often, energy services are planned in isolation and in a one-size-fits-all way, without considering the varied needs of target users in their different contexts. More inclusive and integrated planning approaches are needed so that energy services are combined with other interventions to meet the livelihood and wider development needs of communities.

CAFOD and IIED developed such an approach - the **Energy Delivery Models (EDM)** - over several years, working with local partners in Indonesia and Kenya. The six-step **EDM Toolkit** (2017) starts with target users identifying their priorities, then builds understanding of key stakeholders, the local context and the barriers or gaps preventing these needs from being met. These could be related to energy or other, non-energy factors such as capacities and skills, finance, policies, as well as socio-cultural issues like power relationships and gender roles. The EDM process addresses these gaps and develops solutions that are financially, environmentally and socially sustainable.

Improved income from coffee farming emerged as a priority need for target communities in Eastern Indonesia. While in Kenya, improved income from crop and livestock farming emerged as the top development need for the one million inhabitants of Kitui County, where EDM is being used by CAFOD partner, CARITAS Kitui to develop a County Level Energy Plan.

Although the context and needs of the farmers in Indonesia and Kenya varied considerably, similar gaps emerged. One of these was the farmers' limited knowledge of markets and different market channels for their produce. For instance, in Indonesia, farmers dreamed of selling their coffee on the international market but after carrying out a value chain analysis, it emerged that the least risky way for farmers to improve their income was to sell via their existing local market channels in greater volume.

Previous interventions to support farmers in both countries tended to start at farm level, with Good Agricultural Practices (GAP) and Good Postharvest Practices (GPP). But there were key knowledge gaps in terms of farmers' understanding business models, market demand, their ability to access ethical finance, and importantly, socio-cultural factors (eg farmer preferences for certain inputs or practices) which needed to be understood in order to develop viable solutions.

The EDM process included considerable research and analysis to address these gaps, including in-depth value-chain analysis of specific crops (eg Robusta coffee in Indonesian and irrigated crops such as tomatoes and onions in Kenya), market identification, development of sustainable business models with cash-flow forecasts and mapping of financing opportunities.

In Kitui, the solution for farmers growing rain-fed crops involved improved practises to increase volume and quality, combined with a business model of storage and aggregation so farmers could store their produce after harvest and sell later for a higher price. Value chain analysis and market mapping identified farmers carrying out successful aggregation in a neighbouring county. A cooperative with an existing buyer agreed to take additional produce from farmers in Kitui, if they met quality and volume specifications. This reduced the risks of farmers having to find a new, untested market channel/buyer. A local NGO will work with the farmers to provide ongoing GAP training and mentoring using conservation agriculture techniques. Farmers will get an upfront cash payment (provided by a grant) when storing their produce – particularly critical for inclusion of poorer farmers who need immediate cash – with the balance to be paid when the produce is sold.

■ Strong intervention design

Enterprise Development is a unique area of programming that demands a specific mindset, experience and skills. Strong intervention design and skilled partnerships are key to the success of such initiatives. The approach taken will make the difference between an independent enterprise and one that perpetually relies on aid or an NGO for support.

CAFOD/SCIAF are deeply committed to subsidiarity and empowering communities to be artisans of their own development. The range of contexts and types of enterprise we support is vast. The type of support offered will depend on a variety of different elements including: the strengths and weaknesses identified in the business planning process, partner capacity, the geographic and political context in which the enterprise is situated (Business Enabling Environment), and the broader programme context.

Strong Intervention Design involves, holistic integrated programming, tailored appropriate support, safe inclusive design and a commitment to monitoring and learning.

Holistic, integrated, multi-year programming

The multiple challenges affecting communities, from climate change and more frequent disasters, to poverty, inequality and various types of injustice require our work to be holistic and integrated. For this we need to:

- Think creatively about the contexts in which we work and how Enterprise Development can be adapted to these changing contexts. For example, in a humanitarian or post-conflict setting, how can Enterprise Development help stimulate small businesses to revive local economic activity? What role could it play in helping bridge the gap between short-term relief and longer-term development? Could it contribute to nexus programming?
- Seek opportunities to link Enterprise Development to existing initiatives, for instance building on savings groups to support the development of viable enterprises or integrating Enterprise Development as an element in a broader programme working towards a shared higher-level objective, for example helping protect the environment by supporting waste collectors who have organised themselves into an enterprise.



Murewa Polywax Group is a green economy enterprise in Zimbabwe that upcycles waste, such as tyres and plastic bottles, turning them into useful resources, such as pavement.



Case Study

Sanitation for success: Integrating enterprises

Between 2014 and 2017, CAFOD partner, Caritas Harare implemented the 'Sanitation for Success Programme' which incorporated elements of waste management, biogas production and support to small enterprises. Through community health clubs involved in the sanitation work, an upcycling business venture was created. The business sought to sell furniture made from used tyres and various types of polish and crayons made from recycled plastic, among other products.

Caritas Harare supported the enterprises to conduct an initial market analysis and helped set up the business, liaising with the environmental management agency to ensure they were following government guidance on safety of recycled products. They also linked the groups to the ministry of small medium enterprises (SMEs) so the entrepreneurs could continue to receive support after the project ended.

Market linkages were difficult to establish, and groups did struggle to sell their products at first. The situation worsened with the Covid-19 pandemic, but the groups soon seized the market opportunity and diversified their products to meet local demand for soap.

Reflecting on the experience, Caritas Harare acknowledges that setting up a business in the short 3-year project cycle is difficult. They also recognise that, at first, they put a lot of emphasis on the production side and in hindsight would have invested more in thinking through all stages in the business planning process, including improving market linkages. The case demonstrates that the most resilient businesses must learn to adapt and be responsive to market demand. It also demonstrates how an enterprise approach could be integrated into other initiatives, in this case sanitation, thereby multiplying benefits to communities.

Tailored and Appropriate Support

The skills and mindset needed to support enterprises differ greatly from other aid initiatives, although there is overlap. We advise thinking carefully about partners' capacity to carry out this work and encourage them to seek additional support and create linkages with other service providers as necessary.

Partners are deeply connected to the communities they serve, actively supporting local agency and leadership. Their role is to strengthen people's capacities – not replace them. Partners should avoid becoming "actors in the market" on behalf of the entrepreneurs they support. An enterprise driven by partners will eventually fail after the project ends but an enterprise led by the entrepreneurs will leave an imprint of capacity generating more ownership and desire to work through challenges, improving its chance of success. In this case, even if the particular business fails, skills remain with people who can then apply them to new business opportunities. The capacity to learn from failures is an important characteristic of the entrepreneur's journey. According to the Office for National Statistics, 42% of businesses in the UK survive beyond 5 years.⁵ The picture is much bleaker in developing economies.

⁵ <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2018>



Case Study

The importance of working with experienced partners

In Honduras, CAFOD partners with **Red COMAL**, the alternative community markets network, comprising over 122 social enterprises and involving over 4,000 households. Red COMAL operates in the dry corridor of Northern Honduras, one of the poorest regions in the country. They are a network of small-scale farmers, cooperatives and ethical micro-finance associations. Red COMAL provides training programmes, facilitates access to credit and markets and helps thousands of Hondurans build a vibrant and equitable alternative rural economy. Using the concept of “solidarity economy”, Red COMAL places a high priority on *campesino* (peasant) led businesses, equitable commerce, women’s empowerment, food sovereignty and respect for the environment.

They provide services to a wide range of *campesino* and indigenous-led organisations. The network consists of 51 community stores, 8 co-ops, 26 agricultural enterprises, 11 rural community micro-finance associations, 12 women’s associations, 2 bakeries, 8 agricultural services companies and 4 diversified services enterprises.

Red COMAL has the expertise to set up accounting and business systems, navigate business registration processes and help farmers transition from conventional agriculture to agroecology.

Red COMAL engages directly with and coordinates members of the network to influence the business enabling environment in Honduras, multiplying benefits through the local economy.

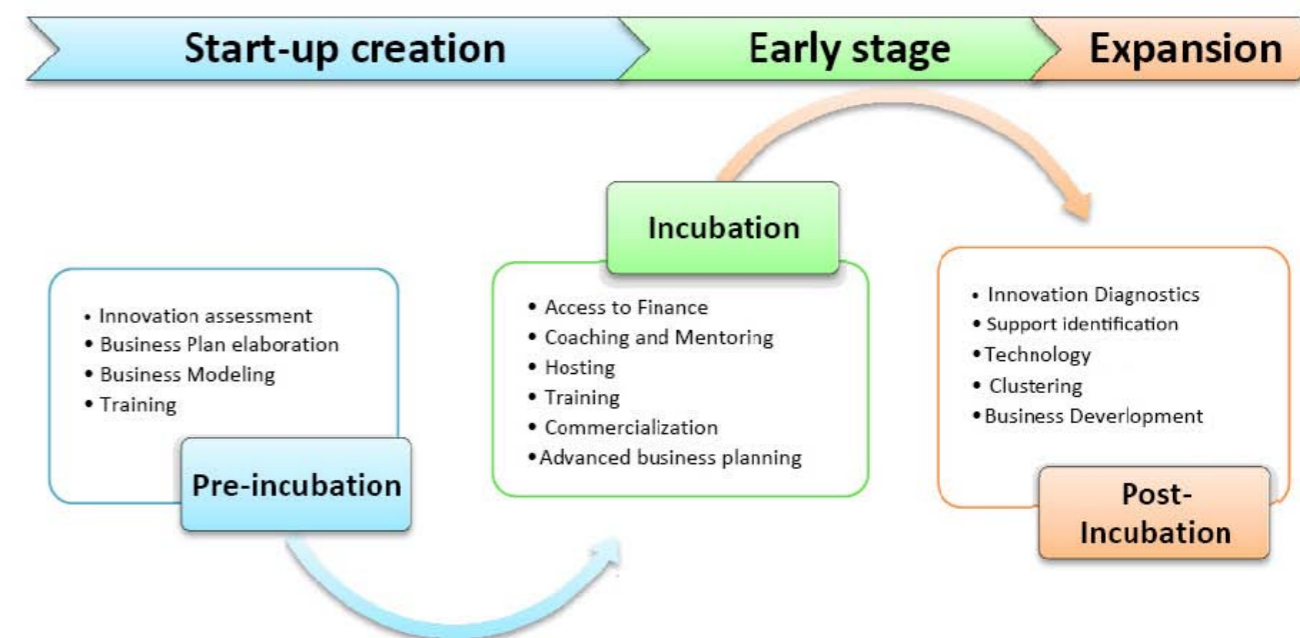
To extend its reach, Red COMAL opened a solidarity economy training center in Siguatepeque, Northern Honduras, hosting visitors and students from across Central America.

The network supports family farmers in creating alternative economic opportunities through small business development, training and advocacy, creating commercially viable enterprises and connecting different economic initiatives locally. Working with an experienced network like Red COMAL allows us to have greater reach and impact.



Red Comal supports small farmers in Honduras, seeking to strengthen local economic development via agroecology and solidarity economy principles.

Figure 2: Stages in Enterprise Development⁶



Safe, accessible dignified, and inclusive programming

If enterprises are to serve the needs of the poor, the marginalized, and the vulnerable, it is critical to understand who these people are and what their needs are. In planning enterprise development programmes, we should strive to:

- consider the safety of programme participants
- ensure different groups can access and participate in our programmes and
- respect their inherent dignity in all our interactions.

In doing this, we should consider a programme participant's

- sex (sometimes referred to as gender)
- age and
- diversity of need (such as disability, caste, ethnicity, religion, etc).

A variety of frameworks and standards have been developed to assist in programme development with respect to making programmes more inclusive. Within these are good practice guidelines for programme analysis, community participation, feedback & complaints handling, and organizational safeguarding. These tools can be used in conjunction with the other resources in this guide to incorporate elements of safety, access and dignity into the whole programme cycle (see Tool 1).

⁶ https://ec.europa.eu/regional_policy/sources/docoffic/2007/working/innovation_incubator.pdf

Monitoring, Evaluation and Learning (MEAL)

Our Theory of Change identifies the following desired outcomes:

- **Impact:** Benefits to poor and marginalised people and the environment.
- **Outcome:** Enhance the commercial viability of the enterprises partners work with.
- **(Additional) Outcome:** Promote a network of local enterprises and actors who can support each other and influence the enabling environment.
- **Intermediate Outcome:** Strengthen the capacity of partners to support locally led, commercially viable businesses.

We encourage Enterprise Development initiatives to monitor progress against these key outcomes and impacts. A simple MEAL framework, offered below, can be adapted to different circumstances, linking outcome and impact. It is strongly recommended that enterprises only be asked to collect, store and analyse data that is useful for their business. It is hard enough to run a small enterprise without this additional burden!

We suggest some basic Key Performance Indicators (KPIs) be tracked on an annual basis (by partners and enterprises). They are:

- 1 Number of enterprises supported (in case a partner is supporting multiple enterprises);
- 2 Turnover
- 3 Net Profit
- 4 Number of Full-time Employees (M/F and other relevant inclusion data)
- 5 Number of Part-time and Seasonal Employees (M/F and other relevant inclusion data)

These KPIs have been selected because they contain vital information for enterprises to gauge the health of their business. Remember that the key to meaningful measurement is that the information collected is intended to help ascertain progress. The choice of indicators should be informed by the intended impact sought. That is why it is helpful for partners to have clarity on the desired “primary impact pathway” to improve the lives of poor people and/or the environment. For instance, projects aiming to strategically promote women’s economic empowerment will also need to track related indicators, eg # of women represented in the enterprises’ governing body. **Tool 23** in our support tool kit provides a number of additional indicators to consider.

■ Simple MEAL framework

Purpose: A MEAL framework is indispensable for monitoring progress. The sample framework below relates directly to our Theory of Change, capturing the overall impact and related outcomes that should be tracked as part of the intervention. The table offers an example which should be adapted to reflect specific impact pathways. In this example, the outcome related to “enhanced commercial viability” links directly to indicators that should also be tracked by entrepreneurs so they can assess the health of their business.

Who? The partner and entrepreneurs should be responsible for monitoring progress based on the enterprise’s chosen indicators.

When? A MEAL framework should be developed when designing the intervention and used frequently to monitor progress.

To access the excel spreadsheet for this tool [click here](#).



Respon- sibility	Impact pathway		Indicators	Baseline	Targets	Data Collection			Data review and analysis		Feedback, reporting and use	Sources and means of verification
						How (tools)	Who	When	Who	When		
Partner & CAFOD/ SCIAF	Overall Impact	Benefits to poor and marginalised people and/or the environment' through improved Enterprise Development	Linked to 'Purpose' of Enterprise and 'Dominant Impact Pathway'			Participatory assessments, case studies, enterprise dashboard and KPIs	CAFOD and SCIAF Programme Officers and Partners	Annual or biannual submission as agreed with partner	Programme teams, technical support staff and partners	As per Project Cycle (eg mid term review and evaluations)	To validated/ challenge TOC, inform good practice and organisational learning	Case studies, project reviews and evaluations, learning events and Communities of Practice
Partner (and Enterprise)	Additional Outcome	Business enabling environment (BEE) influenced	Identify influencing target and change desired, eg: change in relationship with decision makers; policy change; development of advocacy strategy; new coalitions formed.			eg PESTLER, V&A modified	Partner	Annual or biannual submission as agreed with partner	POs, programme teams and technical support staff	As per project cycle	Good practice and learning to inform future advocacy and BEE influencing initiatives.	Policy changes, speeches and briefs, meetings minutes, letters/invitation, emails/correspondence, evidence of coalition-building, etc.
	Core Outcome(s)	Enhanced commercial viability of 'Enterprises with a Purpose'	Increased Turnover			Enterprise Dashboard	Enterprises with the support of partners	Frequently as this information is essential to run the business, eg Weekly, Monthly	Partners and Entrepreneurs	Quarterly	Dashboard results should be used by partners to indicate where to focus support to enterprises and by entrepreneurs to adjust/ improve specific areas of the business.	Internal financial records of enterprises – should be verified by partners at predetermined times. Employment records, Group Maturity Index and other relevant tools as per selected impact pathways.
			Increased Net Profit									
			Increase in Number of Full-time Employees (M/F and other relevant inclusion data)						Programme teams and technical support staff	Annually or at the end of the project cycle	Inform good practice and learning across programmes and partners. Can also provide ED portfolio level data on number of and “health” of enterprises supported.	
			Increase in Number of Part-time and Seasonal Employees (M/F and other relevant inclusion data)									
			Other relevant indicators that link to dominant impact pathway, e.g. Women's Economic Empowerment, ownership, links to suppliers...									



Self-Assessment Tool: Enterprise Development Programme Quality Marker

Purpose: Our *Enterprise Development Programme Quality Marker* is a framework for assessing the quality of Enterprise Development initiatives. The distillation of our Theory of Change and good Enterprise Development programming principles informed the Programme Quality Marker. It is an overarching framework for all Enterprise Development projects and functions as a scorecard, helping assess and track Programme Quality over time.

It is presented as a **Self- Assessment Tool** that programme teams can use to inform conversations with partners and identify scope for improvement. The aim of this marker is to support alignment with the key principles of our approach. It is broken down into three key areas:

- Strong development impact
- Strong commercial proposition
- Strong intervention design

It's important to have a specific intervention in mind when using this tool.

Who: This tool is intended to be used by programme staff in conversation with partners designing and supporting Enterprise Development initiatives.

When: Ideally the marker would be used at the design stage of the intervention so as to highlight areas for improvement, helping set enterprises up for success. If used regularly (baseline, midline, end line) it can also serve as a mechanism to assess and track progress, identifying specific areas for improvement.

Exercise:

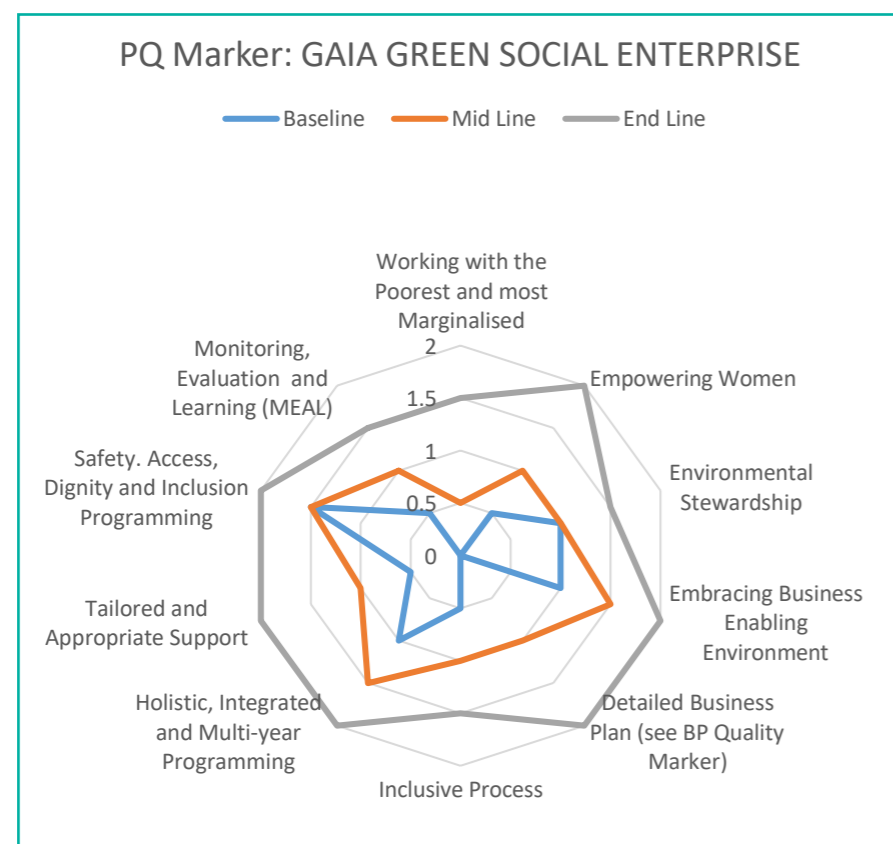
Using an existing project or a proposal - for each of the 10 good programme principles:

- Assess the existing level of alignment;
- Score the initiative using the 3 statements of alignment as guidance. Which statement most closely describes the initiative you are reviewing? This is a range from 0 -2 (zero indicates no alignment with the specific principle and would represent a red flag which needs to be addressed);
- If the degree of alignment falls somewhere between the 3 statements, award an intermediate score (eg 0.5 or 1.5);
- Once the scores have been added, a spider diagram is automatically generated - showing areas of strength and weakness;
- Use the outcome of this exercise to focus on areas of weakness. Section 5 contains tools to support the specific areas.

To access the excel spreadsheet for this exercise [click here](#).

ED Programme Quality Marker

Competency Domains	ED Quality Dimensions	Indicators		base line	Mid Line	End of line
Strong Development Impact	Working with the Poorest and most Marginalised	The enterprise provides benefits to poor and marginalised people as consumers, employees, suppliers and owners.	Working with the Poorest and most Marginalised	0	0.5	1.5
	Empowering Women	The enterprise generates benefits for women.	Empowering Women	0.5	1	2
	Environmental Stewardship	The enterprise has a positive impact on the natural environment.	Environmental Stewardship	1	1	1.5
	Embracing Business Enabling Environment	The enterprise considers the BEE	Embracing Business Enabling Environment	1	1.5	2
Strong Commercial proposition	Detailed Business Plan (see BP Quality Marker)	Support for the enterprise is informed by a business planning process and understanding of the local market demand.	Detailed Business Plan (see BP Quality Marker)	0	1	2
	Inclusive Process	The Business Planning process involves the entrepreneur and helps to build capacity of key stakeholders.	Inclusive Process	0.5	1	1.5
Strong Intervention Design	Holistic, Integrated and Multi-year Programming	The intervention outcomes provide multiple benefits (beyond income generation) and is given appropriate time to mature.	Holistic, Integrated and Multi-year Programming	1	1.5	2
	Tailored and Appropriate Support	The intervention is owned by entrepreneurs and informed by a strategy that responds to local market opportunities. Partners are strong and experienced in ED.	Tailored and Appropriate Support	0.5	1	2
	Safety, Access, Dignity and Inclusion Programming	The intervention is safe and inclusive.	Safety, Access, Dignity and Inclusion Programming	1.5	1.5	2
	Monitoring, Evaluation and Learning (MEAL)	The intervention is monitored regularly. Learning is captured and used.	Monitoring, Evaluation and Learning (MEAL)	0.5	1	1.5



Local markets are vibrant spaces of exchange, where producers and consumers meet. They are central to sustainable and resilient livelihoods strategies.



Support Tools

■ Programme Quality Marker

■ Sample MEAL framework

■ Environmental Stewardship Tool



Additional Resources

Women's Economic Empowerment:

CARE, 2016. **Strategy for Women's Economic Empowerment.**

CAFOD, 2018. **Believe in Change: A toolkit for the Catholic community to promote gender equality.**

Oxfam, 2017. **Conceptual Framework on Women's Economic Empowerment.**

Oxfam, 2017. **Women's Economic Empowerment Resource Guide**, contains an impressive list of resources to support work on women's economic empowerment.

International Centre for Research on Women, 2011. **Understanding and Measuring Women's Economic Empowerment.**

Environment:

CAFOD and iied, 2017. **Energy Delivery Models (EDM).**

IISD and Seed Initiative, 2012. **Social and environmental enterprises in the Green Economy: Supporting Sustainable Development and Poverty Eradication on the Ground.**

Sinclair, F. et al. 2019. **The Contribution of Agroecological Approaches to Realizing Climate-Resilient Agriculture.** Rotterdam and Washington, DC. World Agroforestry, Bangor University and CGIAR.

World Health Organisation, 2006. **Standards for Use in Agriculture: Guidelines for Wastewater Use in Irrigation.**

Tearfund, 2016. **Closing the Loop, the Benefits of the Circular Economy for Developing Countries and Emerging Economies.**



SECTION 3: SUPPORTING A PARTICIPATORY BUSINESS PLANNING PROCESS

Purpose: This section is designed as a **practical exercise** to develop a coherent and realistic plan for an enterprise. The hope is, that by doing so in an inclusive way, the process will strengthen the capacity of entrepreneurs, help them understand the commercial realities of the enterprise and the risks it faces, and help identify and target any follow-up support needed, increasing the chances of the enterprise becoming viable, resilient and sustainable.

Who: Entrepreneurs with the support of partners. The inclusion of entrepreneurs in the business planning process is critical to ensuring the full ownership of the business initiative is in their hands.

When: Ideally a participatory business planning process would inform the intervention design, ensuring entrepreneur involvement from the outset. However, such a process can be used to retrofit initiatives, especially to address specific bottlenecks in marketing, management or logistics, for instance. A business plan is a living document and critical assumptions made at the design stage (eg cost of production) need to be revisited periodically to ensure the enterprise is still viable and profitable.

■ Business planning: Why is it important?

Common reasons why small businesses fail:

Bad planning – not thinking through the elements required to run a successful business.

Lack of ownership – initiatives designed as projects can create a dependence on grant money or partners rather than enabling entrepreneurs to take the lead.

Poor management – weak governance and lack of transparency is one of the greatest pitfalls.

Poor cash flow – might lead to inability to pay bills and loss of suppliers.

Significant changes in the market – could lead to the price of inputs changing, resulting in increased production costs.

Loss of key staff – without succession planning in place, the business might lack the key skills needed to thrive.

Poor financial management – will lead to problems such as unrealistic sales targets. Lack of transparency may even lead to conflict when it comes to group enterprises.

A business plan would help address some of these challenges by encouraging entrepreneurs to consider the different elements of a successful business. This requires thinking through the business idea, if there is demand for the product or service in the market and the best way to organise to meet this demand.



Case Study

Participatory business planning process in Nicaragua

The Association of Productive Women (ASOMUPRO) supports women's enterprises in the dry corridor of Northern Nicaragua. Historically, women have been excluded from labour markets and from accessing economic and productive resources such as, land, technical assistance and credit. ASOMUPRO's beekeeping project targets 160 households (146 women and 14 men). Its goal is to increase the production and marketing of honey and its by-products. In addition to economic benefits, the project seeks to empower women and strengthen their associations, as well as, build social cohesion and foster collaboration.

In 2016, CAFOD supported a pilot initiative with the beekeepers. This involved a **participatory business planning process** with ASOMUPRO and the women entrepreneurs. The process used a 'learning by doing' approach focused on three key themes: *organisational capacity, production potential, and market analysis*.

Over six-months, the women entrepreneurs received hands-on, practical training on, entrepreneurship and commercial viability. This included modules on market analysis, how to calculate cost and do financial projections and how to develop a production plan.

The women themselves interviewed competitors, retailers, wholesalers and intermediaries in the honey value chain. They calculated their own production costs and profit margin.

The business planning process demonstrated that beekeeping was a viable economic activity. There was local demand they could tap into if they organised themselves to market collectively. The business plan calculations showed that beekeepers would earn up to US\$20 a day after the first year, as compared to the US\$5 a day normally paid for day labour.

As a result of improved practices, production increased by 300%. A cooperative was formed to support the associations to market collectively and leverage voice when negotiating with buyers. The process increased women's self-esteem and developed their skills and abilities. Beyond the many economic and social benefits, the women are also proud that their enterprise supports environmental services. The group is active in raising awareness in the community about the damage caused to bees when farmers apply synthetic chemicals, they are also leading on reforestation efforts with melliferous trees.



"The bees have taught us to be united in our entrepreneurial efforts" member of Quibuto bee keeping association in Nicaragua.

An inclusive process

The way in which the business plan is developed is as important as the plan itself. **It is vital that the plan be wholly owned by the entrepreneur(s)**. It is not something that can be done to them or for them! The likelihood of a business surviving depends on how involved and committed entrepreneurs are. Businesses set up in a three-year project cycle will face significant challenges as partners exit – so entrepreneurs will need to take it forward. It is precisely for this reason that we put so much focus on strengthening the capacity of entrepreneurs, helping them manage their own businesses. Additionally, a good plan will consult and maximize cooperation with a range of actors in the local market ecosystem, this can include producer and consumer organisations, intermediaries, buyers... A good plan will ensure that assumptions are well founded, and risks are understood. Where specific data, technical information or expertise are needed, they should be sought locally.

Top Tips to make the planning process inclusive:

- **Adopt a questioning approach to help the entrepreneur think through the issues:**
eg "Who are your target customers?";
- **Simplify the process and avoid jargon/technical language** to ensure the entrepreneur fully understands the issues;
- **Pass the pen:** in classic participatory style- give the pen to the entrepreneurs. Let them define their enterprise in their own words or pictures- this builds a sense of ownership;
- **"Get on your bike":** Rather than have a consultant develop a plan or writing it in an office, go to the market. Engage the entrepreneurs to carry out the market analysis themselves. Encourage the entrepreneur to talk to customers, retailers, wholesalers, intermediaries, as well as other key actors in the market. See where products are made; explore the competition in the flesh!

How to use this section

This section is designed as a practical exercise for engaging in discussion with entrepreneurs (cooperatives, associations, groups or individuals). There are eight key steps. The steps are generic and can be applied to different types of enterprises adapting to size and scale. Support tools are provided at the end of each step to help partners and entrepreneurs unpack key elements.



We pose a series of questions to stimulate conversations between the partner and the entrepreneur to help develop an inclusive and participatory business planning process. What follows is a practical exercise that will cover key elements in business planning. Going through the process will support entrepreneurs in planning their own business. Once it is all brought together, this information is the enterprise's Business Plan. A **business plan is a living document** and the assumptions and calculations should be reviewed frequently to ensure the enterprise is operating with the most up-to-date information.



The worm is in the apple from the beginning. Projects set up by NGOs as development initiatives often stifle the drive and creativity of entrepreneurs.

MADA Partner, Lebanon





Women farmers supported by SCIAF partner CDJP in Kabgayi, Rwanda.



■ Business plan scorecard

Purpose: To help assess the strength of the Business Planning Process we have developed a simple scorecard that allows the user to evaluate each step in the process and then prioritise areas for improvement. *The Business Plan Scorecard relates directly to the commercial proposition pillar of the Programme Quality Marker.* It is a way of assessing the strategy of the enterprise and connects directly to the 8 steps outlined in this section. Support tools to strengthen the different elements of the scorecard are found in **section 5**.

Who: Partners and entrepreneurs should assess the quality of their business plan against good practice and put in place the measures needed for a sustainable, resilient and autonomous business.

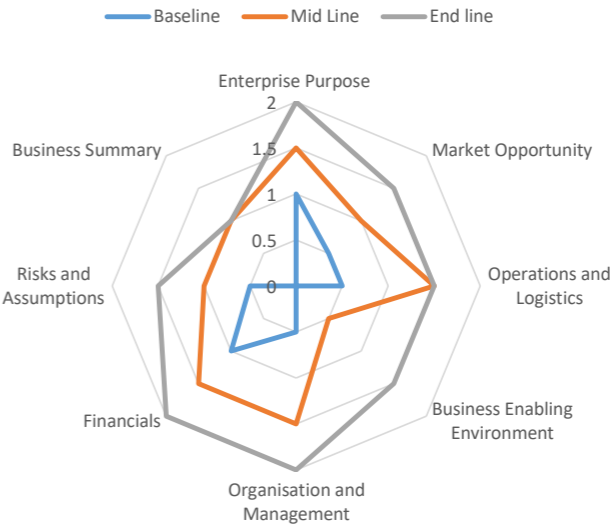
When: Like the Programme Quality Marker, the Business Plan Scorecard should be used at the design stage of the intervention to highlight areas for improvement early in the project cycle. If used regularly (baseline, midline, end line) it can also serve to assess and track progress.

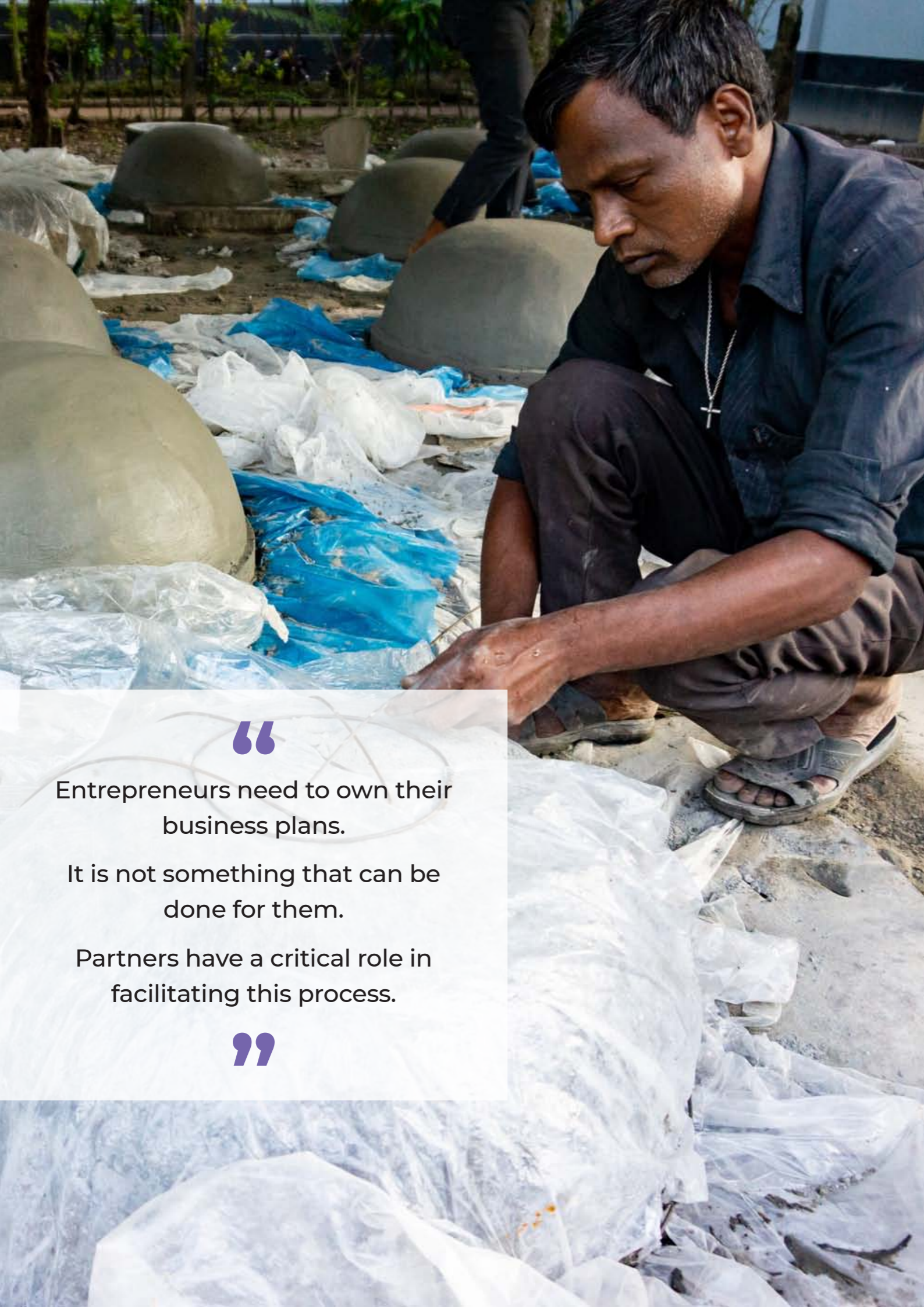
To access the excel spreadsheet for this exercise [click here](#).

Business Plan Scorecard

Business Plan Scorecard			Scorecard				Suggested Tools that Partners and Entrepreneurs can use to improve Business Plan Scores
Business Plan Steps		Indicators		SCORE (0, 0.5, 1, 1.5, or 2)			
				Base Line	Mid Line	End Line	
Step 1	Enterprise Purpose	Enterprise benefiting the poorest and most marginalised (eg women, youth...) and the environment	Enterprise Purpose	1	1.5	2	Tool 1: Safe, Accessible and Dignified Programming Tool 2: Stakeholder Analysis Tool 3: Women's Economic Empowerment Tool 4: Environmental Stewardship
Step 2	Market Opportunity	Demonstrating market demand	Market Opportunity	0.5	1	1.5	Tool 5: Competitor Analysis Tool 6: Pricing Strategy Tool 7: Mapping the Market
Step 3	Operations and Logistics	Assessing the value chain for risk and the potential for efficiency	Operations and Logistics	0.5	1.5	1.5	Tool 8: Gender Sensitive Value Chains Tool 9: Production Planning
Step 4	Business Enabling Environment	Understanding and influencing the BEE	Business Enabling Environment	0	0.5	1.5	Tool 10: PESTLER Analysis Tool 11: Voice and Accountability Tool
Step 5	Organisation and Management	The enterprise has the right people, clearly defined roles and the structures necessary to be successful.	Organisation and Management	0.5	1.5	2	Tool 12: Coop Governance Framework Tool 13: Who is an Entrepreneur? Tool 14: Group Maturity Index Tool 15: SWOT Tool 16: Simple Role Description Template
Step 6	Financials	The sales, profit and cash flow are realistic and sustainable.	Financials	1	1.5	2	Tool 17: How to create a financial budget for a small business? Tool 18: Income Statement Tool 19: Cash Flow Statement Tool 20: Sensitivity Analysis
Step 7	Risks and Assumptions	Risks are understood and mitigated.	Risks and Assumptions	0.5	1	1.5	Tool 21: Simple Risk Assessment Matrix
Step 8	Business Summary	A summary of the enterprise proposition with key targets identified.	Business Summary	0	1	1	Tool 22: Detailed Business Plan Template Tool 23: Enterprise Indicators

GAIA GREEN Business Plan Scorecard





“

Entrepreneurs need to own their business plans.

It is not something that can be done for them.

Partners have a critical role in facilitating this process.

”

■ The starting point: The entrepreneur

There is often a tendency for development actors, including NGOs, to organise livelihood projects, select “beneficiaries”, identify business opportunities and set up “enterprises”. This type of approach rarely works in the long term! Enterprises need to be driven by entrepreneurs who can identify a market opportunity, are willing to manage their own businesses and are prepared to take calculated risks. Entrepreneurs must have the skills and vision to make their businesses thrive.

This is not to say that we should not support enterprises as part of community development initiatives, however, evidence suggests that **the most successful are those that build on the strengths of existing entrepreneurs or people with entrepreneurial ambitions**. There are few examples of “manufactured” groups being successful. The most successful group enterprises are based on practical collaboration between individuals who have recognised certain weaknesses that are the result of operating in isolation and have come together to achieve a common objective, eg smallholder farmers who realise they have a better chance of influencing price if they market collectively. Another example comes from working in conflict and war-torn countries, targeting existing entrepreneurs and helping them rebuild their businesses thus contributing to the recovery of the local economy.

There are, however, ways to help entrepreneurs think through ideas and options and fine-tune their entrepreneurial vision. These include:

■ **Creating opportunities for entrepreneurs to pitch their own business idea:** For instance, in East Timor, CAFOD partner, CDC, did not “come up with business ideas” or “organise groups”. Self-organised groups of women entrepreneurs would come to CDC with their business idea and together they assessed its viability, choosing to invest their support in those with greatest commercial potential.

■ **Creating learning opportunities for entrepreneurs to come together, sharing experience and solutions.** CAFOD partner, MADA, in Lebanon, runs a platform for local entrepreneurs. The platform is more than a learning forum; it is also collectively funded by the entrepreneurs who receive a variety of business support services in exchange, such as help with bookkeeping and marketing.

■ **Talk through the entrepreneur’s ideas and help them clarify their thinking by asking:**

- What are your aspirations?
- Why do you want to create a business?
- What is your business idea?
- Is there a demand for the product/service?
- What is the purpose of your enterprise and how does it contribute to your community?
- How does this build on your capabilities, assets and experience?



In Myanmar, CAFOD Partner Gaia Green Social Enterprise produces natural products made with local ingredients. They operate as part of a nation wide network of local producers.



■ Step 1: Enterprises with purpose

Why?

We work with the poorest and most vulnerable people in the world. We choose to support enterprises that are committed, as a core element of their business model, to achieve a strong development impact. By investing in **Enterprises with Purpose** we seek to improve the social or economic status of poor and marginalised people without damaging the environment, preferably seeking to regenerate it for future generations.

How?

Good socio-political, environmental and market analysis at the design phase is key to achieving this outcome and addressing critical development challenges.

Poor and marginalised

Poor people engage with enterprises in many ways, as owners, workers, suppliers, customers etc.

How will the poorest and most disadvantaged communities benefit from the proposed initiative (either directly or indirectly)? What are the needs of the different vulnerable groups?

Our **Stakeholder Analysis**, provides a simple framework for assessing influence and interest in ED initiatives. It can highlight those most vulnerable in the value chain and help organise them for more effective collaboration. Ensuring programming is safe, accessible and **dignified** is critical to reaching the most vulnerable effectively.

Gender and Women's Economic Empowerment (WEE)

Women are still among the most disadvantaged in many communities, yet their participation is widely regarded as crucial to achieving positive developmental outcomes⁷. Enterprise development initiatives should ensure they do not place even greater burdens on women or accentuate power imbalances. Transformative Enterprise Development initiatives that target women should not only seek ways to increase material benefits but have a clear understanding of gender roles and relationships. Equally important is the need to address strategic **gender needs**, such as increasing women's ability to manage their own businesses, making them more financially independent, building their self-confidence to work together and get themselves into positions of leadership, overcoming role stereotypes. Enterprise development initiatives can support strategic outcomes in Women's Economic Empowerment.

The environment

At the very least, enterprises should do no harm to the environment (eg through use of toxic chemicals, generation of waste/pollution) but they can also be a means to support environmental services, for instance by rehabilitating soil or improving forest management. CAFOD, Trocaire, Catholic Relief Services and Caritas Australia designed an environmental stewardship tool to help programmes and partners analyse the impact of their interventions on the environment – this risk register allows users to flag environmental risks and think through mitigation and management strategies. Critical environmental issues to consider in Enterprise Development include:

- Does the enterprise use chemicals, dyes and other toxins? What are the risks to workers and the environment? How is the enterprise applying, storing and disposing of chemicals/toxins safely?
- Does the enterprise require water? Is the supply reliable and secure? Does the use of water by the enterprise affect other people's access to water?
- What considerations are in place for energy access, use and efficiency?
- How is waste being managed? Is the enterprise creating pollution?
- What climate-related hazards could affect the enterprise?
- Particularly for agricultural enterprises, what is the impact on the soil of certain agronomic practices? How could soil and water management be improved? Is the enterprise adhering to local environmental standards and regulations?



Case Study

Enterprise with purpose: Agroecological enterprises in Brazil

In Brazil, small farms employ 75% of rural labour and family farmers represent 84.4% of the country's farming sector, yet policies supporting smallholders have suffered massive cuts since 2016, while environmental and land legislation has been weakened to benefit export-oriented commercial farmers. The expansion of large agribusinesses is closely associated with destruction of forests and exhaustion of soils and aquifers, contributing to many potentially irreversible environmental problems, as well as violent land conflicts and attacks on environmental and land rights defenders. Large agribusinesses consolidate power and income, leaving the majority of those living in rural areas with few economic opportunities, other than work as low-paid day labourers. With little recourse many seek a new life on the periphery of cities, where opportunities for rural migrants are few.

The Pastoral Land Commission in João Pessoa (CPT-JP) is the social action arm of the Church in Paraíba state, working to protect communities' land rights and their capacity to earn a dignified living on that land. In an effort to support these communities, CPT-JP works with small family farmers to run micro-agro-enterprises so they can produce and market their crops sustainably. These small enterprises reach consumers through local marketing networks which include agroecological fairs across the state of Paraíba. The fairs connect small producers directly with urban consumers and play an important role in the local economy as they deliver affordable, safe and nutritious food to consumers and create jobs for rural families. Income generation opportunities are generated throughout the value chain for all those involved in the production, transportation, processing and marketing of the products. But income generation and access to markets is not enough; central to CPT-JP's strategy is mobilising small farmers to influence the policies that affect them. CPT-JP has been instrumental in organising farmers to negotiate opportunities to advocate for and access the state's local procurement policies which supply public institutions such as schools. During the COVID 19 pandemic this has been instrumental in helping meet the nutritional needs of poor families. CPT-JP's approach supports enterprises with a greater social and environmental purpose to become commercially viable but also addresses, structural issues like access to land, fighting for policies to benefit all small holder agroecological farmers.



Support Tools

- Tool 1: Safe, Accessible and Dignified Programming
- Tool 2: Stakeholder Analysis
- Tool 3: Women's Economic Empowerment
- Tool 4: Environmental Stewardship

⁷ https://www-cdn.oxfam.org/s3fs-public/file_attachments/bp-an-economy-that-works-for-women-020317-en-summ.pdf



■ Step 1: What is the enterprise's purpose?

Working with Entrepreneurs, answer the questions below:

- *What motivates you to run an enterprise? What is the business' mission, vision and values?*
- *How will this business benefit poor or marginalised people?*
- *Will the enterprise benefit women and other vulnerable groups?*
- *Are there practical and tangible benefits to women/youth or other marginalised groups? What are they? Does it address structural barriers to greater equality and opportunity?*
- *What steps have been taken to ensure that the business does NO HARM to the environment and manages natural resources responsibly?*
- *Will this business help restore or regenerate the environment, leaving it better for future generations? How?*



Additional Resources

International Labour Organisation. **The Power of Small: Unlocking the Potential of SMEs.**

■ Step 2: The market opportunity: What is your business idea?

Why?

It sounds obvious but any enterprise needs to understand the market in which it intends to operate and demonstrate that there is a strong and achievable demand for the product or service it is selling. In many traditional "Aid" projects, however, the "Market" is conveniently forgotten, and the focus is placed on inputs and production. To support commercially viable enterprises, we must respond to a local market demand, rather than just try to sell what has been produced. To ensure that the poorest and most vulnerable are not negatively impacted it is important to balance commercial strategies with food security/ subsistence strategies, this is best done by diversifying livelihoods options. Diversification is the cornerstone of resilience.

How?

All enterprises, however big or small, will need to know their **5Ps: Product, Price, Promotion, Place and People**. But first enterprises need to come up with and test the business idea.

Box 2: The marketing mix (5P's)

Product	People	Price	Promotion	Place
<ul style="list-style-type: none">■ Describe the product and service in as much detail as you can.■ How do other people see it?■ How does this differ from what competitors offer?	<ul style="list-style-type: none">■ Who do you think will buy your product and why? Start by asking existing customers and then ask others.■ What do you know about your potential customers? Age, gender, socio-economic group...■ When they buy your product do they buy other things?	<ul style="list-style-type: none">■ At what price will you sell the product?■ Does this cover your costs?■ How does this compare with the price of your competitors' products?	<ul style="list-style-type: none">■ How will you make customers aware of the product or service? eg a colourful sign next to a stall, talking to potential customers, leaflets, radio broadcasts, meetings with potential clients, tasting events etc.	<ul style="list-style-type: none">■ Where do your customers live?■ Where does your target customer buy their goods and services?■ How will you get your product or service to them?

The business idea

Coming up with a business idea that will be economically viable can be challenging. This is often the first bottleneck. As already noted, it is always useful to tap into entrepreneurs' own ideas and help them test them for commercial viability, as this will increase ownership. Explore business ideas with entrepreneurs by asking:

- What kinds of resources are available in the community? (land, forests, pasture, water)
- What product/service is currently being produced in the community?

- What products/services are people purchasing elsewhere that could be produced locally?
- What kinds of skills are available in the community?
- What is the production potential? (agronomic potential, infrastructure, transport, irrigation)
- How can collective potential be leveraged? Are there existing women's groups, savings groups, farmers' groups, youth groups?

DFID's Sustainable Livelihoods Framework is a useful starting point to map the 5 types of capital (natural, human, social, physical, financial) and explore potential livelihood strategies. Based on this initial reflection, ideas can be generated creating a **list of options** that then will need to be further analysed to determine production potential and market demand.

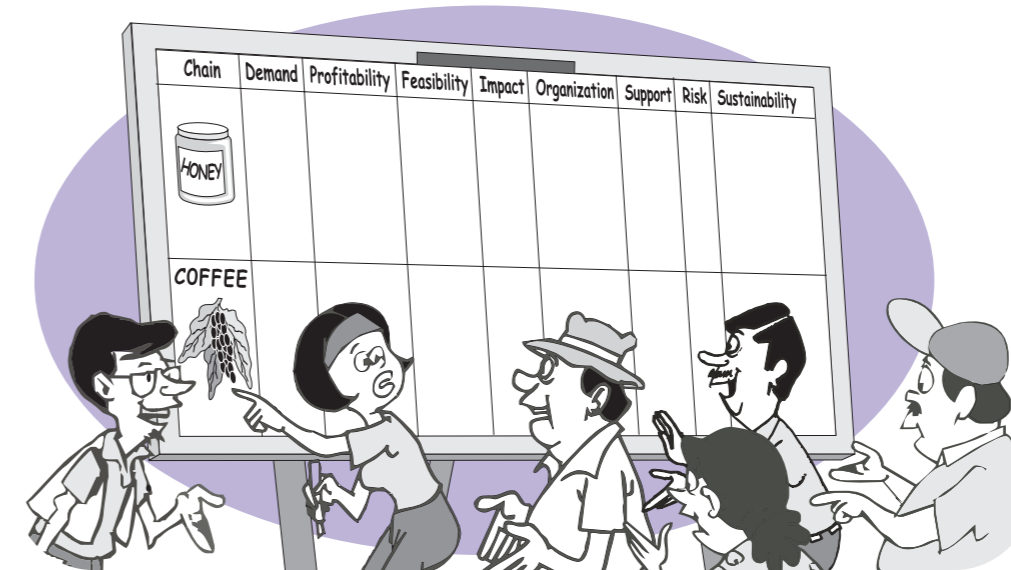
The market

A thorough investigation of the market is critical if you are to verify the commercial viability of specific business ideas. Using the list of options generated above, you can continue to hone in on specific questions that will help narrow the options. For each of the ideas on the list, consider:

- Is there a demand in the market for this (see **Tool 7** for tips on mapping the market)?
- What do you understand about the customer? Will the product or service bring benefits to poor and vulnerable people?
- Do the appropriate conditions to support production exist? (agronomic conditions, water, soil quality...).
- Is there a stable supply (of inputs or raw materials) to produce the particular product or service? Is it feasible to produce it?
- Is there an established market for this product or service? Who is the competition (See **Tool 5** for a competitor analysis)?
- Is it profitable (see **Tool 6** for pricing strategy)?
- What are the distribution systems like (eg How will you transport the goods? Are there intermediaries you can work with?)
- What kind of capital investment is needed? Is there access to ethical finance or other business support services?
- What climate hazards could affect this business idea? How could you reduce climate risks?
- How does production impact the environment? Are there environmental benefits to this proposition? (eg sustainable harvesting and commercialisation of certain high-value nuts links to appropriate forest management and use).

Asking these critical questions can help you identify the criteria needed to **narrow the list of options**. This process can help identify the business idea. But it is not the only method.

In cases, where the entrepreneur already has a specific idea in mind, then we suggest carrying out a **market analysis or feasibility study** to verify its commercial viability.



From: CRS's **Participatory Market Chain Analysis for Small Producers**

Market research

To answer the questions in the marketing mix (see box 2 on 5Ps) requires carrying out a market assessment. There are many ways to do this.

- Go to the local market/commercial hub (where your competitors operate). **Look** at and perhaps take photos of their product/service and note how/where it is sold.
- **Talk** to vendors/salespeople. Would they be interested in the product/service in question? If so, what specifications do they have (quality, quantity, grade, size).
- **How much** of the product would you need to produce (volume) to break into the market? Can you do so sustainably?
- **Talk** to customers. What do they like about the product/service? How do they describe its features and what makes it unique compared to others?
- Consider a series of structured interviews or focus group discussions (FGD) with customers. FGDs work best when asking customers to compare your product with others.
- Offer samples and get feedback.
- Consider customer surveys to inform product development.

CRS's **Market Facilitator's Guide to Agro-Enterprise Development** offers an excellent methodology for agricultural enterprises to assess market potential in an inclusive and participatory way so that farmers themselves are leading the research that will inform their choice of production.

Please note there are specific approaches to support comprehensive market analysis in a rapid emergency context helping small local enterprises recover. The **Minimum Economic Recovery Standards** can help build economic resilience for crisis-affected communities. The **Emergency Market Mapping Analysis (EMMA)** toolkit supports emergency response interventions by encouraging and assisting better understanding of local market-systems in disaster zones. **Cash and voucher assistance** can also help small businesses after disasters if linked to enterprise development and early economic recovery.

Competitor analysis

To complement market research, it is important to understand your competitors. A first step is to identify “Who are your competitors?” and “What makes your product different or unique?” A **competitor analysis** offers a simple framework for assessing the competition!

Price setting

The price you set will ultimately be determined by what your customers will pay. However, you should also consider pricing strategy and ensure the price covers your costs (both direct and indirect), if not, there will be no profit. Tool 6 provides a **pricing strategy matrix** and suggests how to blend price and quality with your competitive strategy. It also provides guidance on ensuring that your price really considers all of your costs.



Support Tools

- Tool 5: Competitor Analysis
- Tool 6: Pricing Strategy
- Tool 7: Mapping the Market



Women beekeepers in the North of Nicaragua developed their own business plan with the support of CAFOD partner ASOMUPRO.

Step 2: Business idea and market opportunity

Working with Entrepreneurs, answer the questions below:



- ? What Is your business Idea? Why does this Idea excite you?
- ? Describe the product or service you will be selling? (PRODUCT)
- ? What is the target market? Who are the customers and what do they want/need? (PEOPLE)
- ? Is there a demand for the product or service? How has this been assessed? (Market Research)
- ? Who are you competitors? The table below offers a few factors to consider when assessing the competition.

Competitor Analysis

FACTOR	Your Enterprise			Your Competition		Importance to Customer (High/Medium/Low)
	Describe Factor	Strength	Weakness	Competitor A	Competitor B	
Product/Service						
Price						
Quality						
Packaging						
Reliability						
Marketing strategy						
Company reputation						

- ? What makes your product different from your competitors? What is your Unique Selling Point (USP)?
- ? What price will you sell it at? (PRICE) How have you calculated it? How does this compare with you competitors?



Does the price set cover your cost? What volume is needed to cover costs? Is this realistic? Are you able to produce this much?



How will you market the product (make customers aware of it and want to buy it)? (PROMOTION)



Where will you sell it? (PLACE)



Gaia Green Social Enterprise in Myanmar aims to connect local producers and consumers. Selling their natural products in local farmers' markets in Yangon, they foster linkages across the local economy.



Additional Resources

Practical Action. **Participatory Market Systems Development**

Catholic Relief Services. **Market Facilitator's Guide to Agro-Enterprise Development**

Catholic Relief Services. **Guide to Facilitating Collective Marketing Activities**

MERS. **Minimum Economic Recovery Standards**

EMMA. **Emergency Market Mapping Analysis (EMMA)**

CaLP. **Resources from the Cash Learning Partnership (CaLP)**

Step 3: Operations and logistics

Why?

All businesses require effective operations and logistics planning to produce products and deliver them to the end-user in line with agreed plans. An Enterprise usually sits in a much longer chain. For example, farmers rely on seed, finance and other inputs to grow their crops and then sell to a cooperative that consolidates volumes and sells to a trader, who sells to a processor, who packages the product and sells to a retailer, who sells to a customer, who cooks and eats the food. **A value chain is only as strong as the weakest link.** For this reason, it is important to understand this “value chain” not only to identify other important players to collaborate with, but also any weaknesses that could compromise the business.

Successful, sustainable businesses tend to be *relational*, they operate within an ecosystem where different actors (producers, processors, retailers, customers) recognise it is mutually beneficial to work together.

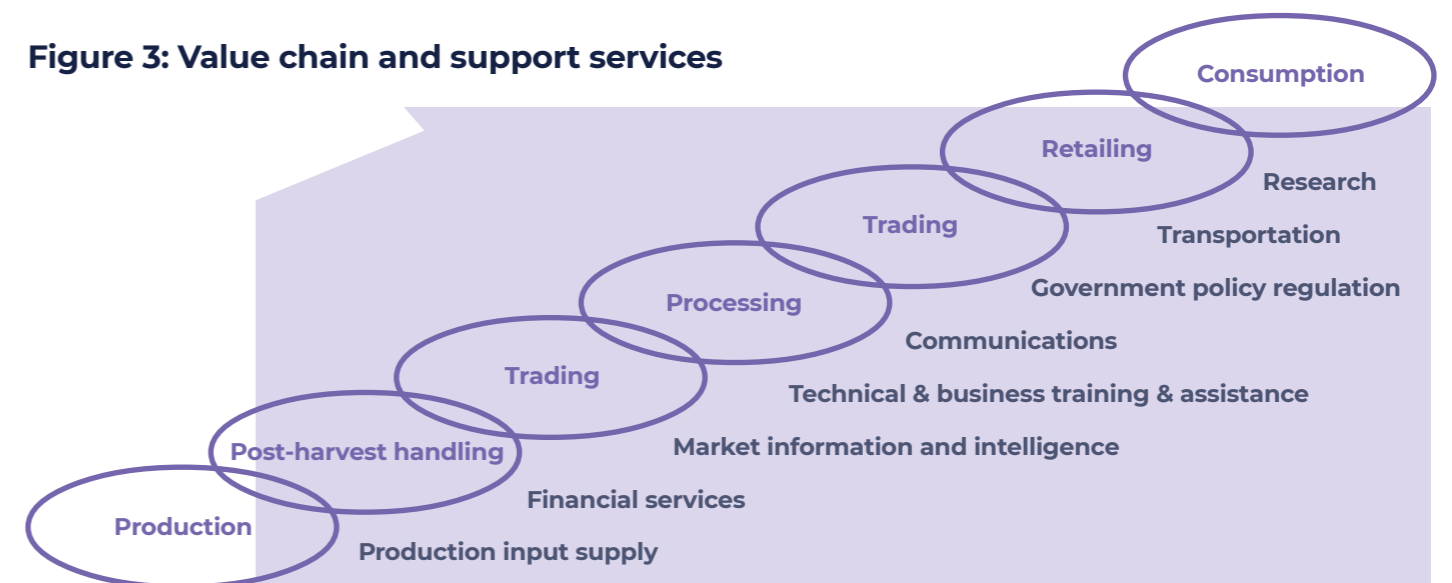
How?

Figure 3 illustrates a relatively simple example of a value chain map, demonstrating where a particular enterprise could sit. Value chain maps demonstrate how a product moves from raw material through production, processing, and other steps, until it eventually winds up with the consumer. The map highlights the range of activities that occur within the value chain. The map will also outline transformation steps or functions, actors, relationships, and support services. Value chain analysis can be used for a variety of products (not just agricultural). The level of detail in a value chain map can vary, ranging from noting the basic essentials to highly comprehensive components.

Map the value chain listing each step in the chain and where the enterprise sits. This might include farmers, processors, suppliers, transporters, storage, wholesalers, retailers, customers etc. How can you interact with these actors? Where are connections strongest? Where are they weakest? Does weakness in another link make your enterprise vulnerable?

Many businesses, for example, are dependent on suppliers' quality and reliability. Where possible, care should be taken to ensure the enterprise is not reliant on a single supplier or that its source is dependable and able to withstand stress and shock.

Figure 3: Value chain and support services



From: CRS's **Participatory Market Chain Analysis for Small Producers**



Case Study

The challenge of meeting demand

Entrepreneurs' biggest worry can sometime be, "will I be able to sell my product"? But the opposite problem, not being able to meet demand, can be equally unnerving. Ensuring that growth in demand can be met by the supply base is critical for the enterprise in meeting production targets. In Myanmar, CAFOD partner, Gaia Green, runs a successful catering business. At times, demand for their organic meals can outstrip the supply of organic products available from their small farmer network, threatening their capacity to deliver their meals. When this happens, they have to explore other sources to supply their ingredients. This is not always easy as most of the produce sold in the local market is produced conventionally and not always organic. Ensuring a stable supply of organic ingredients is critical to their catering business and Gaia Green has to plan well in advance and diversify suppliers to be able to meet the demand for their organic meals.

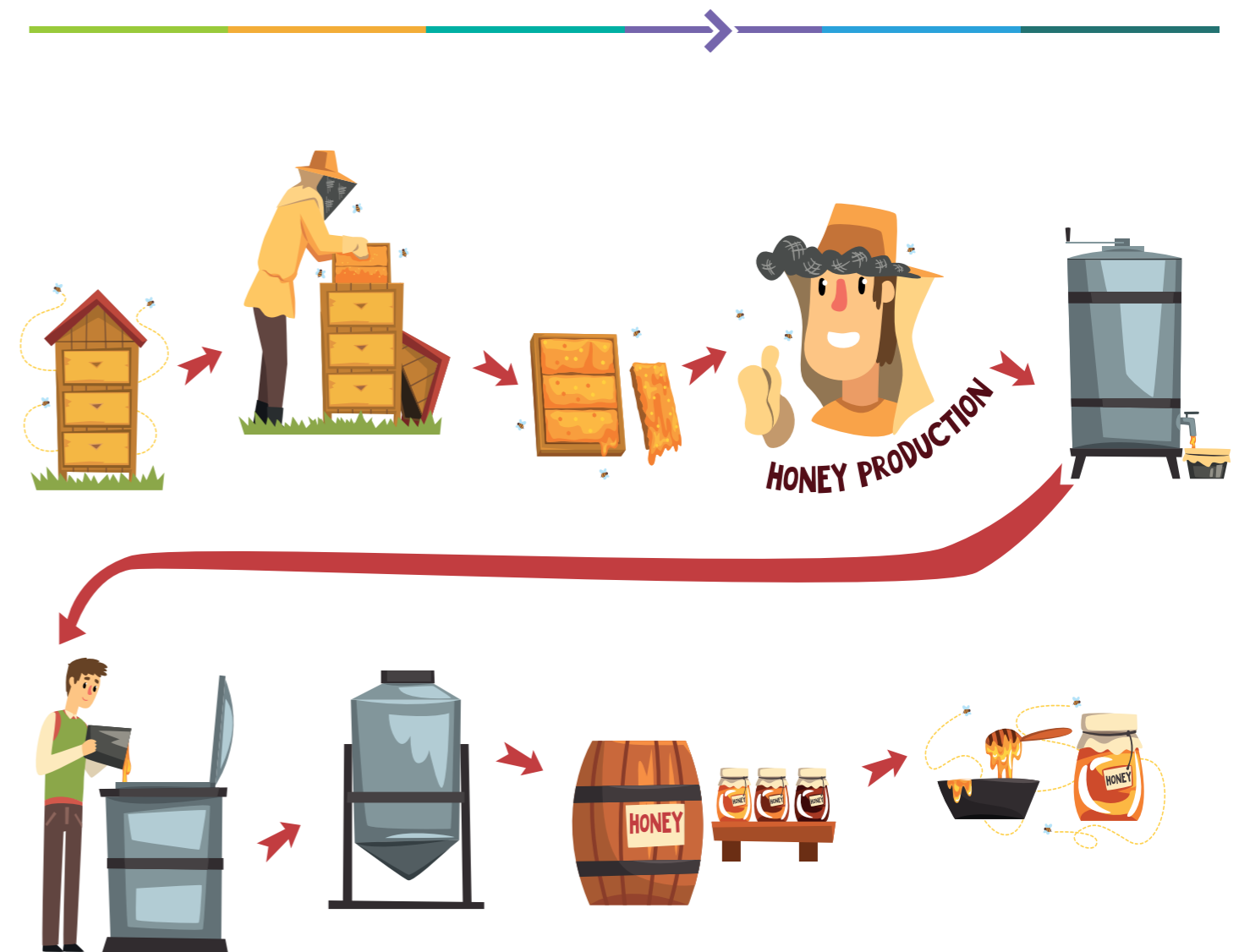
On the other side of the world, Aprocaty, an organic unrefined sugar enterprise in Honduras, has found itself in a similar position. After having signed a contract with local supermarkets for their sugar, they realised they were unable to keep up with increased demand and started purchasing sugar from other agroecological farmers in the region to complement their production and meet commitments to the buyer. It is important to keep customers happy and honour agreements on time. Thinking through the operations and logistics of the business will ensure efficient production flows and linkages elsewhere in the chain, helping enterprises secure a place in the market.

A value chain approach can increase gender equality and women's empowerment or create more inequities. A gender-sensitive value chain approach can help support women's access to income and bargaining power since efficiency in value chains is highly dependent on strong linkages and positive collaboration with others in the chain. A gender-sensitive value chain approach is a powerful analytical tool that can help ensure direct benefits to women, both practical and strategic. **Tool 8** offers guidance on the gender sensitive value chain approach.

The **production process** is the journey a product or service takes to prepare it for customers to buy. This will be unique for every product and a production plan can help you improve operations by ensuring raw materials are utilised optimally. **Production planning** helps makes the production process clear and consistent, ensuring the business can meet its targets and keep its customers happy. In order to develop your production plan you need to consider:

- How much of the product do you need to make? This relates to demand and the supply of raw materials available.
- How will you organise production? What are the different steps in the production process? What are the risks and assumptions involved?

The following image shows the production flow for honey processing. A production flow chart outlines the key steps in the process of production for a specific product. By detailing the production flow specific to your enterprise, you will be able to get a better idea of what you need in different stages of the cycle.



Example of honey production flowchart.

For more information on production planning and production flowcharts see **Tool 9**.



Support Tools





■ **Tool 8: Value Chain Mapping**

■ **Tool 9: Production Planning**



Step 3: Operations/logistics

Working with Entrepreneurs, answer the questions below:

-  Draw your value chain. Who are the key actors in your value chain? (Use the diagram in Figure 3 as a model)
-  Where are the links in the value chain weakest? Where is the risk to your enterprise most significant, eg how reliable is the supply of raw materials/inputs?
-  What measures are in place to reduce risks related to this?
-  Draw your production flow chart? What are the components of each step in the production cycle? What materials/equipment/skills are needed?



Additional Resources

Catholic Relief Services' (CRS). **Value Chain Toolkit: Harnessing the Power of Markets to Drive Change**
Catholic Relief Services' (CRS). **Participatory Market Chain Analysis for Small Producers**
FAO's Guiding Framework. **Developing Gender Sensitive Value Chains**



CAFOD partners in Central America support enterprises with purpose. Guided by principles that strengthen women's economic empowerment, agroecology and the solidarity economy.

Step 4: Understanding the Business Enabling Environment

Why?

The success of many ED initiatives is often determined not by the business itself but the "environment" in which the enterprise sits. This is often referred to as the Business Enabling Environment (BEE) but for many enterprises this environment can be *disabling*!

The BEE is the set of policies, institutions, regulations, support services, social norms and other conditions that collectively improve or create a general business setting in which enterprises and business activities can start, develop and thrive.

While often out of the enterprise's control, an understating of the BEE is crucial to its success. An **analysis of this enabling environment** is a necessary starting point in understanding how local policies, legislation and regulations (including tax, registration and export/import policies) would affect the business in questions. At a practical level, being aware of and responding to the BEE can make or break a business and at a strategic level it can help contribute address the "causes and not just symptoms of poverty".



Case Study

Understanding the Business Environment: Formalisation and disincentives to small businesses (DRC)

Umoja Wa Wa Mama Enterprise is a women-led soap making enterprise operating out of Bukavu in the Democratic Republic of the Congo (DRC) and supported by CAFOD and SCIAF partner, Centre Olame. The women have no land to cultivate and limited options for earning a livelihood. Many of the women have been displaced due to years of conflict in the region and the enterprise was designed as a way to support their independent livelihood. There are a few disabling factors that complicate operations for this small enterprise. Many of the materials used in by business, such as packaging bottles, have to be imported from Uganda, as they are not available locally. There is good demand for the product, but prohibitive tariffs raise the cost of production.

One of the factors keeping the business from growing is the issue of registration and taxation in the DRC. Officially registering a small business in DRC can cost up to \$800. This is quite expensive for small enterprises. In addition, Ordinance-law 13/001 requires all registered businesses to pay taxes. But in the DRC legislation also allows exemption for small enterprises run by vulnerable people. So Centre Olame is working with local authorities and the Social Affairs Board to register the group under the category of "vulnerable enterprise" in that way they will pay a lower tax rate. In the meantime, the group operates informally.

An understanding of the registration and taxation policies in DRC allowed the partner to identify gaps in the system and the "disabling environment". Continued advocacy is needed to influence the government to support these small businesses. According to Centre Olame, "many products from outside are cheaper whereas the local products are expensive. This discourages small businesses in the DRC". Their advocacy demands include: "We want the government to encourage small businesses by reducing tax, facilitating access by repairing rural roads, encouraging local production, reducing imports that compete with our local producers and supporting the organisation of small enterprises in the DRC".

Like Umoja Wa Wa Mama, many small enterprises around the world are stuck operating informally because the cost of formalisation is beyond their reach, as is their capacity to manage administrative red tape. The trade-offs between formality and informality need to be considered with care. Understanding the BEE will help you assess them.



Members of Umoja Wa Wa Mama enterprise in Bukavu, have diversified their soap production and also sell briquettes, which last longer and are more eco-friendly.

CAFOD has developed a series of videos that explain the business enabling environment. More resources on the Business Enabling Environment can be found on our **Think Small** site.

How?

There are a number of ways to analyse and influence the BEE. Over the years we have adapted our PESTLER tool to support the analysis of the BEE, **Tool 10** provides a simple framework to analyse the political, economic, social, technological, legal, environmental, religious context and trends that may impact the business.

Business Enabling Environment analysis				
Political These can be political or policy level decisions that affect the operating environment. Examples: <ul style="list-style-type: none"> ■ Tax ■ Employment law ■ Trade restrictions/tariffs ■ Political stability 	Economic These are issues that affect the purchasing power of customers and other businesses. Examples: <ul style="list-style-type: none"> ■ Macro-economic policies ■ Interest rates ■ Exchange rates ■ Inflation ■ Supply/Demand 	Social These are factors that affect customer's needs and potential markets. Examples: <ul style="list-style-type: none"> ■ Demographic and cultural change ■ Social attitudes and trends ■ Consumer awareness e.g. organic 	Technological These are innovative developments or trends that may affect the business. Examples: <ul style="list-style-type: none"> ■ Automation ■ Technology ■ Innovation ■ Solar or renewable energy 	Religious These are cultural/religious factors that may affect the business. Examples: <ul style="list-style-type: none"> ■ Market opportunity during holidays ■ Support from religious and cultural leaders

However you plan to analyse the BEE, three principles are key:

- **Participation/Inclusion:** The success of an enterprise will be supported or hindered by the BEE. It is critical for entrepreneurs to understand the policies, regulations and legislation that can affect their business. Participating in the analysis directly and understanding the challenges and opportunities first-hand, will help entrepreneurs gain a full picture of the operating environment, helping them embed this in their business strategy.
- **Broad Consultation:** To understand the business environment you need to talk to a broad range of people to understand how they are affected by their local or national policies, institutions, regulations, support services, social norms etc. This involves talking to the businesswomen and men the ED programme is working with, as well as other actors in the local economy and throughout the value chain, such as decision makers and key experts including academics.
- **Power:** The BEE is always political. It is therefore important to understand who has the power and who does not and ensure that the voices, needs and priorities of the most marginalised are heard and steps taken to build their confidence and ability to engage. Beyond analysing the BEE there may be a desire to come together as NGOs supporting small business, or as local entrepreneurs, to influence the enabling environment (for instance on issues of taxation or subsidies).

Not all enterprises have to influence the Business Enabling Environment, but all enterprises should understand how it will affect them. For those who want to go beyond analysis to influencing the business enabling environment, see **section 4** of this guide which explores how CSOs and entrepreneurs can leverage their collective voice to influence the enabling environment for small businesses.



Support Tools

- **Tool 10: PESTLER BEE Analysis**
- **Tool 11: Voice and Accountability**
- **Tool 7: Practical Action's Participatory Market System Development (Mapping the Market)** encourages the inclusive mapping of the BEE and how it impacts on the enterprise right across the value chain.



In East Timor CAFOD partner CDC, supports women entrepreneurs to take advantage of government programmes that aim to develop the local economy, linking entrepreneurs to the Ministry for Professional Training and Employment (SEFOPE).



■ Step 4: The Business Enabling Environment (BEE)

Working with Entrepreneurs, answer the questions below:



What Is the legal structure of the business?



Using Tool 10, BEE Analysis (PESTLER), identify which laws and regulations, policies or institutions the enterprise needs to be aware of and comply with?



What are the key blockages in the laws and regulations, policies or institutions that have the potential to impact the enterprise negatively? How?



How is the enterprise dealing with this? How is it reducing the risks the business environment presents?



Which potential opportunities in the BEE can the business take advantage of (eg training opportunities, government programmes, subsidies, networks, local procurement legislation)?



Additional Resources

CAFOD. **Think Small Resources**

CAFOD. **Think Small Video**

■ Step 5: Organisation and management

Why?

Depending on the size and nature of the enterprise, the functions of *ownership and management* might be carried out by the same person (eg a sole trader) or they might be shared (eg a group enterprise). Group enterprises come in a variety of shapes and sizes and governance structures differ accordingly, with countries having specific classifications and legal distinctions for the type of enterprise. In group enterprises, governance is often challenging, and care must be taken to **ensure full trust and transparency**. For instance, in a cooperative, management structures may be dictated by legal requirements and members will usually appoint a board that will appoint managers to look after the business day-to-day.

Enterprise Development initiatives, therefore, need to be based on solid organisational foundations to have a good chance of success. Specifically, this means, strong governance structures, strong entrepreneurial and management capacity, cohesive, transparent groups and trained staff.

How?

Entrepreneurial and management capacity is fundamental to an enterprise's success and refers to the ability of entrepreneurs to drive and manage their business. While entrepreneurial drive is difficult to manufacture, there are some important characteristics that can be reinforced, see **Tool 13**. A simple SWOT (strengths, weaknesses, threats and opportunities) analysis can help the enterprise better understand existing capacities and identify areas for improvement, see **Tool 15**. Gaps or weaknesses identified can then be addressed through technical support, mentoring, coaching and/or training. Mapping service providers in the local business “ecosystem” can help identify support. This is important given that every enterprise is nested within a specific context and legal framework that must be understood.

Group enterprises

Group-run enterprises take many forms, for instance, self-help groups, cooperatives, associations and social enterprises... Collective enterprises are a great way of building social cohesion, helping spread risk and pooling resources. They offer an opportunity to bring people together to work towards a shared goal. They also offer the opportunity for people to bargain collectively, increasing their voice, agency and power in the market. Despite the benefits of group-led enterprises, it is widely acknowledged that these have their own set of challenges. Group cohesion (alignment with a common purpose) can be weak – particularly when external entities, such as NGOs, lead group formation or where there are obvious weaknesses in the transparency and accountability of the groups. **Our Group Maturity Index** provides a more detailed instrument for assessing the capacity of groups and how well they are working together towards a common purpose.

A constant challenge for collective enterprises is how to distribute the surplus generated. There is a fine balance to strike between retaining profits to re-invest in the business and distributing to members to increase their income and loyalty to the group. There is no one answer for how to do this. But we know from experience that reinvesting a part of the profit back into the business will help it become more resilient and grow. How much is reinvested or redistributed to members must be discussed and members should decide together what is fair.

Governance issues

The role of the board is critical to cooperative management. Board members are elected, usually from the membership base at (bi-) yearly general assembly meetings. They have a duty-of-care and provide the overall direction and oversight of the business, but they do not micro-manage day-to-day activities. A board's responsibilities include:

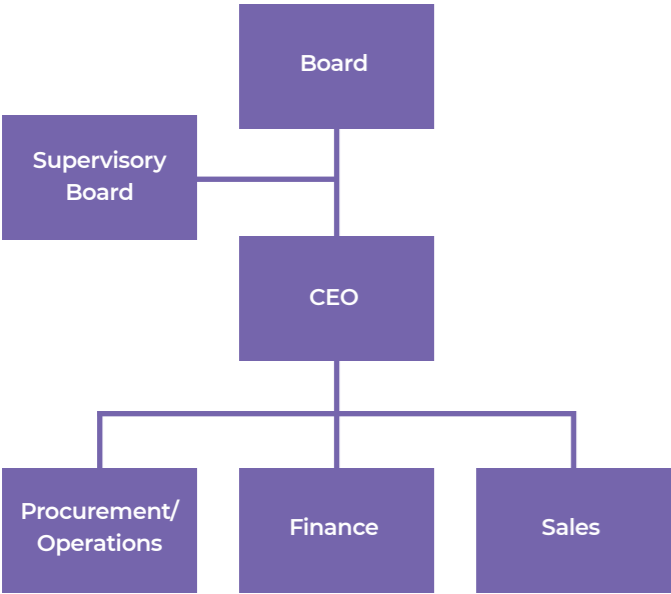
- Providing direction and making “big-picture” decisions
- Developing operational and organisational policies
- Working closely with the manager, taking counsel from him/her
- Hiring/firing managers

Many countries have local legislation that governs cooperatives. In some cases, cooperatives receive support from government by way of training, access to specific market opportunities and even tax reductions. It is important to be familiar with local legislation on cooperatives and if these are not favourable for the enterprise in question, it may be necessary to explore other legal classifications for group enterprises, such as associations. For more information on elements of good governance refer to the **governance tool** which provides a helpful checklist to help ensure a board is functioning effectively.

Staff

Capable staff are the backbone of all enterprises. Entrepreneurs should reflect on what skills are needed to run the enterprise successfully. Are roles well identified and understood? Drafting a **Simple Role Description** for the different functions in the business will help organise the team and ensure different roles complement each other. Partners are discouraged from doing what the entrepreneur (or staff) should be doing, otherwise there is a danger of creating dependency on the partner. An organisation chart (Figure 4) can provide a simple way of representing relationships of accountability and responsibility in a business.

Figure 4: Organisation chart



Entrepreneurs in Colombia work in a community run enterprise selling cleaning products. Each member has their own role and responsibilities which help the business function efficiently.



Case Study

Managing autonomous cooperatives in Honduras

Honduras is a difficult place to run a small business. Red Comal has been supporting Aprocaty, a small cooperative founded in 2010, to produce granulated (panela) sugar. This partially refined brown sugar is a healthy alternative to refined white sugar which is widely available and often produced by big firms through unsustainable chemical-intensive monocultures. Increasing national demand for panela, partly based on rising awareness of its health benefits, has seen Aprocaty increase sales by 76% between 2016 and 2018. Aprocaty is now the second largest social enterprise producer of granulated (panela) sugar in the country. The impact of Aprocaty on the local economy has been significant. In 2018, an estimated 60% of its income (£32,100) went back into the local economy. The cooperative is estimated to be contributing indirectly to 210 jobs and due to increased demand, they started purchasing sugar cane outside their 63-member base, supporting other small enterprises in the area. Relationships have also been established with 24 local small businesses (bakeries, chocolatiers and cafes) using panela sugar.

The sugar is produced sustainably (using agroecological principles and methods) in small, diversified plots, intercropped with coffee, staple crops, horticulture and fruits (around 7% of the land is used to grow sugar cane). This diverse agricultural production makes the members of Aprocaty more resilient and less reliant one crop, blending diversified market strategies and food production.

In order to multiply the benefits of working collectively, Aprocaty set up of a reserve fund which in 2019 reached £17,400. The fund provides loans to its members and supports business cash flow. This ability to provide credit alongside sugar purchasing and processing has been critical in enabling the business to function and ensuring benefits to its members, which is why they have a vested interest in seeing it work. Aprocaty uses a portion of the funds to contribute to local schools and scholarships for young people as a way of giving back to the community.

From 2014 to 2016, CAFOD supported a decentralisation process which led Aprocaty to become even more independent. Members took over from COMAL in leading the processing plant's production process and got directly involved in marketing. This was a crucial shift that engendered greater ownership by members. Towards this end, CAFOD supported various reflections, reviews, audits and the development of business plans, focussing on strengthening the governance model. With increased involvement, members have been able to shape the direction of the cooperative, making it work for them.

CAFOD's involvement over the long-term has been critical to Aprocaty's success, demonstrating that farmer-led, collective enterprises can be commercially viable. A social enterprise model can provide economic benefits for members and a whole network of small local economic actors. This is the solidarity economy in action. The processing plant funded by CAFOD was an important contribution, but more important was its accompaniment of the process, that ensured good governance practices were in place for the cooperative to run its business professionally and transparently. The lesson here is that financial support and assets, although important, are not enough. Organisational management, accountability and good governance are critical, especially when dealing with collective enterprises. This is also what enables enterprises to eventually become independent of external support.



Support Tools

- Tool 12: Cooperative Governance Framework
- Tool 13: Who is an Entrepreneur?
- Tool 14: Group Maturity Index
- Tool 15: SWOT
- Tool 16: Simple Role Description Template



■ Step 5: Organisation and management

Working with Entrepreneurs, answer the questions below:



Who owns the enterprise?



What experience does the entrepreneur(s) have of running an enterprise successfully?



Draw an organisation chart for the business. What are the key roles required to run the business? Are roles and responsibilities clearly stated?



What are the business's strengths and weaknesses, threats and opportunities? What are the opportunities for building capacity? SWOT (see Tool 15)



For group enterprises:

- *Is the mission and strategy of the enterprise supported by members? Is this captured in a constitution?*
- *Are the roles of the board and management separate and clearly defined?*
- *How is the management accountable to the board and the board accountable to members?*
- *What capacities need to be improved at board, management and staff level?*



Additional Resources

International Labour Organisation.
Handbook on Cooperatives for use by Workers' Organizations

ILO, FAO, Agriterra, Royal Tropical Institute & the Wageningen University and Research Centre.
My Coop Training Package

In Ethiopia CAFOD and SCIAF partners support women's economic empowerment. Partner WISE, Women in Self Employment, ensure group enterprises have clear roles and responsibilities to ensure they run efficiently.



■ Step 6: The financials

Why?

Financial analysis is the backbone of any Business Plan. It helps ensure that the enterprise is viable, eg that income covers costs, that it can generate a surplus to allow it to ride out the inevitable "ups and downs" and, hopefully, reinvest in the business going forward.

The degree of financial detail necessary in your plan will depend on the size and complexity of the enterprise. With that said, there is some basic financial information all enterprises need to be on top of:

- Know your costs.
- Foresee a time when you can make a profit (when income will be greater than costs) – this includes calculating the right amount/volume that needs to be produced to make a profit.
- Ensure you do not run out of cash.
- Ensure the price of your product or service and volume is realistic (based on production costs and marketing strategy/competitor analysis, see 5Ps in step 2).

How?

All enterprises will need to create a budget to ensure solid financial foundations. A budget is a vital business planning tool that projects a business's future sales, costs, profit and cash flow. Without a budget, it will be difficult for you to know how well (or poorly) your business is doing. To assist you in this process there are numerous online templates that can be used, to suit all business types and sizes. In this guide we point you to

Tool 17 for how to create a budget and **Tool 18** for how to prepare an income statement. The stepped process includes:

- STEP 1:** Gather financial information
- STEP 2:** Add up all your revenue sources: how much you expect the business to earn (eg product sales)
- STEP 3:** Determine fixed costs (eg rent, insurance, phone bill, salaries)
- STEP 4:** Identify variable costs (eg raw materials, legal services, utility bills, maintenance and repair)
- STEP 5:** Account for one-off expenses (eg computers, furniture, equipment)
- STEP 6:** Put it all together into your **income statement**

Following this process will allow entrepreneurs to calculate:

- **Turnover** = How much a business makes in sales during a period, also referred to as **income: sales x average price**
- **Gross profit** = Income minus variable costs
- **Net profit** = Gross profit minus fixed costs

A budget also crucially tracks cash. Cash is the lifeblood of an enterprise. Without it you cannot operate. The aim is to be cash positive, which means ensuring there is enough cash to run operations, purchase inputs and pay staff etc. Many businesses are unable to operate because they do not have the cash on hand needed to keep their businesses going. Even highly profitable businesses can collapse because of a lack of cash! For smaller ventures, carrying out a basic projection of income and costs to ascertain the

viability of the business may be adequate. For larger enterprises, a more sophisticated approach may be necessary. For example, preparing accounts might be a legal requirement and, in the case of group enterprises, central to accountability and retaining the trust of members. We have prepared an excel template with a cash flow statement, **Tool 19**, to help you manage cash.

Financial Tips

- In determining costs, it is useful to distinguish between **fixed and variable** costs. Variable costs are those that change depending on the level of sales (eg cost of goods sold or inputs/raw materials such as fabric). Fixed costs are those incurred regardless of the volume of product sold (eg rent).
- For all businesses it is important to know what level of sales generates sufficient surplus to cover costs. This is known as the **break-even figure** and should be at the forefront of every entrepreneur’s mind (Box 3).
- For businesses that are either selling or buying *on credit* terms (anything other than cash) the tracking of cash becomes essential. A cash flow helps to predict the timing of cash payments and the level of cash reserves to carry. **Tool 19**, Cash flow statement, will help you calculate this.
- When setting up a business (or investing in the future) it is sometimes necessary to purchase large items or make capital expenditure. An entrepreneur needs to understand how long, based on projected sales and margins, it will take to recover the initial investment. This is known as the **“Payback period”**.
- **Sensitivity Analysis** is a slightly more advanced, but important tool linking some of the key risk assumptions contained in the Business Plan with the financial projections made. It seeks to assess the impact of a change in financial assumptions (costs or revenue) on projected profitability and cash. For instance, if you assume that the cost of a certain input, such as fabric for a sewing enterprise, is X– what happens if the price of that input increases by 10%? How does that impact price and break-even? (See **Tool 20** Sensitivity Analysis).
- Your pricing strategy, outlined in Step 2, introduces price as one of the 5Ps of marketing. Setting price is part of the marketing strategy and is linked to your financial projections. You can set your price in many ways, and you may choose to set a higher price to sell a higher quality product. Your pricing strategy should at least reflect your cost base, in other words, the price ultimately fixed for the product should be higher than its production cost. **Tool 6** on pricing offers more information on how to calculate costs and set price as part of your marketing strategy.

Box 3: Selected financial ratios

Break Even Units =

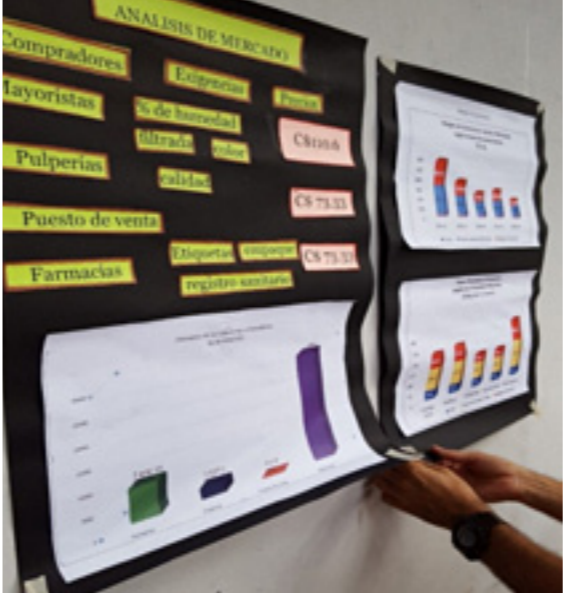
Fixed Costs

Sales Price – Variable Costs/Unit

Payback Period =

Initial Investment

Operating Income (Income – All costs)



CAFOD partner ASOMUPRO did a participatory business planning process with a women’s beekeeping cooperative in Nicaragua. The women calculated their own financials including costs of production and price.



Case Study

The importance of being on top of your finances

The CAFOD, SCIAF and Trocaire (CST) programme in Ethiopia has been supporting the Negisti, Tadelech and Zelekash (NTZ) Tailor Partnership, an enterprise organised by WISE, Women in Self Employment, our partner working on women’s economic empowerment. The enterprise produces reusable sanitary pads and low-cost briefs with the triple aim of solving the problem of schoolgirls’ access to sanitary products whilst providing an income generation opportunity for women and reducing plastic waste. The products are produced by seven employees and various part-time seamstresses who provide support filling orders in the production centre. The women followed good financial practice in terms of determining cost of production and price, also in keeping the books and records of sales for financial management. With the economic situation fluctuating in Ethiopia, resulting in high inflation, many of the costs originally calculated changed and the women were actually making less of a profit than they had originally calculated. Financial projections are useful for gauging the profitability of the enterprise at the design stage, but there is also a need to update the information frequently to ensure financial assumptions still hold. Doing this requires being on top of your finances and keeping up with price/cost fluctuations. This is a good example of the importance of making the **business plan a living document**. It needs to be revisited frequently, or at least the critical assumptions made at the design stage should be reviewed. If not, the business could fail, and you would not even know why.



Support Tools

- **Tool 17: How to Create a Budget for a Small Business**
- **Tool 18: Income Statement**
- **Tool 19: Cash Flow Statement**



■ Step 6: The financials

Working with Entrepreneurs, answer the questions below:

- ❓ *What is your projected turnover/income (per month / year)? (Sales x Price)*
- ❓ *What are your projected costs? Can you distinguish between fixed costs and variable costs? Use **Tool 17** creating a budget, to help you think through different cost types.*
- ❓ *Have you prepared a profit and loss budget for your first period of trading? Use income statement **Tool 18** to pull it all together.*
- ❓ *What is your breakeven point and when do you expect to reach it?*
- ❓ *Do you know the timing of payments? Will you have enough cash to cover the period between paying for inputs and being paid by your customers? Use the cash flow template, **Tool 19**, to calculate this.*
- ❓ *For more advanced businesses consider: What is your predicted financial performance most sensitive to? What changes/fluctuations could affect your financial projections, eg increase in the cost of a particular input? This relates to the risk analysis in step 7. Use **Tool 20**, Sensitivity Analysis.*



Additional Resources

Manasa Reddigari. **How to Calculate a Profit Margin**

Small Business Spreadsheets, template and Financial Management Tools

■ Step 7: Risks and assumptions

Why?

Evidence suggests that successful enterprises are few and far between. It is a risky business and many new enterprises fail. Therefore, understanding the main risks and having clear plans to reduce and manage them is vital to increase the enterprise's chances of success.

At a very basic level, risks should be assessed and ranked according to potential impact, with measures identified to reduce or manage these included in the enterprises' plans.



Risk is: A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive action.



How?

Many of the risks that are likely to impact a small enterprise have been highlighted in the earlier sections of this guide. They include but will not be limited to:

INTERNAL	EXTERNAL
■ Poor planning	■ Severe weather events and climate change
■ Mismanagement, including poor financial management	■ New entrants/competitors in the marketplace
■ Weak governance and lack of transparency leading to loss of trust	■ Government policy leading to a disabling environment for the business
■ Inability to source key inputs	■ Deteriorating infrastructure impacting distribution, communications
■ Staff turnover	■ Competition from cheaper imports
■ Theft	■ economic prospects fall
■ Bad debts	■ Inflation
■ Health and safety: injury to employee at work	

Critical risks are those that have the potential to affect the viability of the enterprise. The presence of critical risks that have not been reduced or have inadequate mitigation strategies is a reason to reconsider support for the enterprise. This relates to the concept of a “killer assumption”. For instance, an enterprise, where members are only interested in production but not in managing the business, will probably fail or become dependent on outside experts. Under such conditions, it would be impossible to support such a business to become independent. This is a reoccurring issue with many enterprises that are set up for NGO project purposes. Without full ownership and commitment from members, the business will not survive, so it begs the question, does it make sense to invest in such a business?

Go back to the preceding steps in this section of the Guide to help highlight any key risks to your enterprise. List your identified risks, assess and prioritise them and determine strategies to reduce and manage them. **Tool 21** offers a simple table to support this process. Remember to ensure the strategies identified to deal with these risks are then incorporated into the enterprise logic/business model and work plans. For instance, if insufficient supply of mangoes could affect your jam business, what would you do to ensure that this did not break your business? Identifying multiple suppliers might be needed and this should be considered in your production flow and procurement plans.



Support Tools

■ Tool 20: Simple Risk Assessment Matrix



Agroecological entrepreneurs in Bangladesh, supported by CAFOD partner, Caritas Bangladesh, have to calculate their risks in the face of climate change. Employing a diversified strategy in production supports climate resilience and adaptation.

■ Step 7: Risks and assumptions

Working with Entrepreneurs, answer the questions below:



? *What are the key risks facing your enterprise (Internal and external)? Consider the risks inherent in the different steps of this business planning process.*

Event	Severity (S)		Likelihood (L)		Prioritize Risk	Strategies to reduce risk	Strategies to manage risk if event occurs	Relevance to enterprise work plan
	Describe	Score 1 to 5	Describe	Score 1 to 5	(S x L)			

? *Rank the risks using the table above. What are the biggest risks? Are any of these risks critical to your business?*

? *What can you do to reduce these risks? Can you prevent them happening?*

? *What would you do if these risks occurred? How would you manage these risks? Consider support from the business “ecosystem” that could help you address some of these risks.*



Additional Resources

Andrew Blackman. **Effective Risk Management Strategies**

Step 8: Business summary

Why?

Entrepreneurs need to be able to summarise **key elements of the enterprise** clearly and concisely. This can help communicate the enterprise to customers and/or business service providers such as finance institutions. It can also help provide a simple summary of where the business stands, future priorities and help entrepreneurs monitor and review their enterprise's progress. **Remember a business plan is a living document** and should be reviewed to ensure calculations, projections and assumptions remain valid, making adjustments as needed.

How?

Review the previous seven steps in this business planning process and identify the key elements of the plan. What are the critical factors at each step that will guide you going forward? Then answer the questions in the exercise below as concisely as possible. The final question asks entrepreneurs to try and summarise key targets for the business. This will support effective monitoring of progress. Many of the targets are likely to emerge from Step 6, the financials section. However, some might be about opportunities (eg trying to reach new customers) or addressing risks (eg trying to find an additional supplier). **The length and complexity of this summary will vary depending on the business. This entire process must be fit-for-purpose, so make it work for you.**

Monitoring the Enterprise's Progress

Monitoring progress is critical to the health of any business. This is not something that needs to be done just for 'projects' but the business itself should be monitoring key target indicators to understand fully how it is progressing and if any adjustments are needed. This is part of good business management. Partners will need to monitor progress against project objectives (see sample ED MEAL framework). But the business also needs to monitor its own progress. There are many elements that can be measured at enterprise level, but the KPIs (Key Performance Indicators) outlined on the following page are the minimum we suggest an enterprise should track. We have called these the **enterprise dashboard** (Table 3).



In Uganda, SCIAF partner, Caritas Lugazi supports micro-entrepreneurs such as women run hair dressing salons as part of their local economic development strategy.

Table 3: Sample enterprise dashboard

KPI	Target	Unit	Notes
Core			
1 Turnover	X	\$/Year	Turnover is how much a business makes in sales during a period. Also referred to as income, (sales x average price).
Sales Units	X	Unit/Year	How many units of the product sold in a given period.
Average Price	X	\$	How much is the unit selling for on average?
2 Net Profit	X	\$	Net Profit= Gross profit – fixed costs.
3 Full Time Staff	X	People (disaggregated by sex, age, disability...)	Number of full-time staff members. To maximise developmental impact business may seek to employ women, young people...
4 Part Time (Seasonal Staff)	X	People (disaggregated by sex, age, disability...)	May be necessary to employ others on a contractual basis to respond to orders, for instance.
Other			We suggest these other indicators should connect to the "impact pathways" identified in the intervention, such as developmental impacts. For instance, are you buying materials from small producers (suppliers)? Are you making the product/service available to poor customers? Hectares of soil rehabilitated etc...
New customers	X		Could include new market relationships, retailers selling your product, buyers ...
Suppliers	X		Reduce reliance on single supplier. Aim to bring in small producers to spread benefits.

The whole business planning process and the previous steps in this section are meant to help develop the business plan. Collating this information will give you the actual business plan. The following exercise helps you put it all together. Based on this, **Tool 22** offers a template to help present the information.



Support Tools

- Tool 22: Detailed Business Plan Template
- Tool 23: Enterprise Indicators



■ Step 8: Business summary

Working with Entrepreneurs, answer the questions below:

- ❓ What is the Enterprise's purpose? It's Mission, Vision and Values. How will the enterprise benefit poor and marginalised people / the environment? (Step 1)
- ❓ What is the business Idea? What is the market opportunity you are responding to? What is the unique selling point? (Step 2)
 - Product (Goods or Service)
 - People (Customers)
 - Price
 - Place (Where)
 - Promotion (how will you market the product)
- ❓ Where does the business sit in the wider value chain? Who are other key actors in this chain? How are you connecting to them? What operations/logistics issues do you need to consider? (Step 3)
- ❓ What are the key materials, equipment and skills needed to run this business? How are you sourcing them? (Step 3)
- ❓ What is the legal structure of the business? What are the important elements of the Business Enabling Environment that you need to consider? How is this reflected in the business model? (Step 4)
- ❓ Who owns the enterprise and how is the enterprise managed? What is the organisational structure? (Step 5)
- ❓ What are the key elements of the Financial Forecasts? Refer to the budget (**Tool 17**) and Income Statement (**Tool 18**) to calculate projected turnover, fixed and variable costs, gross and net profit. (Step 6)
- ❓ What are the main risks to the enterprise and how will you manage them (**Tool 21**) (Step 7) ?
- ❓ What key information will entrepreneurs track to monitor the health of the business? What key indicators will be used by the partner to monitor the project's progress (**Tool 23** and **ED MEAL Framework**)? (Step 8)



SECTION 4: INFLUENCING THE BUSINESS ENABLING ENVIRONMENT (BEE)

Purpose: An important element of our Theory of Change is to **address root causes of poverty and not just the symptoms**. The success of many Enterprise Development initiatives is often determined not only by the business itself but by the “environment” in which the enterprise sits. This is called the **Business Enabling Environment (BEE)**. For many small enterprises the business environment can be *disabling*. While often out of the control of the enterprise, an awareness of the BEE is crucial to its success and efforts to influence it will yield long term benefits beyond a particular project or business.

The aim of this section is to outline simple steps to support partners and entrepreneurs to leverage their collective voice and use it to influence the enabling environment.

Who: Partners and entrepreneurs should be involved in analysing and mapping the BEE to understand its implications for the business (see **step 4** in section 3). **Going beyond analysis to actually influence the BEE can increase impact and help address critical structural issues that affect small businesses.** One thing we know is that you cannot do advocacy alone. Get together with other Civil Society actors, networks, producers’ and consumers’ organisations, trade unions and other small businesses to challenge power structures and advocate for a more enabling environment.

When: As detailed in step 4 of the participatory business planning process, the analysis of the BEE is critical to the design of any enterprise development intervention. Once you have mapped the BEE (**Tool 10**) and identified blockages or constraints, you need to decide what to do. Do you want to take it further and organise to influence change? While not compulsory, linking ED initiatives with policy and advocacy aimed at improving the enabling environment can help boost the sustainability of the initiative and increase impact. It also has other benefits such as building and mobilising local civil society organisations and entrepreneurs, increasing the agency of small economic actors and securing an enabling environment for enterprises with purpose. This section provides guidance/resources to help partners and entrepreneurs do this.



Aprocaty is an agroecological social enterprise in northern Honduras supported by CAFOD partner Red Comal.



Case Study

Influencing the Business Enabling Environment in Central America

CAFOD's Sustainable Livelihoods programme in Central America includes partners in Guatemala, Honduras, El Salvador and Nicaragua. Our partners in the region have been working to support small enterprises through a solidarity economy approach for many years. In 2015, CAFOD organised a regional workshop bringing together different partners from across the region to discuss how they could leverage their collective voice and influence a more enabling environment for the enterprises they supported.

The process that follows in this section (PESTLER for BEE) was used to analyse the different elements of the business environment, outlining key blockages and opportunities for small business in each country. Regional and national influencing plans were developed to support partners in tackling the structural issues that keep small business run by the poorest from thriving.

In Nicaragua, for instance, Centro Humbolt identified the need to reduce or eliminate taxes on solar equipment so that small producer organisations could access renewable energy. They were successful in securing a limit on import tax for small producers so they could purchase solar panels.

In Honduras, Red COMAL influenced the regional government and the Ministry of Education to promote *brown unprocessed granulated sugar* (or panela) in schools. Panela sugar is much healthier than the white processed sugar produced by big companies through monocultures, which was leading to a variety of social and environmental problems in the region. Red COMAL's advocacy was successful and subsequently one of their cooperatives, APROCATY, was able to place their product in school meal plans. This is the difference advocacy influencing can make to this work.



Members of Aprocaty social enterprise gathering in Northern Honduras to discuss the cooperative's structure and strategy.

■ Analysing and influencing the business environment for enterprise development

Definition

The Business Enabling Environment is the set of policies, institutions, regulations, support services, social norms and other conditions that, collectively, improve or create a general business setting in which enterprises and business activities can start, develop and thrive.

We define advocacy as addressing a problem through a change in policy or its implementation. Advocacy is about influencing those in power to change policies and systems (international, regional, national and local) in favour of the poor. It is about tackling the root causes of poverty and vulnerability, and empowering poor communities so that their voices are heard and acted upon.



■ Steps for analysing and influencing the business environment

Goal: To understand the issues in the business environment that might affect the success of small enterprises and develop a strategy to tackle these and influence systemic change.

STEP 1: PREPARATION

1A Decide methodology (eg PESTLER Tool 10)

1B Identify relevant stakeholders to participate in the discussion

STEP 2: GATHER INFORMATION

2A Analyse the challenges and constraints that small businesses face in the Business Environment

2B Classify issues as challenges or opportunities

2C Discuss 5 most critical barriers to success of small businesses in the BEE

2D Make sure you understand the nature of the issues in the short-list by briefly capturing information about: WHAT, WHY, WHO?

STEP 3: DECIDE COURSE OF ACTION

3A Decide how you will tackle these challenges (either directly through advocacy, programme design, business model or by mitigating risks)

3B Develop an action plan and advocacy strategy

■ Step 1: Preparation

1A

To prepare for BEE mapping, start by identifying the methodology that will be used to collect the information needed. Suggestions include but are not limited to:

- Focus group discussions with key stakeholders (entrepreneurs, cooperatives, CSO networks, unions, other local market actors, local government...);
- Interviews with small businesses, community groups and other key stakeholders;
- Participatory market mapping workshops;
- Desk-based research to identify relevant policies and legislation.

This process can be led by partner organisations, but, where appropriate, should encourage local entrepreneurs to participate and/or lead (eg cooperative leaders). We suggest using the PESTLER found in **Tool 10** for a step by step guide to analysing the BEE.

1B

Determine which stakeholders need to be included in this process. Three important principles should be kept in mind when doing this:

- **Power:** One needs to be aware that small enterprises led by the poorest and most vulnerable have considerably less power (economic, social, political etc) than others in the value chain. In certain instances, they may not be confident enough to share their opinions and needs. When conducting any BEE mapping, be aware of power relations and take steps to ensure that the most marginalised are given the opportunity to voice their opinions.
- **Participation:** Business interventions that are not pro-poor generally exclude or marginalise less powerful actors. It is therefore critical these small actors be involved in the process so they understand the business environment they are operating in and can identify solutions to their challenges. Inclusion and participation by a broad range of actors, paying special attention to include the most marginalised voices, will result in a more meaningful engagement process and strategy.
- **Consultation:** To truly understand the BEE, consult widely during the analysis. Include a wide variety of stakeholders (including getting information from local or national government, local leaders, cooperative or other business or trade union leaders, academics, CSOs etc). It is important to understand each stakeholder and how best to engage with them. For instance, policy makers and powerful businesspeople are likely to speak more openly in individual meetings than in large workshops.

■ Step 2: Gather information and analyse context

2A

Once the methodology has been decided, the **analysis** can start. The basic question to ask is: “what are the key issues (particular legislation, norms etc) in the BEE that could affect small businesses positively and negatively” – these are all factors that are **external** to the business itself.

2B

Classify challenges and opportunities: Once the PESTLER analysis has been done and issues that might affect the success of small businesses have surfaced, classify these as **challenges** or **opportunities**. This step is important for future analysis and identifying which issues require action.

2C

Rank the critical challenges and develop a short-list: From the list of challenges that small businesses are currently facing, identify the top 5 most pressing issues. Participatory voting can be used for this exercise.

2D

Make sure all programme participants agree about the nature of issues in the short-list. Discuss, **WHAT, WHY & WHO**. Clearly articulate **what** the obstacle is, **why** it is a problem for small businesses, including, for example, how they are affected by this problem and **who** are the stakeholders involved in this problem. For instance, who is affected by it and who has the power to address this issue?

Note to Facilitators on Participatory Voting Process

Give each participant 5 stickers. Ask them to review all the ‘challenges’ that have been identified and select/vote for the 5 most pressing constraints. Participants can then ‘vote’ for the 5 issues which they think are the most urgent obstacles to the success of small businesses. Using this system will not help you **rank** issues by order of importance, but it will help you to identify where there is **consensus**. You are aiming to identify the 5 most pressing issues through this process. If the initial voting process produces no consensus, more in-depth discussion may be needed.

Step 3: Decide course of action

3A

Decide how to tackle these challenges. This may require advocacy or changing the programme strategy. There are a number of questions that can be asked to help identify the best course of action.

ASK YOURSELF:

- (a) Which of these issues needs to be directly addressed through the programme strategy? For instance, if registration of small businesses is required for them to operate legally, consider how to ensure the business is registered as part of the project activities? What will it take to register the business? What are the trade-offs, implications and related responsibilities?
- (b) Do any of the issues identified in step 2 require advocacy influencing? For instance, if a specific tax is a burden, can we advocate for its reduction or special exemption for the poorest?
- (c) Do any of the issues that are directly relevant to this programme require government support? For instance, are agricultural extension services needed to support a producers’ cooperative? Can we advocate for these services to be made available?
- (d) Do activities or ideas that emerge in question (b) and (c) need to be prioritised? It may not be possible to do everything, so it is important to prioritise the most urgent issues to be tackled.
- (e) Flag any important associated risks and consider the impact on the business.

3B

Develop an advocacy action plan. This includes actions to directly support an advocacy strategy. Build on the “What, Why, Who” analysis in Step 2.D. Consider the resources you have available (human, financial, time, safety issues etc) when designing your action plan, as well as, other actors you can collaborate with.

Example template for advocacy action planning

Organisation	
Identified challenge	
What is the vision for change (the change we would like to see)?	
What do we propose? (What are we asking for?)	
Who are our allies already working on this issue?	
What are the gaps in knowledge around this issue?	
How can we build this work into our current plans?	
What are the risks involved?	
What are the political opportunities we can use to influence this issue? (step 2.B)	
What support is needed? (linked to gaps identified through the PESTLER)	
What are the immediate next steps?	
What are the medium-term next steps (the next 6 months)?	
What are the long-term actions (1 year +)	

For partners who are normally engaged in directly supporting the nuts and bolts of enterprise development, advocacy may be new, requiring a different set of skills and capacities. CAFOD and SCIAF have excellent advocacy tools and resources for partners to hone their skills and capacities in advocacy.

SCIAF's **Advocacy Manual** offers a deeper understanding of advocacy. What it is? Why is it important? How does it work? It also outlines a step-by-step process for developing an advocacy strategy.

CAFOD's **Voice & Accountability Tool** (V&A) helps users consider the wider context of advocacy work and enables the monitoring of change and impact. It supports partners in evaluating their capacity to conduct advocacy and improve their performance. Focusing on four key areas of advocacy capacity, the tool allows users to assess their readiness to conduct advocacy based on a five-level scale. For more on CAFOD's V&A tool go to **Tool 11**.

Figure 5: From SCIAF's Advocacy Manual

- Step 1 - Issue identification
- Step 2 - Gathering information and evidence
- Step 3 - Risk analysis and mitigation
- Step 4 - Defining overall goal and objectives
- Step 5 - Stakeholder analysis, partners and alliances
- Step 6 - Defining targets
- Step 7 - Messaging
- Step 8 - Lobbying and campaigning
- Step 9 - Activities & timeline
 - budget & resources
- Step 10 - M&E and learning

Figure 6: From CAFOD's Voice and Accountability Tool

5

4

3

2

1

Voice and Accountability Tool Engagement Framework

This tool can be used in different places and for different types of advocacy, and helps CAFOD and our partners to think about the wider context of their work as well as their achievements.

The levels are cumulative, and require partner organisations to think through the reasons why they might be classed at one level or another by providing anecdotal evidence in each case.

The tool does not prescribe which elements to emphasize in any given level. Organisations may find elements of their work in more than one box but are asked to best approximate their level on a yearly basis.



Additional Resources

SCIAF. **Advocacy Manual**

CAFOD. **Voice and Accountability Tool**

CAFOD. **Think Small Resources**: Explores the ways in which small businesses and farming enterprises can be supported and empowered so that they are more successful and offer better outcomes for women and men living in poverty. Includes the **Think Small video series** introducing the business enabling environment and how it can influence enterprise development initiatives.




SECTION 5: SUPPORT TOOLKIT

In this section we have collated all the support tools that correspond to previous sections of this Guide. These relate directly to the steps in the Inclusive Business Planning Process. They provide additional support and practical insights that help strengthen design and improve good practice as introduced in the **Programme Quality Marker** and the **Business Plan Scorecard**.

Review your scores in the Business Plan Scorecard and refer to this toolkit for ways to improve specific areas.

SUPPORT TOOLS SHOULD BE USED AS REFERENCES AND ADAPTED FOR BEST RESULTS TO SUIT THE LOCAL CONTEXT, CAPACITIES, SIZE AND SCOPE OF THE ENTERPRISE.

Scorecard				Suggested Tools that Partners and Entrepreneurs can use to improve Business Plan Scores
	SCORE (0, 0.5, 1, 1.5, or 2)			
	Base Line	Mid Line	End Line	
Enterprise Purpose	1	1.5	2	Tool 1: Safe, Accessible and Dignified Programming Tool 2: Stakeholder Analysis Tool 3: Women's Economic Empowerment Tool 4: Environmental Stewardship
Market Opportunity	0.5	1	1.5	Tool 5: Competitor Analysis Tool 6: Pricing Strategy Tool 7: Mapping the Market
Operations and Logistics	0.5	1.5	1.5	Tool 8: Gender Sensitive Value Chains Tool 9: Production Planning
Business Enabling Environment	0	0.5	1.5	Tool 10: PESTLER Analysis  Tool 11: Voice and Accountability Tool
Organisation and Management	0.5	1.5	2	Tool 12: Coop Governance Framework Tool 13: Who is an Entrepreneur? Tool 14: Group Maturity Index Tool 15: SWOT Tool 16: Simple Role Description Template
Financials	1	1.5	2	Tool 17: How to create a financial budget for a small business? Tool 18: Income Statement Tool 19: Cash Flow Statement Tool 20: Sensitivity Analysis
Risks and Assumptions	0.5	1	1.5	Tool 21: Simple Risk Assessment Matrix
Business Summary	0	1	1	Tool 22: Detailed Business Plan Template Tool 23: Enterprise Indicators

Sample Business Plan Scorecard

■ Tool 1: Safe, Accessible and Dignified Programming

An individual's sex, age or diversity of need (SAD) directly impacts the way they are affected by, and are able to prepare for/cope with, poverty, chronic crises and emergencies. It also impacts their vulnerability to negative events, such as gender-based violence, forced recruitment, and sexual exploitation and abuse. These negative events can change over time and be exacerbated by new shocks and stresses.

The interaction between an individual's sex, age and diversity, and their safety, access and dignity (sometimes called the "SAD-SAD lens") affects everyone in the communities where CAFOD partners work. Understanding this interaction allows us to create effective programmes that:

- Meet the specific needs of different gender and age groups better;
- Prioritise safety and dignity and avoid causing harm;
- Promote equitable access to participate in a programme;
- Target assistance to the most vulnerable better;
- Understand and challenge the root causes of discrimination, chronic marginalisation, and/or inequalities based on gender, age, and diversity.

Before designing any programme, we need to collect information on the needs and capacities of the communities we intend to work with. Applying a SAD-SAD lens to this data collection helps us better understand the specific needs, vulnerabilities and capacities of women, girls, boys, men, older people and other marginalised groups. The level and detail of information will differ depending on the type and size of the project and partner. However, the analysis should at least explore:

- The vulnerabilities and capacities of different groups in the community;
- Things which negatively or positively influence access to resources or services;
- Any risks or negative effects which may be present.

Safety

- Are there any features of the proposed programme that could exacerbate existing safety or protection risks (or create new ones)?
If not now, might this happen over the proposed programme timeframe and beyond?
- Are there any risks that could affect/have an impact on the programme?
- What are the safeguarding risks of this programme?

Access

- Are there any factors that could impact access to, or meaningful participation in, the proposed programme? Which groups would be most affected?
If not now, might this happen over the proposed programme timeframe and beyond?

Dignity

- How do diverse characteristics interact and influence vulnerabilities and capacities?
- What features of the proposed programme might exacerbate existing unequal power relations/dynamics or create new ones?
- Are there any special requests from diverse groups that would increase their dignity?
If not now, might this happen over the proposed programme timeframe and beyond?



Adjusting programmes to the specific needs and capacities of diverse groups means adapting:

- What is provided?
- How it is provided?
- Who is part of the project?

Once you have identified the adjustments you need to make to your programme, you should build them into your programme design and delivery.

A concise method for assessing programmes through a SAD-SAD lens is the World Bank’s **Social Inclusion Assessment Tool (SiAT)**. For more in-depth analysis and programming assistance, CAFOD has training and tools available as a part of its **Safe, Accessible, Dignified, and Inclusive (SADI) Framework**.

“
A stakeholder is anyone who has something to gain or lose from your project.⁸

Inspired by the
Grassroots Collective

”

■ Tool 2: Stakeholder Analysis

A Stakeholder Analysis is an essential tool for effective planning. It is used to identify those who have a stake in the enterprise and help develop strategies to engage them in the right way. Enterprises will be dealing with a range of stakeholders, suppliers, intermediaries, customers, regulators etc. Stakeholders can be internal or external. As such, identifying key stakeholders is essential to clarify their role and relationship to the enterprise and how best to engage them.

The following process will help map and analyse key stakeholders to the enterprise:

- List key stakeholders who will be affected or affect the outcome of the ED initiative;
- Assess their interest and importance to the outcome of the ED initiative;
- Use the table below to assess and strategise for effective engagement of stakeholders in the business.

Stakeholder	What is their 'Interest' in the initiative?	What are their expectations of involvement?	Rank Interest (1 - 10)	What do we need from them?	What are the risks in this relationship?	Importance to the business (1 - 10)	Manage closely/ Keep satisfied/ Keep Informed/ Monitor	Current Status: Advocate, Supporter, Neutral, Critic, Blocker:	Desired Status: Advocate, Supporter, Neutral, Critique, Blocker:	Strategy: How can we engage them?

8 Inspired by the Grassroots Collective, www.thegrassrootscollective.org/stakeholder-analysis-nonprofit



- Alternatively, map key stakeholders using the simple matrix below and prioritise;



- Define each stakeholder’s current and desired status; agree a strategy to move from current to desired status

■ Tool 3: Women’s Economic Empowerment (WEE)

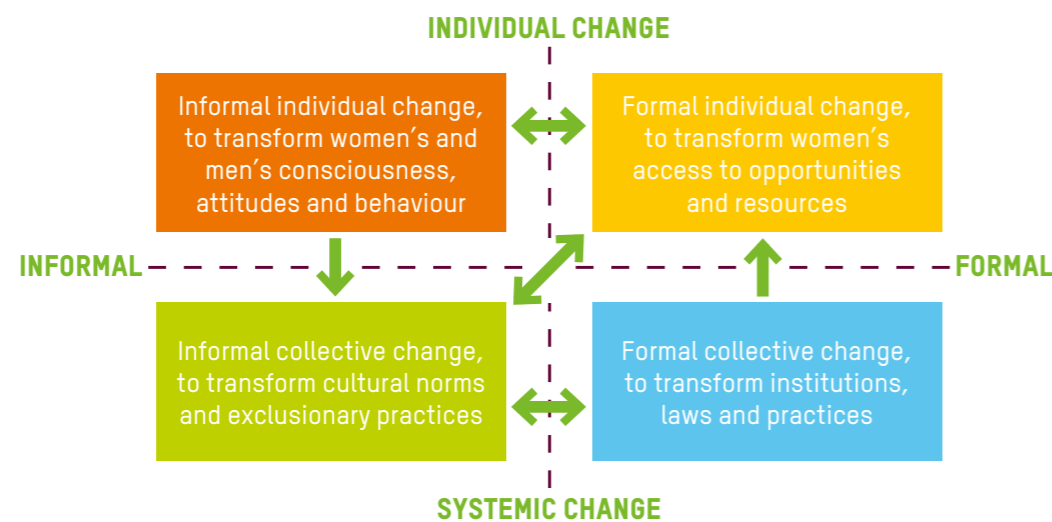
Transformative Approaches to Women’s Economic Empowerment

Economic empowerment for women can be defined as when they enjoy their right to control and benefit from resources, assets and income, and are able to manage risks, and improve their economic status and wellbeing. Central to this, is a degree of independence, agency and empowerment so they are able to organise and influence decision making at household, community and societal levels.

In addition to women’s **practical needs** (their livelihood, income generation, capacity to meet basic needs), there are equally important **strategic needs** (building independence, self-confidence, getting women into positions of leadership and overcoming gender role stereotypes). **Truly supporting Women’s Economic Empowerment (WEE) requires moving from practical to strategic needs.**

Sustainable progress and widespread impact on WEE requires working at many levels simultaneously – individual, household, community, and national. Change at an individual level is unsustainable without positive change at societal and policy levels. Likewise, pro-women economic policy may not be effective without working to address changes in communities and households, as well as gender dynamics.

Change is also required both informally, in rules and practices, and formally, in terms of institutions, laws and governmental policies. This model from Oxfam supports the design of effective theories of change by identifying the different pathways of change that need to be considered.



From: OXFAM Conceptual Framework on WEE

Areas of intervention to be considered when designing programmes to empower women economically include but are not limited to:

- Financial inclusion/savings and access to ethical finance;
- Understanding the division of labour (especially relevant in agriculture) and supporting women's value chains;
- Dignified work and access to jobs for women and girls;
- Enhancing women and girls' entrepreneurship skills;
- Supporting an enabling environment for female entrepreneurs;

All analysis should be gender-sensitive and underpinned by an understanding of the power relationships between men and women.



Additional Resources

CARE, 2016. **Strategy for Women's Economic Empowerment.**

CAFOD, 2018. **Believe in Change: A toolkit for the Catholic community to promote gender equality.**

Oxfam, 2017. **Conceptual Framework on Women's Economic Empowerment.**

Oxfam, 2017. **Women's Economic Empowerment Resource Guide, contains an impressive list of resources to support work on women's economic empowerment.**

■ Tool 4: Environmental Stewardship in Enterprises

All enterprises require resources to operate and will probably engage in activities that have some environmental consequences. **Environmental stewardship refers to the responsibility enterprises have to understand and manage their impact on the**

environment. Practicing stewardship can help a business implement sustainable practices, improve its reputation with the community/customers and even save money.

There is no single way to do environmental stewardship, as this will relate to the nature and scale of the business. For instance, for enterprises involved in manufacturing this could include responsible sourcing of raw materials, the use of renewable energy or avoiding chemicals and toxins that could harm the environment.

There are two critical functions related to environmental stewardship in enterprise development:

- Reducing and mitigating any negative impact on the environment;
- Supporting environmentally beneficial enterprises that help protect and regenerate natural resources.

Below is a list of questions to explore with entrepreneurs:

- Does the enterprise require water? Is this supply reliable and secure? Does the use of water by the enterprise impact other people's access to water?
- Waste; what happens to it? How can pollution/waste be minimised and managed?
- Are toxic chemicals required? Are alternatives available?
- Has energy efficiency been considered?
- What is the impact on soil health/water quality? Could more sustainable methods be used?

If the enterprise's operations are potentially going to impact the natural environment, we suggest using the **Environmental Stewardship Tool (EST)** developed by CAFOD, Caritas Australia, Catholic Relief Services and Trocaire. This tool is a risk register that encourages enterprises to think through, reduce and manage risks to the environment. It is an Excel tool that provides rapid identification of environmental impacts of natural and manmade systems and registers the level of "risk" each of these impacts could have (low, medium and high). It then supports users to think through strategies to reduce and manage these risks. These strategies should feed back into the enterprise's operations plans. The EST also has sector-specific guidance to support the environment.

Guidance from the Environmental Stewardship Tool for Enterprise Development:

- Ensure the enterprise is adhering to local laws and regulations regarding the natural environment and use of resources;
- Consider waste and pollution minimisation strategies;
- Ensure dyes and other waste materials are disposed of properly (not put in waterways);
- Consider safe storage, use and disposal of chemicals used by the enterprise, aiming for alternatives that do not harm the environment;
- Procure raw materials from suppliers who produce sustainably;
- Consider energy efficiency.

It is better to design enterprise development initiatives that support the natural environment, ecosystem functions and regeneration rather than just minimise and manage negative impacts. In section 2 of this guide, we outline examples of enterprises that can actually support environmental services, such as bee keeping, vermicompost production, sustainable management and harvesting of non-timber forest products, upcycling/recycling enterprises, agroecological agro-enterprises, tree nurseries etc...

Tool 5: Competitor Analysis

The following exercises provide a simple tool for assessing the strength and nature of the competition. Understanding competition is an important element in assessing an enterprise's chances of success. Consumers make choices and the enterprise will need to differentiate its product if it is to be attractive in the market.

The first tool is very simple. The second is a slightly more advanced model based on seminal research at the Harvard Business School.

Simple approach to assess the competition

The following six-step process might be useful to encourage partners and entrepreneurs to consider the nature and extent of the competition the enterprise is likely to encounter:

- List your major competitors;
- List what you believe to be the key competitive factors facing your enterprise (eg price, quality, reliability, packaging etc.);
- Assess how important each of these factors is to your existing and target customers. You can do this by interviewing people or having focus group discussion (FGD);
- Assess how you perform against each criterion (describe your product, highlight it as a "Strength" or "Weakness" (perhaps seeking third-party input, such as potential customers);
- Analyze each major competitor. In a few words, state how you think they compare;
- In the final column, according to your market research, estimate the importance of each competitive factor to the customer - High, Medium or Low.

Competitor Analysis

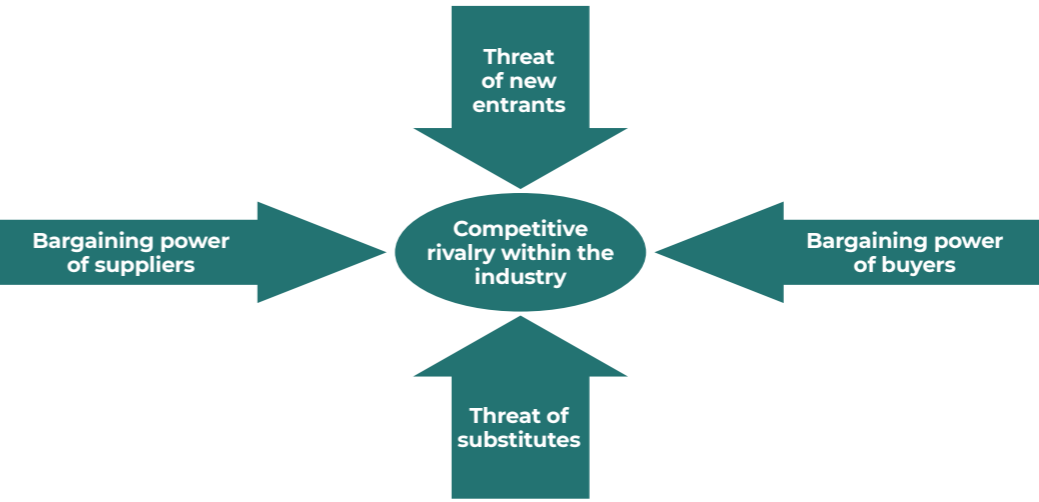
Factor	Your Enterprise			Your Competition		Importance to Customer (High/Medium/Low)
	Describe Factor	Strength	Weakness	Competitor A	Competitor B	
Product/Service						
Price						
Quality						
Packaging						
Reliability						
Marketing strategy						
Company reputation						

It is not necessary to plough through the whole process, but it is possible to use the logic to have a conversation with entrepreneurs and raise awareness of the impact of the competition, as well as, the importance of knowing customer preferences.

Advanced

For a more sophisticated competitor analysis, you could consider Porter's 5 Forces. Porter was a professor at Harvard Business School. He produced a seminal paper entitled "The Five Forces that Shape Strategy". His theory was broadly that you need to consider a number of competitive forces:

- Established rivals;
- Powerful customers can force down prices by playing you against your competitors;
- Powerful suppliers may constrain you profits by charging higher prices;
- Aspiring entrants into your market can raise the bar (innovate) and force you to change or adapt your offer;
- Substitute offerings can lure customers away.



By understanding these forces, you can try to develop a strategy that:

- Positions the enterprise where the competitive forces are weakest;
- Exploits changes in the forces (eg acknowledges a significant trend and gets ahead of the competition);
- Reshapes the forces in your favour, for example:
 - Neutralise supplier power by identifying other suppliers;
 - Offer added value to customers to keep them interested;
 - Enhance products to differentiate from existing competitors;
 - Limit threat of substitutes; offer new mechanisms to buy product (eg, delivery, bulk purchase...)

Additional Resources

Porter, M. 2008. **The Five Competitive Forces That Shape Strategy**, Harvard Business Review.

■ Tool 6: Pricing Strategy

It is important to:

- 1 Know your costs when fixing the price of your product/service and, where possible,
- 2 Use price as a tool in your marketing strategy.

Know your Costs

“Many businesses either don’t factor in all their costs and under-price or factor in all their costs and expect to make a profit with one product and therefore overcharge”⁹. A good technique is to make a spreadsheet of all the costs you need to cover every month, which might include the following:

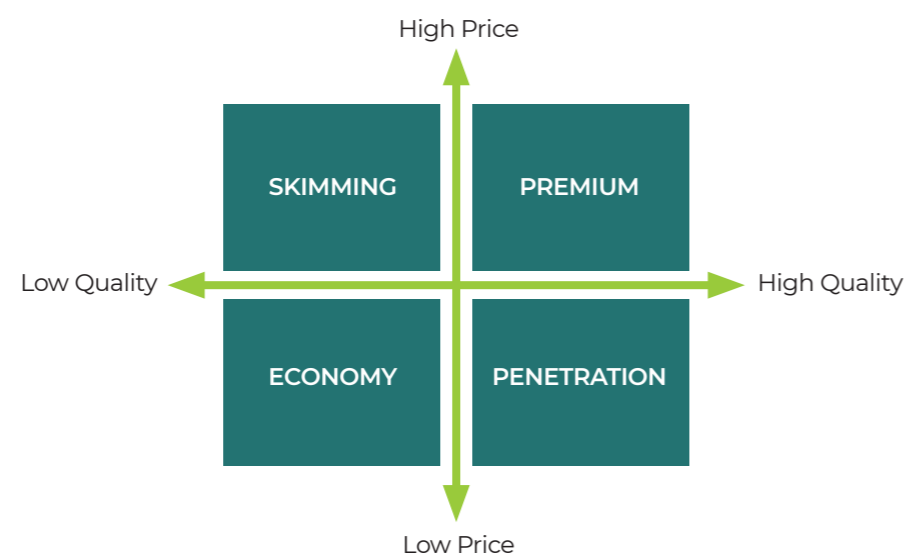
- Your actual product costs, including labour and the costs of marketing, transporting and selling those products. This includes the price of raw materials, equipment etc. Be sure to include your rent, electricity, water and other bills and fixed costs, even if those are currently being supported by project funding, as this will give you the real cost of production;
- Include all the operating expenses required to own and run the business. Including registration fees and other fees related to operating the business;
- Include any costs associated with borrowing money (debt service costs);
- Consider capital for future expansion and replacement of fixed assets as they age;

List the amount for each on your spreadsheet, ensure you are using the same currency throughout.

The total should give you a good idea of the gross revenues you will need to generate to ensure you cover all those costs. Estimate the number of units of that product you expect to sell over the next year. Then divide your revenue target by the number of units you expect to sell, and you have the price at which you need to sell your product in order to achieve your revenue and profit goals.

Price Strategy Matrix¹⁰

The Pricing Strategy Matrix shows how different levels of price and quality combine to form four commonly used pricing strategies:



⁹ <https://www.inc.com/guides/price-your-products.html>

¹⁰ <https://www.mindtools.com/pages/article/pricing-strategy-matrix.htm>

A pricing strategy is a method for determining the optimum price of a product or service. The Pricing Strategy Matrix describes four of the most common strategies by mapping price against quality.

The matrix quadrants show:

- **Economy Pricing** – Setting a low price for low-quality goods;
- **Penetration Pricing** – Initially setting a low price for a high-quality product and then increasing it. This will allow you to penetrate the market;
- **Price Skimming** – Initially setting a high price for a new low-quality product and then reducing it;
- **Premium Pricing** – Setting a high price for high-quality goods.

Think about the type of product that you are launching and the market that you are targeting. Consider factors such as your costs, the competition, and the objectives of your company, brand or product. It's important to periodically review your pricing strategy, particularly if market conditions change.

■ Tool 7: Participatory Markets System Development (mapping the market)

The following Tools draw directly from Practical Action's work¹¹ and helps understand the nature of markets. The first introduces the Market Map concept and the second outlines a workshop format.

The Market Map

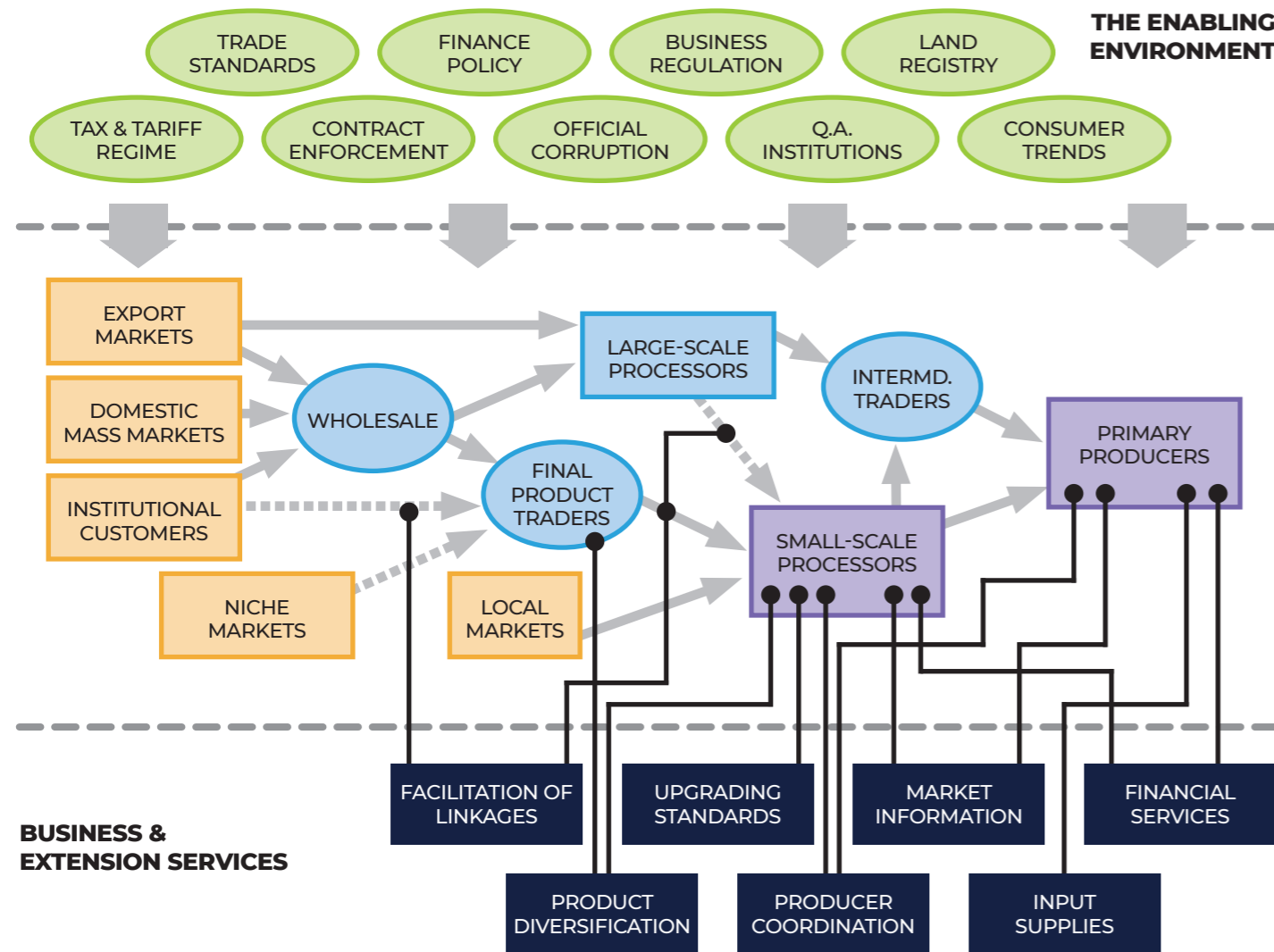
In order to make some sense out of the complexity of market systems, Practical Action uses a model that splits markets into three fields that are constantly interacting and influencing one another. The actors in these three fields, the relationships between them and the forces that influence those relationships constitute a market system. The three fields are:

- **Market chain:** the chain of actors who own the product as it moves from primary producers to final consumers: for example, farmers, traders, processors, exporters, wholesalers and retailers...
- **Input/service providers:** the actors who provide inputs and services that support the market chain actors' operations: for example, input sellers, microfinance institutions, banks, transporters, business advisors, agricultural research institutions, packaging designers and cooperatives providing support services;
- **Enabling environment:** the critical factors and trends that shape the operations, investments and decisions of market chain actors and input/service providers, and that are beyond the direct control of any given actor in the market system: for example, tax laws, agricultural policies, quality standards, business ethics, government regulations...

The result of this process is a physical representation of the market or "Market Map":

¹¹ <https://practicalaction.org/pmsd-toolkit/participatory-market-mapping-guidance/>

The Market Map (a generic schematic)



Mapping the market workshop

The following is a workshop outline drawing on the Practical Action framework:

Workshop Objective: To rapidly map the market in which the enterprise is situated. This map should cover the stages and actors in the value chain, the enabling environment and those business and extension services available to the actors in the value chain. “Mapping the Market” provides context for the enterprise assessment and guides and shapes future thinking.

Who? Small number of stakeholders (8 – 20 max) representing, for example, entrepreneurs, producers/key suppliers, project staff, partners, government, commercial and other relevant actors as needed. Select players you trust, who will be supportive and understand that this initial engagement is a first step in a larger process.

What? *Pre-Workshop Preparation:* While the workshop is designed to rapidly map and assess the market in which the enterprise sits and to provide an opportunity for key stakeholders to inform the discussion, preparatory reading and review of existing

documentation will be needed to inform the workshop facilitation. Existing project reports, evaluations, value chain analysis and news briefs relating to the market in question can offer valuable information.

At the Workshop: Ask participants to describe the value chain in question. Start from each end (eg farmer to consumer) of the value chain and ask;

- Who are the main actors?
- What do they do?
- How effective are they?
- Who are the competitors at each stage?
- Ask participants to identify the supporting services or inputs that affect the success of the business:
 - What are they? (Map functions not actors)
 - What do they do?
 - How effective are they?
 - What are their constraints?
- Ask participants to identify the key elements of the Enabling Environment that affect the business.
 - What are they (eg policies, standards, norms)?
 - What do they do?
 - How effective are they?
 - What are their constraints?

As you go along, identify knowledge gaps and, if possible, list on another flipchart sheet.

When the initial map is complete, review it to:

- Identify constraints to growth (list on flipchart and/or mark on the map with red dots);
- Which are the key actors to engage further?
- If you have time, prioritise the key challenges from the most important to address to the least- you could use beans for this or give people dots to ‘vote’ for the most important challenges on the flipchart paper.

Thank participants for their time and confirm that you will send them a copy of the Workshop Report.

How? Try to make the session as informal and enjoyable as possible.

- Open room, circle of chairs or a couple of big tables (ensure stakeholders mix on tables);
- Ensure people introduce themselves. These are key actors in the business ‘ecosystem’ and could result in strategic relationships;
- State the objective of the workshop;
- Use Post-its to describe each stage in the value chain (or element of the enabling environment and supporting services);
- Put other flipchart sheets on stand or wall to record knowledge gaps and key constraints.

When? Since this session helps set the context for the Enterprise Assessment, it should therefore take place early in the project development process. The exercise takes at least 2 hours but can be longer depending on the level of detail and participation.

What you need?

- Flipchart pad of paper
- Masking tape
- Blu Tack
- Post-its (3 colours if possible)
- Some sticky dots (optional)
- Beans (for basic ranking exercise)

For further information on this methodology see **Participatory Market Mapping**.

■ Tool 8: Gender Sensitive Value Chains

The Value Chain method is a systems approach that seeks to understand the needs of connected “core chain actors” (ie those who buy and sell products, such as, traders, processors, wholesalers, and retailers and consumers). Value chain mapping demonstrates how a product moves from raw material through production, processing, and other steps, until it eventually arrives at the consumer. A value chain map highlights the range of activities that occur within it and outlines transformation steps or functions, actors, relationships, and support services. Value chain mapping can be done for formal and informal markets. They can be simple or complex.

A value chain approach can increase gender equality and women's empowerment or create more inequities. A gender-sensitive value chain approach can help support women's access to income, economic empowerment and bargaining power since efficiency in value chains is highly dependent on strong linkages and positive collaboration with other actors in the chain. It can be used strategically to help support shifts in decision making power at household and community level.

Women are important stakeholders throughout value chains, though they are often invisible or overlooked. It is important to ensure that gender equality dimensions are more systematically integrated into value chain analysis so women can benefit directly. Gender-sensitive value chain analysis is a way of:

- Assessing the structure of a value chain for a specific product, how it is organized and performs;
- Understanding gender dynamics within a value chain such as power relations, visible and invisible roles and responsibilities, assessment and control of resources and assets, participation and leadership;
- Identifying key constraints and opportunities (especially regarding women's roles).

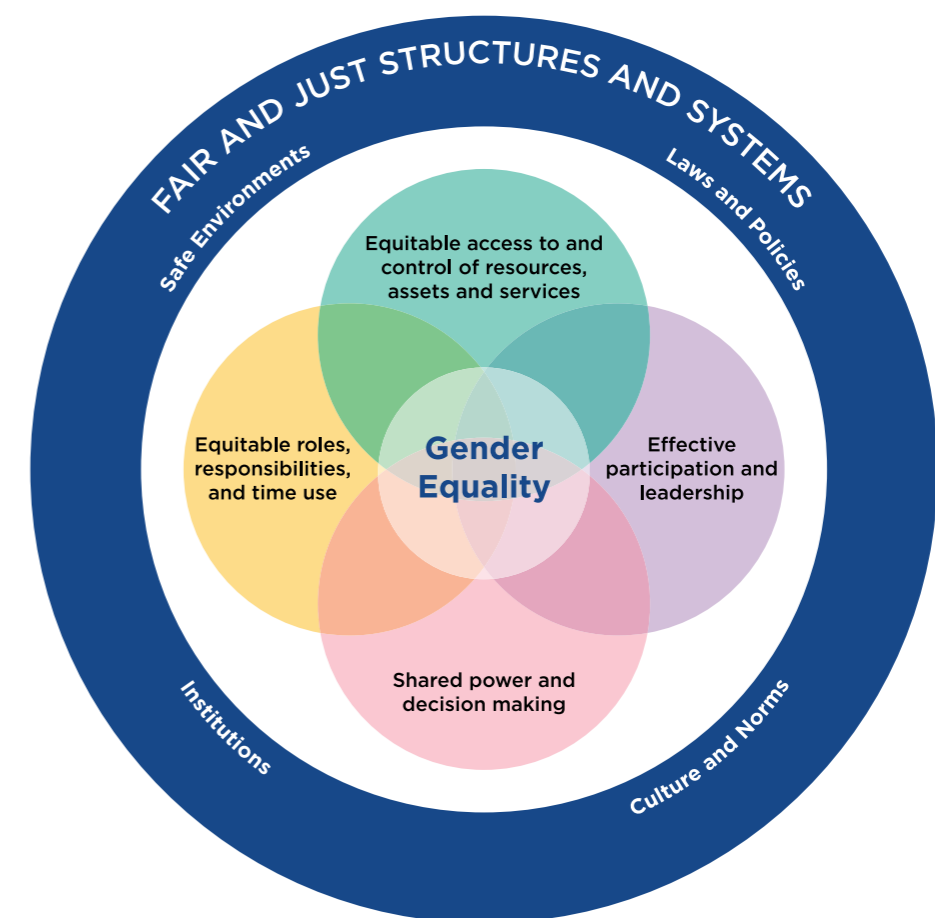
Criteria for Women-Friendly Value Chains include:

- High proportion of women employed in the value chain as compared to the economy at large;
- High number of women in the value chain;
- Low entry barriers for women entrepreneurs (time and mobility, access to technology and assets, cultural constraints). Offers new opportunities for women;
- Low entry barriers for small-scale and poor entrepreneurs (small scale production, low start-up costs, not requiring major capital investment, using low-tech skills);

- Close to household, within community area (geographically);
- Women control equipment/assets;
- Women have or can acquire skills needed for profitable value addition opportunities through processing and diversification;
- Women control the sales income and the enterprise.

Principles to support gender-sensitive value chain development¹²:

- Use a “gender lens” at all stages of the value chain development processes, from value chain analysis to strategy formation, implementation, and monitoring and evaluation;
- Understand different constraints and opportunities men and women face in the value chain, as well as, in their household and community that could affect their contribution and ability to benefit equitably;
- Approach men and women as equal actors;
- Engage women (including adolescent girls), from male- and female-headed households, as clients and recipients of goods and services;
- Mentor women leaders;
- Use gender-sensitive recruiting to hire staff.



CRS's Value Chain Toolkit: Harnessing the Power of Markets to Drive Change

¹² From: CRS's Value Chain Toolkit: Harnessing the Power of Markets to Drive Change



Additional Resources

Catholic Relief Service. **Value Chain Toolkit**

FAO. **Guiding Framework for Gender Sensitive Value Chains**

■ Tool 9: Production Planning¹³

A production plan serves as a guide. It establishes and sequences activities that must be carried out to achieve a production target, so that everyone involved is aware of who needs to do what, when, where and how. Production planning will help entrepreneurs know where they are going and plan how to get there. It also helps meet product demand while minimizing production time and cost by improving process flow. In order to do this, the production plan needs to be aligned to the business plan so that it is coordinated with other parts of the business. *As with all tools and tips in this guide, it should be adapted to the size and scope of the enterprise.*

Production Planning in 5 Steps:



From: **SME Caribbean Toolkit**

¹³ Adapted from: SME Caribbean Toolkit

The diagram shows the production planning and control process divided into five steps:

STEP 1: Forecast the demand for your product. Know how much you need to produce.

STEP 2: Determine options for production.

STEP 3: Choose the option that uses the combination of resources most effectively.

STEP 4: Monitor and check for risks.

STEP 5: Adjust production plan as needed.

STEP 1. Forecast the demand of your product

Estimate your demand, so that you know how many products you need to produce in a specific time period. This also aligns to the enterprise's financial plans, as often the enterprise has a certain volume it has to sell to make it profitable. Different methods exist to forecast product demand. A traditional technique for estimating product demand is based on historical information (eg orders placed by your customers in the past). While this is a very common method, you need to consider external and internal events in your business environment that could alter past patterns. For example, a slowdown in the economy or a new marketing campaign could decrease or increase your product demand as compared with the past.

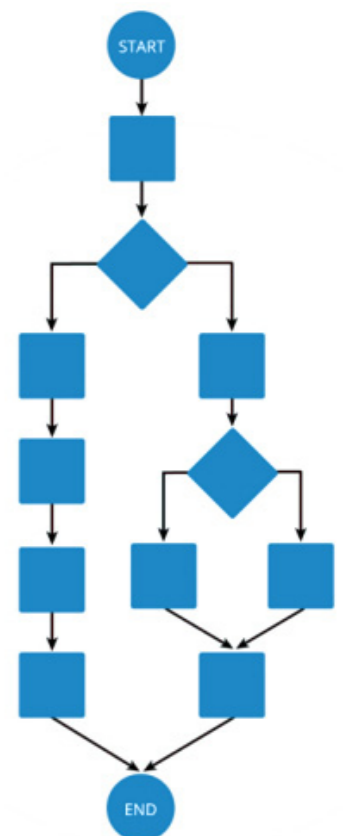
STEP 2. Determine potential options for production

Determine the different production options available to meet the forecasted demand for your product. For example, if you want to produce 100 shirts, you need to use a certain number of machines, human resources, materials and time. Different combinations of these inputs can lead to different production times and costs.

a. Start by mapping all the steps of your production process. When doing so, take into account if tasks are sequential or dependent on other tasks, or if they happen simultaneously or independently. Below is an example of a simple production process flowchart. Each box represents a task of your production process. The map of the production process will be different and unique to each enterprise. Think about how to improve process flow by identifying and eliminating possible bottlenecks.

b. Determine the resources needed to complete each task involved in your production process. Look at how different combination of resources lead to different production times and costs:

- **Human Resources.** Determine the number of staff that will be involved in each phase of the production process, the skills needed and costs;
- **Machinery and Equipment.** Identify the machines/equipment needed and their availability, including any maintenance or replacement that may be needed;
- **Materials.** Make a list of all the materials needed for production and how these will be obtained. Assess the reliability of your suppliers, including delivery time. Having materials available when needed is crucial for the production process. Aim to have options for suppliers to avoid dependence on any one specific supplier;
- **Inventory.** It is important that you consider how to optimise inventory, if relevant. Keeping a large inventory is expensive, but keeping a low inventory is risky if demand fluctuates regularly. Having a good inventory control system in place can help the enterprise accommodate variations in demand and mitigate possible problems or delays that may occur during the production process.



Process mapping flowchart example.

STEP 3. Choose the option for production that uses the combination of resources most effectively

Compare the cost and time of each potential production option and choose the option that uses the most efficient combination of resources and allows you to meet product demand. The chosen option should maximize the operational capacity of the enterprise. Always make sure costs in the production process are captured in the enterprise budget (materials, rent, salary, etc). If everybody knows what to do, and what materials and equipment should be used for each task in the production process, operations will be smoother.

STEP 4. Monitor and control check for risks

You need to ensure your plan is working in the way it is intended. Monitoring and control checking are about comparing what is happening with what should be happening. Having a system in place helps you detect problems as soon as they occur, allowing you more time to correct before it becomes too late. Consider potential risks to your production plan (eg a machine breaks, a worker gets sick or a supplier does not deliver on time). What could go wrong? How can you minimise the risks and manage them if they occur? Consider including the risks identified in this process in the risk assessment, see **Tool 21** for more information on risk management.

STEP 5. Adjust as needed

Be prepared to adjust the plan if needed. The production plan needs to be flexible to accommodate changes in customer demand (eg an important order that gets cancelled). Adjustments may be needed if any of the risks and assumptions detailed in the plan actually happens.

Tool 10: Analysing the Business Enabling Environment (BEE) – PESTLER

The success of many Enterprise Development initiatives is often determined not only by the business itself but by the “environment” in which the enterprise sits. This is called the Business Enabling Environment (BEE). For many small enterprises the business environment can be *disabling*. Whilst often out of the control of the enterprise, an awareness of the BEE is crucial to its success and efforts to influence it will yield long term benefits beyond a particular project or business. The PESTLER tool described below is a way to *analyse* the business enabling environment.

What is situation analysis?

Situation analysis focuses on capturing information about the local and national contexts, including the government and donor policy environment. PESTLER is a commonly used tool which we have adapted to answer specific questions and support the design of enterprise interventions.

PESTLER is an acronym for:

P	Political
E	Economic
S	Social
T	Technological
L	Legal
Env	Environmental
R	Religious

The Business Enabling Environment: The set of policies, institutions, regulations, support services, social norms and other conditions that collectively improve or create a general business setting where small enterprises and business activities can start, develop and thrive. These can be enabling (positive, opportunities) or disabling (blockages/challenges).

When should a BEE analysis be carried out?

A BEE scan should happen at the analysis stage when designing the enterprise initiative, as part of the Business Planning Process. This analysis will help you understand the blockages and opportunities in the enabling environment where the enterprise will operate. The questions below are general yet should be answered as specifically as possible with the intended enterprise in mind. This is not an exhaustive list and prompts should be adapted to fit the nature and scope of the enterprise.

Focus area	Examples of questions to ask / issues to probe:
P (political)	<ul style="list-style-type: none">What are the major political or power-related challenges or blockages that affect small enterprises in your context?What is the political appetite to support small enterprises? Are there any national policies or institutions that support small businesses, cooperatives, associations etc?What are the institutional arrangements available to support small enterprises, eg a specific ministry, mandate...?How much power do small businesses have in the value chain?What opportunities/spaces are available to small enterprises to influence decisions that affect them, eg networks or entrepreneurial forums? Does government listen to them?What are the registration regulations for small businesses? How does this work? Is it viable?Are there any political opportunities small enterprises can take advantage of? What are they?
E (economic)	<ul style="list-style-type: none">What are the major economic-related challenges or blockages that affect small enterprises?What are financial services like (access to affordable & appropriate credit, insurance, banks/places to store money safely)? Do they have any special 'products' to support financial inclusion or small enterprises?Is insurance available, affordable, accessible?Are there local economic development or national entrepreneurship strategies (or donor plans) that could support small enterprises? What are they?Are there any trade standards or policies that can affect the business, such as competition with cheap imports?Is the local market functioning? Is instability (eg inflation, currency devaluation ...) an issue?Are there any subsidy schemes, or other economic opportunities, small enterprises can exploit?



S (social)	<ul style="list-style-type: none">■ What are the major social or societal challenges or blockages affecting small enterprises?■ What are the relevant consumer trends (eg preferences, ability to purchase...)?■ Are there any cultural/traditional practices that may affect the enterprise (positively or negatively)?■ How will gender norms affect the business?■ Are there any practices that could impact on health and safety?■ Are there labour laws in place and do these protect safe and dignified work?■ How are informal enterprises viewed?■ Are there any informal gatekeepers to be aware of (eg local leaders, ministers, unions...)?■ What like-minded CSOs are working with small enterprises that we can network with?
T (technological & transport)	<ul style="list-style-type: none">■ What are the major technological or transport-related challenges or blockages that affect small businesses? (eg roads, tolls, transport costs etc...)■ What is the infrastructure like, including local market infrastructure?■ What is energy provision like? Is it affordable and appropriate?■ What are IT/telecoms services like? Can they be used for the benefit of the enterprises (eg marketing through social media)?■ Are there appropriate storage facilities for the products (eg cold storage, silos...)?■ What appropriate technology can be exploited?
L (legal)	<ul style="list-style-type: none">■ What are the major legal challenges or blockages that affect small businesses?■ Are all businesses obliged to register? What is this process like? Can small entrepreneurs get any support for this process?■ Are there any business regulations that could impact the business (favourably or unfavourably)?■ What is the tax and tariff regime like? Is it different for small businesses or businesses run by vulnerable people?■ Any labour laws we should be aware of? Contract enforcement considerations?■ What is the status of informal workers? Is informality viewed as a crime or is it tolerated under certain conditions (eg vulnerable groups)?
E (environmental)	<ul style="list-style-type: none">■ What are the major environmental challenges or blockages affecting small businesses?■ Is climate change an issue and are there any related policies/practices in place?■ What are the extension services like for agriculture-related businesses?■ Are environmental services or training courses available?■ What is land tenure like? How would this impact the business?■ What is water service/access like? How would this impact the business?■ Are there any environmental policies that affect the business (eg regulating waste and pollution, mandated environmental impact assessments)?
R (religious)	<ul style="list-style-type: none">■ Are there any religious practices which may impact on enterprise?■ Are there any religious factors that could impact the business (eg market opportunities during certain holidays etc)? What are the views of faith/local leaders towards the enterprise?



Based on this analysis – identify blockages and opportunities.

- What are the barriers or disabling policies? How will your business model respond to this and manage associated risks to the business?
- How can you build on the opportunities in the enabling environment to advance your business?

Include the key outcomes of this analysis in your business plan. For instance, many governments have programmes to support small businesses eg tax breaks, subsidies, special training etc... Find out what the local context can offer and what you need to comply with. Make sure these are considered in the business model and supporting plans.

■ Tool 11: Voice and Accountability

“Advocacy” encompasses all the work you might do to influence those in power to change policies and systems at local, national, regional and international level to create a more enabling business environment. It is about tackling the root causes of poverty and vulnerability, by helping to empower communities so their voices are heard and acted upon.

There is no one model of advocacy; and it is not a separate programming issue or theme, but rather an approach to achieving change. At its most basic level, advocacy is about trying to get a message across to an individual or group in order to influence a decision. How we go about communicating that message depends entirely on the context and what approach will work best to achieve the changes we want to see.

Influencing the business enabling environment may be necessary in order to achieve more supportive policies for small businesses, for instance, by reducing cumbersome registration processes and prohibitive tax structures or influencing government to protect local cottage industries. Opportunities for advocacy can be built into enterprise development programmes as a way of addressing structural issues, but this depends on the scope and capacity of partners and the groups they support. See **Section 4** of this guide, “Influencing the Business Enabling Environment”, for more information.

Change rarely happens overnight and influencing doesn’t work without collaboration with like-minded groups to put on the pressure required to effectively create change. Working in partnership with other networks, civil society organisations, trade-unions and other small businesses will increase your chances of success.

CAFOD’s Voice & Accountability Tool helps you to think about the wider context of your advocacy work and enables the monitoring of change and impact. It supports groups in evaluating their current skills and achievements in advocacy and provides an opportunity for reflecting on and planning how to improve it going forward.

CAFOD’s Voice and Accountability Tool uses ratings to assess the ability of supported CSOs to carry out advocacy. CSOs score themselves in four key areas:

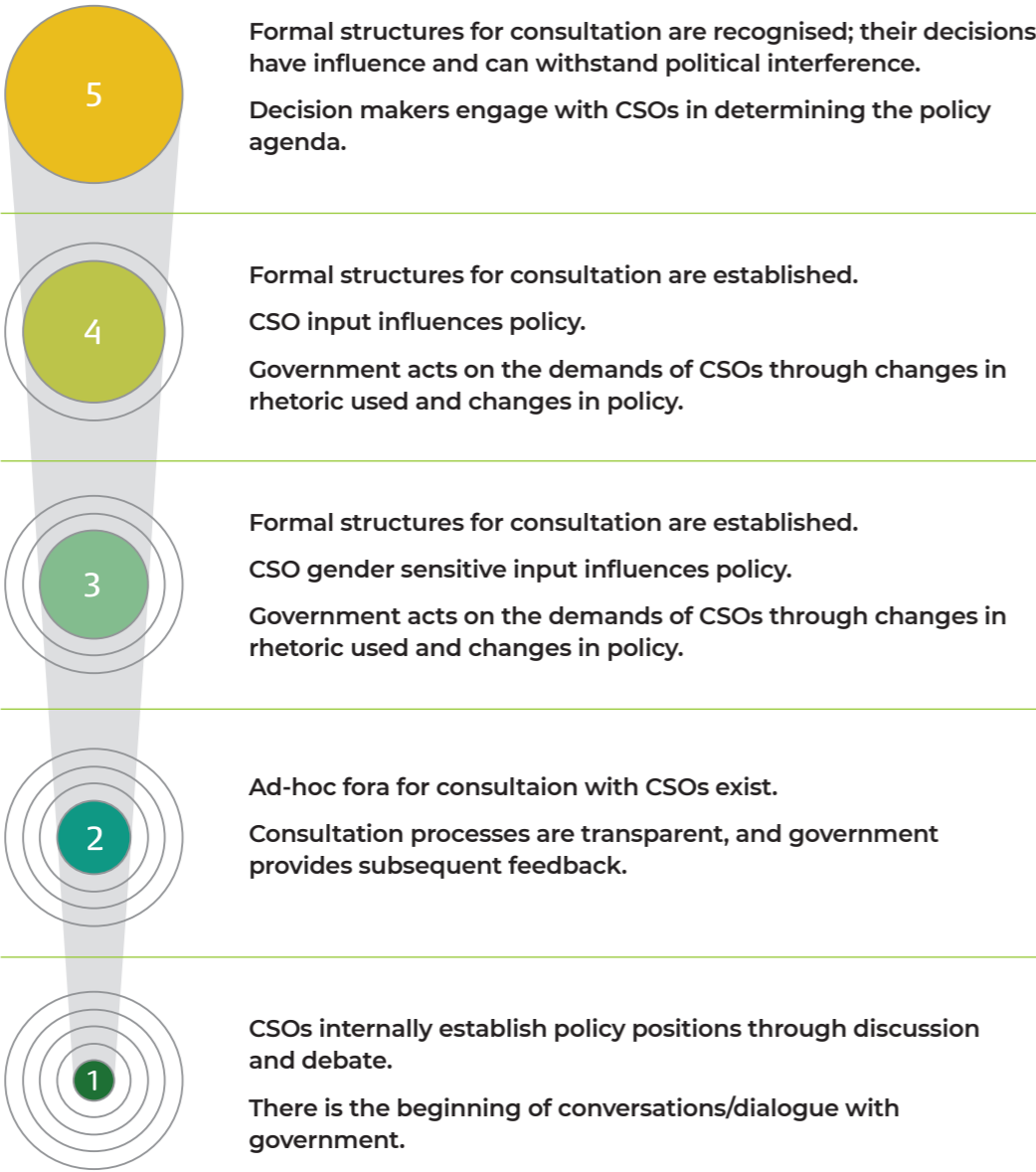
- Involvement in government processes;
- Advocacy strategy development;
- Community & constituency building;
- Involvement in corporate processes.

A rating scheme with different, pre-defined levels is used to help CSOs assess their level in each area.

Under each area of advocacy capacity, there are five cumulative levels, each with a description of its meaning. They require partner organisations to think through the reasons why they might be classed at one level or another by providing evidence in each case. The tool does not prescribe which elements to emphasize in any given level. Organisations may find elements of their work in more than one box but are asked to best approximate their level. We recommend the V&A tool be completed annually, using a participatory process that can form part of an existing monitoring and evaluation system, requiring limited additional resource. The tool is available in English, Spanish, French and Portuguese.

- [Advocacy Monitoring Tool V&A English.pdf](#)
- [Advocacy Monitoring Tool V&A French.pdf](#)
- [Advocacy Monitoring Tool V&A Portuguese.pdf](#)
- [Advocacy Monitoring Tool V&A Spanish.pdf](#)

An abridged version of the ratings scale for involvement in advocacy processes is shown below.



	Involvement in Government Processes	Advocacy Strategy Development	Community & Constituency Building	Involvement in Corporate Structures
Level 5	Benefits from recommended changes <ul style="list-style-type: none">Formal structures for consultation are recognised, their decisions have influence and can withstand political interferenceThe recommendations of the CSOs have not only led to changes in legislation but real benefits for men and women on the groundDecision makers engage with CSOs in determining the policy agenda	Strategic and Responsive <ul style="list-style-type: none">Regular assessment of the dynamics between stakeholders (including the dynamics between genders) and changes in context and their impact on opportunities and risksContinuous strategic thinking adapting activities to challenges and opportunities with milestones plannedClear recommendations for action are communicated to identified targets in appropriate ways, based on good evidence and refined over timeStrategic engagement with others through strong coalitions in which the CSO has a leading role, involving a range of actors such as academia/ private sector where appropriate	Partnership <ul style="list-style-type: none">Citizens and constituents develop work on their own issues or lead the process of deciding what issues the CSO will address different groups (such as women or youth) are able to bring in their perspectivesOwnership of messages is strongly felt by all groups (including those of different genders / ages)Representative structures act effectively reporting back and bringing issues from all the perspectives of their members (including men and women and different ages) in regular consultation	Active Engagement <ul style="list-style-type: none">Companies responding promptly to cases and proactively seeking options and information from communities or female / male workersJoint decision-making structures
Level 4	Influence <ul style="list-style-type: none">Formal structures for consultation are establishedEvidence that CSO input is influencing policyGovernment acts on the demands of CSOs through changes in rhetoric used and changes in policy	Strategising <ul style="list-style-type: none">Strong analysis of political context with an understanding of how different stakeholders interact and their relative power with a risk analysis includedStrong strategies identified that use appropriate methods for different targetsRecommendations are well targeted and based on good evidenceLeading role setting agendas for, or forming, relevant coalitions / networks	Empowering <ul style="list-style-type: none">Citizens / constituents play an active and informed role in assessing issues and identifying strategies to address them which reflect the needs of different groups (such as women or youth), guided by the CSOStructures are representative of all groups (including women and men and different age groups) and report back effectively	Action <ul style="list-style-type: none">Partial, corrective response from companies to individual instances of problems brought by communities/female and male workersSome consultation mechanisms established with participation of women and menCompanies willing to discuss changes in procedures or policies
Level 3	Transparency <ul style="list-style-type: none">Formal structures for consultation are establishedEvidence that CSO gender sensitive input is influencing policyGovernment acts on the demands of CSOs through changes in rhetoric used and changes in policy	Analysing <ul style="list-style-type: none">Analysis of political context and stakeholdersDrafting of influencing strategies, including identification of targetsRecommendations are based on solid evidence and researchPro-active participation within networks or coalitions	Consulting <ul style="list-style-type: none">Citizens / constituents (including different genders and ages) participate in the process to identify and prioritise issuesFormal gender-sensitive structures of representation have been developed or existing structures engaged which allow for the participation of all	Acknowledgement <ul style="list-style-type: none">Companies acknowledge problems for women and men but action is limitedSome ad hoc discussions or engagement with civil society / workers / communitiesCompany starts to review policies
Level 2	Representation <ul style="list-style-type: none">Existence of ad-hoc fora for consultation with CSOsConsultation processes are transparent and government provides subsequent feedbackDecision makers are open to challenge	Engaging <ul style="list-style-type: none">Some research and discussions undertaken on issues (with a gender lens)Recommendations developedAttendance at meetings and sharing with relevant networks or organisations	Awareness Raising <ul style="list-style-type: none">CSO raises awareness of the systems which impact on citizens (recognising the different impacts on different groups such as women and youth) and opportunities for changeCitizens / constituents come together in an organised way to explore issues and action or existing groups begin this discussion	Response <ul style="list-style-type: none">Response in the form of statements by companies but not through actionSome informal meetings with CSOs if pushed by external stakeholdersCompanies share information on policies and practices
Level 1	Voice <ul style="list-style-type: none">The CSOs internally establish policy positions through discussion and debateBeginning of conversation/ dialogue with government	Exploring <ul style="list-style-type: none">Issues identified and influencing recognised as a way to generate changeAwareness of other organisations and networks working on similar issues	Speaking For <ul style="list-style-type: none">CSO bases its positions on its experience of work with citizens or constituentsThe men and women that the CSO is claiming to represent (their constituency) are clearly identified	Evidence Presented <ul style="list-style-type: none">CSOs gather evidence of problems for women and men of different ages and presents to companies or other responsible bodies

■ Tool 12: Cooperative Governance Framework

According to the ILO, “Cooperatives with their people-centred focus, and founded on solidarity and members’ ownership, are well-placed to be vehicles for bringing about more inclusive societies and economies”¹⁴.

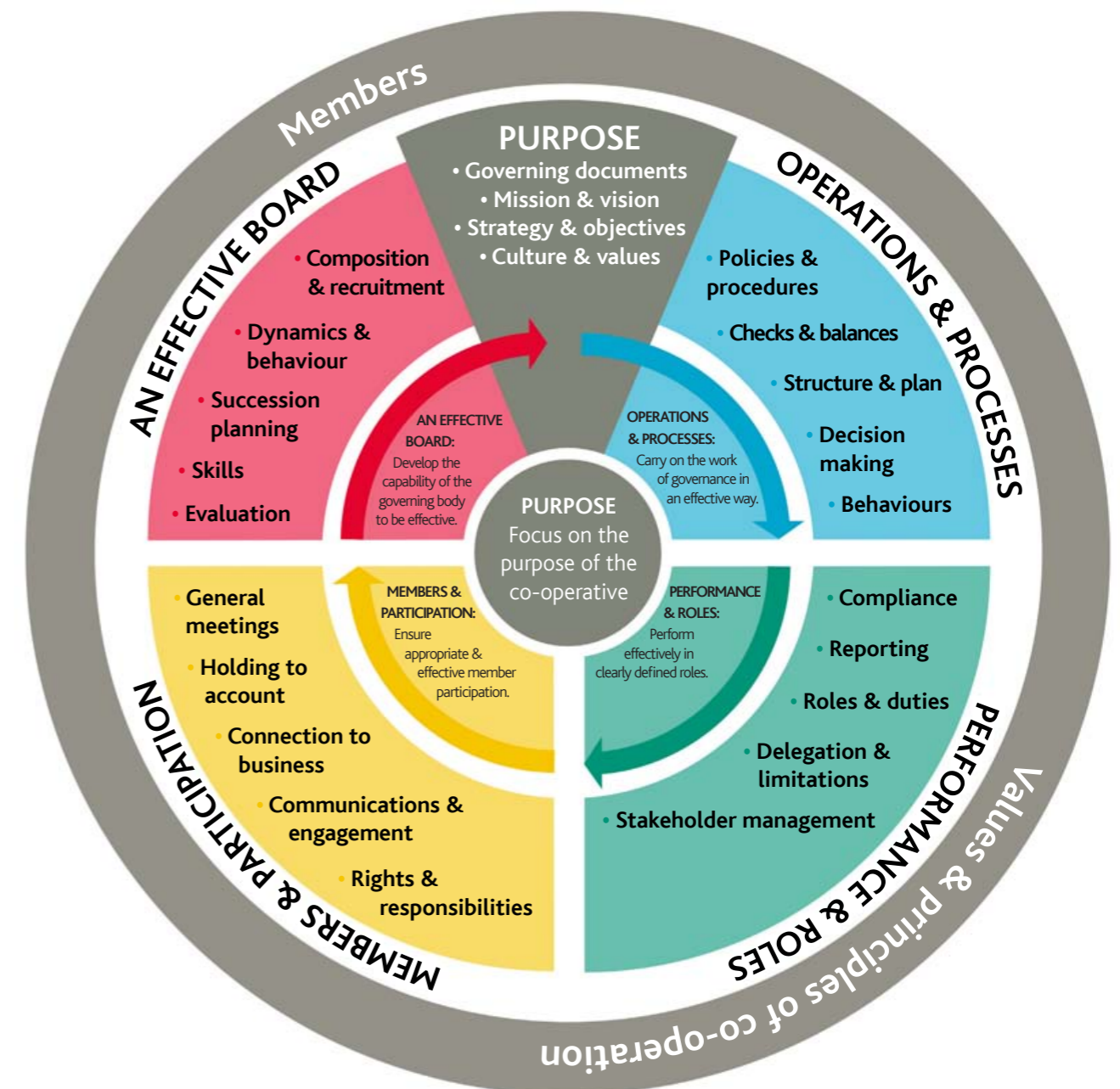
Characteristics of an inclusive economy¹⁵:



From: NCBA (National Cooperative Business Association)

Every country has its own specific regulations for businesses, including cooperatives, which partners and entrepreneurs should be aware of. While it is often beneficial to set up cooperatives, they can be cumbersome to manage. Governance issues are challenging for group enterprises and cooperatives in particular. In many of our programmes, governance issues are often at the heart of what stops groups succeeding. Cooperative governance includes various elements that assure transparency. For instance, the role of rotating board members and holding general assembly meetings (GA) where members and the board can discuss issues of relevance to the business. Transparency is critical to stop conflicts emerging. Below is a reference from “the Hive”, outlining key elements of good governance for group enterprises.

The Key elements of governance



¹⁴ http://www.ilo.org/global/about-the-ilo/how-the-ilo-works/ilo-director-general/statements-and-speeches/WCMS_561169/lang-en/index.htm

¹⁵ National Cooperative Business Association (NCBA), 2019. “The economic case for cooperatives in developed and developing countries”

“
Social
entrepreneurship
has the potential to
address intractable
social problems,
reduce inequality
and poverty as
well as tackle
environmental
challenges.”
UNCTAD

■ Tool 13: Who is an Entrepreneur?

Successful enterprises require dynamic, successful entrepreneurs. The following describes some of the key attributes of an entrepreneur. It might form the basis of a conversation with partners and entrepreneurs to assess the level of entrepreneurial or leadership capacity within the enterprise.

Who Is an entrepreneur?

A person who:

- Identifies or perceives new business opportunities;
- Analyses how the proposed goods/services could meet the unsatisfied market need best;
- Set up a business or group enterprise to carry out the business;
- Mobilizes the necessary resources (money, materials, machinery, labour, technology etc...) to make the enterprise work;
- Manages and converts resources into goods/services for sale to customers/users for profit.

Qualities of entrepreneurs

- Visionary
- Self-confident
- Goal setter
- Flexible and adaptive
- Long-term involvement
- Takes calculated risks
- Ability to scan the business environment
- Seeks Feedback
- Provides internal controls. Trustworthy and honest.
- Concern for excellence/perfection
- Tolerant of ambiguity – understands and manages the ups and downs of the business

The main defining qualities of entrepreneurs

There are three main defining qualities of entrepreneurs:

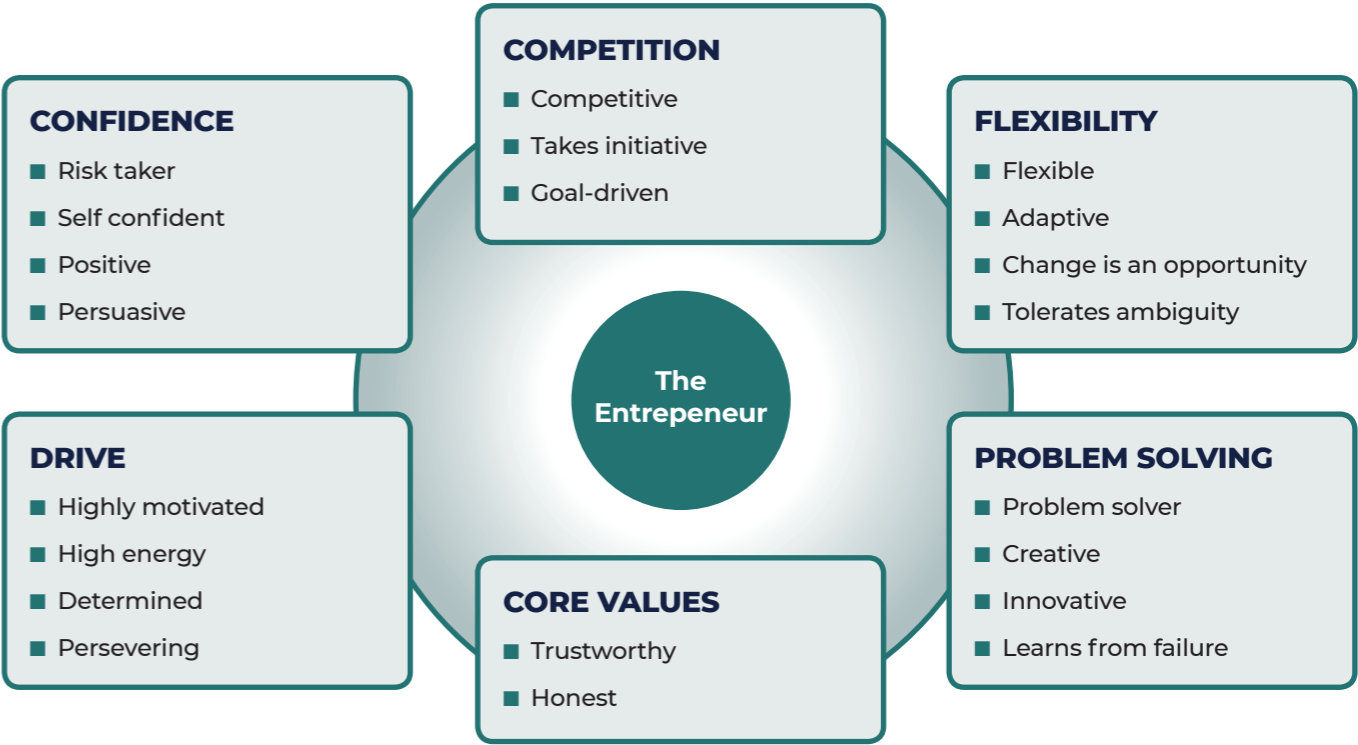
- Desire to excel (wanting to do things better, as indicated by a strong sense of being the best at what they do);
- Need to meet self-imposed standards of excellence;
- Need to seek long-term benefits (working hard to improve one's own skills or achieve success). Desire for long-term involvement, eg they look far into the future, not just short term.

16 UNCTAD (2016) "Promoting Entrepreneurship for Sustainable Development"

Stimulating and encouraging entrepreneurial ambitions is an important element of supporting enterprises with purpose to flourish, especially among the most vulnerable. Stages of effective entrepreneurial development include:

- **Awareness** of one's motivations, has a vision for the enterprise;
- **Acceptance:** Identifies, recognises and accepts one's personal strengths and weaknesses as an entrepreneur and seeks complementarity from collaborators;
- **Vision Building:** Able to set long term goals;
- **Business Panning:** Able to set a plan to achieve personal and business goals and works towards these;
- **Learns from direct experience:** The entrepreneur is able to reflect on, learn and adapt based on feedback and personal experience;
- **Empowered:** Believes in oneself and one's journey as an entrepreneur. Feels confident about one's abilities and capacity to learn.

Characteristics of an Entrepreneur



From: “Training on Entrepreneurship and Management of Small Business for Women”



Additional Resources

- COMCEC, 2016. “Training Manual on Entrepreneurship and Management of Small Business for Women in The Gambia, Senegal and Sierra Leone”.
- ILO. “Start and Improve Your Business Programme”

■ Tool 14: Group Maturity Index (GMI)

As discussed in previous sections, group enterprises are great ways to build social cohesion and capitalise on a variety of capacities. To function efficiently, group enterprises need, however, to be transparent and have clearly established roles and responsibilities. The Group Maturity Index is a tool used by CAFOD's Zimbabwe programme to help partners and entrepreneurs assess the strength of groups. Group-led enterprises have huge potential as regards efficiency and scale and can be a vehicle for strengthening community ties, mitigating conflict and maximizing cooperation. The tool is meant to accompany the progress of the group by helping members work better together.

Give each question a value based on the statements outlined below (eg 0-4). The tool can be used as a baseline, and repeated frequently, to demonstrate progress in group cohesion. The tool can also serve as a means of verification for relevant MEAL indicators. Some of the questions below are for members, others for the group leadership (marked as such). As with all tools in this guide, feel free to adapt it to the realities of the context and the group. Make it work for you.

Group identification & member demographic information

Date	Group Name	District	Location	Facilitators' Names
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Year group was formed		Membership Total		
# Aged below 20	<input type="text"/>	# Aged 20 – 49	<input type="text"/>	# Aged 50 – 65
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
# Males	<input type="text"/>	#Females	<input type="text"/>	#Chronically Ill
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	#Disabled
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	#Widowed
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Group's vision and objectives: Ask members

How was the group formed – Whose idea was it? What is the level of engagement of external actors?

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
External idea (no consultation). Group formation done by externals (NGOs) and to date, externals still run the group.	External idea and formation with minimal consultation. Externals are still involved to a great extent.	Local idea but mutual discussions between externals and locals at start. Minimal involvement of externals presently.	Self-initiated, external support was very crucial and there is some minimal involvement/ technical accompaniment of externals presently.	Self-initiated. Even if external support was sought and provided, it is no longer necessary.

Why was the group formed?

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
Reason not clear.	Externals (NGOs) saw need and sold reason but little group ownership.	Group had heard about it and copied.	Group saw need but lacked capacity.	Self-formation out of identified need.

Does the group have shared/common objectives (group purpose, goals & vision)?

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No objectives.	Objectives not clear.	Objectives not shared/common.	Objectives clear and shared.	Objectives very well defined, articulated and shared.

Does the group have a business plan to meet its objectives? Was the plan developed inclusively?

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No plan.	Some kind of plan developed by an external consultant.	A plan is in place but lacks clarity. Driven by external actor in consultation with members.	Well defined plan in place developed with the inclusion of members.	The group has a well-defined plan developed and led by entrepreneurs.

Governance: Ask members

Does the group have a constitution? If yes, how was the constitution drafted?

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No constitution drafted nor discussion of rules.	Unwritten or sketchily draft constitution, not clear to members.	Unwritten/draft constitution but clear to members.	Well written, clear to members & certified by authorities.	Well-crafted with technical capacities and support identified, developed by members and certified by authorities.

Level of adherence to, and enforcement of constitution.

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No adherence or enforcement at all. No constitution.	Low adherence and enforcement.	Selective adherence & enforcement.	High levels of adherence and enforcement.	Total adherence & enforcement.

Does the group have a leadership structure?

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No leadership structures.	Ad-hoc and individualistic leadership structure.	Leadership structure in place but members not clear about roles and responsibilities.	Leadership structure in place & members undergoing capacity strengthening.	Clearly defined, agreed and functional leadership structure in place, with transparency mechanisms clear and a strong sense of trust.



Leadership: Range 0-4 ☐

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
Dictatorship – led by one individual.				Democracy, transparency, participation.

How much training, capacity building and technical support has the group leadership received since its formation? **(Only ask group leaders this question)** ☐

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No trainings or capacity strengthening received by any of the group members.	Very limited training or capacity strengthening received by some group members.	Training and capacity strengthening received for some of the required skills by some members.	Group members received most of the relevant and necessary training and capacity strengthening.	Group members received all the required, relevant training or capacity strengthening.

Level of consultation of members in decision making & planning. **(Ask members).** ☐

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No Participation at all.	Low levels of participation and consultation.	Average levels of participation and consultation.	High levels of participation and consultation.	Excellent levels of participation and consultation.

Do you face any interpersonal problems in working as a group (cohesion) explain these & how you have resolved them (conflict management). **(Ask members)** ☐

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
Yes – all the time. Group cohesion & conflict management are still a major problem.	Group cohesion & conflict management are still problems most of the time.	Sometimes group cohesion & conflict management can be an issue.	Rarely. Group has high level of cohesion & good conflict management.	Not at all. Excellent levels of cohesion and conflict management.

Levels of transparency & accountability **(Ask members)** ☐

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
Many cases of corruption. No transparency & accountability mechanisms.	Frequent cases of corruption. Low levels of transparency & accountability.	Few cases of corruption. Some transparency & accountability mechanisms in place.	Rare cases of corruption, eg high transparency & accountability.	No corruption at all. High levels of transparency & accountability.



Group Systems

Group process documentation: reports, minutes etc **(Ask to see documents)** ☐

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No records exist.	Some kind of records but difficult to follow.	Some minutes and records available, not complete.	Minutes exist but some not up to date.	Minutes of transactions (meetings etc.) exist and these are up to date.

Group's records – financial/asset inventory records, **(Ask to see documents).** Range 0-4 ☐

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No records exist.				Transaction documents (financial) exist and these are supported by essential support documents (receipts) including asset inventories.

Does the group regularly monitor, review and evaluate progress and impact? Does it use the results/information to refine how they do things? **(Ask members).** Range 0-4 ☐

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No monitoring and no review or reflection in place.				A detailed and regular monitoring & review and reflection process is in place and the group learns from it to refine its operations.

Intervention Impact

Level of achievement of group's objectives **(Ask members).** May need to review the group's vision, goal and purpose. Range 0-4 ☐

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No objective has been met to date and evidence suggests that meeting objectives will remain difficult.				All objectives are being met and all members are satisfied with the outcomes and process so far.



What has been gained as a result of the group's existence? **(Ask members)** Range 0-4

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No benefits to date and evidence suggest progress is slow, if any.				All members are getting expected benefits and additional benefits.

What has been gained by the wider Community as a result of the group's community responsibilities? Range 0-4

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No benefits to date, and evidence suggest no benefits in the near future.				The community is getting expected and additional benefits.

Are you happy/satisfied to be in this group? **(Ask members)**

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No satisfaction.	Some satisfaction but mostly not satisfied.	Mostly satisfied but substantial frustration still exists.	Satisfied.	Very satisfied.

What is the participation and attendance rate in membership? **(Ask group leaders)**. Range 0-4

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
Participation and attendance at group activities is very poor. Turnover is very high.				Participation and attendance at group activities is very high. Turnover is very low, minimal or only through death.

Group savings and investments **(Ask group leaders, check documentation)**. Range 0-4

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
No savings at all. No re-investment in the business.				High savings & investment back into the business. Solidarity fund / reserve fund available for members to borrow from.



Do you see any positive differences in yourself and your peers as a result of being part of the group? **(Ask Members)** – what are these? Range 0-4

0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent
See no difference at all.				There is evidence members are more empowered and resilient, especially women.

Give examples of these positive differences	
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At which stage of growth, maturity & sustainability is the group currently?
Give reasons why you think your group is at this stage **(ask members)**

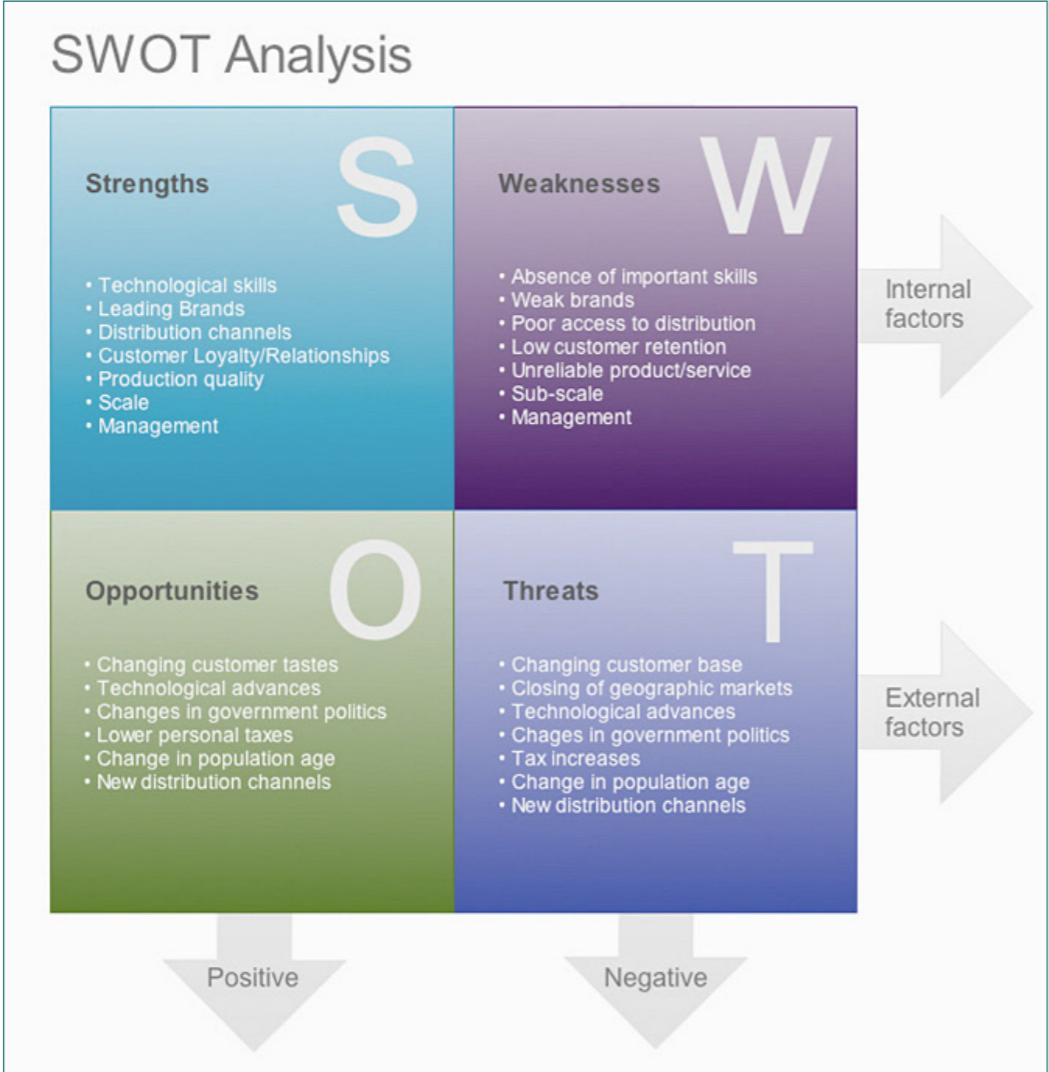
0 = Very Poor	1 = Poor	2 = Average	3 = High	4 = Excellent

The facilitator can reflect back on these scores and give groups feedback on their progress on their journey. Consider using the Group Maturity Index at the baseline, midline and end line of projects to demonstrate the group's progress, and support capacity strengthening plans.

■ Tool 15: SWOT

The SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis is an inventory of *internal and external strengths and weaknesses in the enterprise*. The primary purpose of the SWOT analysis is to identify and assign each significant factor, positive and negative, to one of the four categories, producing an objective analysis of the enterprise.

- **Strengths:** describe the positive attributes, tangible and intangible, of the enterprise. These are within your control. What do you do well? What resources do you have? What advantages do you have over your competition?
- **Weaknesses:** are there factors that are within your control that keep your business from thriving? Which areas might you improve?
- **Opportunities:** what opportunities exist in the market, or in the business environment, from which you hope to benefit? These are external.
- **Threats:** include factors beyond your control that could place your business at risk. These are also external, and you have no control over them, but you may benefit by having contingency plans to address them if they should occur.



The internal strengths and weaknesses, compared to the external opportunities and threats, can offer additional insight into the condition and potential of the enterprise. How can you use the strengths to exploit the opportunities and minimize the harm that threats may introduce if they become a reality? How can weaknesses be minimized or eliminated? The true value of the SWOT analysis is in bringing this information together, to assess the most promising opportunities and the most crucial issues. SWOTs can be useful to inform capacity-strengthening plans.

■ Tool 16: Simple Role Description Template

Title

Role or Position, for instance: treasurer, marketing officer etc.

Reports To

The [title] will report to

Role Overview

Provide a brief description of the role, what success in the position looks like, and how it fits into the business.

Responsibilities and Duties

Provide a bullet point list of the responsibilities and duties of this role.

- List the essential duties required to carry out this role;
- List them in order of importance;
- Start sentences with verbs;
- Use gender neutral language.

Qualifications

Provide a bullet point list of the qualifications needed for someone to fill this position. You may want to include:

- Specific skills;
- Personal characteristics;
- Qualifications;
- Education level;
- Experience;
- Licenses

■ Tool 17: How to Create a Budget for a Small Business¹⁷

A budget is a document that projects a business's future sales, costs, profits and **cash flow**. It is your best guess at *future financial performance*. It is a vital business-planning tool. Without a budget, it will be difficult for you to know how well (or poorly) your business is doing.

Business budgets help you:

- Project start-up costs if you're starting a new business;
- Determine how much money you need to earn to break even and earn **a profit**;
- Estimate your business's cash flow so you know whether you can meet expenses;
- Work out what changes you need to make to have a profitable business by comparing budgeted against actual performance;
- Predict slow months so you can plan for them;
- Identify "reserve funds" you can reinvest in the business;
- Obtain a business loan from a bank or other financial institution, or equity funding from **investors**.

¹⁷ Adapted from Stephen Fishman 2019

How to Create a Budget

Your budget should cover at least *one year* and include *monthly income and expense projections*.

Here are six steps to creating a small business budget.

Step 1: Gather Financial Information

To create a budget, you must project future revenue and expenses. The best way to do this is to look at your business's past performance. If you have an established business, look at your most recent financial statements. These statements should include an itemised list of the fixed and variable expenses you incurred during the year. If you lack such statements, go through your income and expense records and bank statements for the previous year.

Use these figures as a starting point to project your revenue and expenses for the next year. Do you expect your business to improve? You may need to increase your revenue projections if you expect to add new customers, or plan to raise your prices.

If you're starting a new business, you will need to do some research. You can try to gather financial information for companies that are similar in both in size and type. There are various ways to do this:

- Use the practical knowledge you gained from this or other business ventures;
- Perform market research;
- Learn from and assess your competition;
- Factor in how many clients or customers you have already lined up and how much more business you can reasonably expect to attract.

Armed with this information, make your *best estimate* of what you will earn. Do not be overly optimistic. But, remember, this is only an estimate.

Step 2: Add up all your revenue sources

How much money do you expect your business to earn? Revenue sources can include:

- Product sales or hourly earnings (if you provide a service);
- Investment income;
- Income from asset sales;
- Loans.

Step 3: Determine fixed costs

List and add up all your fixed costs. Fixed costs are expenses that remain the same every month. Common examples of fixed costs include:

- Office rent
- Leased furniture and equipment
- Mobile phone bill
- Bank fees
- Accounting and payroll services
- Business vehicle leases (or loan payments for purchased vehicles)

- Business loan payments
- Business insurance
- Business licences
- Business subscriptions and dues
- Employee salaries and benefits
- Property taxes
- Website-hosting expenses

Step 4: Identify variable expenses

Unlike fixed costs, variable expenses can change from month-to-month. You can increase or decrease these expenses depending on how well your business is doing. For example:

- Raw materials
- Delivery costs
- Utility costs – including electricity, gas and water
- Independent contractor payments (eg payments to commission extra workers or salespeople)
- Advertising and marketing costs
- Equipment maintenance and repair
- Travel
- Transport of goods
- Legal services
- Education and training

Step 5: Account for one-off expenses

If you anticipate incurring one-off expenses during the next year, list them here. These may include:

- Computers
- Software
- Furniture
- Equipment

Step 6: Put it all together

Subtract your total projected expenses from your total income to see how much profit you expect to earn each month and at the end of one year. Then, throughout the year, track how much money you collect and spend each month and compare it with your budget projections. Shortfalls should raise an alarm. You may have to reduce your expenses if you cannot increase your revenues.

On the other hand, if you earn more profit than projected, you may be able to expand your business. For example, you can increase what you spend on variable expenses like pay staff more.

Create your own spreadsheet: You can create your own budget spreadsheet with Excel or other spreadsheet software. There are also a variety of budget templates available online; **this one** is from business.com.

■ Tool 18: Income Statement

The income statement, also known as a **Profit and Loss (P&L) statement**, reports a business's revenue, expenses and overall profit or loss for a specific period of time. Unlike the budget which forecasts future performance, the income statement (or profit and loss statement) is one of the key financial reports used to describe actual financial performance. An income statement does not just show the total profit or loss a business generates, it also shows the costs associated with earning that revenue. *It is useful for evaluating a business's profitability and performance.*

The information listed on your business's income statement will vary depending on the specific details of your business's operations. You can create an income statement on a monthly, quarterly or annual basis.

Common accounting items that can be included on income statements¹⁸

- **Revenue or Sales:** Your revenue earned through selling your products or services. This is the first section that appears on the income statement.
- **Cost of Goods Sold:** The total of the direct costs incurred to sell your products and earn revenue. This can include the cost of labour and materials.
- **Gross Profit:** Gross profit is calculated by subtracting the cost of goods sold from your revenue.
- **Advertising and Promotions Expenses:** Costs associated with marketing to attract clients.
- **General and Administrative Expenses:** The administrative costs associated with running your business, including salaries, rent and supplies.
- **Depreciation Expenses:** Depreciation refers to the practice of spreading out the cost of a long-term asset over its useful life span. It is often done for vehicles and large equipment.
- **Earnings Before Tax:** Your pre-tax income. This is usually the second-to-last line item included on an income statement.
- **Net Income:** The total revenues minus total expenses. If the number is positive, your business is reporting a profit. If it's negative, you're recording a loss for the reporting period

You can find a template for a yearly income statement [here](#).

¹⁸ <http://www.freshbooks.com/hub/accounting/what-is-an-income-statement>

[Enterprise Name]		Income Statement	
		For the Years Ending [Dec 31, 2020 and Dec 31, 2019]	
Income/ Turnover		2020	2019
Gross sales		181,683	
(Less sales returns and allowances)		(10,000)	
Net Sales		171,683	-
Variable Costs			
Beginning inventory			
Goods purchased			
Goods manufactured: Raw materials		30,028	
Goods manufactured: Direct Labor		100,000	
Total Goods Available		130,028	-
(Less ending inventory)			
Cost of Goods Sold		130,028	-
Gross Profit (Loss)		41,655	-
Fixed Costs			
Advertising			
Bad debt			
Commissions			
Depreciation		16,616	
Employee benefits			
Furniture and equipment			
Insurance			
Maintenance and repairs			
Office supplies			
Payroll taxes			
Rent			
Research and development			
Salaries and wages			
Software			
Travel			
Utilities			
Web hosting and domains			
Other		16,192	
Total Fixed Costs		32,808	-
Net Profit		8,847	-
Non-operating revenues, expenses, gains, losses		12,762	
(Less interest expense)		(6,113)	
Income Before Taxes		15,496	-
(Less income tax expense)		(1,069)	
Income From Continuing Operations		14,427	-

Tool 19: Cash Flow

Cash is the lifeblood of a business and, for a business to be successful, it must have sufficient cash at all times. Yet in a survey from businessinsder.com, 81% of respondents claimed that their small businesses collapsed because of cash flow problems¹⁹. Knowing your cash flow, matters because without cash you cannot pay your expenses, taxes, employees or bills.

The purpose of a cash flow statement is to measure *how much money you received and spent over a given accounting period*. It shows the net increase or decrease in cash for the period in question and confirms that your business is generating more cash than it spends. This can be critical, *especially for businesses that have taken out loans as it demonstrates the ability to pay off debt*.

A cash flow statement looks at the cash that has already come in (over a quarter or year) and the cash that you have paid out. It is one of the key financial statements for business management along with your budget (Tool 17) and income statement (Tool 18).

Businesses generate cash in different ways and from different sources, so the cash flow statement is separated into the following three core elements:

- Cash flows from **operations**, such as customer collections and cash paid to vendors (compare this with your income statement to see the differences in timing between expenses and cash payments).
- Cash flows from **investment** activities if any.
- Cash flows from **financing activities**, such as loans.

The statement will prompt you to record cash in and out (be sure to include the *minus* – before the value in the case of *outgoing cash*) for the three categories above.

You can find a template for a yearly cash flow statement [here](#).

12-Month Cash Flow

Period Beginning	1/1/20	2/1/20	3/1/20	4/1/20	5/1/20	6/1/20	7/1/20	8/1/20	9/1/20	10/1/20	11/1/20	12/1/20
Period Ending	1/31/20	2/29/20	3/31/20	4/30/20	5/31/20	6/30/20	7/31/20	8/31/20	9/30/20	10/31/20	11/30/20	12/31/20
Cash at Beginning of Period	15,700	17,325	17,325	17,325	17,325	17,325	17,325	17,325	17,325	17,325	17,325	17,325
Cash at End of Period	17,325	17,325	17,325	17,325	17,325	17,325	17,325	17,325	17,325	17,325	17,325	17,325
Operations												
Cash receipts from												
Customers	57,767											
Other operations												
Cash paid for												
Inventory purchases	-22,000											
General operating and admin expenses	-9,333											
Wage expenses	-10,250											
Interest	-1,125											
Income taxes	-2,733											
Net Cash Flow from Operations	12,325	0	0	0	0	0	0	0	0	0	0	0
Investing Activities												
Cash receipts from												
Sale of property and equipment	2,800											
Collection of principal on loans												
Sale of investment securities												
Cash paid for												
Purchase of property and equipment	-6,250											
Making loans to other entities												
Purchase of investment securities												
Net Cash Flow from Investing Activities	-3,450	0	0	0	0	0	0	0	0	0	0	0
Financing Activities												
Cash receipts from												
Issuance of stock												
Borrowing												
Cash paid for												
Repurchase of stock (treasury stock)												
Repayment of loans	-2,833											
Dividends	-4,417											
Net Cash Flow from Financing Activities	-7,250	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	1,625	0	0	0	0	0	0	0	0	0	0	0

Tool 20: Sensitivity Analysis

Sensitivity analysis is a way to predict the outcome of a decision *if a situation changes*, for instance the price of an input rises. Sensitivity analysis is very useful when attempting to determine the impact that a particular variable will have, if it differs from what was previously assumed during planning.

By creating a given set of scenarios, the analyst can determine how changes in one variable will impact the target variable. For example: The enterprise is a transportation cooperative in a country where fuel scarcity is a regular challenge. While you are basing your enterprise's profitability on a fuel price of \$2 per litre you would like to know what the impact would be on its profitability if petrol prices increased by 10% and even 20%, which is always possible.

How to do a Sensitivity Analysis:

- Identify the key variable(s) you would like to understand (this might, for example, be the price of the product you are selling, changes in price of inputs, the impact of a particular policy).
- Create a copy of the current income statement (see Tool 18), also known as the profit and loss statement.
- Add columns with different assumptions related to the key variable, for example, -5%, +10%, +20% change in the price of an input, or other possible changes related to assumptions made during planning.
- Apply these assumptions to your key variable.
- Assess the impact, or sensitivity of the bottom line or profit, to these changes.

This exercise is slightly advanced but can be useful in demonstrating the robustness of your business and how it will fare if there are any changes in the assumptions and calculations made during the planning or start-up phase of your enterprise.

Tool 21: Simple Risk Assessment Matrix

The simple risk assessment matrix is designed to help partners and entrepreneur(s) understand the key risks faced by the business.

To help understand and assess risks effectively, work through the following 7 steps and complete a simple 'Risk Matrix':

- 1 List key events that have the potential to affect the enterprise negatively. These maybe internal to the business (eg new competitors enter the market, key staff leave, key suppliers unable to deliver) or external (eg inflation, extreme weather events, government policy);
- 2 Assess severity of the event on success of the enterprise by giving it a value from 1 (low) to 5 (high);

Severity				
1 Trivial	2 Frustrating	3 Disruptive	4 Significant	5 Critical to Enterprise

- 3 Assess likelihood of the event occurring by giving it a value from 1 to 5;

Likelihood				
1 Highly Unlikely	2 Unlikely	3 Possible	4 Probable	5 Certain

19 From Businessinsider.com see [here](#)

- 4 Prioritise (multiply Severity score by Likelihood score and rank the risks);
- 5 Identify strategies to reduce the severity/likelihood (PREVENTION);
- 6 Identify strategies to reduce impact of the event should it occur (MITIGATION);
- 7 Consider relevance to the enterprise workplan or business model. The Business Plan may need to be revisited to address these risks and strategies to reduce and manage them. We recommend addressing the risks with the highest priority ranking in the business strategy.

Event	Severity (S)		Likelihood (L)		Prioritize risk (S x L)	Strategies to reduce risk	Strategies to manage risk if event occurs	Relevance to enterprise work plan
	Describe	Score (1 - 5)	Describe	Score (1 - 5)				
Extreme weather	Crop damage could affect supply of key input.	5	Extreme weather increasingly likely.	4	20	Reduce dependence on a single supplier.	Identify alternative suppliers. Build-up stock.	Relates to production plans.
Staff Turnover	Lack of engagement from group members causing poor ownership and participation.	4	High staff turnover rates interfere with production.	3	12	Ensure good engagement of group members from the outset.	Ensure more than one person is trained on a specific function. Ensure role descriptions are in place to support new staff.	Relates to organisation and management section of the business plan.

■ Tool 22: Detailed Business Plan Template

There is a lot more to a thriving business than a good idea. You need to think things through to maximise your chances of success and a business plan will help you turn an idea into a business. Section 3 of this guide offers 8 steps to plan for success.

A business plan provides a route map. It is not a destination; it should and will change. Business plans are living documents and assumptions should be revisited from time to time to ensure the business is adapting to changes in context and the market.

The process to develop a business plan is equally as important as the final product and entrepreneurs should be fully involved in the whole business planning process, from identifying the business idea to designing operations, management, financial projections and marketing strategy. A participatory process takes time, but the results are more meaningful because it directly invests in the capacity of entrepreneurs to think through their business idea and strategy.

It can take anywhere from a few weeks to a few months to do a business plan properly and inclusively. It is best to tackle a business plan in small chunks.

The best business plans are not long and complex; they are fit-for-purpose and cover only the most important information. This template should be adapted to the size and complexity of the business.

Business name:

Address and contact details (including social media links):

Executive Summary

The executive summary outlines *key elements* of the business plan. It should be succinct, capturing the most critical factors related to the business. Keep it brief 2-3 pages.

- Introduce the enterprise and its purpose and Mission/Vision:
- What are the developmental impacts to poor and vulnerable people and the environment?
- What is the business idea? What is the market opportunity? Briefly note key elements of the 5 Ps: Product, People, Price, Promotion and Place.
- Where does the enterprise sit within the broader value chain and how does it relate to other actors in the chain?
- What is the legal structure of the enterprise?
- How will the enterprise be managed?
- Financial summary:
 - Budget
 - Turnover (Income)
 - Gross profit and Net profit
- Key risks to the business and how these are/will be managed.

Section One: Developmental Proposition

Use this section to go deeper into your business strategy.

Enterprise Purpose

- What is the motivation behind the enterprise?
- What is its mission, vision and values?
- How does the enterprise impact (directly and indirectly) the most marginalised (women, young people, those with disabilities etc.)? Describe who is involved in the enterprise.
- How will the enterprise affect the natural environment or contribute to its regeneration?

Section Two: Commercial Proposition

This section is the bulk of the business plan and includes an information on the market opportunity, operations and logistics, business management strategy, the business enabling environment, financial projections and potential risks and mitigation strategies. See Section 3 of this guide for a step-by-step process on how to answer the following questions.

Continued on next page

Market Opportunity

- Describe the business idea: What is the product?
- What is the market opportunity you are responding to? Have you conducted a market analysis? When/How? Outline key findings and market trends (Include any desk research and field research such as customer/buyer questionnaires: volume, quality standards, time of year product is sought, type of buyers, transport options (eg pick up versus delivery).
- Who are your customers (People)? Are they: Individuals, Businesses, Institutions, other?
- Describe your typical customer/buyer? Where are they based? Why would customers want to buy your product/service?
- What is your pricing strategy? (Price). Price per unit? How did you arrive at that price?
- What is your marketing strategy? (Place). Where will you sell your product? Will you be taking advantage of any (government) schemes to sell the product?
- What is your distribution strategy? (Promotion). How will you get the product to the market? Who will be involved?
- Who are your competitors? (See **Tool 5**). What makes your product/ service different from your competitors?

Operations and Logistics

- Where does the business sit in the wider value chain? Who are other key actors in this chain? How are you connecting to them? Draw your value chain (if applicable).
- Draw your production flowchart. What Operations/Logistics issues do you need to consider?
- What resources would you require to run the business? Consider: key materials, equipment, skills needed etc.
- Who are your suppliers? Are they reliable? Will you purchase supplies from poor and vulnerable people?

Business Enabling Environment

- Describe critical factors in the business enabling environment (key policies, processes and norms) that can affect the business? What are the legal considerations, including registration, tax structures etc. How will you integrate this in the business strategy? (See **Tool 10**)
- Is the enterprise connecting with other like-minded actors to influence policies or achieve outcomes? For instance, participation in networks or local business forums...

Organisation and Management

- Who owns the enterprise? What is the management structure? Draw an organisation chart (where applicable)
- What skills and experience are needed to run the business? How experienced is the management?
- Consider a SWOT analysis (See **Tool 15**):
- For group enterprises consider:
 - What was the driver for the group to form?
 - Describe group structure. Is there a board or overseeing structure?
 - Do you have a constitution?
 - How do members engage with the business and decision making? Are there general assemblies? How frequent?
 - Describe accountability systems in place. Including financial transparency and conflict mediation strategies.

Financial Analysis

Complete:

- **Budget**
- **Income statement**
- **Cash flow forecast**

Risk Analysis

What are the key risks (internal and external) to the business? How can these risks to be reduced and mitigated? (see **Tool 21**).

For advanced businesses, consider a sensitivity analysis to check your assumptions (**See Tool 20**). What fluctuations could affect your financial projections? This is also part of your risk scoping.

Section Three: Strong Intervention Design

- What key information will help entrepreneurs monitor progress? This relates to information needed to ensure the business is in good health. This is not only about project monitoring, although some elements may overlap with the data partners are gathering. You can refer to the **Dashboard** in Step 8 of Section 3, the ED MEAL framework and the **Tool 23** on enterprise indicators tool for suggestions.
- What supporting services does the business need to access to be successful? They can be financial, technical or other. Describe dependencies (including on partners/donors, government services.) Are these available? How will you link to these?
- How is the enterprise taking account of safety, participation and dignity of workers/members?
- Does the enterprise fit within a broader programme logic? Is it linked to other initiatives? Describe.
- When does the enterprise expect to become autonomous? What is the exit strategy from the partner?

■ Tool 23: Enterprise Development Indicators

The following list of indicators is not exclusive. It links directly to our theory of change and proposed MEAL plan. More indicators on enterprise development can be found at:

<https://www.bond.org.uk/resources/impact-builder>



	Impact Pathway	Indicator	
Overall Impact	Benefits to poor and marginalised people and/or the environment' through improved Enterprise Development	Changes in poverty indicators: income, nutrition, empowerment, access to and sustainable use of natural resources etc.	
Additional Outcome	Business enabling environment (BEE) influenced	Changes in policies or regulations as a result of programme activities. Documented changes in the way a policy or regulation, which affects the enterprise, is implemented by a public agency (institutional). Target group's opinions concerning how the change in the enabling environment has impacted their businesses.	
Core Outcome	Enhanced Commercial Viability of 'Enterprise with Purpose'	Increased Turnover Increased Net Profit Increase in Number of Full-time Employees (M/F and other relevant inclusion data) Increase in Number of Part-time and Seasonal Employees (M/F and other relevant inclusion data)	\$ Turnover or Sales per annum \$ Net profit per annum # of employees of enterprise # of part time employees of enterprise
	Ownership	Profit reinvested in the business Group ownership Social Benefits	\$ or % of profit to go to the reserve fund % of group members who attend group meetings at least X times per year or Score Group Maturity Index Score #, or % increase, of project participants reporting social benefits as a result of being engaged in the enterprise, in given period
	Benefit to Workers	Net Additional income for workers Dignified work for the poor Enhanced job quality/ security Inclusive employment practices	\$ income / percent increase in income # of employees paid national living wage (equivalent) or more # and % of people who have written employment contract #, or % increase, in new jobs #, or % increase, in new jobs that comply with national legislation on minimum wages or equal pay which conform to the ILO Minimum Wage Fixing Convention (No. 131) or ILO Equal Remuneration Convention (No. 100) # of youth, elderly or employees with disability (or other inclusion categories)
	Benefit to Customers	Level of satisfaction with product / service Change is customer behaviour as a result of product/service offered # of new service providers in the market	Scores from customer satisfaction surveys # of new customers attracted to the product/service as a result of the enterprise's mission (eg people preferring to purchase local or women made products) Increase in the competition (eg new upcycling business emerging in the area)
	Women's Economic Empowerment	Income Security (practical need) Women control over income and expenditures (practical need) Women have increased self confidence (strategic needs) Participation in public spaces (strategic needs) Women's voice and influence in collective decision making (strategic needs)	Increase in income for women Share of household income provided by women # Women participants reporting increased control of their income # Women participants with increased decision making power over expenditures # Women participants reporting an increase self confidence/ability to run an enterprise Women participants reporting increased confidence when speaking to local authorities and/or other actors in the business ecosystem # of women represented in the enterprise's governance bodies
	Benefit to Suppliers	Increased income for poor people Volume purchased from small producers Improved agency of small producer organisations to negotiate price	\$ purchases from "poor" suppliers eg women farmers, small farmers... #, or % increase, in volume purchased from small (agroecological) producers % changes in average prices received by small producer organisations for produce/raw materials over the last 12 months
	Environmental Benefits	Increased environmental awareness Evidence that relationship with Enterprise has enhanced environmental stewardship Environmentally friendly innovations in business practices	# of new customers attracted to the product's environmental stewardship #, or %increase, in enterprise workers committed to environmental stewardship % reduction in use of chemical inputs/ toxins % increase in volume of organic produce/raw materials # of products sold, or % share of business income, from environmentally friendly products (eg organically produced food, upcycled products)
Intermediary Outcomes	Capacity of Partners to support ED enhanced.	# of people trained in entrepreneurial skills # of service providers trained in women's economic empowerment # of meetings/policy briefs/ collaborations to influence the business enabling environment. Change in barriers to accessing business services reported by enterprises	



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