

**The Field Facilitator Guidelines
for the implementation
of the MA&D approach**

INTRODUCTION MODULE



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Using the Field Facilitator Guidelines

The Field Facilitator Guidelines have been divided into five modules. The first module is an introductory module focused on raising understanding about and preparedness for undertaking the MA&D approach. The following Field Facilitator Guidelines (FFG) 1-4 correspond with each of the four MA&D phases. The following is an overview of the five modules:

Introduction: Setting the context

Field Facilitator Guidelines 1: Assessing the situation

Field Facilitator Guidelines 2: Analysing the market

Field Facilitator Guidelines 3: Preparing the enterprise development plan

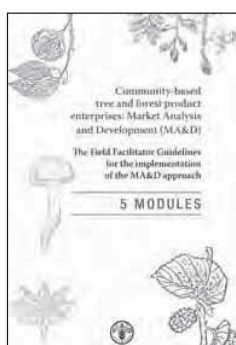
Field Facilitator Guidelines 4: Follow-up and assistance during the start-up phase

The MA&D package

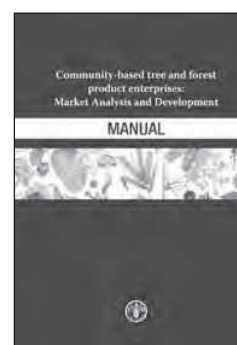
FAO, in collaboration with partners, has developed a package of materials to support the implementation of the MA&D approach.



The *Brochure* presents a short overview of MA&D and its benefits.



The *Field Facilitator Guidelines* (FFG) assist field facilitators and entrepreneurs to implement the various phases and steps of the MA&D approach.



The *Manual* helps the project management teams to plan the development of tree and forest product enterprises using the MA&D approach.

Audience for the Field Facilitator Guidelines

The objective of the FFG is to guide facilitators in supporting rural entrepreneurs in the implementation of the MA&D process.

The FFG differ from the manual in the sense that the manual is targeted at decision-makers and provides an overview of the MA&D process, while the FFG has been conceived for field facilitators and provides a very detailed, step-by-step approach for implementation with rural communities.

Facilitators will generally not need to use the manual since the information they require is covered in the FFG.

Field facilitators should be thoroughly trained by an MA&D expert before they begin to carry out training with local communities. (See Section 6. Training the Facilitators in the MA&D manual for further information).

Implementing the guidelines

These guidelines have been drawn from several years of experience gained through the implementation of MA&D projects in many countries. They are general guidelines that will need to be adapted to the local context and needs of the communities involved. This means that the tools proposed in these FFG should also be adapted, and that the time required for using various tools will likely greatly vary according to the project context, the approach (a truly participative approach is time consuming) and the number of people involved in the project.

Finally, it must be clearly understood that the role of the facilitator is to empower entrepreneurs, ensuring that they are the ones to implement the enterprise development activities. The role of the facilitator is not to conduct the MA&D process alone or for the entrepreneurs.

Structure of the guidelines

The information has been organized in the following categories. Each category has been assigned a relevant icon in the table below which will be used as a way of identifying where this type of information appears throughout the MA&D materials.

- **Key information about MA&D.** This section reviews the information that the facilitator should know before initiating a project. Note that this information will already have been presented to the facilitators in orientation training sessions prior to facilitating a MA&D based project.
- **Instructions on organizing the workshops.** These sections explain in great detail how to organize and facilitate the workshops and identify the appropriate tools. The guidelines take a learner-centred approach with the objective to empower the entrepreneurs and their respective communities.
- **Toolboxes.** At the end of each FFG, the facilitator will find a toolbox containing the tools they will need to facilitate the workshops of the corresponding project phase. Note that it is strongly recommended to adapt these tools to the local context and the specific needs of the project.

Symbols used in the FFGs:



Key information the trainer should understand in depth before facilitating the training session



Detailed instructions on organizing a training session



Learning objectives of a workshop



Training material necessary for the session
(to be prepared and adapted from the training tools)



Training tools available from the tool section of the FFG and needed for the session



Facilitation tips



Useful information or advice



Reference to the Field Facilitator Guidelines



Reference to the MA&D manual



Field form for use by entrepreneurs and explained by the facilitator during the workshop or meetings



Tools used by the facilitator during the workshop or meetings



Theoretical information on topics dealt with during the workshops or meetings



Activity to promote gender balance

Becoming an effective facilitator

These guidelines, together with the training sessions, will ensure that facilitators have:

- a basic knowledge about and skills in enterprise development;
- an understanding of the benefits of using MA&D as a market driven approach;
- the capacity to identify major constraints in relation to the product ideas of potential entrepreneurs;
- the capacity to facilitate discussions among entrepreneurs and to help them to make decisions on marketing strategies and organizational structures;
- the ability to understand social dynamics in a community;
- an awareness of the needs of the weakest community members and the ability to ensure their participation in the enterprise identification process;
- an understanding of the basic elements of a financial plan and business plan;
- an understanding of the five areas of enterprise development;
- the capacity to facilitate a participatory process.

Abbreviations used in the FFG

BDS	Business development services
EDP	Enterprise Development Plan
GI	Geographical indication
MA&D	Market Analysis and Development
MIS	Market information system
NWFP	Non-wood forest product
PRA	Participatory rural appraisal
RRA	Rapid rural appraisal

PART 1: Setting the context

This section introduces the MA&D process: 1) objectives and flow; 2) principles; 3) methods and tools; and 4) main concepts.

It is essential for facilitators and potential entrepreneurs to have a clear understanding of the MA&D methodology before beginning to implement the process presented in Parts 2 through 5.

Objectives and flow of the MA&D process

The MA&D approach has been developed to help people improve their livelihoods through sustainable natural resource management. The main strength of the MA&D process is the high degree of participation by potential entrepreneurs, either in groups or individually, in the planning and design of the enterprises.

The focus of the process is on developing the capacity of local people to become entrepreneurs. By taking into consideration the environmental, social, legal and institutional, technological and commercial aspects of enterprise development, MA&D assists communities to connect natural resource management and conservation activities directly with income-generating opportunities.

MA&D is focused on ecological sustainability, therefore it is especially applicable to enterprises based on natural resources that need to be conserved or protected from overutilization or destruction. MA&D also provides a wide scope for investigating market environments, which can help to avoid the failure of potential enterprises. Finally, MA&D places an emphasis on institutional development, ensuring that new entrepreneurs can be independent and that their enterprises are sustainable.

1.1 The traditional livelihood development approach differs from the enterprise development approach

As a facilitator presenting the MA&D process to potential entrepreneurs, it is important to clearly understand the differences between a traditional livelihood development approach and the enterprise development approach. Otherwise, participants may perceive MA&D activities as being part of a typical direct intervention project and will expect to receive equipment (bicycles, hives, wells, etc.) as may have happened in the past. Such an expectation may undermine project activities and compromise the chances of meeting the objectives. Examples of some differences between the traditional livelihood approach and the enterprise development approach can be found in Tool 1.

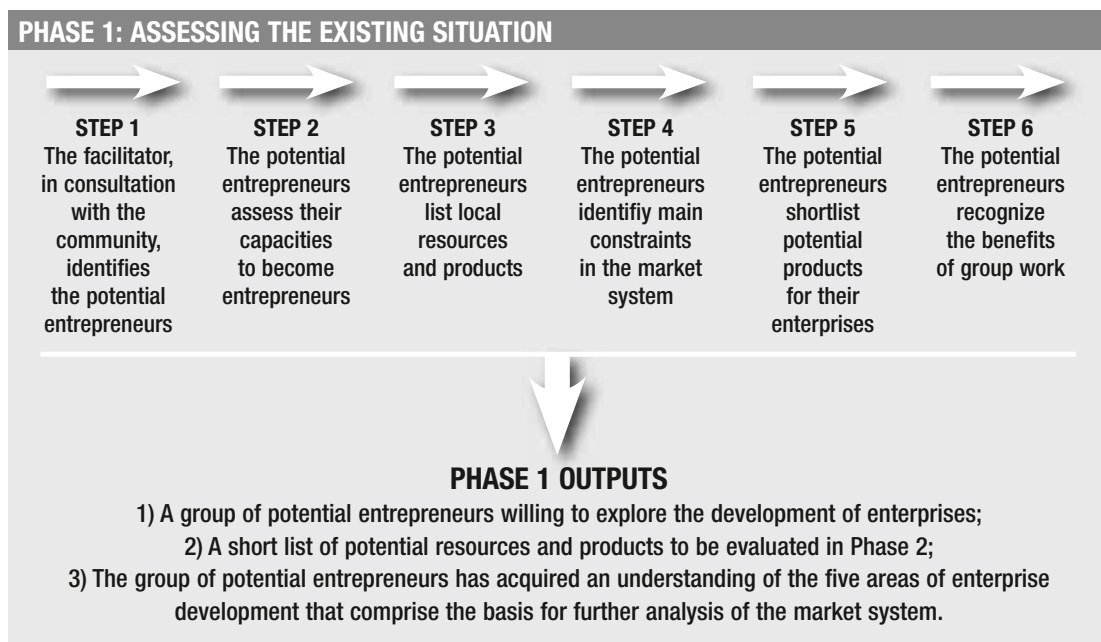
Facilitators should use Tool 1 to prepare for presenting the enterprise development approach to potential entrepreneurs and project partners. It is important to explain the differences to project participants to help them decide whether they really want to engage in enterprise development activities and to manage their expectations about the absence of direct intervention or subsidies in the MA&D approach. It is also important that Tool 1 be translated into local languages and distributed to participants.

1.2 An overview of the four phases of the MA&D process

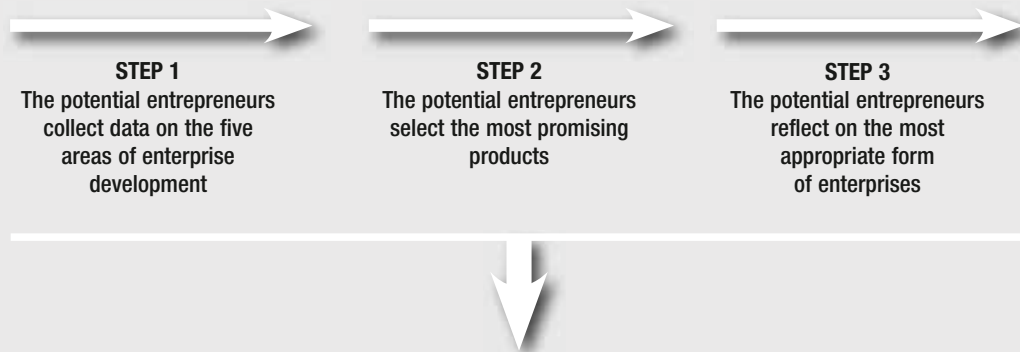
MA&D is a framework for planning tree and forest product enterprises. The preliminary phase, perhaps also useful to think of as a 'Phase 0', is the time for conducting any background research and planning activities that should be conducted before initiating any support for tree and forest product enterprise development. The four subsequent phases take participants through a simple and clear participatory process for enterprise planning and development. Each phase is broken down into a number of steps, ensuring that no critical action is overlooked and reducing the risks associated with the establishment of enterprises.

Phases 1 and 2 are diagnostic phases. They allow the identification of enterprise development opportunities and help community members to select products for their enterprises. Phases 3 and 4 are support phases. Phase 3 helps entrepreneurs to prepare their enterprise plans, and Phase 4 assists them in the start-up of their enterprises. A graphic representation of the four phase process is presented in the MA&D map in Tool 2.

See below a representation of the four phases and their corresponding steps.

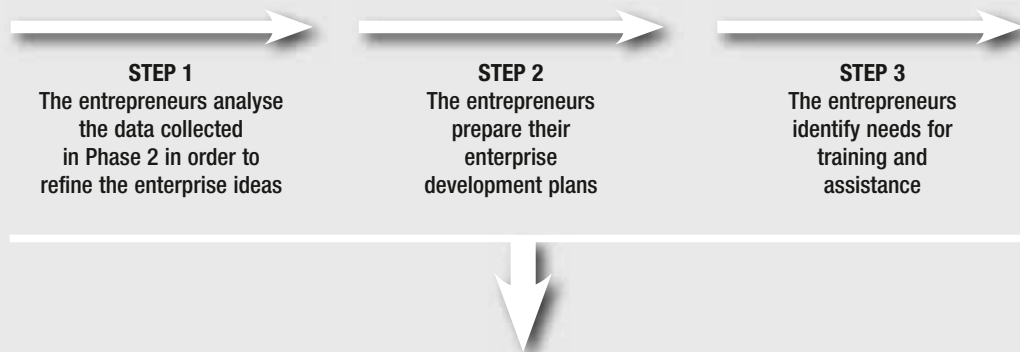


PHASE 2: CARRYING OUT SURVEYS TO SELECT PRODUCTS AND IDENTIFY ENTERPRISE IDEAS

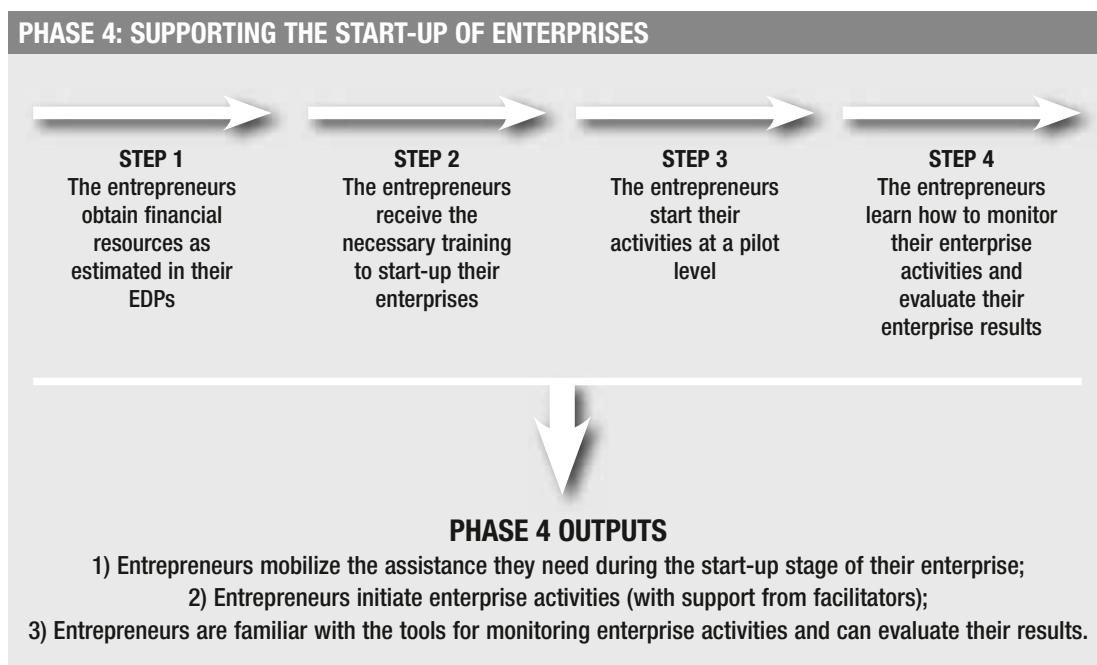


- PHASE 2 OUTPUTS**
- 1) Final selection of the most promising products;
 - 2) Collection of required data for Enterprise Development Plan (EDP) design;
 - 3) Potential entrepreneurs are aware of the most appropriate forms of enterprises;
 - 4) Interest groups are formed around the selected products.

PHASE 3: PREPARING AN ENTREPRISE DEVELOPMENT PLAN



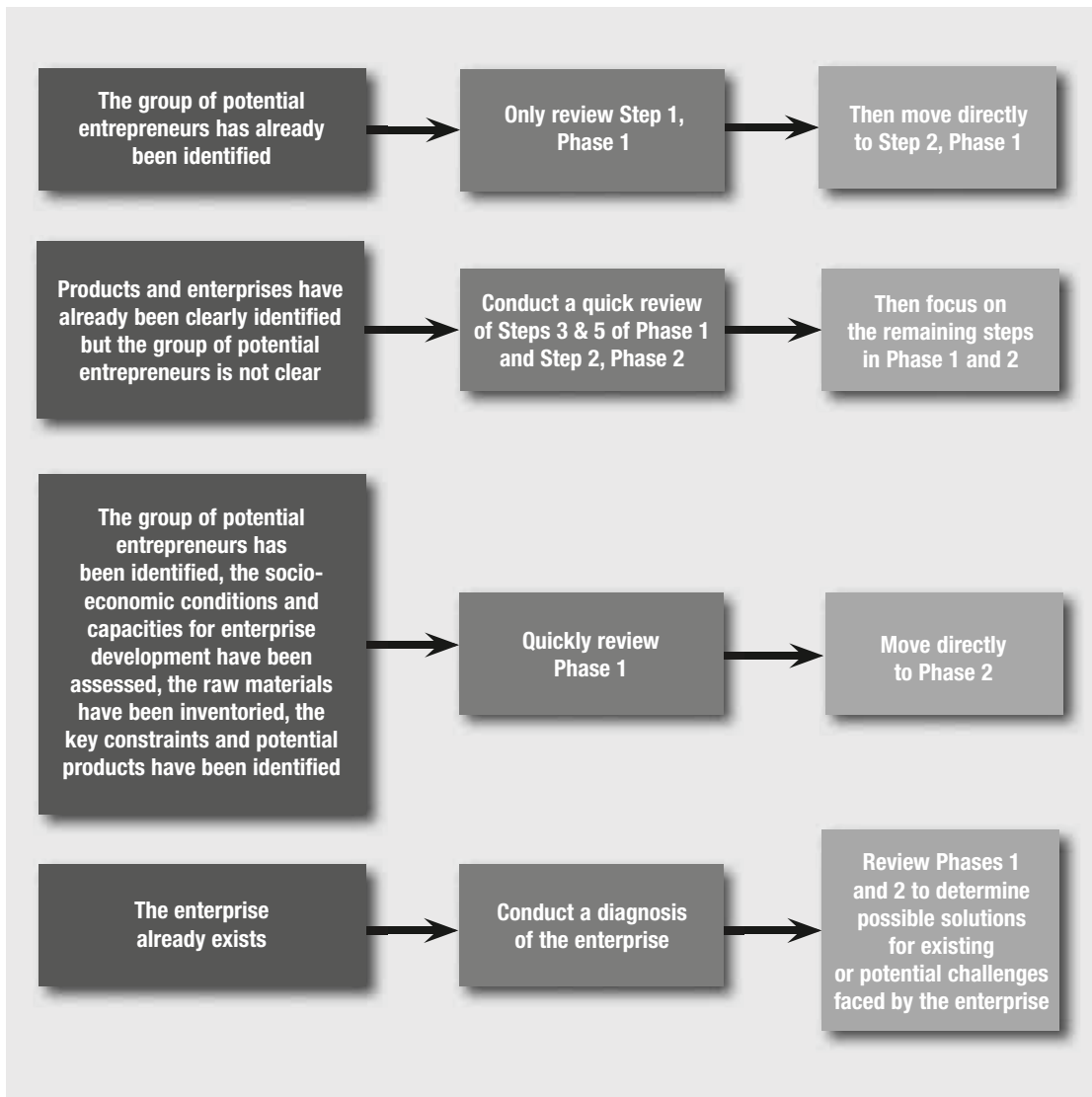
- PHASE 3 OUTPUTS**
- 1) Entrepreneurs (or entrepreneur groups) have identified strategies for their enterprises, including a financing scheme;
 - 2) Entrepreneurs (or entrepreneur groups) have prepared an EDP, including a yearly implementation plan for the pilot enterprise;
 - 3) Training and assistance needs have been identified.



1.3 The entry points to the MA&D process

The MA&D process follows a logical sequence of steps. Generally, it is necessary to go through all the steps, and each phase should usually be completed before the next phase begins.

Some users may want to shorten the MA&D process, depending on their situations. Generally speaking, it is advisable to review all the steps in each phase, and to complete each phase before initiating the next one. For example, before conducting a Phase 2 feasibility study on a potential new technology for product improvement, it is important to know whether long-term access to the natural resource is secure. As shown on the MA&D map, the outputs of each phase serve as the foundation of the next phase. Nevertheless, in some situations it may be possible to enter the process at varying points.



1.4 The MA&D process can be adapted to project needs

In these guidelines, we use the terminology ‘natural resource-based enterprise’ but the MA&D approach can also be used by other sectors, such as community-based tourism, agricultural and timber products, livestock initiatives or coastal fisheries. The MA&D approach is broadly applicable to the development of existing or new entrepreneurs at any point in the market chain, be they producers, manufacturers or traders

Example of factors that may influence the adaptability of Phases 3 and 4 are presented in Tool 4. Examples of projects already implementing the MA&D process are presented in Tool 5.



Organize your training session on objectives & flow of the MA&D process

	<p>1-2 hours</p>
<p>Learning objectives</p>	<p>By the end of the session participants will:</p> <ul style="list-style-type: none"> • be able to explain the MA&D process by drawing and explaining the selection process using the 2 filters; • be able to explain the flow of the MA&D process, especially the four phases; • have agreed to focus on the first phase of the MA&D process.
<p>Learning materials for the session</p>	<p>Prepare the following learning materials, ensuring that all of them are translated into the local languages:</p> <ul style="list-style-type: none"> • a representation of the MA&D process on a flip chart. This poster will serve as roadmap for the rest of the training session; • copies of the MA&D filter diagram; • copies of the map illustrating the MA&D process; • a blank table (i.e. not yet filled out) on a flip chart entitled “The differences between traditional livelihood development approaches and the enterprise development approach”. This table can be found in Tool 1; • an accompanying handout/copy of the table from Tool 1 (mentioned in the last bullet above) for each of the participants; • a list of examples of projects that have used the MA&D process to meet various objectives.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 1 – The differences between traditional livelihood development approaches and the enterprise development approach • Tool 2 – MA&D map • Tool 3 – The filter diagram.

Facilitating the session

1. Before explaining the main goals of the MA&D approach, ask participants the following questions:

- Why is this training session on enterprise development taking place now?
- Why is the training being conducted on this site?
- How do training participants think that the project will enhance their enterprise development knowledge and skills?

Allow time for reflection and discussion of these questions. Afterwards, you will present the training program, explaining the importance of the classroom sessions, the field exercises and ultimately, the implementation of the process on-site.

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2. Give examples of projects implementing the MA&D process in your country and/or other countries (visit the FAO community-based enterprise development website for examples <http://www.fao.org/forestry/enterprises/25494/en/>).
3. Review the differences between traditional livelihood development and enterprise development approaches:
 - Post a blank (i.e. not yet filled in) flip chart on the wall entitled “The differences between traditional livelihood development and enterprise development approaches.”
 - Break participants into sub-groups and ask them to think of possible differences between the two approaches.
 - Share the findings of the sub-groups with all participants and write them on the flip chart.
 - Enrich the answers of the participants with information from Tool 1.

To ascertain whether participants clearly understand enterprise development, organize a role-playing exercise in which some participants present the concepts to others.
4. Distribute a copy of the entire (translated) Tool 1 to participants.
5. Introduce the MA&D process:
 - Explain the overall MA&D flow by gradually revealing the flip chart of the process map, phase by phase. Do not introduce the specific steps within the phases yet.
 - Emphasize the main objectives for and expected outputs from each phase.
 - Show the relationship and the links between each phase.
 - Insist on the need for flexibility when applying the process. There may be cases in which it will not be necessary to start at the beginning or to include all steps.
6. Begin at the beginning:
 - During Phases 1 and 2, entrepreneurs and products are selected.
 - Explain the selection process which takes place during Phases 1 and 2 by sharing the filter diagram in Tool 3.
 - Explain the product screening process which is based on the criteria in the five areas of enterprise development.
7. Ask participants if they are familiar with other planning tools for business or enterprise development. Ask them to describe the similarities and the differences between these tools and the MA&D process, taking economic, social, legal and institutional and ecological.
8. Distribute copies of the map of the MA&D process and of the filter diagram.

Facilitation tips



- Have some successful MA&D examples and experiences that you can share with participants. Examples can sometimes convey more than explanations. Think of your own experiences or look for examples on the FAO community-based enterprise development website: <http://www.fao.org/forestry/enterprises/en/>.
- Before the session, draw the map of the MA&D process and an illustration of the filter diagram on flip charts.
- Make sure to have a copy of the MA&D map and of the filter diagram for each participant.

PART 2: Principles guiding the MA&D approach



The following principles make MA&D an appropriate methodology for rural small-scale enterprises.

2.1 Sustainability and screening of the five areas of enterprise development

The principle of sustainability underlies all analysis and planning throughout the MA&D process.

A. Sustainability of the resource

Any enterprise idea based on a resource that may be threatened by the activity will be discarded. Enterprises selected through the MA&D process ensure that the exploitation of resources is sustainable. The sustainable exploitation of resources preserves the ecosystem. With care, resources can be harvested indefinitely from a limited area of forest or domesticated on farmland.

B. Social sustainability

Any enterprise idea that could create social disharmony or exclusion of local groups will be discarded. MA&D ensures that the activities and benefits of the enterprises are equitable and gender-balanced, that they do not harm the weakest members of the community or create social conflicts.

C. Market sustainability

Any enterprise idea that cannot propose attractive products for markets will be discarded. MA&D aims at market sustainability by ensuring constant access to market information so that entrepreneurs remain competitive. Entrepreneurs are thus able to assess changes in the market environment and adapt their products accordingly.

D. Legal and institutional sustainability

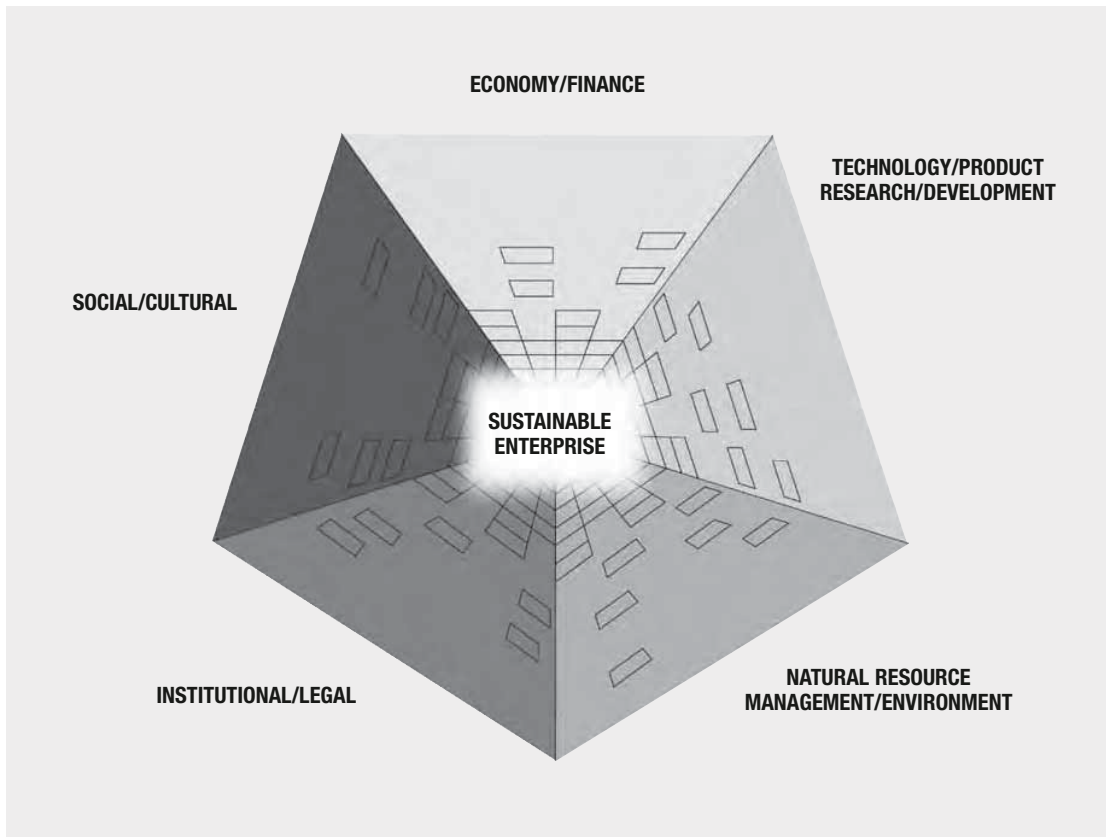
Any enterprise idea that is not able to adapt to legal and institutional realities will be discarded. MA&D ensures that entrepreneurs stay abreast of changing policies influencing harvest, processing, transportation or distribution of their products. Entrepreneurs also need to remain aware of changes in administrative procedures that can impact the registration, financing or management of their enterprises.

E. Technological sustainability

Any enterprise idea that is unable to acquire the equipment required to produce high quality products will be discarded. MA&D encourages entrepreneurs to select equipment that is suitable to the needs of their enterprise, users and local conditions. Users must learn to use the equipment properly, to maintain it and to upgrade it as needed.

Further examples and exercises concerning sustainability can be found in Tools 5 and 6.

The approach used to gather and analyse data is called 'screening the five areas of enterprise development' (see figure below). One of the main strengths of the MA&D process is the systematic inclusion of these five aspects of enterprise development.

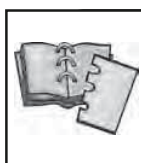


The five areas are:

- Market/Economy, including financial aspects;
- Natural resource management/Environment;
- Social/Cultural;
- Institutional/Legal;
- Technology/Product research/Development.

Information related to these five areas is gathered and analysed throughout the MA&D process. The tools for collecting information ensure that only relevant information is gathered at each stage so that resources are not wasted. The process may initially seem somewhat overwhelming, particularly to those who have never been involved in such an exercise, but it is designed to ensure that only useful information is gathered.

Collecting information requires specific skills, especially in the review of printed materials, in carrying out interviews and in observation. The necessary skills and tools are presented in detail in the FFG Module 2: Carrying out surveys to select products and identify enterprise ideas.



Screening the five areas of enterprise development is described in more detail in the FFG Module 2: Carrying out surveys to select products and identify enterprise ideas.

2.2 Relevance to enterprises based on natural resources

The MA&D approach can be particularly useful for enterprises based on natural resources, although its application does not need to be limited to those enterprises. Natural resources do differ from agricultural products. However, small-scale rural entrepreneurs often do not understand these differences and do not adapt their enterprises accordingly. It is the role of the facilitators to help entrepreneurs to deal with the constraints and opportunities specific to natural resources. The differences between natural resources and agricultural products, and how these differences affect the marketing of natural resources are highlighted in Tool 7.

2.3 Gender sensitivity



MA&D provides opportunities for both men and women and gender balance is taken into consideration throughout the MA&D process. While women are key actors in community economic systems, their potential has largely gone untapped making it imperative that facilitators ensure women's involvement and participation in every step of the process.

Gender equity and balance is a concern that is taken into consideration consistently throughout the MA&D process. It is addressed by tools and mechanisms to ensure that women are equally involved in the process. The FFGs propose tools to ensure that the priorities of women are not compromised by the priorities of men, to identify enterprises that may be more suitable for women and to provide suggestions about the type of enterprise women may more readily and easily develop. Use of these tools can ensure that the interests of women are protected. For example, in Phases 1 and 2, while selecting products, sub-groups of women can be created to ensure that female participants have the space and freedom to choose products and enterprise ideas best suited to their situations and capacities.

2.4 The central role of the entrepreneurs

The role of the entrepreneur is central to the methodology. Enterprises emerging from the MA&D process need to be sustainable after the departure of the facilitator. As a facilitator, you will support the entrepreneurs as they go through the MA&D process, however the entrepreneurs will have to make their own decisions and plans for their future enterprise activities.

An important role of the facilitator is to ensure that the entrepreneur is at the centre of the process at all times. More detail about the facilitator's role is presented in Tool 8.

2.5 Making strategic alliances

A single service provider will not be sufficient to support all of the needs of natural resource-based enterprises since a range of expertise will be needed, some linked to production or forest management, some related to marketing and enterprise management and some associated with technology and even policy issues.

If one of the parties in the value chain is weak, the whole venture can be affected and may even collapse. Forming effective alliances is thus a key concern. As a facilitator, your role will be to help participants to identify the partners that are best able to contribute to developing their enterprise.

In Phases 3 and 4 of the MA&D process, entrepreneurs will identify and create linkages with the partners identified in Phase 1 and 2. These partners will then reinforce their leverage in the selected product's subsector. For example, establishing a cooperatively owned and managed cold-storage facility in a district centre could benefit small groups of producers scattered throughout the area. This solution would be preferable to building individual storage facilities in each village. General guidance on how to create strategic alliances is presented in Tool 9.

Strengthening local implementation structures

MA&D encourages collaboration with national and local NGOs in order to improve the market, social and resource management performance of entrepreneurs. It also supports the creation or the strengthening of entrepreneurial groups to mobilize collective strengths. These groups have often been useful in increasing the efficiency of enterprise activities. They can help maximize profit from sustainable forest use by decreasing production cost, improving monitoring of forest product use, creating links to support institutions and standardizing prices and scaling systems.



For further detail on MA&D guiding principles, refer to the MA&D manual, Section A2 on core principles of MA&D methodology.



Organize your training session on introducing the MA&D guiding principles

	<p>1-2 hours</p>
<p>Learning objectives</p>	<p>At the end of the session the participants will:</p> <ul style="list-style-type: none"> • be able to cite examples, based on their own experience, related to the MA&D principles (especially to the five sustainability characteristics); • be able to explain what will happen if one of the sustainability characteristics is omitted.
<p>Learning materials for the session</p>	<p>Prepare the following learning materials, ensuring that all of them are translated into the local languages:</p> <ul style="list-style-type: none"> • a diagram of the five characteristics of sustainability on a flip chart (see Tool 6); • a list of definitions and examples of the five characteristics (see Tool 6); • examples of the MA&D approach being used for products other than forest products; • a flip chart and handouts displaying the potential differences between a business based on agricultural products and one based on forest products (see Tool 7); • examples of enterprises that have failed due to external influence in the choice of production or enterprise strategy; • examples of projects that failed because they were based on a weak product; • a flip chart and handouts listing potential service providers or commercial partners.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 6 – The five characteristics of sustainability: definitions, examples and exercises; • Tool 7 – Checklist of the differences between natural resources and agricultural products.

Facilitating the session

1. Summarize what was discussed in the previous training session on the objectives and process of the MA&D approach and introduce the guiding principles of MA&D.
2. Participants reflect about the principles of the MA&D approach:
 - Split the participants into small groups (4-5 people per group).
 - Tell a story about a successful MA&D application from the region. Ask participants to talk about successful businesses or enterprises from their own villages or districts.
 - Write the following tasks on a flip chart for discussion by the small groups:
 - a. Provide one example of a successful business or enterprise, and one example of a failed business or enterprise.
 - b. If you can, explain the reasons for their success or failure.

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- Ask the groups to share their findings with the group.
 - Record the main findings alongside the relevant sustainability characteristic.
 - Show participants how failure or success of an enterprise might relate to one or more sustainability characteristics.
3. Using Tool 6, and referring to the examples listed in Tool 5, define the five sustainability characteristics and illustrate each case with an example drawn from the participants or from your own experience:
- Emphasise that the MA&D approach ensures that enterprises respect the five characteristics of sustainability, increasing their chances of success. Show the diagram of the five characteristics on a flip chart (see Tool 6).
4. Optional: If you have time, ask participants to share other examples of unsustainable harvesting of forest products, or facilitate the following activity:
- Split the participants into small groups (4-5 people per group).
 - Ask each group to choose one of the five sustainability characteristics and consider what might happen if this aspect is not taken into account.
 - You can also use the exercise in Tool 6.
5. Participants learn about the second principle: “MA&D applies to enterprises based on natural resources”.
- Give participants examples of how MA&D can be used for products other than forest products. Emphasize that the process will be unique when applied to forest products since they have specific characteristics.
 - Split participants into small groups (4-5 people per group).
 - Give each group five minutes to reflect upon the differences between embarking on an enterprise based on agricultural products and one based on forest products.
 - Have a flip chart ready with the label: “The differences between enterprises based on agricultural products and enterprises based on forest products” (see Tool 7).
 - Fill in the flip chart with inputs from the small groups (see Tool 7).
 - Emphasise that participants will have to take into account these differences when developing their enterprise strategies.
6. Participants learn about the third principle: “MA&D is a gender sensitive approach.”
- Ask participants to list the resources or products they are accustomed to selling.
 - Ask them to describe the main activities involved in all steps, from harvesting to selling these products.
 - For each step, they should identify the people most highly responsible for the activity. It is more than likely that for some products men will be responsible for the activity, and for others, women will be most responsible for the activity.
 - Discuss the importance of giving equal opportunities to men and women, in ways that best suit their unique needs and capacities, so that each gender can meaningfully contribute to the activities.
 - Initiate a discussion about the opportunities that women have to develop enterprises, and the conditions and changes that will be needed in the community for this to happen. Ask participants whether it would be feasible to establish these conditions for the project.

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7. Participants learn about the fourth principle: “The central role of the entrepreneur.”

- Share case studies illustrating how an enterprise failed due to the interference of an institution, NGO or individual in the choice of product or enterprise strategy.
- Describe the negative impact that the failure may have had on the entrepreneur's livelihood.

8. Participants learn about the fifth principle: “The making of strategic alliances.”

- Ask participants to give an example of business activities in which they are currently involved, including all the steps in which they are involved, from harvesting to selling.
- Ask participants to describe the people that are involved at each step in the process.
- Emphasize that several individuals or organizations may be contributors to a successful enterprise. An important part of enterprise development is to be aware of the individuals and organizations that can help you, and to establish relationships with them.
- Have a list of potential services providers or commercial partners available to participants on a flip chart and on handouts.

Facilitation tips



- Encourage participants to talk about their own experiences.

PART 3: Main methods and tools

MA&D provides a set of tools that the facilitator should choose from according to the needs of project participants, local opportunities or challenges and the time available for carrying out the project. The tools proposed in these guidelines have been designed especially for projects related to natural resources, and have been tested extensively in the field.

The success of MA&D-based projects depends on: 1) the way in which participatory tools and methods are used; 2) the quality of the information on which the selection of enterprise ideas and the preparation of enterprise development plans is based; and 3) the ability of participants to access this information and to achieve cost-efficiency in MA&D. These three success factors are presented in more detail below.

3.1 Using participatory methods and tools

The concepts underlying the MA&D tools may already be familiar as most have been adapted from participatory rural appraisal guides or entrepreneurial development manuals. Indeed, MA&D is the outcome of shared experiences and best practices of participatory processes applied to communities involved in developing enterprises. As with all participatory training tools, those presented in these guidelines will need to be adapted, sometimes extensively, to meet specific project needs.

The MA&D process can only be implemented successfully with the active participation of all potential entrepreneurs in the community. This, in turn, relies upon the ability of facilitators to enhance the group dynamic. Good facilitation skills are thus essential for ensuring an effective sharing, learning and participatory decision-making process over the course of the project.

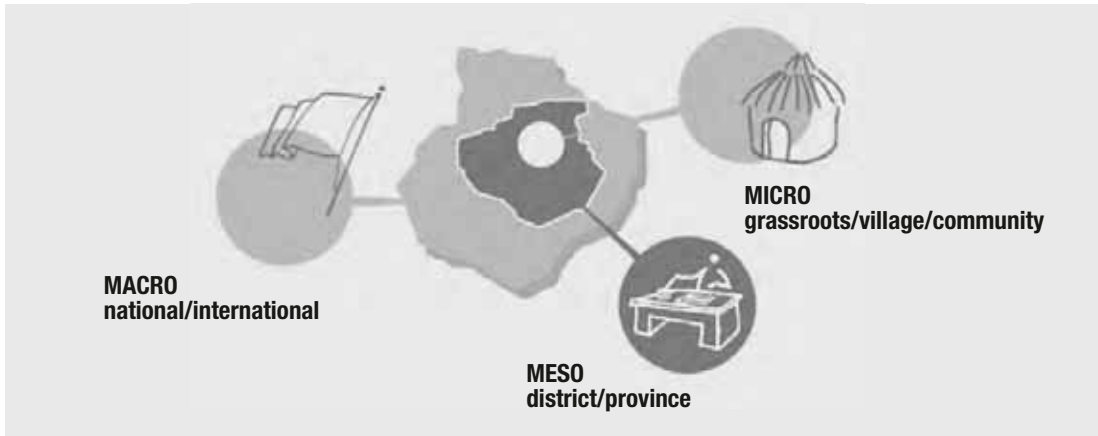
Tool 8, highlights the activities in which the facilitator is expected to play a key role during the course of a project using the MA&D approach.

3.2 Levels of information collection in MA&D

The collection of information related to enterprise development takes place at three levels:

- the macrolevel, i.e. national and international level;
- the mesolevel, i.e. district and province level;
- the microlevel, i.e. community and village level.

Levels of information collection in MA&D



Usually, an intervention at one level will indicate investigation at a higher level. For example, when developing a product at the community level, it is advisable to study potential buyers at the district level. And, in case supply exceeds demand at the district level, it would also be logical to study potential buyers at the national level.

Information collection needs to continue even after the final products have been selected and enterprises have been established (in Phases 3 and 4). Information will be needed at the three levels in order to:

- regularly review the business environment of the enterprises;
- review the enterprise strategies and action plans;
- monitor the progress of enterprise performance.

The same three-level approach should be used regardless of the scale of the enterprise, the context and the potential entrepreneurs involved. The only variations may be in the time required – which will depend on the amount of information needed and the location of the information sources – and the skills required for obtaining the information.

3.3 Accessing information and maximizing cost-efficiency in MA&D

The time and cost involved in identifying and developing an enterprise are generally of considerable concern to local people, who do not have much of either to spare. A systematic approach is needed to ensure that only relevant information is collected.

In MA&D, information collection usually starts in a context where little formal information already exists. The MA&D process adopts the perspective of local people, recognizing that information is to be collected for practical purposes and not for research. Information must be collected in realistic amounts and in cost-effective ways.

Further details about the role of information in the MA&D approach is presented in Tool 10.

PART 4: Introducing concepts in the context of MA&D

4.1 Specific MA&D terminology

The terminology used throughout MA&D has been carefully selected to be consistent with participatory methodologies and to avoid preconceptions about traditional extension methods. It is important to not use conventional terms, even if they are better known, as they may carry the wrong connotations. Use the MA&D terms and explain their meaning to project participants (see MA&D glossary).

4.1.1 The differences between selling and marketing

Marketing is a more involved process than selling. Selling is part of the marketing process and is the act of encouraging a potential customer to buy a product – i.e. to receive ownership of a product – in return for compensation, usually money. Marketing, on the other hand, is a comprehensive approach to designing a product, delivering it on time and at the right price to meet customers' needs. Marketing includes the production, the processing, the promotion, the distribution and finally the sale of a product.

A key principle of marketing is to produce what can be sold for a profit, rather than simply what can be produced easily. An enterprise must identify and satisfy consumer needs in order to survive. This generally means adding value to a product by processing or packaging it, which usually involves indirect actors in the process. Successful entrepreneurs are market-oriented rather than product-oriented.

Further details about the differences between selling and marketing are presented in Tool 11.

4.1.2 The market or business environment

The market environment is defined as the combination of the economic, political, socio-cultural, technological and ecological factors influencing the demand, production, processing and distribution of products.

4.1.3 The entrepreneur

The term “entrepreneur” is used to describe an individual who earns income directly from the sale of their products. Entrepreneurs use natural resources for generating income, rather than strictly for subsistence purposes. The term ‘entrepreneur’ is used in MA&D instead of the traditional term ‘businessperson’ (and ‘enterprise’ instead of ‘business’) because it includes the individuals who trade the product, but also those who harvest, grow, process, store, and transport it. The term entrepreneur implies a capacity for planning, commitment and skills beyond those generally required for an income generation activity alone. The entrepreneur is central to MA&D and will receive support from the facilitator as they carry out the MA&D process. Ultimately, however, the entrepreneurs will be the ones making the decisions and plans with regards to their future enterprise.

4.1.4 The market system

A market system is a dependent set of direct and indirect factors influencing the process of bringing a product to the targeted buyer. A market system starts with producers or collectors and ends with consumers. Between the producer and the consumer, there are two types of actors or agencies, the direct and the indirect actors.

The whole system must operate within certain boundaries established primarily as a result of external factors, such as the availability of human resources, the educational level of those involved, the infrastructure, the availability of transportation, communications and economics.

4.1.5 Actors: Direct and Indirect

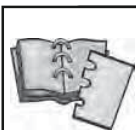
There are two types of actors operating among producers and consumers. These are the direct actors and the indirect actors. These actors can come from both the private and public sectors.

'Direct actors' belong to the value chain through which the product is marketed. They include harvesters, traders, processors and retailers. For example, the direct actors in the production of honey are the hunters and the beekeepers, the village purification and packaging unit (which collects honey from the different harvesters), the wholesalers and retailers.

'Indirect actors' influence the value-chain of the product. They include policy-makers, technical researchers and environmental groups. Indirect actors are individuals or organizations that enable the flow of goods and services. For example, the indirect actors in the production of honey may include the local agricultural bank that provides small loans, the technical department of the government that provides technical training and the environmental non-governmental organization that trains the producers in nature-friendly harvesting technologies.

4.1.6 The value chain

A value chain consists of the value-generating activities needed to bring a product from its origin as a natural resource to production and subsequent delivery to final consumers and ultimately, its disposal after use. This includes activities such as harvesting, cleaning, transportation, design, processing/production/transformation, packaging, marketing, distribution and support services. A chain can be local, national or global. In the MA&D process, the value chains of products or services are analysed, especially during Phase 2, in order to address key weaknesses and to identify opportunities.



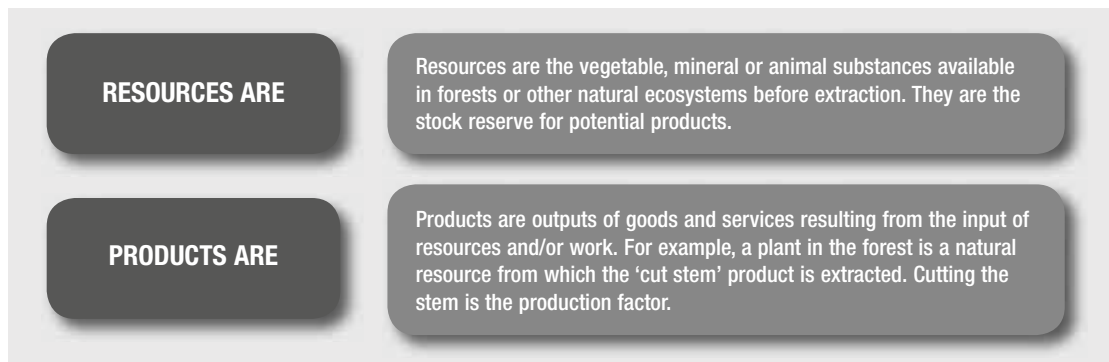
For further information on value chain analysis, consult Module 2: Carrying out surveys to select products and identify enterprise ideas.

4.1.7 Value addition

The difference between the selling price for a product and the cost of materials and services needed to produce it is the value added per unit. Value addition is the creation of value from the conception of a product to its final

consumption. The MA&D process aims to transform villagers into entrepreneurs. In most cases, these villagers will need some incentive to move from existing traditional products to new products. The concept of value addition is central to marketing. Through value addition, customers have a greater choice of products and can decide which products offer the best value for money. Further detail about value addition is presented in Tool 12.

4.1.8 The differences between a resource and a product

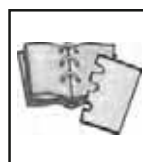


One can make a lot of different products from a single resource. For example, rattan can be transformed into rope, baskets or furniture. A wild fruit can be dried, made into juice, jam, sweets or wine.

It is important to clarify the difference between resources and products. Frequently, community members identify a promising resource in Phase 1 and use this resource as the basis for analysis and enterprise selection in Phase 2. Yet, by the time the entrepreneurs get to Phase 2, they should be comparing products, not resources. For example, if wild berries, honey and mushrooms are short listed in Phase 1, Phase 2 will be the time for comparing the sales opportunities for berry jam, juice, filtered honey and dried mushrooms.

4.1.9 The Enterprise Development Plan

The term Enterprise Development Plan is used instead of business plan because a business focuses mainly on economic, financial and technological considerations, while an enterprise includes those, as well as ecological, social and institutional aspects. The Enterprise Development Plan is a document resulting from the enterprise planning exercise. It describes the enterprise and its strategies. An EDP is useful for assessing the potential performance of an enterprise, for communicating intentions regarding the enterprise, clarifying intentions among enterprise partners and persuading service providers to assist the enterprise.



For further information on Enterprise Development Plans, consult FFG Module 3: Preparing the Enterprise Development Plan.



Organize your training session on terms and concepts used in MA&D

	<p>1.5-2 hours</p>
<p>Learning objectives</p>	<p>Objectives At the end of the session the participants will be able to: At the end of the session the participants will be able to:</p> <ul style="list-style-type: none"> • describe at least two differences between selling and marketing; • explain the difference between direct and indirect actors and how they link to the market system; • explain the need for value addition and the participation of indirect actors in marketing; • explain why it is important to differentiate between resources and products, and what those differences are.
<p>Learning materials for the session</p>	<p>Prepare the following materials:</p> <ul style="list-style-type: none"> • a flip chart with the title “Selling” written at the top; • a flip chart with the title “Marketing” written at the top; • a list of four groupings of participants with diverse business knowledge and experience; • blank cards; • a flip chart listing the different characteristics of selling and marketing; • local products from similar resources in various stages of processing and packaging: for example, loose tea leaves, tea leaves in a box and vacuum packed tea leaves; • a representation of a market chain for a product familiar to participants; • the list of actors and their functions that would be involved in the market chain example given above; • a flip chart listing the main definitions of the terms used in MA&D; • handouts with the definitions of the main terms used in MA&D for each participant.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 11 – The differences between selling and marketing; • Tool 12 – Value addition; • Tool 14 – Overview of potential resources and products in the project area.
<p>Facilitating the session</p> <ol style="list-style-type: none"> 1. Explain that the session will be about marketing concepts that are the basis of the MA&D approach. 2. Split participants into four groups. The groups should be formulated in advance, using a mix of knowledge and experience. 	

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3. Create a true understanding of the differences between selling and marketing:

- Ask each group to write down four examples from their trade or business experience and the corresponding market operations involved (who sells to whom, where and when do sales take place, what sort of transport is used, pricing, form of product, etc.).
- Each example should be written on a different card.
- To save time, ask two of the four groups to volunteer to present their examples to all participants. If there is time, all four groups can present their examples.
- Facilitate the exercise by asking participants whether they would characterise each example presented as selling or marketing, and why.
- Write each example on the flip charts under the corresponding column “Selling” or “Marketing.”

4. Optional:

- Paste the two flip charts entitled “Selling” and “Marketing” at two different corners of the room.
- Explain that you will read out a list of characteristics for either selling or marketing. Participants that think the list is about selling walk to the side of the room with the flip chart indicating “Selling” while participants that think the list is about “Marketing” walk to that side of the room.
- Ask participants in the “Selling” and the “Marketing” groups to explain their choices and clarify the definitions of the two operations as needed.
- Start a discussion by asking the following questions:
 - Why is it important to understand the differences between selling and marketing?
 - What type of information is needed for marketing?
 - What type of information is needed for selling?
- Summarize the main learning points by stressing the need for marketing and enterprise planning. For additional exercises on the differences between selling and marketing, use Tool 11.

5. Create a true understanding of value addition:

- Show local products based on a similar resource in various stages of processing and packaging.
- Ask participants what differences they see between those products.
- Facilitate a discussion on the technical and price differences between the products.
- Ask participants what forms of the products they prefer to use and why.
- Ask participants why most producers make and sell the same products instead of diversifying and selling different things.
- Emphasise that, just like the participants, different consumers prefer different products as well.
- Explain the concept of value addition.
- Choose an example of a local resource, such as a fruit or a nut, and ask participants to imagine the different forms in which it can be sold.
- Emphasize the need for a range of different products in order to attract different types of customers. If everyone were to produce the same products, the demand would decrease, as would the price.
- Summarize the main points by stressing the need for value addition and involving indirect actors in marketing.

6. Create a true understanding of the differences between direct and indirect actors:

- Ask a volunteer to choose displayed local products or to substitute another product familiar to them.
- Ask participants to consider which actors may have been involved in the production of the product.
- Record at least three types of actors, each on a different card.

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- Prepare a flip chart with a column entitled “direct actors’, and another entitled “indirect actors.” Divide each column into five subcolumns representing the five areas of enterprise development as shown in the table below.
- Discuss the two types of actors, direct and indirect.
- Ask participants to place the cards listing the actors in the corresponding location on the flip chart.
- Ask participants whether they think that all cards have been placed correctly. Correct and explain as needed.
- Summarize the main points. Stress that all indirect actors and their activities influence the direct actors. Reinforce that direct and indirect actors make up the market system for any product.

Direct actors	Indirect actors				
	Market/Finance	Natural resource management/ Environment	Social/Cultural	Institutional/Legal	Technology

Facilitation tips



- As a facilitator, you will need to have a clear understanding of the concepts and terms used in MA&D. To pass on this knowledge to participants, use their own local and concrete experience as examples.

PART 5: Getting ready for MA&D implementation

Alone, these guidelines are insufficient to guarantee successful enterprises. The contribution of the facilitator to the development of small enterprises will partly depend on the quality of the project and partly on the ways in which the MA&D tools are put into practice. The MA&D methodology, when used appropriately, will produce the expected results. On the other hand, if used incorrectly, the results will likely be disappointing.

Some basic rules can ensure the success of the methodology. For example, a project must involve the entrepreneurs from the start and facilitators must be thoroughly trained in the use of the MA&D methodology. Failure to do either of these things will almost certainly result in the selected products or enterprise ideas not being adapted to the needs of the entrepreneurs.

The objective of this section is to help assess whether current conditions are suitable for implementing the MA&D process.

To determine this, two main questions need to be considered:

- Do the minimal requirements for initiating support to enterprise development exist?
- Have the preliminary/preparatory activities been conducted to ensure that the project is ready for field implementation?

Lack of sufficient preparation may lead to difficulties and even to unsuccessful projects. It is strongly recommended that the facilitator, together with the project managers, assess in detail the required conditions as presented in Tool 17.



For more detail about the minimal requirements needed to start support to enterprise development, refer to the MA&D manual, Section B1.

Is the project ready for field implementation?

To apply the MA&D methodology, resources including staff time, financial support for time spent in the field and administrative support will be essential. The project management should ensure that these resources are fully taken into consideration during the project planning process. A reminder of the key preliminary activities that should be completed before you start your work is presented in Tool 18.

Are you ready to use these guidelines?

There are three types of experience that will be particularly useful as background for facilitating the MA&D process:

- experience working with villagers in the field;
- experience with participatory assessment techniques and tools;
- experience in facilitating participatory processes with villagers.

The more the experience you have had, the easier it will be for you to facilitate the MA&D process. However, your attitude as a facilitator is the most important factor. You will face the challenge of letting the villagers discover for themselves the type of enterprise that best suits them, rather than giving them your opinion. You will need to ensure that the villagers get the right information at the right time so that they can make the best decisions about setting up their enterprises. This approach requires you to be open-minded and committed to empowering small entrepreneurs to develop their own enterprises. Further detail about how to prepare yourself for successful implementation of the MA&D process is presented in Tool 19. A description of the main tasks you will carry out throughout the MA&D process, and a checklist that can help you determine whether you are suited for the role of facilitator, is presented in Tool 20.

PART 6: Getting started

This section presents 1) the preliminary activities you will need to undertake before starting training activities at the field level; and 2) the basic knowledge you must have to guide potential entrepreneurs through the MA&D process.

6.1 Understand the local context and prepare the training tools for use in the field

Understand the local context

Before starting training sessions at the field level, you will need to have an understanding of the following:

- the market demand at national or international levels for products with existing trade routes;
- the key stakeholders and service delivery organizations in the enterprise sector, as well as the national legal and institutional context for forest resource and enterprise development;
- policies for extraction, management, transportation, processing and trade of trees and forest products (including tax policies) in the project area;
- opportunities and constraints for enterprise development locally, including past experiences, existing service providers, livelihood strategies and inventory of potential resources and products with comparative advantages for the area.

To obtain this information, you will need to:

- study the information that was compiled to identify the project site and initial strategy;
- refine this information by collecting additional legal, technical, currency and market information from local sources at district and provincial levels.

Prepare the tools for field work

We suggest that before starting any training sessions at the field level, you prepare the lists and tables described in Tools 13 and 14. To obtain this information, you will need to:

- review the documents provided by the project team;
- check whether a product sector (e.g. natural resources, NWFP or cultivated tree and forest products) has already been selected for the project;
- refer to available information about the product sector by consulting with or interviewing key regional contacts, government officials, members of chambers of commerce and any others found to be relevant, and consult available and relevant printed materials;
- review local resources and products produced and/or traded in the past;
- identify potential new products and/or technologies.

6.2 Clarify limits on the project's enterprise development support

Before starting and training sessions at the field level, you will need to:

- clarify the time frame and the type of support (loans or grants for capital investments, training, links to other agencies, etc) that entrepreneurs can expect during the implementation of MA&D (especially during Phase 3) and after the project is over;
- clarify the type of support that each product enterprise can expect and the number of products that the project can support, trying to envision the project's exit strategy if the support required by the entrepreneurs exceeds the project's capacity.

6.3 Prepare the work-plan for implementing Phase 1

Define your intervention area within the allocated site

Before starting any training sessions at the field level, you will need to define your intervention area, taking into account:

- any time limitations;
- the number of partners and staff members who will assist you;
- the type of transportation available.

Details about how to define the intervention area are presented in Tool 15.

A summary of the main preparatory activities that the facilitator needs to accomplish before starting Phase 1 of the process is presented in Tool 16. Before starting any training sessions at the field level, you will need to:

- prepare your work-plan for Phase 1 implementation;
- define the results to be achieved and the required activities;
- plan the resources necessary to attain the desired results;
- prepare a work-plan and timeline to ensure that colleagues (such as the project manager, other staff members and consultants) and potential partners (including farmers, interest groups, donors and local authorities) understand the goals and objectives of the initiative.

With the project staff in the office, you will need to:

- recall the critical elements needed for planning Phase 1, as described above;
- prepare the work-plan and timeline for required activities and estimate the human resources required to conduct Phase 1.

The MA&D process differs from other enterprise development methodologies because it focuses on environmental and social concerns as well as technical and financial issues. For this reason, you must not only have technical skills but also the skills and motivation to work directly with local people. You must help them to develop the ability to develop and operate their own enterprises. When preparing the work-plan, remember to give local people enough time to learn and understand the new tools and methods at their own pace.

An illustration of the filter diagram in the Gambia



Tools to facilitate the training sessions¹

“Every 1000 mile journey begins with a single step.”

Sun Tze. Ancient Chinese Philosopher

¹ *Tools should be adapted to the local context, language(s) and specific needs of the project.*



Tool 1 – The differences between traditional livelihood development approaches and the enterprise development approach

CHARACTERISTICS OF THE TRADITIONAL LIVELIHOOD DEVELOPMENT APPROACH	CHARACTERISTICS OF THE ENTERPRISE DEVELOPMENT APPROACH
Potential entrepreneur groups receive assistance even if they have not expressed a need for it.	Potential entrepreneur groups or existing entrepreneurs request the assistance they need.
Potential entrepreneurs do not have total control over the assistance they receive.	Entrepreneurs know and control all of the elements of their enterprises.
Technical equipment or financial grants are given without first determining whether there is a market for the product to be developed.	The market is thoroughly checked before entrepreneurs are advised to invest their money and effort in an enterprise.
Grants are made without many conditions.	Grants are not awarded systematically. Entrepreneurs are instead encouraged to link to services providers who can assist them in accessing resources that suit their particular needs and conditions (soft loans, grants, etc.).
Activities stop at the completion of project support.	The entrepreneurs acquire the skills and knowledge necessary to undertake sustainable livelihood development activities that will continue after the project ends.
Potential entrepreneurs learn about a very specific technical area which is not relevant to other areas of their lives.	Entrepreneurs can apply new knowledge and skills to other aspects of their economic life after the project ends.
New community groups must be formed in order to receive grant or technical support under the project.	There is no need to establish community groups from the outset because typically, potential entrepreneurs will decide to work together as they find that working with one another in a group will provide additional benefits to them.
Entrepreneurs decide on an activity without deeply analysing its potential or comparing it with other options.	Entrepreneurs analyse the weaknesses and the strengths of potential products.

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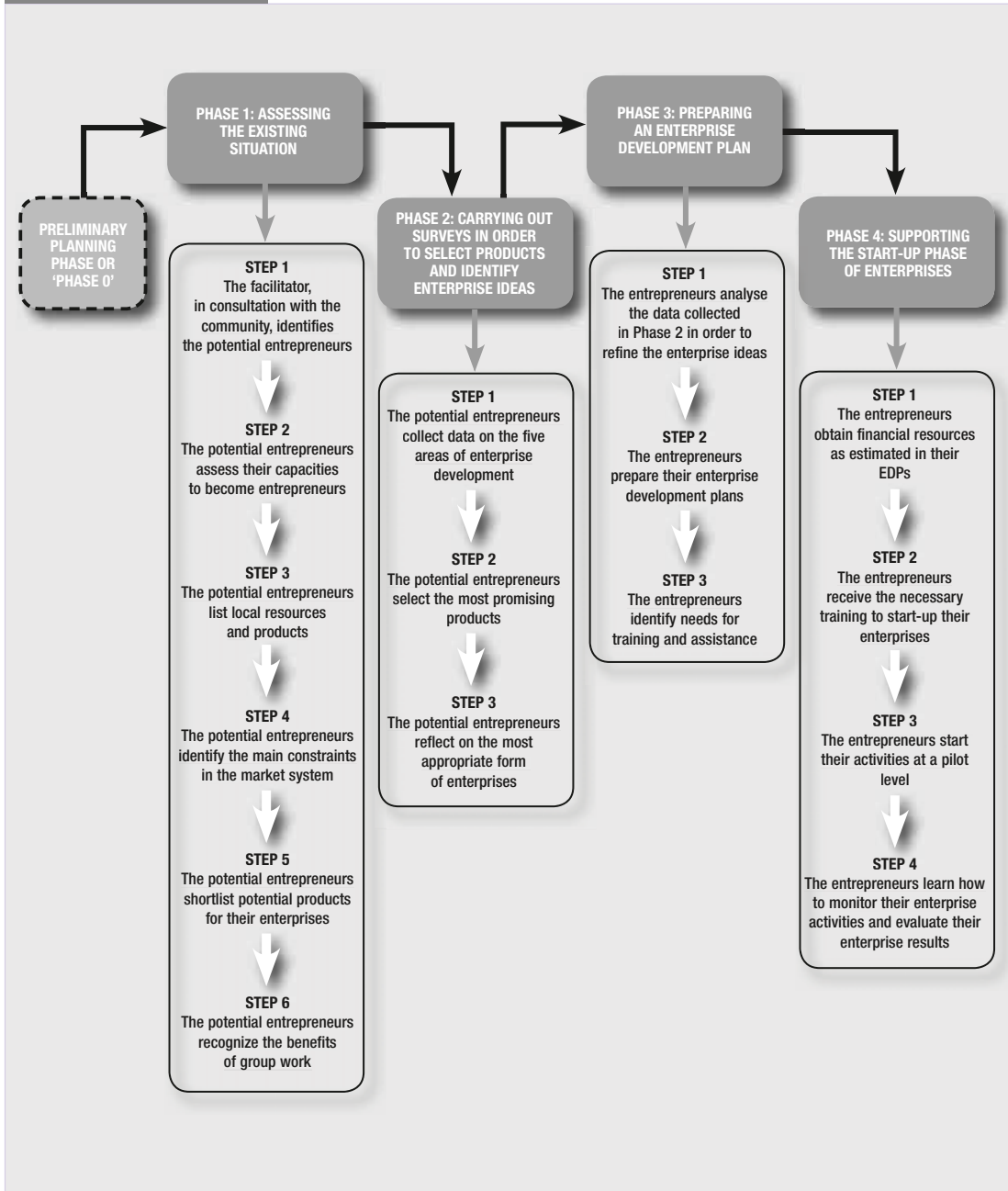
CHARACTERISTICS OF THE TRADITIONAL LIVELIHOOD DEVELOPMENT APPROACH	CHARACTERISTICS OF THE ENTERPRISE DEVELOPMENT APPROACH
Entrepreneurs do not prepare detailed plans for their enterprises.	Entrepreneurs prepare an EDP as a road map and as a means of supporting any request they make for support.
Most business plans do not take into account environmental and social concerns.	The EDP considers the environmental and social concerns associated with the enterprise.

Note: This table should be translated in local languages as needed and distributed to participants



Tool 2 – MA&D map

The four MA&D phases

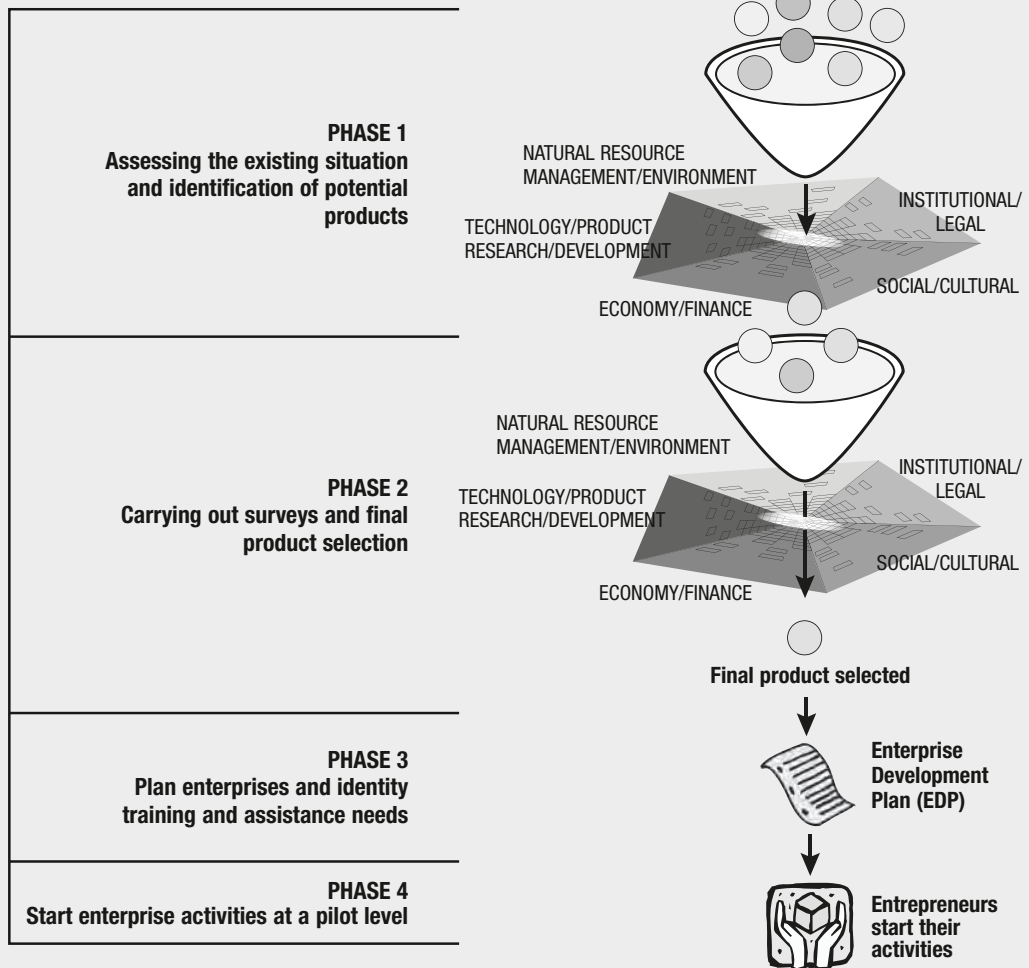




Tool 3 – The filter diagram



The diagram below gives an overview of the overall flow of the implementation process.¹ Please refer to the MA&D Field Facilitator Guidelines for additional information on the practical tools used by field facilitators and entrepreneurs during the implementation of the various steps of the process.



¹ One of the core principles of MA&D is sustainability. To support the development of sustainable enterprises 5 areas of business development are 'screened' during the MA&D process – meaning: data from these areas is collected and analyzed. The five areas include: market/economy, natural resource management/environment, social/cultural, institutional/legal, and technology/product research/product development.¹



Tool 4 – Factors influencing the adaptation of Phases 3 and 4

<p>Factors that may influence the adaptation of Phases 3 and 4</p>	<p>Scale of enterprises: the scale of enterprises and their level of complexity will dictate the level of sophistication of the tools – for example, microenterprises will require fewer financial projections than small enterprises, and their enterprise development plans will be simpler.</p>
	<p>The amount of information available after Phases 1 and 2: if information is lacking, facilitators may have to plan additional study tours at the beginning of Phase 3. If all information has been collected, the development of the EDP can start directly.</p>
	<p>New beneficiaries join the process at a later stage: project staff and the facilitator(s) will need to diagnose the situation upon the arrival of any newcomers to the process or the project, and may find that they will need to re-address some of the issues covered in Phase 2.</p>
	<p>Other factors influencing how Phases 3 and 4 are implemented: whether working capital for the future enterprises is available, and any time constraints facing facilitators.</p>



Tool 5 – Examples of projects that have successfully used the MA&D process for enterprise development



For more examples, consult the MA&D manual, Annex 1 or consult the FAO website:
<http://www.fao.org/forestry/enterprises/25494/en/>.

- The MA&D process has been used in many countries. A few examples include:
- In Ethiopia, to increase income for communities living in mountainous areas, within highly populated areas and limited cultivation lands.
- In Vietnam, to create jobs and increase income from forest products for two rural ethnic minority communities living in mountainous areas, and to identify new and valuable products to replace opium for the Hmong people in one community of the highlands area.
- In Laos, to increase income for women of minority ethnic groups in a mountainous area.



Tool 6 – The five characteristics of sustainability: definitions, examples and exercises

Resource Sustainability

The sustainable utilization of resources protects the ecosystem where the resources grow so that they can continue to be sustainably harvested from a limited area of forest over an indefinite period, or alternatively, domesticated on farmland. Developing markets for products developed from these resources does not inevitably have to lead to overexploitation.

Examples

Using the MA&D process, Nepalese farmers organized themselves to harvest the fruit of the amala tree (*Emblica officinalis*) in the same part of the forest every year without causing the stock of the resource to decrease over time.

In Northern Vietnam, the Lai Chau Province is the host to a wide range of NWFPs, many of which have been utilized in a sustainable manner for many years and have provided a good source of income for farmers. However, the supply of some of the most valuable products such as large diameter rattan and cardamom (*amomum villosum*) are becoming scarce due to overexploitation and rapid deforestation. This is primarily due to demand from the timber trade, from smuggling and from the conversion of forest land into agricultural lands.

Social sustainability

MA&D ensures that the activities and benefits of supported enterprises are equitable and gender-balanced, do not harm disadvantaged members of the community and do not create social conflicts.

Examples

Social sustainability was a key issue in the selection of a community enterprise in central Viet Nam. Silkworm production was preferred to other activities with higher potential income because women were already highly involved in this activity. For some women a silkworm production enterprise may have meant a slight increase in workload but the advantage was that they would get a fair share of the benefits.

In many countries, the cultivation of medicinal plants has a high market value. However, if the land for cultivation is already used by livestock, this may lead to conflicts between the entrepreneur and the herd owners. The MA&D process should take this duality into consideration.

Legal sustainability

MA&D ensures that entrepreneurs stay abreast of changing laws and policies influencing the harvest, the processing, transportation and distribution of products as well as the registration, financing and operations of the enterprise.

Examples

When collecting data during Phase 2 of MA&D, some entrepreneurs learned that they could benefit from tax exemption during the start-up phase of their enterprises. Others learned how they could gain access to financial institution or government funding programs by complying with simple formalities, while still others became aware of the royalties they would have to pay to extract specific species from the forest. This information influenced the enterprise development decisions.

Market sustainability

MA&D contributes to enterprise sustainability by ensuring access to market information and staying abreast of changing policies that influence product distribution. The process also helps entrepreneurs to remain competitive by assessing changes in market environments and adapting products so that they remain attractive to the targeted customers.

Examples

Once traditional medical practitioners in Nepal understood that consumers were attracted by 'modern-looking' medicines they changed the presentation of their medicinal preparations in order to stay competitive. They decided to package their traditional medicines in colourful capsules and tablet strips, with the additional benefit that the medicines could be kept fresh longer.

Beekeepers in remote mountain villages in Vietnam benefited from the creation of an alliance with a government company responsible for purifying and marketing honey. The beekeepers were able to sell some of their product through the marketing channels of the government company while receiving technical information that helped them to improve the quality of their product.

Technological sustainability

Technological sustainability is ensured by choosing appropriate technical equipment that caters to the needs of an enterprise and suits both users and local conditions. In a sustainable system, users know how to use equipment properly, to maintain it when necessary and to upgrade it when more efficient technology becomes available.

Examples

In the South West Uplands of Uganda, community members modified and improved a traditional hive instead of buying modern wooden top-bar hives that would have been expensive as well as ineffective in the cold, humid mountain climate. The traditional hive, which was woven from a local species of vine, reduced predation and increased honey yields. Community members were then trained to manufacture the traditional hives, guaranteeing future supplies at affordable prices.

The five types of sustainability: exercises

Instructions

Read the following case study carefully. Discuss the questions in your group and write your answers on a flip chart.

Case study

In Northern Vietnam, the Lai Chau Province hosts a wide range of NWFPs. Some of them have been traditionally exploited for the market for many years, such as:

- *Amomum villosum*, also known as the *Bengal Cardamom*, which is used for medicinal and aromatic purposes;
- large diameter rattan.

These products provided a good source of income for generations, however the supply has become limited – with a consequent impact on income – as a result of:

- uncontrolled production for the market;
- deforestation due to the timber trade and smuggling, as well as the conversion of forestland into agriculture lands.

In order to curb this trend, the government promoted trial plantations of certain species. Although the plants grew successfully, most trials ultimately failed because of lack of extension capacity (in terms of staff and capital), poor management and inadequate policy frameworks, which did not ensure the required resource management.

The forest enterprise authorities in charge of the development of the plantations recognised that even though the new plants were growing well, the forest enterprises were not able to generate the expected benefit from their investment because farmers were illegally harvesting the products.

As a result of the depletion of the most valuable species for the market, the cross border trade from Laos is now flourishing. For example, in 1999, about 70-80 percent of the traded *Amomum villosum* originated from Laos.

Questions

1. How did the villagers lose their extra income from selling tree and forest products?
2. How could this situation have been prevented?
3. What are the principles of an appropriate marketing approach?



Tool 7 – Checklist of the differences between tree and forest products and agricultural products

TREE AND FORESTS PRODUCTS	AGRICULTURAL PRODUCTS
Grow in the wild	Are sown or planted
Come from complex ecosystems	Come from less diverse and fragile ecosystems
Land users' rights/ownership is often an issue	Fewer issues about land users' rights/ownership
Obtained from common lands, implying group decisions	Obtained from private lands allowing individual decisions
Open access	Controlled access
Managed by the Ministry of Forests, which regulates protection of the forest	Managed by the Ministry of Agriculture, which provides services to farmers to increase production
Grow in forests far from markets and good roads	Closer to markets and transportation means
Collected in small quantities by many collectors	Produced in large volumes by individual farmers
Little support for marketing	More support for marketing
More legal requirements	Fewer legal requirements
Frequent illegal trading	No illegal trading
Entrepreneurs of tree and forest products cannot use lands as collateral	Entrepreneurs dealing in agricultural products can use lands as collateral

These differences mean that tree and forest products may require a specific marketing strategy:

- Regulations over harvesting and benefit sharing mechanisms have to be agreed by the community.
- Informal and scattered market information is more difficult to gather.
- Enterprises are often small-scale.
- Transportation costs are often high.



Tool 8 – The role of the facilitator

Remember that you are a “facilitator” not an “extension worker”. Your role is to facilitate a participatory process that aims to develop the capacity of the entrepreneurs to think, analyse and act on their own.

To be an effective facilitator, you need to attend the facilitator training sessions and study these guidelines in depth. By studying the guidelines you will:

- get a basic knowledge and skills in enterprise development;
- gain an understanding of the benefits of using MA&D as a market-driven approach;
- develop the capacity to point out major constraints in relation to the product ideas of community members;
- be able to facilitate discussion among entrepreneurs so that they can make decisions related to marketing strategies and organizational structures;
- be able to understand the social dynamics in a community;
- be aware of the needs of the weakest members of the community and ensure that they can participate in the process of enterprise identification;
- understand the basic elements of financial plan and business plans.

A. Respect the length of the MA&D process

As a facilitator, you will need to match the pace of the MA&D process with the capacity of the entrepreneurs. They will need time to internalize the information they require to make the best decisions for their enterprises. Don't rush the process to save time or to reach a conclusion more quickly.

B. Involve entrepreneurs from the beginning of the process

Involving the entrepreneurs from the outset will ensure that they understand and respect rules and decisions as they will feel an ownership of the process and an interest in identifying problems and possible solutions.

C. Clearly indicate the benefits of using MA&D

This will inspire the participants, create enthusiasm around the enterprise ideas and encourage a mutually beneficial flow of information in and out of the entrepreneur group.

Improving the access of entrepreneurs to information is a challenge but it minimises the risk of holding onto weak enterprise ideas.

D. Select adequate tools and teaching materials

The right tools will allow the entrepreneurs to acquire the necessary skills and information they will need to build viable and sustainable enterprises.

The table below summarizes the facilitator's ideal role during an MA&D project:

Role of the facilitator in supporting the learning process of the entrepreneurs	Introduce the project to key stakeholders, community leaders, representatives of existing community-based organizations or organizations already active in the community.
	Strive to align the procedures of NGOs and microfinance institutions providing business plan assistance or loans in order to avoid differences in loan rates or in the amounts of money given to the staff they send to trainings as daily allowances.
	Ensure that the weakest target groups are not marginalised during the MA&D process.
	Explore potential links with existing microfinance groups in the community or other local loan or grant funding mechanisms.
	Prepare questionnaires and train the future entrepreneurs to gather and analyse information and to monitor and evaluate project results.
	Help organize MA&D workshops, ensuring that the timing and location promotes good attendance of target group representatives.
	Encourage the establishment of interest groups around specific products, taking into consideration marketing concerns as well as socio-economic and cultural factors.
	Develop mechanisms to ensure that any market information obtained is shared with all future entrepreneurs.
	Be aware when conflicts emerge and facilitate dialogue to find solutions.
	Explore ways of establishing sustainable links between the future entrepreneurs and service providers such as buyers, providers of equipment, trainers or other technical experts.
	If the project employs consultants to conduct surveys in the community, ensure that they develop the capacity of community members in the survey techniques and present a summary of their findings to community representatives.
	Develop mechanisms for the community to store and display the information generated by the MA&D process, such as workshop flip charts, consultant reports, photos, video, etc.
	Provide coaching and encouragement to future entrepreneurs in order to give them the confidence to create their pilot enterprises.
Document challenges that arise during the project and the solutions that are found to address them.	



Tool 9 – Creating strategic alliances

To create strategic alliances, entrepreneurs need to	Assess their own main strengths and constraints.
	List the areas where external assistance is most needed.
	Select other members in the market chain that could also benefit from the alliance.
	Identify indirect actors in each of the target sectors of enterprise development who could assist in overcoming constraints. Assess the nature of existing relationships with these actors and determine how these need to be changed.
	Develop links with selected key actors.
	Eliminate from consideration or give lower priority to actors with whom a relationship is not necessary.

Example

Mushroom producers in northern Vietnam benefited from forming an alliance with the national mushroom research institute. They learned how to grow new species of mushrooms and had access to information on the quality required by consumers. Their alliance with a company preparing salted mushrooms for export ensured that the producers had a buyer for the mushrooms that could not be sold to wholesalers, restaurants, or on the retail market due to the limited quantity of mushrooms generally purchased by this part of the market. The alliance also meant a guaranteed supply of raw materials to the company. Both parties benefited from this.



Tool 10 – The importance of information in the MA&D process

MA&D aims at simplifying complex information requirements.

MA&D identifies priority areas and provides checklists to collect the information needed for sound decision-making.

Indicators used are relevant and easy to understand.

In MA&D, local knowledge is recognized as an important source of information.

Local people already have extensive information about local resources and the existing situation. This knowledge must be acknowledged and included when assessing available information in each of the five areas of enterprise development.

Local people are trained to gather information and depend on specialists for selected tasks only.

Decision-making will often depend on information gathered by rapid appraisal techniques and using simple research tools. Local people should be able to conduct market surveys by following simple instructions. It may be necessary to include a short training session on methods for information gathering, such as interviewing skills, observation and analysis of the secondary sources of information available at local levels.

Alliances are built with appropriate institutions or individuals in order to gain access to information.

When it is necessary to conduct in-depth studies, it will be useful to link with individuals or institutions that may be in a good position to get the required information at a low cost.

Simple tools are provided for saving time and money.

In Phase 1, the tools used to select products will avoid spending further time, effort and money on products that are non-viable.

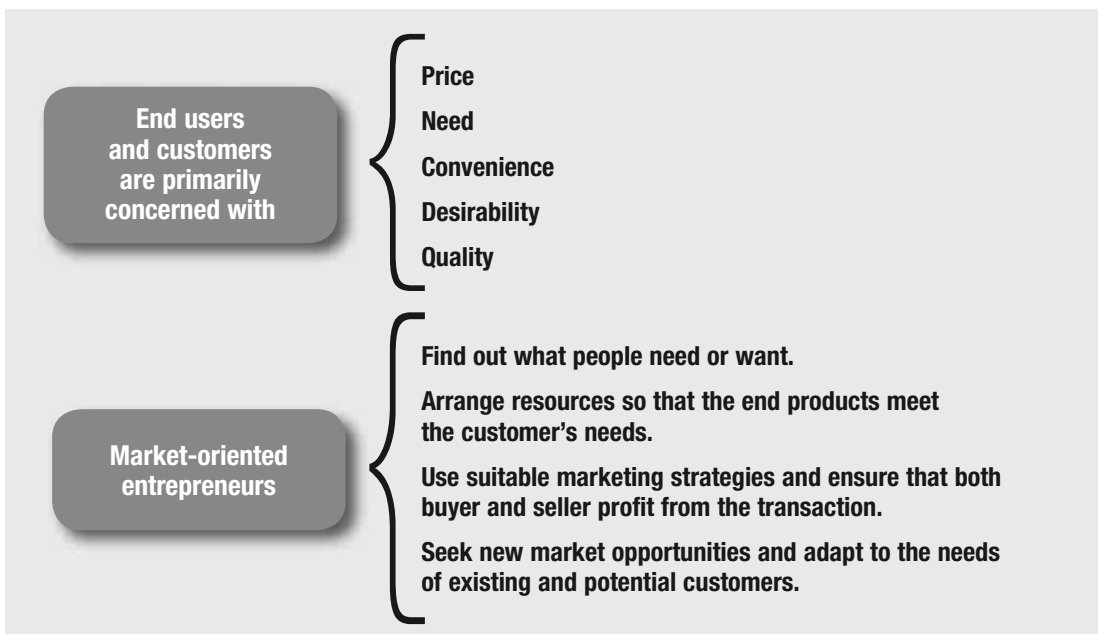
Entrepreneurs are teamed up and trained to collect information.

Entrepreneurs are taught basic information gathering techniques at the start of the MA&D process and work together to gather key data.



Tool 11 – The differences between selling and marketing

CHARACTERISTICS OF SELLING	CHARACTERISTICS OF MARKETING
Sell what you can make	Make what you can sell
Product-oriented	Customer-oriented
Volume-oriented	Profit-oriented
Looks for new opportunities to sell products	Adds value through and packaging
Promotes how products are made	Promotes how products meet customer demand
Customer service is secondary	Customer service is product
Limited planning and feedback	Extensive planning and feedback
Doesn't involve indirect actors	Involves indirect actors



Exercise 1

Think of a product you know well. Draw a diagram of the market chain(s) for this product on a flip chart.

Ask the following questions to the participants:

1. Did the product change as it travelled through the market chain(s)? If yes, how and why?
2. Who is involved in the various steps through the marketing chain(s)?
3. Is the process described here 'selling' or 'marketing'? Why?
4. Ask participants to list the differences between 'selling' and 'marketing'.

Exercise 2

Place a flip chart with the word 'marketing' at one end of the room and another flip chart with the word 'selling' at the other end of the room. As you read out statements from the table about marketing or selling, participants will should go and stand by the corresponding flip chart.

SELLING	MARKETING
Sell what you can make	Make what you can sell
Product-oriented	Customer-oriented
Volume-oriented	Profit-oriented
Looks for new opportunities to sell products	Adds value through processing and packaging
Promotes how products are made	Promotes how products meet customer demand
Customer service is secondary	Customer service is integral to product
Limited planning and feedback	Extensive planning and feedback
Doesn't involve indirect actors	Involves indirect actors

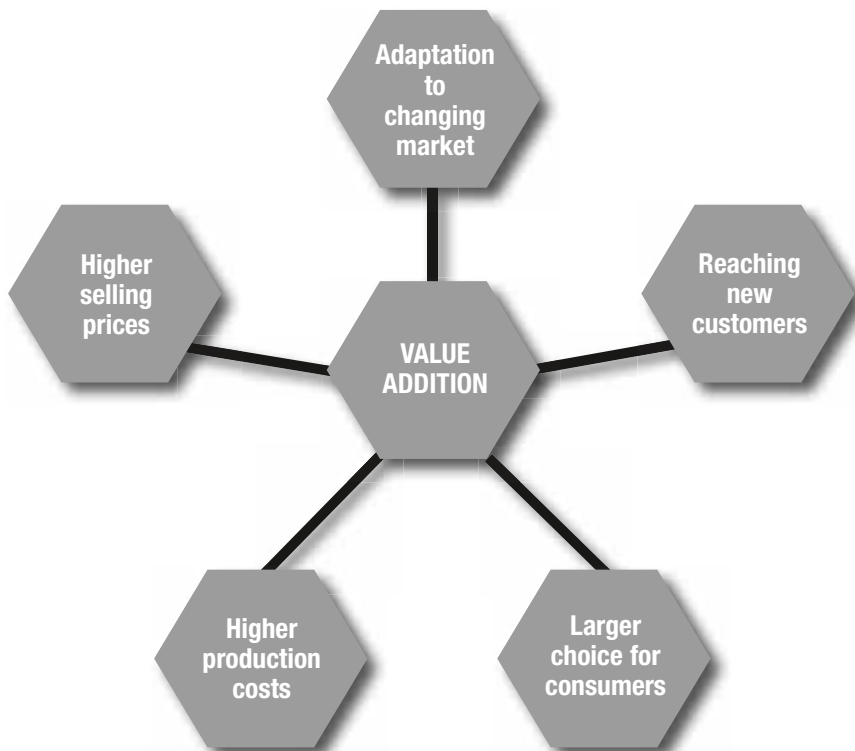


Tool 12 – Value addition

The attraction of new products and value addition depend on customer preference. Customers who care for convenience will buy tea bags, rice cakes and pre-cooked packaged noodles whereas customers who care more about price will prefer to buy loose tea or rice flour. Consequently, producers need to understand customer preference in their markets.

The purpose and use of a product also evolve with a new product. For example, pre-cooked noodles can be used for travelling, as they are easy to cook. Entrepreneurs need to analyze the function and the cost of their products as they determine the value of the product. This value will be viewed differently by different customers.

Developing a new product requires careful analysis and thought. Through value addition, producers can target different buyers with different products, match the different preferences of consumers and adapt to any fluctuations in the business environment.





Tool 13 – Tables and lists to prepare before field training begins

Prepare a list of enterprises, resources and products that are already available at the project site or that might be introduced there. For background, use the overview documents and the survey reports provided by the project management team and the informants that you have met during your preparatory visit. See Tool 14 for help in preparing the list.

Prepare a table (see below) noting the possible sources of external and internal sources of capital (formal and informal) for small entrepreneurs in the region. Include the strengths and weaknesses of each funding source.

External sources of capital	Strengths	Weaknesses
Internal sources of capital		

Prepare a table (see below) citing the main rules and regulations influencing access to resources, production, processing, transportation and trade of forest products in the country and the region.

	Rules and regulations
Access to resources	
Production	
Processing	
Transportation	
Trade	

Prepare a table (see below) concerning the legal status available for small rural entrepreneurs in the country and the region. Include the strengths and weaknesses of each type of status.

Potential legal status	Strengths	Weaknesses

To prepare the tables, you will need to:

1. Review all documents provided by the project team.
2. Check whether a product's sector (e.g. natural resources, NWFP or cultivated tree and forest products) has already been chosen for the project.
3. Refer to the information about the product sector provided by the key regional contacts, government officials, members of chambers of commerce, and others found to be relevant.
4. Review the resources and products produced and/or traded in the region in the past.
5. Review potential new products or technologies.



Tool 14 – Overview of potential resources and products in the project area

Use this table to prepare a checklist of resources and products available at the project site of your project. This tool will help participants to review available resources and products during Step 3 of Phase 1 of the MA&D process.

Overview of resources and products in the project area	
Cereals	
Starch, sugar, alcohol, acid plants	
Pulses	
Vegetable oils and fats	
Edible fruits and nuts	
Vegetables	
Spices and condiments	
Fibres and flosses, like bamboo	
Packing, thatching, wickerwork	
Edible products	
Fodder (e.g. animal feed) plants	
Resins and gums	
Tannin and dyes	
Industrial oils	
Essential oil plants	
Plants for beverages, chewing or smoking	

Continued on next page

Overview of resources and products in the project area

Insecticides	
Medicinal, narcotic or poisonous plants	
Fuel products	
Wood products	
Ornamental, hedge or wayside plants	
Animal products	
Other	



Tool 15 – Defining the intervention area

Before starting the training sessions you will need to define your intervention area, taking into account:

- any time constraints;
- the partners or staff members who will assist the project;
- the transportation means available.

The project site will already have been defined at this stage, based on surveys conducted in the community. However, the site you have may have been allocated may be too large or otherwise not feasible for project activities. If this is the case, define an area that you can realistically work on, considering the means and time at your disposal.

To refine your project intervention area, you will need to:

1. Draw a map of the possible sub-sites on which work can realistically be carried out within the larger allocated site.
2. Indicate on the map:
 - the average population and number of households in each village;
 - the distance between the villages (in km and time needed by foot or by other means of transport (specify), and the distance between the villages and main marketplaces in the district or province.
3. Estimate the number of visits you can reasonably make in a week or a month to these villages.
4. Compare this estimate with the average number of days per month that you (and the project management team) plan to spend on MA&D activities.

To prepare this map, consult the overviews compiled prior to the commencement of the project to define its strategy, and the survey report used to select the project sites. In Tool 16, you will find a table summarizing the main preparatory activities that the facilitator will need to accomplish before starting Phase 1 of the MA&D process.



Tool 16 – Summary of the main preparatory activities that the facilitator needs to accomplish before starting Phase 1 of the MA&D process

Step	Activities, location and individuals responsible and involved
Facilitator preparation	<p>Training hall</p> <ul style="list-style-type: none"> • Attend the first facilitator training for Phase 1 to gain a clear understanding of the MA&D process, its principles, methods, tools and main concepts, as well as tips on how you can introduce these topics to potential entrepreneurs. • Attend a refresher training course on in participatory facilitation methods and tools.
	<p>Project office</p> <ul style="list-style-type: none"> • Check with the project management team as to whether the circumstances are favourable for implementing the MA&D process at this time.
	<p>Project office and project site:</p> <ul style="list-style-type: none"> • Study training documents (process map and FFG MA&D Introduction Module and Phase 1). • Request and study the national overviews and surveys results carried out at the regional level and collect additional information as needed to clarify the project context and any limits within which you will have to operate. • Prepare tools for field work, including: <ul style="list-style-type: none"> – a list of existing resources and products in the region; – a list of possible sources of capital for small entrepreneurs; – a list of the main rules and regulations influencing access to the resource and the production, processing, transportation and trade of forest products in the country and region; – a list of the possible legal statutes relevant to small rural entrepreneurs in the country and region. • Clarify the limits of project enterprise development support. • Prepare your work-plan for implementing Phase 1.



Tool 17 – Checklist to ensure that the MA&D process can be implemented successfully

Consider these two questions:

- Do the minimal requirements for initiating support to enterprise development exist?
- Have the preparatory activities been conducted to ensure that the project is ready for field implementation?

A lack of preparation (see Tool 16 for a reminder of the preparatory activities) may lead to complications or even the failure of the MA&D process.

Do not start implementing MA&D if	Provincial, district administrative institutions or political authorities do not support the project.
	The partners involved in the project do not agree with its objective of supporting enterprise development or are reluctant to use MA&D as the main planning and implementation methodology.
	There are not sufficient human resources for the tasks required.
	The enterprises need to be established within a very short time frame.
	Natural resources are scarce or the villagers don't have access to them.
	The partner organizations are less interested in the social and ecological aspects than in the economic and/or technological aspects of the enterprises.
	The local population is resistant to tree and forest-based enterprise development.
	The local government or non-governmental organizations do not want or are unable to support this type of initiative.
	The partner organizations has already decided what type of businesses to support.
	The project team is unaware of the market demand/ situation of the concerned resources and product subsector.
	The project team did not provide a budget for helping entrepreneurs to start operating their enterprises.
	The project team has not defined a strategy for financing initial capital needs of the enterprises.



Tool 18 – Reminder of the key preliminary activities that should be completed before a project is initiated

<p>Ensure that the following activities have been completed</p>	<p>Realistic objectives have been set especially in terms of your intervention area within the selected site and target group.</p>
	<p>The project team members have been identified, they know the MA&D process and your relations with them are clear.</p>
	<p>The relevant portions of the guidelines have been translated into the local language.</p>
	<p>Government and non-government implementing partners have realistic expectations of the MA&D process and have established clear commitments on their contributions.</p>
	<p>Awareness raising meeting have been held for community leaders and members at project sites so that they know about the project.</p>
	<p>A project strategy has been defined.</p>
	<p>Monitoring and evaluation guidelines have been developed.</p>
	<p>The project has established a strategy for training facilitators in MA&D.</p>
	<p>The MA&D activities have been integrated into the work plan and the budget of the project and there are sufficient resources (time, transportation and incentives) to implement the MA&D process.</p>



Tool 19 – Getting ready for the successful implementation of the MA&D process

To be able to follow these guidelines you will need background knowledge about the MA&D process as well as basic facilitation skills. In that respect, your supervisor and the team organizing the training sessions have important roles to play.

Your supervisor and the organizing team should	Organize a facilitator training session on MA&D Phase 1 to explain the content as well as instructions on using the field guidelines.
	Give you adequate time to read the MA&D Manual and the field guidelines in order to obtain a clear understanding of the basic concepts and operating principles behind the MA&D process.
	Give you adequate time to read the survey report concerning the opportunities and constraints for enterprise development in the region, the service providers, livelihoods strategies in the selected sites and the potential resources and products available.
	Give you adequate time to read the overview documents concerning market demand, key stakeholders and service delivery organizations, and the legal and institutional context of the project.
	Hold short training sessions if needed on facilitation concerned with data collection and analysis.



Tool 20 – Tasks of the facilitator throughout the MA&D process

As a facilitator you will	Introduce the project to key stakeholders, community leaders, representatives of existing communitybased organizations and representatives of organizations already active in the community.
	Collaborate with the project management team and involve them in activities such as identifying potential entrepreneurs, or encouraging the participation of members in disadvantaged groups.
	Strive to align directives of support organizations in order to avoid different interest rates for loans or daily allowances for training participants.
	Ensure that the weakest target groups are not marginalized during the process (unless the project targets specific communities).
	Explore how to link-up with microfinance groups existing in the community or other local area loan (or grant) funding mechanisms.
	Assist the target group members to identify, plan and start operate their small enterprises.
	Prepare questionnaire formats and train future entrepreneurs to gather and analyse information as well as principles of monitoring and evaluation (M&E).
	Help organize MA&D workshops, ensuring that the timing and location permits good attendance of target group representatives.
	Encourage the establishment of interest groups of entrepreneurs around particular products.
	Develop mechanisms to ensure that market information is shared with all concerned entrepreneurs.
	Be aware when conflicts emerge and facilitate dialogue to reach resolutions.
	Explore ways of to establish sustainable links between future entrepreneurs and service providers.
	Ensure that consultants conducting surveys in the community also develop the capacity of the entrepreneurs and present a summary of their findings to community representatives.
Develop mechanisms for the community to store and display the information generated by the MA&D process, such as workshop materials, consultant reports, photos, video, etc.	

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As a facilitator you will	Provide coaching and encouragement to future entrepreneurs in order to give them confidence to start their pilot enterprises.
	Document challenges that take place during the project and the corresponding solutions that have been found to overcome them.

Assess whether you have the following characteristics and, if not, ask your organization to assist you in refining your skills during the preparatory phase of MA&D.

Ask yourself the following questions	Do you have experience with working in the field and do you enjoy working under field conditions?
	Can you gain acceptance and respect from communities?
	Are you knowledgeable about the local culture at the project site (including local languages)?
	Are you gender sensitive?
	Can you do simple calculations?
	Are you literate?
	Do you have experience in record-keeping?
	Can you take initiatives to move a process along and build links with other actors?
	Do you have experience in facilitating participatory processes?
	Do you have experience with rapid rural appraisal or participatory rural appraisal?
	Can you strengthen groups?
	Do you have basic business experience?

MA&D glossary

The MA&D terminology has been carefully selected to be consistent with the philosophy of participatory methodologies and to avoid the preconceptions associated with conventional extension methods. Project staff members and facilitators should refrain from using conventional terms even if they are better known as they may carry the wrong connotations. It is better to use the MA&D terminology and to explain its meaning.

Actors: direct and indirect actors

Between the producer and the consumer, there are a number of actors. These actors fall into two categories: direct actors, who belong to the value chain through which the product is marketed (such as harvesters, traders, processors and retailers); and the indirect actors, who have an influence on the products' value chain (such as policy-makers, technical researchers and environmental groups).

Baseline survey

Baseline information derives from a survey carried out prior to an intervention. It provides information about a situation before an intervention takes place. This information is necessary to assess the results of an intervention during the monitoring and evaluation phases of a project.

Break-even point

Minimum quantity of product made and sold in order to cover production and selling costs.

Cash flow

Detailed record of monies received and paid by the enterprise.

Central government institutions staff and MA&D

The staff of national governments need to be consulted and included throughout the MA&D process to ensure that they are supportive of enterprise development efforts. Central government institutions frequently can provide support for the regulatory process as well as technical support. In most countries, the central government, in the context of MA&D, refers to the national forestry development authorities.

Competitor

A business or enterprise that sells similar types of products to the same target customers.

Consumer

A person (or household) who is the final buyer of a product.

Contract

A legally-binding agreement between two parties. For example, a supplier contract that is signed between an entrepreneur and a supplier in order to supply goods at specific times and conditions is legally-binding.

Customer

A person, firm or institution that buys a product.

Demand

The total amount of product that customers want or need to buy.

Depreciation

Loss of value of capital equipment due to normal use over time.

Distribution channel

The chain of people or organizations through which products are handled and moved between a producer and a consumer.

Diversification

The process of expanding a business or an enterprise by developing new products or new markets.

Entrepreneur

The term 'entrepreneur' is used to describe an individual who earns income directly from the sale of their products. Entrepreneurs use natural resources for generating income, rather than for subsistence purposes. 'Entrepreneur' is used instead of the term 'businessperson' (and 'enterprise' instead of 'business') because it not only includes the individuals who trade the product, but also those who harvest, grow, process, store and transport it. The term entrepreneur implies a capacity for planning, commitment and skills beyond those generally required for an income generation activity alone. The entrepreneur is central to MA&D and will receive support from the facilitator as they carry out the MA&D process. Ultimately, however, the entrepreneurs will be the ones making the decisions and plans with regards to their future businesses.

Enterprise Development Plan (EDP)

The term Enterprise Development Plan is used instead of business plan because an EDP takes into consideration ecological, social and institutional aspects in addition to economic, financial and technological considerations which are usually focused on in a business plan. The Enterprise Development Plan is a document resulting from the enterprise planning exercise. It describes the enterprise and its strategies. An EDP is useful for assessing the potential performance of an enterprise, for communicating intentions regarding the enterprise, clarifying intentions among enterprise partners and persuading service providers to assist the enterprise.

Equity

The money invested in a business by its owners.

Evaluation

Evaluation determines how successful a project has been in meeting its objectives and measures the impact of project activities. Evaluation starts from the beginning of a project with a baseline survey. Interim monitoring is carried out throughout the course of project implementation. At the close of a project, data is collected through an

end-of-project survey. A comparison is made between the baseline survey and the data collected at the conclusion of the project. The results of the comparison, coupled with the interim monitoring data, allow for an evaluation of the overall project to be carried out.

Facilitator

The term 'facilitator' is used instead of extensionist. The MA&D approach encourages the use of participatory processes in order to increase the capacity of the entrepreneurs to act on their own, while the term extensionist implies field workers who tell the entrepreneurs what they should be doing which has the effect of limiting them to a more passive role. The facilitator supports and monitors the progress of entrepreneurs throughout the MA&D process. Their role is to empower entrepreneurs to accomplish their enterprise development goals through the application of MA&D. Facilitators function best when they are involved from the very beginning of the MA&D process. Facilitators are usually staff from project partner institutions, governmental or non-governmental organizations and, sometimes, members of professional groups. Given its participatory nature, the selection of effective facilitators during the preliminary phase of MA&D is a critical factor for the success of a project.

Feasibility study

The systematic investigation of a potential product or process to check whether the enterprise will be feasible and provide the expected benefits. Phase 2 of MA&D includes a feasibility study.

Financial service provider

A financial institution, such as a bank, a microfinance institution, a credit union, etc. whose mandate is to provide financial services to its clients whether they hold accounts or are members of the institution.

Five areas of enterprise development

Five areas of enterprise development:

- Market/Fnance;
- Resource management/Environmental;
- Social/Cultural;
- Institutional/Legal;
- Technological.

Fixed costs

The production costs that remain the same regardless the amount of goods produced.

Grant

Sum of money given as a privilege or a right. Grants are usually allocated by foundations, corporations, governments, businesses or individuals to non-profit organizations or local governments and do not need to be repaid.

Investment

The purchase by a producer of a physical good, such as durable equipment or inventory, in the hope of improving future business.

Ledger

Book of record containing the summary of financial information.

Loan

A loan is a sum of money provided to an enterprise at a cost by a financial service provider and needs to be repaid.

Local government institutions and MA&D

The staff of local government institutions are usually involved as local coordinators for activities to ensure that the enterprise activities are congruent with government priorities. They can also provide support to entrepreneurs on legal issues (permits, etc), or link them to government financing programmes.

MA&D expert

The MA&D expert is the individual that usually trains the field facilitators in MA&D methodology. This person also assists field facilitators as needed in MA&D field implementation with entrepreneurs.

Market

A location where goods are sold. A market is also a network of transactions between people who want to buy a product or service and the individuals who have the corresponding resource or product to offer. There is a large diversity of markets: markets for raw materials (such as dried rhizomes for the perfume industry), markets for semi-processed goods (such as essential oils for the food industry), and markets for finished products (such as woven natural fibre napkins). Markets can be local, regional, national or international.

Market chain

A flow chart indicating the transfers of a product by each of the actors, from the producer to the end-user.

Market or business environment

The combination of the economic, political, sociocultural, technological and ecological factors influencing the demand, production, processing and distribution of products.

Marketing

A comprehensive approach to designing a product, delivering it on time and at the right price to meet customers' needs. Marketing includes the production, the processing, the promotion, the distribution and finally the sale of a product.

Marketing mix / 5Ps

The marketing mix, also known as the '5Ps', consists of the general areas of product, price, place, people and promotion. The various components of the marketing mix are used to motivate customers to purchase the product. The target group can use the marketing mix to specify how the product will be positioned in the market. During the annual planning cycle, the marketing mix becomes the basis for developing objectives and strategies that respond to changes in the business environment.

Marketplace

A location where buyers and sellers come together to make transactions. For example, a marketplace can be a group of shops selling medicinal plants in a large city or the storeroom of a trader selling medicinal plants in a village.

Market system

A market system is a dependent set of direct and indirect factors influencing the process of bringing a product to the targeted buyer. A market system starts with producers or collectors and ends with consumers. Between the producer and the consumer, there are two types of actors or agencies, the direct and the indirect actors (as defined above).

Market research/survey

A market research/survey identifies potential customers for specific products in order to detect market opportunities.

Market size

The total amount of product bought over a given period (month, season, year) expressed in volume or value.

Monitoring

An on-going activity during the lifespan of an enterprise or a project. Monitoring allows the determination of progress made in relation to the initial work plan and clarifies whether the enterprise or the project are on the right track. Monitoring also indicates necessary changes.

NGO staff and MA&D

NGO staff members are often involved as facilitators of the MA&D process at the local level. They can also be involved as service providers, especially by providing training in technical areas in which they are competent, such as book-keeping for basic financial management.

Non-wood forest products (NWFPs)

Goods of biological (plant or animal) origin derived from natural, modified or managed forests, other wooded lands and trees outside forests. NWFPs include fruits and nuts, vegetables, fish and game, medicinal plants, resins, essences, bark and fibres such as bamboo, rattan, palms and grasses. Wood-based charcoal and fuel wood are also considered NWFPs.

Product

An output of goods and services resulting from the input of resources and/or work used to produce them. For example, a plant in the forest is a natural resource from which the 'cut stem' product is extracted. Cutting the stem is the production factor.

Profitability

The enterprise income excluding the expenses.

Procurement

Purchase from suppliers.

Production planning

The calculation and prediction of the quantity of inputs needed to manufacture a product.

Product development

The conception or modification of an existing product to adapt it to a specific market.

Promotion

A set of activities conducted to raise awareness about a product and increase its sales.

Resources

Vegetable, mineral or animal substances available in forests or other natural ecosystems before extraction. They are the stock reserve of potential products.

Revenue

The income derived from product sales or from other sources such as interest earned, rents, etc.

Savings

Putting money aside, for example in a bank, and preserving it for future use.

Selling

Part of a larger marketing process (see marketing), selling is the act of encouraging a potential customer to buy a product – i.e. receive ownership of a product – in return for compensation, usually money.

Service provider

A service provider is a business development or a financial institution (such as a bank) which provides technical and/or financial services at the request of the entrepreneurs at various points along the market chain.

Timber products

Timber products are woody tree products, including industrial wood (sawn and felled timber woody raw timber, subsequently transformed, and derivative products as well as wood chips), fuel wood, charcoal, and small diameter posts and poles.

Traders

The term 'traders' is used throughout the manual in place of 'middlemen' as it is more inclusive of both women and men.

Tree and forest products

Biological materials coming from forest ecosystems. Tree and forest products include ornamental, medicinal and edible plants and plant products, such as spices or nuts, wildlife, animal-based food products such as birds' nests and honey, non-edible animal products such as feathers and horns, extracts and exudates such as essential oils, resins, bitumen and dyes, fibre products such as rattan or bamboo, small ligneous materials such as wooden handicrafts, products from trees on farms and tree plantations such as citrus and other fruits, medicinal plants and timber produced and marketed for the benefit of local producers (for example, in the context of community forestry activities).

Value addition

The difference between the selling price for a product and the cost of materials and services needed to produce it is the value added per unit. Value addition is the creation of value from the conception of a product to its final consumption.

Value chain

A value chain consists of the value-generating activities needed to bring a product from its origin as a natural resource to production and subsequent delivery to final consumers and ultimately, its disposal after use. This includes activities such as harvesting, cleaning, transportation, design, processing/production/transformation, packaging, marketing, distribution and support services. A chain can be local, national or global.

Value chain analysis

A conceptual framework for systematically mapping and categorizing economic processes of products chains. It analyses the way an enterprise or group creates value for a product.

Variable costs

Costs of production that vary according to the amount of goods produced.

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The Field Facilitator Guidelines: Assessing the existing situation

MODULE 1



The Field Facilitator Guidelines: Assessing the existing situation

MODULE 1



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Symbols used in the FFGs:



Key information the trainer should understand in depth before facilitating the training session



Detailed instructions on organizing a training session



Learning objectives of a workshop



Training material necessary for the session
(to be prepared and adapted from the training tools)



Training tools available from the tool section of the FFG and needed for the session



Facilitation tips



Useful information or advice



Reference to the Field Facilitator Guidelines



Reference to the MA&D manual



Field form for use by entrepreneurs and explained by the facilitator during the workshop or meetings



Tools used by the facilitator during the workshop or meetings



Theoretical information on topics dealt with during the workshops or meetings



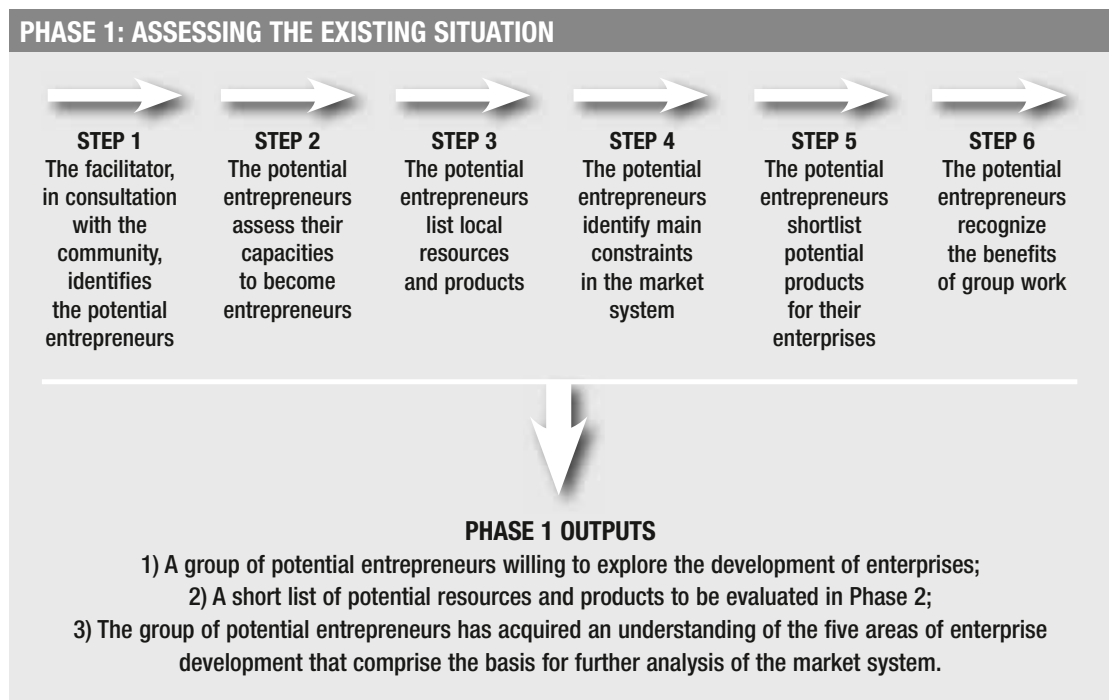
Activity to promote gender balance

PHASE 1: ASSESS THE EXISTING SITUATION

Introduction

Phases 1 and 2 are diagnostic phases and serve to identify opportunities and motivate community members. The goal of Phase 3 is to develop the enterprises, while Phase 4 serves to support the establishment of the enterprises.

The primary objective of Phase 1 is to assess the existing situation in order to identify potential entrepreneurs and to short-list potential resources and products that will be further evaluated in the next phase. During Phase 1, facilitators learn about the livelihoods strategies of the local community, identify a group of potential entrepreneurs within the community, obtain an overview of the available natural resources and products, describe the challenges and opportunities and create an initial short-list of a range of products. There are six steps in this phase.



Phase 1 is an exploratory phase during which, as a facilitator, you will need to understand the context and circumstances of the existing situation. This involves answering the following questions:

- Who are the potential entrepreneurs and what are their expectations?
- What resources and products are available?
- What are the opportunities and constraints within the existing value chains and market system?

Phase 1 will give you some first indications of the possibilities and the potential scale of future enterprises, taking into account factors such as available financing, market demand and potential investors.

The MA&D approach builds on existing markets by taking into consideration products that are already traded and providing income to the potential entrepreneurs. The MA&D approach also assesses opportunities for adding value to existing products or introducing new products. Potential entrepreneurs will analyse their experiences in producing, processing and trading natural resources by considering the following questions:

- What products do they collect from the forest?
- At what time of the year do they collect these products?
- What level of income do they get from these products?
- Where do they sell the products?
- Do they receive any support from the local extension office?

Your goal as a facilitator will be to help villagers discover viable products that are suited to their economic expectations and that offer possibilities of expansion and long-term sustainable utilization. In order to ensure that the enterprises are viable, as well as to reduce risks, you will guide them in evaluating enterprise ideas, always taking into account the social, environmental, institutional, technological and marketing aspects of a product.

Phase 1 of the MA&D process can produce much of the same information acquired through the conducting of a baseline survey. Such a survey provides a picture of a situation at a given time. This information is especially important for monitoring and evaluation as it allows a project's impact to be measured. For this reason, a baseline survey is very important and resources should be set aside to ensure that it takes place. A baseline survey can either be conducted before the design of the enterprise development component of the project, or during the first phase of the MA&D process. The latter option is better for projects with a limited timeframe and resources. This will be further described later in this section.

A livelihoods analysis can be used to get a picture of the capabilities, assets and activities that furnish the means for people to meet their basic needs and support their well-being. This includes their relationship with the environmental, economic, political and cultural context. The analysis involves collecting data and evaluating current circumstances and the status of the home economy as well as social and environmental factors in order to measure future changes.

The information obtained by combining the data collected during Steps 2 to 4 of Phase 1, together with a livelihoods analysis, can provide all information required for a baseline survey. Examples of information to be gathered in Steps 2 to 4 of Phase 1 are listed in Tool 9. To add an assessment of community livelihood aspects, the facilitator will need to learn about the specific tools for livelihoods analysis and apply them to the sample of community members identified as a result of Step 1 of Phase 1 (see existing information available through websites such as that managed by Eldis: <http://www.eldis.org/go/topics/dossiers/livelihoods-connect/what-are-livelihoods-approaches/training-and-learning-materials>).

STEP 1: The facilitator and the community identify potential entrepreneurs



As a facilitator who has been assigned to an intervention site, you will understand the objectives of the project. The first step will be to identify potential entrepreneurs among the population, and for this, you will need to clearly understand what you are looking for.

As a starting point, remember that:

- the project team may want you to focus on a specific part of the population for enterprise development activities;
- not all community members in your site will have the qualities or the desire to become entrepreneurs.

See the description below of the main stages of Step 1, Phase 1.

1. Check whether the project focuses on a specific population group

Refer to the project objectives in order to understand whether the project focuses on a particular group of the population (for example, women in remote areas, individuals living in the buffer zone of a protected area, the poor and disadvantaged groups of mountainous forested areas, etc.) and identify these individuals in your site.

There are several methods for identifying potential entrepreneurs, depending on the project objectives. Examples include:

- If the project focuses on one or several marginalized groups, you may want to use wealth ranking and a participatory rural appraisal (PRA) to identify individuals who would be categorized as being part of marginalized groups. Useful information can also be found in reports on the socio-economic situation of families in the community. This information may have already been gathered in surveys conducted by the

project, or may be available at local government offices. If you do not find this information in such sources of secondary data, you will need to interview resource persons, such as local leaders (at the village and community levels) and field project staff.

- Another option is to carry out an institutional analysis using a Venn diagram (see Tool 15). This tool can help identify potential entrepreneurs within and outside the village, and can also help potential entrepreneurs to clarify opportunities and constraints inherent in the enterprise development project.
- If the project focuses on individuals who work with wood and non-wood resources or products, reports available at local government offices or in the project documentation may be useful. Direct interviews with local leaders, representatives of the community and project field staff may also be useful.

2. Identify community members with entrepreneurial skills and attitudes

Discuss the skills and attitudes required to be an entrepreneur and explain the MA&D approach to interested community members. With this information, community members will be able to determine whether or not they wish to participate in project activities.

A checklist of skills and attitudes of a good entrepreneur are presented in more detail in Tool 2.

Most of the time, individuals with entrepreneurial skills or attitudes are already involved in some sort of trade or other entrepreneurial activity. Try to identify community members who are already involved in the production, manufacturing, transport or marketing of natural resource products or who work in the subsectors that are focus of your project.

3. Introducing the MA&D approach

Sometimes, entrepreneurial individuals may not agree with the type of approach adopted by the project or may perceive the project as simply being an opportunity for direct financial support. In this case, you will need to explain the differences between the traditional livelihoods development and the enterprise development approached to make fully understood the implications of the project before deciding to become involved. It is important that, before initiating the enterprise development process, the potential entrepreneurs understand the MA&D process clearly and, in particular, how it differs from a traditional livelihoods approach where they might expect to receive equipment such as bicycles, hives, wells, etc. Communities need to recognise that in an enterprise development project, they will be expected to take responsibility and invest their own human and financial resources in their enterprises. The wrong perception may undermine project activities and compromise the ability to meet the objectives.

See the MA&D Field Facilitator Guidelines Introduction Module, Tool 1 – The differences between the traditional livelihoods development approach and the enterprise development approach.

4. Promote gender balance

When identifying entrepreneurs, it is critical to ensure that women and men both have opportunities to take part in the MA&D process. Invite the men in the community to consider how they could help to ensure greater opportunities for women to participate in enterprise activities. Also, women should be encouraged to actively participate in the meetings during Step 1. As the facilitator, you can help to ensure the participation of women by scheduling meetings at convenient times that will allow all interested individuals, including women, to participate. Another way to ensure that women's points of views are captured might be to separate groups by gender when conducting surveys and exercises during training workshops.

5. Selecting existing groups for the enterprise development approach

If you are asked to support existing forest user groups (FUG) in enterprise development, it is important to realize that this will require that a number of conditions are fulfilled. The details of these conditions are presented in Tool 3. Always suggest that these groups nominate a number of individuals who will be responsible for implementing the approach, based on the agreed upon criteria for participation.





6. Conclusion of Step 1

At the end of Step 1, you will have identified a group of potential entrepreneurs who meet the criteria imposed by the project. These entrepreneurs are probably already involved in the producing, manufacturing, transporting and marketing of natural resources. They demonstrate the necessary entrepreneurial skills and attitudes and they understand and accept the parameters of the MA&D approach.

This group will move on to Step 2. Membership in the group will probably change and evolve throughout the process. Sometimes, individuals who were initially interested drop out, while others join later because they become interested in the approach and/or are involved in the concerned subsector.



Organize your training session on “Identifying potential entrepreneurs”

	<p>3-5 hours:</p> <ul style="list-style-type: none"> • a short meeting with key local informants (1-2 hours) • an awareness raising meeting with the local community (2-3 hours)
<p>Learning objectives</p> 	<p>At the end of the session the facilitator will:</p> <ul style="list-style-type: none"> • understand how Phase 1 fits into the whole MA&D process; • understand how to facilitate potential entrepreneur selection; • have identified a group of potential entrepreneurs from the selected project site(s).
<p>Learning materials for the session</p> 	<ul style="list-style-type: none"> • the MA&D map reproduced on a flipchart, with Phase 1 highlighted; • copies of the MA&D filter diagram for participants; • the definition of “an entrepreneur” written on a flipchart (see the glossary); • the project objectives listed on a flipchart (see Tool 1); • a blank table, drawn on a flipchart, to be filled in with the required skills and attitudes to be a good entrepreneur (see Tool 2); • a table, on a flipchart, to be filled in with the main differences between traditional livelihoods development and enterprise development approaches (presented in the Introduction Module, Tool 1 – The differences between the traditional livelihoods development approach and the enterprise development approach); • copies of a checklist of conditions that existing groups must fulfil in order to be considered as potential entrepreneurs for enterprise development (see Tool 3).
<p>Training Tools</p> 	<ul style="list-style-type: none"> • Introduction Module, Tool 1 – The differences between the traditional livelihoods development approach and the enterprise development approach; • Tool 1 – The project objectives and related criteria; • Tool 2 – Checklist of skills and attitudes of a good entrepreneur; • Tool 3 – Checklist of the conditions that existing groups need to fulfill to be considered as potential entrepreneurs; • Optional: Tool 1 of FFG 3 Preparing the Enterprise Development Plan – Buyers and Sellers Game.

Facilitating the session

1. Before going to the field, clarify project objectives with the project management team, in particular, the type of people the project intends to serve by including a component on enterprise development. Agree upon the criteria for targeting specific groups within the community.
2. If the project focuses on existing groups, arrange a meeting with these groups and facilitate a discussion to assess whether they meet the necessary requirements for becoming an enterprise group. For this, use the checklist of conditions for existing groups provided in Tool 3.

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If the group of potential entrepreneurs has not already been defined by the project, arrange a meeting with key informants (local leaders and representatives of the communities). During this meeting you will:

- Present the project and the concept and objectives of enterprise development, making reference to solving some of the difficulties identified by the communities during the initial formulation of the project.
- Get an indication from the key informants of who would meet the criteria to be part of the enterprise development component of the project, such as, “individuals working on timber and/or tree and forest products”, “disadvantaged peoples”, and “existing entrepreneurs”.
- Double check the information provided by local leaders about who would meet the criteria to be part of the project by interviewing some of the indicated households.
- Ask local leaders to organize a meeting with the individuals indicated as being possible participants in enterprise development activities as soon as possible.

3. Facilitate a first meeting with the potential entrepreneurs to raise their awareness about the objectives of enterprise development. During this meeting you will:

- Present the enterprise development component of the project.
- Introduce the concept of enterprise development. You may decide to use drama, music or another tool to present the project and get the attention of the community. An alternative is to play the Buyers and Sellers Game to introduce the topic (see FFG Module 3, Tool 1 – Preparing the Enterprise Development Plan).
- Present the definition of entrepreneur and discuss the characteristics required to engage in enterprise development:
 - In a plenary discussion, ask participants to list the skills and attitudes required to be a successful entrepreneur. (See checklist on Tool 2).
 - Alternatively, post a flipchart with the word “agree” on one side of the room and another flipchart with the words “don’t agree” on another. Ask participants to stand between the posters. Read a statement about the skills and attitudes of an entrepreneur and ask participants to choose where to stand, depending whether or not they agree with the statement. Ask both groups to explain their choices.
 - Stress that it is not the role of the facilitator to select the potential entrepreneurs. Participants should decide for themselves whether they have the appropriate skills and attitudes and want to participate.
- Facilitate a discussion about the opportunity for women to participate in enterprise activities.
 - Ask participants to consider the factors preventing women from engaging in and benefiting from enterprise development (time limitations, physical difficulties, limited household level control over income from sales, low literacy and/or calculation skills, etc).
 - Ask participants to suggest how these limitations might be overcome.
- Clarify the differences between traditional livelihoods development and the MA&D enterprise development approaches.
 - Split participants into small groups.
 - Ask each group to list the differences between traditional livelihoods development approaches and the MA&D enterprise development approach.
 - Ask the groups to present their findings to the larger group and fill in the checklist with those differences (see Tool 1 in the FFG Introduction Module).



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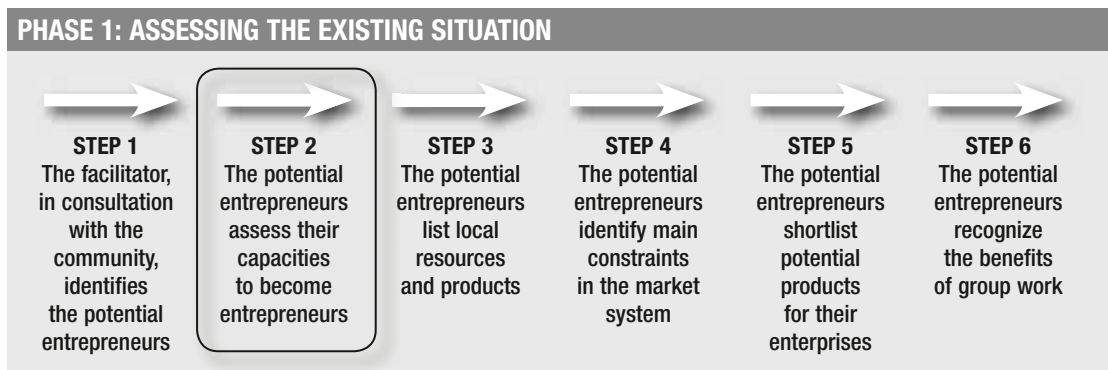
Facilitation tips



- Schedule meetings at a convenient time so as to allow all individuals interested to participate.
- Ensure that all points of views are captured. Ask women and men to express their points of view separately before discussing them in the group.



STEP 2: The potential entrepreneurs assess their capacities to become entrepreneurs



Potential entrepreneurs were identified in Step 1. Now you will need to assist them in assessing their capacities to actually become entrepreneurs.

Your objectives in Step 2 are:

- to understand the socio-economic profile of the potential entrepreneurs, including data on their livelihoods and the importance of tree and forest products in the household economy;
- to assist the group to:
 - understand and express why they want to start enterprise activities;
 - assess their time availability, experience, skills in production, processing and trading in tree and forest products, as well as their investment capacity.

In Step 2, you will identify social differences that may exist amongst potential entrepreneurs. You will also assist potential entrepreneurs to recognize their needs and capacities, leading to the creation of enterprises suited to their particularities.

1. Understanding the socio-economic profile of potential entrepreneurs

To meet the first objective of Step 2 (to understand the socio-economic profile of the potential entrepreneurs, including data on their livelihoods and the importance of tree and forest products in the household economy), you need to understand whether the potential entrepreneurs are heterogeneous in terms of their wealth ranking, gender balance and economic activities, and you need to identify the different subgroups within the group of potential entrepreneurs (such as women and the landless).

Social diversity should be taken into consideration in order for subgroups to be able to develop enterprise strategies matching their needs, conditions and capacities. For example, members of 'poor' subgroup may select

different products than a subgroup of ‘wealthier’ members. Nevertheless, the process used to select the products and enterprise strategy will be the same for all.

Wealth ranking can be used to develop a socio-economic profile of the potential entrepreneurs. (See Tool 4 – Format and example of wealth rankings.) Use this tool to get a broad understanding of the various socio-economic subgroups, such as those comprising women or landless individuals.

2. Assisting the group to assess their motivation and resources

To achieve the second objective of Step 2 (assisting the potential entrepreneurs to assess their motivation to start enterprise activities, time availability, experience, skills in production, processing and trading in tree and forest products, as well as their investment capacity), you will:

- select informants from different wealth rankings;
- help these individuals to assess their livelihood needs, the reasons that they want to start enterprise activities, their time availability, their experience and skills in production, processing and trading in tree and forest products, as well as their investment capacity.

This step is critical to the success and sustainability of the enterprise, as it can help to minimize risks in the long term.





3. Selecting informants

Using the results of the wealth ranking analysis, you can select informants from the different socio-economic subgroups. The number of informants you choose will depend on your time availability, the size of the group of potential entrepreneurs and whether local extension workers can assist in the process.

Remember that MA&D projects are focused on raising the economic standard of the overall group of potential entrepreneurs, including the poorest households. For that reason, the group of selected informants should represent all categories.



Organize your training session on “Assessing the capacities of participants to become entrepreneurs”

	<p>Approximately 2 hours:</p> <ul style="list-style-type: none"> • this training session can be organised as the second part of the first (Phase 1) workshop.
<p>Learning objectives</p> 	<p>At the end of the session:</p> <ul style="list-style-type: none"> • the facilitator will understand the socio-economic profile of the group of potential entrepreneurs; • participants will have evaluated their motivations for starting enterprise activities, their time availability, their experience and skills, as well as their investment capacity.
<p>Learning materials for the session</p> 	<ul style="list-style-type: none"> • wealth ranking form; • the example of a filled in wealth ranking form.
<p>Training Tools</p> 	<ul style="list-style-type: none"> • Tool 4 – Format and example of wealth rankings of the potential entrepreneurs; • Tool 5 – Aggregated results of wealth ranking by number of households (HH) in the group of potential entrepreneurs; • Tool 15 – Institutional analysis.

Facilitating the session

Wealth ranking is a tool that can be used to enhance understanding about the socio-economic profile of the potential entrepreneurs.

In your office

1. Identify the different wealth groups among the potential entrepreneurs by reviewing secondary data (for example, a PRA survey), if available. If wealth ranking has not been done previously, ask key local informants to help you identify the different socio-economic strata, and the families belonging to each strata. Unlike most of the MA&D exercises, it is best not to involve participants in the wealth ranking for reasons of sensitivity. See wealth ranking tables in Tools 4 and 5.

- Select informants after analysing the results of the wealth ranking. As mentioned previously, the number of informants selected from each wealth group will depend on your time availability, the size of the group of potential entrepreneurs and whether local extension workers can help you. Members of each wealth category should be represented in the group of potential entrepreneurs.

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During the training session

2. Organize focus groups of 5-8 informants from the same socio-economic levels and facilitate discussions within each group. The aim is to assess the motivation, time availability, experience, skills and investment capacity of the group members.

Organize the discussions as follows:

- Ask participants to write on blank cards the reasons why they want to start an enterprise.
- Gather the cards and transfer the information to a flipchart.
- Organize an income mapping exercise to help participants gain an overview of their income, expenses and investment capacities.
- Summarise monthly income and expenses.
- Discuss the reasons for any income shortage and the need for increased income.
- Ask participants how they would use any extra income from the new enterprise activity:
 - Answers may be unrealistic but this exercise serves to initiate a thinking process.
- Participants can draw, write on blank cards or discuss their answers with others.
- Ask participants to draw a calendar which breaks down their activities by season:
 - Help them analyze their calendar, including its impact on their lives and how it would change with the introduction of new enterprise activities.
 - Discuss any constraints and major problems that could emerge at certain points in the year.
- Ask participants to draw a Venn diagram (see Tool 15) mapping all the formal or informal local groups and institutions they know, along with their respective importance. Ask them to highlight the groups with whom they have relations.
 - Facilitate a discussion about the local groups and institutions that have some relation to the concerned subsector of the project.
 - Help participants to reflect on whether or not they actually need a new approach to enterprise development.
 - The Venn diagram can also help in analyzing the strengths and weaknesses of existing institutions and their potential contributions to or constraints for enterprise development.

In your office

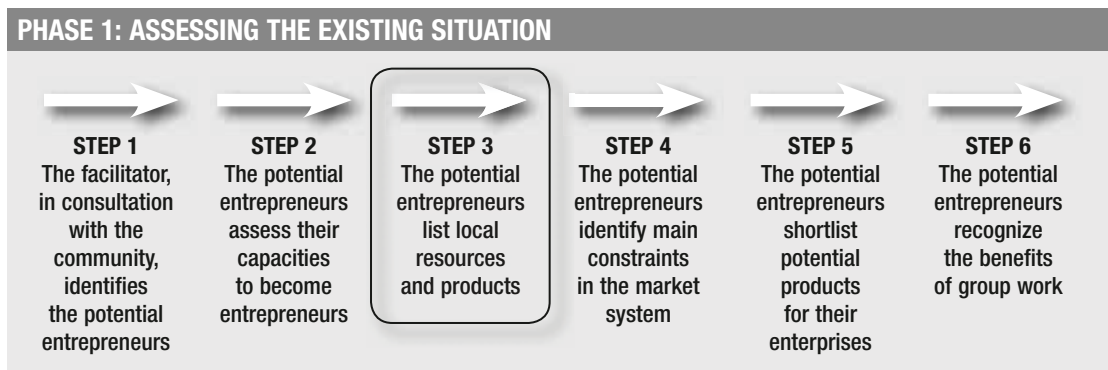
3. Review, complete and compile the results of the exercises conducted during the training session.

Facilitation tips



- Ensure that men, women and other subgroups are adequately represented and have sufficient space to contribute fully to the discussions.

STEP 3: Potential entrepreneurs list local resources and products



The objective of Step 3 is to help potential entrepreneurs develop a list of the existing resources and products that could feature in enterprise development projects. The entrepreneurs may have strong pre-existing opinions about resources they would like to market and they will not see the need to list all possible resources. Explain that it is important to examine the market opportunities for all possible resources and products before eliminating them.



Some of the information needed for Step 3 can be obtained from secondary sources available in local technical, forest, agricultural and development offices. Most information will have been gathered through observation and direct interviews with local informants during Step 2 of the MA&D process. In Step 3, the focus should be exclusively on information related to tree and forest products. Necessary tools are basic PRA tools, such as resource mapping, trend lines, or seasonal calendars. The PRA tools used in the MA&D process are adapted to focus on marketing aspects and it is not usually necessary to go into the level of detail normally required when using PRA tools.



Ensure that men and women both have opportunities to express their opinions as they frequently will have different knowledge from one another about tree and forest products.



Organize your training session on “Listing available local resources and products”

	<p>Approximately 2 hours:</p> <ul style="list-style-type: none"> the training session on Step 3 can be held as the third section of the first workshop during Phase 1.
<p>Learning objectives</p>	<p>At the end of the session participants will have:</p> <ul style="list-style-type: none"> listed potential resources and products; completed a broad estimate of the quantities of these resources and products that are currently available and sold.
<p>Learning materials for the session</p>	<ul style="list-style-type: none"> the objectives of the project listed on a flipchart; copies of a checklist of potential local resources and products; copies of a hand out listing the main commercial tree and forest products in the area.
<p>Training Tools</p>	<ul style="list-style-type: none"> Tool 6 – Example of elements to include in the reference list of potential resources and product; Tool 7 – List of existing resources and products; Tool 8 – Example of resource map.

Facilitating the session

In your office

1. Prepare a reference list of resources and products that exist in the area. The objective is to ensure that no important resource or product is neglected during the training session.

During the training session

2. Help the focus group (as identified in Step 2) to come up with their own list of existing resources and products.
 - Ensure that all products, resources and services (such as community-based eco-tourism) are listed.
 - Use the reference list of potential tree and forest products to ensure that no products or resources are left out. Note that:
 - Sometimes participants do not know the potential use or commercial value of certain resources, as they do not have access to market information.
 - Resources not currently utilized should be considered if they have been source of income in the past.
 - Resources harvested in other areas with similar ecosystems should be included in the inventory.
3. Ask the group to estimate the quantity of the resources available and try to gather information on current sales.
 - PRA tools such as resource mapping (Tool 8) or historic trend lines showing the availability and use of traditional resources and products can be used.

Continued on next page

- Discuss potential new products or technologies.
- Check with participants whether it is legal to trade these resources and products.

At this point, you could discuss some of the market opportunities and barriers of several of the resources or products identified during the initial survey, to ensure participants are fully briefed on and aware of all their choices.

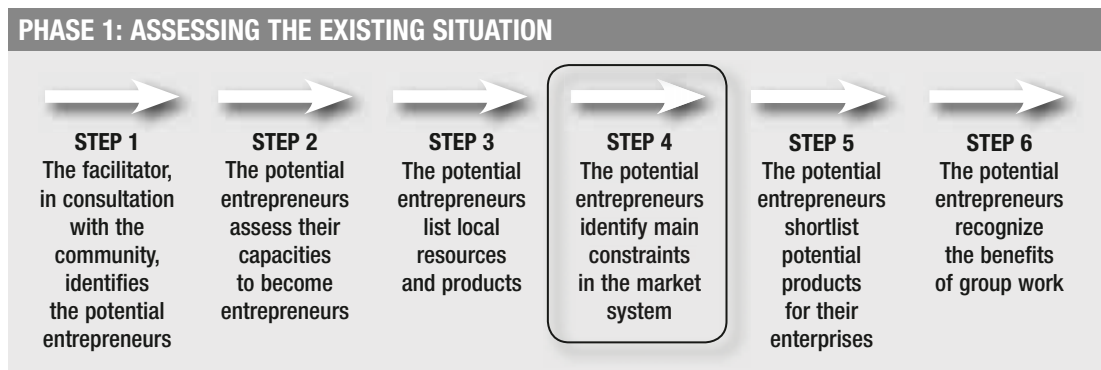
- Ask participants to draw a resource map of the species they currently trade most.
- In certain cases you will need to check the list compiled by the focus group with other knowledgeable local informants. An alternative is to ask an expert to assist the focus group in listing local resources.
- Once the list has been designed, discuss it with participants. See examples of lists in Tools 6 and 7.

Facilitation tips



- Making observations can be a useful way of stimulating the memory of participants, prompting them to 'pull out' knowledge that they might otherwise have forgotten or would not dare to say.

STEP 4: Potential entrepreneurs identify main constraints of the market system



Now that the potential entrepreneurs have an idea of the resources and products that might form the basis of an enterprise, they need to study the market system in their area (Step 4) in order to decide which resources and products have the best prospects for the marketplace (Step 5).

The objective of Step 4 is to gather information that can help the entrepreneurs to short-list the resources and products having the best marketing potential. Even with limited information, major constraints can be identified, leading to the elimination of a product and saving time and financial resources.





The market system in which the potential entrepreneurs operate depends on an inter-related set of social, legal, environmental, technical and commercial factors. A useful method for systematically gathering and analyzing these factors is to run products through a filtering, or screening process, in which the product would be testing against each of the five areas of enterprise development. This screening methodology, based on field experience, permits the identification of products with the highest risk of failure.

At this stage, it will be useful to organize, at the district or province level, a workshop of all the stakeholders involved with the concerned products in order to fill in information gaps about the market environment, the economic context and the main actors at the local, district, provincial and national levels. The international dimensions of marketing products will be looked at in Phase 2.

Phase 1 is focused on obtaining a broad picture of the context in which enterprises will operate, and does not require collection of extensive and detailed information. In Phase 2, more detail will be necessary since it is during this phase that all information necessary for the preparation of an Enterprise Development Plan will be gathered.



Organize your training session on “Identifying the main constraints in the market system”

	<p>Approximately 2.5 hours:</p> <ul style="list-style-type: none"> the training session on Step 4 can be held as the fourth part of the first workshop during Phase1. <p>Other activities will require:</p> <ul style="list-style-type: none"> a half-day for a stakeholder meeting; a day for potential entrepreneurs to collect additional local information (optional); 1.5 hours for a short meeting with the potential entrepreneurs to reconcile any differences between the broader stakeholder short-list and their own.
<p>Learning objectives</p> 	<p>At the end of the session participants will:</p> <ul style="list-style-type: none"> understand the importance of assessing products for the short-list using specific criteria; have assessed the key constraints of the market system in all five areas of enterprise development.
<p>Learning materials for the session</p> 	<ul style="list-style-type: none"> copies of the filter diagram; The results of the provincial survey done by the project team before the initiation of the MA&D process; the list of resources and products on a flipchart; the list of possible criteria for short-listing resources and products on a flipchart and as a handout.
<p>Training Tools</p> 	<ul style="list-style-type: none"> Tool 9 – List of potential criteria for eliminating products during Phase 1, the information needed to assess the criteria and possible sources of that information; Tool 10 – Sample forms for recording data collected from informants.

Facilitating the session

- Once the list of existing resources and products (Step 3) has been established, ask participants to look at the MA&D filter and show how the filter is used in Step 4 to identify the resources or products that will not be suitable for enterprise development, using the criteria of the 5 areas of enterprise development.
- Looking at the constraints in the 5 areas of enterprise development:
 - Ask participants to look at the list established in Step 3, to choose one product from an area they know well and to think about why it will not be a successful product.
 - Ask them to indicate the reasons for failure under each of the 5 development areas of enterprise development.
 - Through this simple exercise, participants will come up with the constraints associated with the marketing of certain products.
 - Repeat the same procedure with a product they do not know.
 - Keep in mind that this exercise is not about finding solutions, but about identifying the potential constraints.

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3. Criteria used for assessing products:

- On a flipchart, list the criteria used to determine whether products have positive prospects for the market (use the checklist in Tool 9).
- The list of criteria is indicative and should be adapted according to the priorities of the potential entrepreneurs and the objectives of the project. The list is designed to cover a wide range of potential situations but not all criteria will be relevant to every situation.
- Share with participants the information you have concerning national and provincial markets. For example, you may be aware of a lack of market demand or low price for some products, policy restrictions on harvesting or trade, or negative experiences with credit or domestication, and this might determine whether a product is eliminated at this stage.

4. The five areas of enterprise development:

- Participants should be split into five groups.
- Each group will work on a specific area of enterprise development.
- Each group should read the specific criteria related to the area of enterprise development on which they will focus. Then, on different flipcharts they should list the information they already have that will help them to assess these criteria and the information that is still missing.
- Participants should address the following questions:
 - Can all remaining information be collected at the village level? If not, why not? Where else might the information be available?
 - Who could they talk to in the village to gather the information they need? Would everybody in the village have the same opinions? If not, why would the opinions differ? How could participants reconcile these differences?
 - Use the forms in Tool 10 to indicate any missing information.
 - After 45 minutes, each group should present their findings. Participants may conclude that they need more information in order to decide whether to short-list a product or not.

5. At this point, participants will start to prioritise the products (Step 5). If they feel that they need more information to guide their decision, explain that you will arrange to get the information for them and will share it with them during the next Phase 1 workshop.

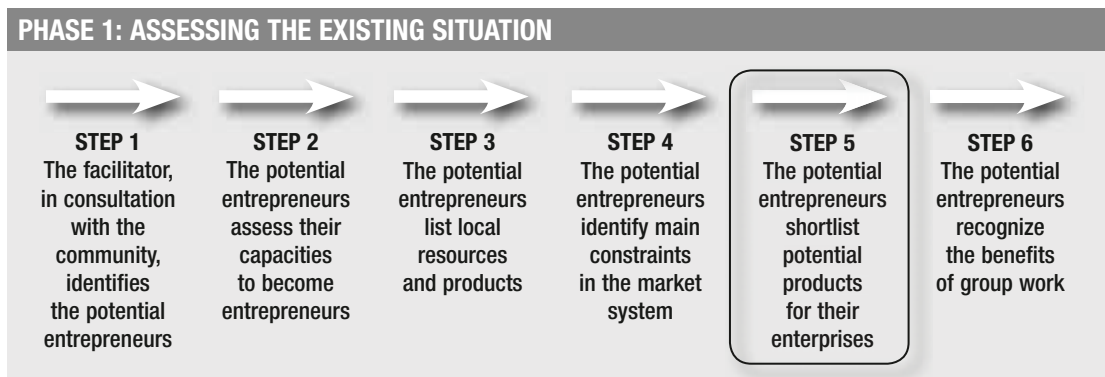
- It is suggested to hold a meeting with direct and indirect actors from the concerned sub-sectors to assess the strengths and weaknesses of the local resources and products, as well as to discuss the potential market opportunities. This information will be shared with participants at the end of Phase 1.

Facilitation tips



- Steps 1, 2, 3 and 4 can be covered during the same participant workshop.

STEP 5: Potential entrepreneurs short-list products for their enterprises



Participants now have a clear idea of the resources and products available to them (Step 3). They recognise the constraints related to their circumstances and available products (Step 4). Now, they can eliminate the products that are obviously too risky for their enterprises.

The objective of Step 5 is to assist the potential entrepreneurs to narrow the range of products under consideration by eliminating those that are clearly not viable. Those products that can pass through the first ‘filter’ will be examined further in Phase 2.

Step 5 requires time to aggregate relevant data such as average prices, volume produced, volume sold, income levels, and other factors in each group, village and community. Based on the elimination criteria in Step 4, participants may choose to abandon a number of non-viable products. Potential entrepreneurs should also be able to assess the value of a product, not only in terms of its market value, but also in terms of its comparative advantage over other sources of income, such as agriculture. For example, entrepreneur groups often reject medicinal plants because they use them for their own consumption and find them difficult to develop compared to other sources of income, such as fish farming.





The product “short-list” is based on the situation at the time of the workshop. A resource that is not chosen for short-listing can be reconsidered for development at a later date.

In Step 5, the focus is on constraints rather than opportunities. The exercise should help potential entrepreneurs to reach their own conclusions about which products should be abandoned immediately, and the reasons why.

Products remaining on the short-list after this exercise will become the basis of the research conducted in Phase 2.



Organize your training session on “Short-listing potential products”

	<p>1 day:</p> <p>This time will be used to aggregate:</p> <ul style="list-style-type: none"> • the outcomes of previous workshops at the village level and the provincial meeting of resource persons; • the outcomes of local surveys conducted by the potential entrepreneurs; • the outcomes of the initial survey carried out before the MA&D process began. <p>2 hours to facilitate the elimination exercise. This exercise will be the first part of the second workshop for the potential entrepreneurs.</p>
<p>Learning objectives</p> 	<p>At the end of the session, participants will have:</p> <ul style="list-style-type: none"> • analysed information gathered in Phase 1, Steps 2-4; • eliminated non-viable products and come up with a short list of products for further consideration on Phase 2.
<p>Learning materials for the session</p> 	<ul style="list-style-type: none"> • the resources and products selected in Step 3 listed on a flipchart; • the criteria for short-listing products as defined in Step 4 listed on a flipchart; • the data collected to assess these criteria: <ul style="list-style-type: none"> – the outcomes from the previous village workshop and provincial meeting with the resource persons; – the outcomes from the local surveys conducted by the potential entrepreneurs; – the outcomes from the initial survey carried out before the MA&D process began).
<p>Training Tools</p> 	<ul style="list-style-type: none"> • Tool 11 – Example 1: determining products for elimination; • Tool 12 – Example 2: determining products for elimination.

Facilitating the session

In your office or the field (depending on the context)

1. Aggregate the information gathered from secondary research and from workshops or meetings using the forms provided in Step 4. Data can come from:

- the first Phase 1 workshop – the local survey conducted by the potential entrepreneurs;
- the initial survey done as part of the project;
- the provincial meeting of resources persons organized during Step 4.

When information is available for several products in each community, you will need to identify links between the outputs of the various worksheets and present them in an easy-to-read format. For example, this will mean combining several tables in a single chart. You should develop the format that fits your project best.


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During the training session

Organize a workshop with the potential entrepreneurs identified during the wealth ranking exercise:

- Post on the wall the list of resources and products prepared during Step 3.
- Post on the wall the list of criteria identified in Step 4.
- Facilitate a discussion on the list of criteria for eliminating non-viable products in order to refine it. Remove irrelevant criteria and add new ones that are stated as being relevant to the concerned subgroups.
- Check each resource or product against the list of criteria for elimination provided in Step 4 using the products elimination form in Tool 11 and 12. If the assessment is not straightforward or if participants cannot come to agreement, refer to the results in Step 4.
- Invite participants to reject products that do not match their local priorities.
- During this selection process, participants should discuss their points of view with one another.
- Encourage participants to recognise when they need more information before eliminating some of the products.
- Products remaining after this exercise will become the basis of the research conducted in Phase 2.
- Review the information that is still missing, discuss its importance and decide how to source the missing information during Phase 2.

Facilitation tips

- Participants in this workshop should include potential entrepreneurs from the different wealth rankings, including members of subgroups, such as women and the very poor.
- 
- Choose a time for convening the workshop(s) when women can attend. Engage with local, social groups to encourage women to go to the workshop. During the workshop, ensure that women have the opportunity to voice their opinions.
 - Involve potential entrepreneurs in aggregating the information, even if this slows down the process. This exercise will enable potential entrepreneurs to learn how to aggregate the information themselves.
 - Adapt your tools and facilitation style according to the literacy levels of the participants.
 - Be creative! The list of criteria is indicative and should be adapted to the group's priorities and objectives.

STEP 6: **Potential entrepreneurs understand the benefits of group work**







The objective of Step 6 is to raise awareness about the benefits of working together. Once the potential entrepreneurs have decided on their business activities, they will still need support to establish their enterprises. Supporting entrepreneurs on an individual basis is not feasible within a project context, making it crucial for entrepreneurs to work within some kind of organizational structure, be it formal or informal.

Your role as a facilitator will be to demonstrate how group selling, group supply of raw material, group price setting, etc, can reinforce the position of the entrepreneurs in the market and lead to more successful enterprises. Step 6 will also initiate a reflection about the different grouping possibilities, a thinking process that will be intensified in Phases 2 and 3.

During the workshop, participants will be asked to think about the development of their enterprises, either individually or by organizing themselves into groups. They will also be asked to identify legal options for establishing their enterprises.



Organize your training session on “Understanding the benefits of group work”

	<p>1.5 hours:</p> <ul style="list-style-type: none"> • This exercise will be the second part of the second workshop held during Phase 1 with the potential entrepreneurs.
<p>Learning objectives</p> 	<p>At the end of the session participants will:</p> <ul style="list-style-type: none"> • be aware of the need for a strong market presence; • have reflected about various “grouping” possibilities and the associated legal options; • understand that support for enterprise development will primarily be provided to organized groups rather than to individuals.
<p>Learning materials for the session</p> 	<ul style="list-style-type: none"> • a list of possible types or forms of legal status for small enterprises, prepared by the project team.
<p>Training Tools</p> 	<ul style="list-style-type: none"> • Tool 13 – The experience of participants in belonging to groups; • Tool 14 – Exercise: the benefits of group-based enterprise; • Tool 15 – Institutional analysis; • Tool 16 – Reviewing the outputs of Phase 1.

Facilitating the session

1. Reflect on the development of individual or group based enterprises:

- Refer to Tool 13.
- Ask participants to describe their experience in working in or with organized groups.
- Ask participants to list the benefits of organizing themselves into groups.
- Prepare a table to compare the advantages of working in a group versus working individually.
- Ask participants to describe the ways in which they have traditionally formed groups, and the rules they set for their operation (size, responsibility, creation and formalization of groups, roles of their representatives, etc). This exercise will help participants to see the benefits of collaboration.

Note: If you live in a country that has a tradition of group work and solidarity, you may skip the previous exercise.

2. Benefits of group based enterprises:

- Split participants into small groups.
- Ask the groups to list the advantages they would have in working together on enterprise development projects.
- Ask each group to present their results to the larger group.
- Summarise all information on a table.
- Discuss the different points and complete the list as necessary (refer to Tool 14).

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3. Reflect on the various potential types or forms of legal status:

- Organize a brainstorming session on the following topics:
 - Participants' experience in registering or belonging to a group;
 - The different types or forms of legal status available for enterprises in the country.
- Distribute the list of possible types or forms of legal status for small enterprises in the country, as prepared by the project team during the preliminary activities.

4. Review the outputs of Phase 1, using Tool 16.



At this stage, participants may reveal key aspects of their socio-cultural context, such as specific social ties and areas of cohesion. As a result, they may indicate preferred forms of groupings that could serve as a foundation for later work in the MA&D process.

Facilitation tips



- Invite representatives of existing professional groups (cooperatives, producer federations, etc.) to explain the advantages of working as part of an enterprise group.
- When facilitating sessions within the communities respect the following principles:
 - Do not hide or ignore statements even if they are not relevant to the topic (on the other hand, do not allow lengthy discussions on such topics, just acknowledge them).
 - Maintain meeting attendance by applying suitable techniques, such as asking questions, using humour and jokes, telling stories, role playing and through the use of other innovative and engaging tools.
 - Ensure that project supervisors and local authorities are informed about emerging issues, and facilitate dialogues to address those issues.

Concluding Phase 1

To conclude Phase 1 it will be necessary to:

- review the main outcomes, including the range of potential products and the need for further research about potential markets;
- identify potential entrepreneurs willing to continue into Phase 2;
- put together a team of representative entrepreneurs who are willing to participate in the Phase 2 surveys for the benefit of the whole group of potential entrepreneurs.

The team for Phase 2 should have representatives of the different subgroups and its members should actively participate in the production, trade or processing of one or several products from the short-list established during Phase 1. The members of this team will act as information gatherers during Phase 2.

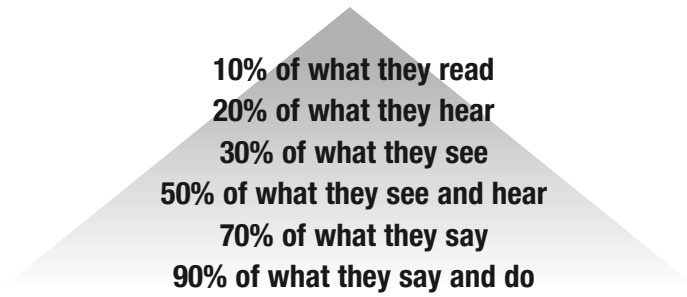


Concluding Phase 1

- Conclude the workshop by summarising the main outcomes (Tool 16 – Reviewing the outputs of Phase 1).
- Ask the participants whether they are interested in participating in Phase 2.
- When you are back in the office, review the work done during Phase 1 by filling in the report format for Phase 1 provided by the project. This will be helpful if you have to repeat the process elsewhere, and will also serve as the basis for planning Phase 2.

Tools to facilitate the training sessions¹

LEARNERS REMEMBER:



10% of what they read
20% of what they hear
30% of what they see
50% of what they see and hear
70% of what they say
90% of what they say and do

¹ *Tools should be adapted to the local context, language(s) and specific needs of the project.*



Tool 1 – The project objectives and related criteria

OBJECTIVES OF THE PROJECT

CRITERIA FOR IDENTIFYING THE GROUP OF POTENTIAL ENTREPRENEURS



Tool 2 – Checklist of skills and attitudes of a good entrepreneur

A good entrepreneur:

- takes initiative and dares to take risks;
- sees and acts on opportunities;
- learns from past experience;
- seeks information;
- is concerned about the quality of work;
- respects work contracts;
- is efficient;
- is persistent;
- is a systematic planner;
- is a problem solver;
- is self-confident;
- is persuasive;
- knows how to influence.

Generally speaking, successful entrepreneurs have a strong orientation towards achievement, problem solving, influence and management.

Adapted from Thomas Fricke, 1993.



Tool 3 – Checklist of the conditions that existing groups need to fulfil to be considered as potential entrepreneurs

In case you are asked to help existing FUGs to engage in enterprise development, you will first need to check whether these groups fulfil the following conditions:

1. All group members feel and express the need to increase their incomes in addition to their forest conservation activities.
2. All members agree to add income generation as an objective of their group activities and agree that their current group will act also as an entrepreneurial group.
3. The group is legally allowed to make profits from natural resources.
4. The group has enough members with adequate entrepreneurial skills and attitudes.
5. The group is structured and organized to efficiently manage enterprise operations and profit from sales.
6. The group is willing and able to modify its constitution to integrate enterprise development and income earning activities in addition to forest conservation activities.

If the project does not require the group to act as an enterprise, but allows some members of the group to develop income-generating activities, then the following conditions must be met:

1. One or several individuals or subgroups of the FUG formed around the objective of forest conservation feel and express the need to increase their incomes and the income of the FUG.
2. The individuals or the subgroups that express interest in creating an enterprise have the required entrepreneurial skills and attitudes.
3. These individuals or subgroups can register under the appropriate legal status allowing them to make profit, while still belonging to the FUG.
4. The FUG agrees that the individuals or subgroups can use resources from the FUG area on the condition that they share part of the profit with the FUG (under conditions agreed between the FUG and the concerned individuals or subgroups).

Similar conditions will apply to other types of existing groups.



Tool 4 – Format and example of wealth rankings of the potential entrepreneurs

Wealth ranking group	Criteria for classification
Very rich	
Rich	
Average	
Poor	

Example: criteria used for classifying households in wealth groups.

Wealth ranking group	Criteria for classification
Very rich	<ul style="list-style-type: none"> • Has enough food for consumption, and has savings and surplus
Rich	<ul style="list-style-type: none"> • Owns a television set, radio, buffaloes and bicycle • Has enough land for cultivation
Average	<ul style="list-style-type: none"> • Experiences shortage of food for one to three months a year • Has only one or two buffaloes • Has enough land for cultivation
Poor	<ul style="list-style-type: none"> • Experiences shortage of food for more than three months a year • Experiences shortages of power • Does not have enough land for cultivation



Tool 5 – Aggregated results of wealth ranking by number of households (HH) in the group of potential entrepreneurs

District:..... Village:

Ranks	Village 1		Village 2		Village 3		Village 4		Total	
	Number of HH	%*	Number of HH	%	Number of HH	%	Number of HH	%	Number of HH	%
Very rich										
Rich										
Average										
Poor										
Total										

* Percentage of the total group of potential entrepreneurs.



Tool 6 – Examples of elements to include in the reference list on potential resources and products

- **Fibres and flosses**

Examples: bamboo for furniture, handicrafts and toothpicks; rattan for furniture and handicrafts

- **Edible products**

Examples: fruit, nuts, mushrooms, leaves for teas, spices, animal products (such as bats or snakes)

- **Extracts and exudates**

Resins and gums

Examples: pine oleoresin for the chemicals industry; damar (*Dipterocarpus* spp.); benzoin (*Styrax tonkinensis*) for perfumes

Tannin and dyes

Examples: Forest plants such as majitho (*Rubia cordifolia*) and chutro (*Berberis aristata*), used in natural pigments for dyeing cloth

- **Industrial oils**

Examples: tung oil (*Aleurites montana*) for varnish

Essential oils

Examples: vetiver oil (*Vetiveria zizanioides*) and eucalyptus oil for fragrances and industry; cinnamon oil and star anise (*Illicium verum*) for the food and beverage industry

Insecticides

Examples: sassafras (*Cinnamomum parthenoxylon*); neem (*Azadirachta indica*)

- **Medicinal plants**

Medicinal plants for household use and income

- **Ornamental plants**

Examples: orchids, vines

- **Animal products**

Examples: honey; horns; bones; feathers for use as medicines; sticklac (*Laccifer lacca*) for use in paint, varnish, dye and electrical insulation; silkworms.



Tool 8 – Example of resource map

A resource map may be conducted together with the facilitator to understand the inventory of the possible natural resources available for enterprise development and to assess what local people know about the resources around them.



Forest resources mapping, Ethiopia



Tool 9 – List of potential criteria for eliminating products during Phase 1, the information needed to assess the criteria and the possible sources of that information

Note that the list of criteria should be adapted to the project context as needed.

ELIMINATION CRITERIA	INFORMATION NEEDED TO ASSESS THE CRITERIA	POSSIBLE SOURCES OF INFORMATION
MARKET AREA		
<p>Product supply/quantity The product cannot be harvested in sufficient quantity or is available only in small quantities.</p>	<p>For each product:</p> <ul style="list-style-type: none"> quantities extracted and possible extraction level; production and sales calendars; extraction trend. 	<p>Local collectors and village traders can provide this information or it can be collected during the initial workshop through participatory resource mapping.</p>
<p>Market demand Demand for the product is low, or the improvement of the product to meet demand standards is complicated, time-consuming and costly.</p>	<p>For each product:</p> <ul style="list-style-type: none"> quantities and values traded by local producers and traders; the specific types or formulations of the products traded by direct actors in the value chains, at the local, district, provincial and national level (and international, if any); demand trend. 	<p>This information can only come from village traders or other direct actors at the provincial and national levels. It can be collected during the initial workshop using a short local survey or through a survey or a meeting of direct and indirect actors at the provincial level.</p>
<p>Product Quality The quality requirements for the product cannot be met because of a shortage of skills, lack of training opportunities, insufficient education, lack of access to packaging materials, etc. Improvements or measures for upgrading quality are time-consuming and costly.</p>	<ul style="list-style-type: none"> Form and quality standards of the products currently traded at the local level; Form and quality of products requested by actors at other levels of the value chain. 	<p>Information on current form and quality of products can be collected during the initial workshop while information on desirable form and quality will be collected from district, provincial, national or international traders.</p>
<p>Production costs The production costs for the product are higher than those of the same goods produced elsewhere. The costs cannot be reduced significantly without negative effects on the quantity or quality of the products.</p>	<ul style="list-style-type: none"> Prices and production costs currently charged by local producers, processors and traders; Prices and production costs charged by producers, processors and traders elsewhere. 	<p>Information on current prices and production costs can be collected during the initial workshop by helping the potential entrepreneurs to assess the labour and opportunity cost for products and by traders. Transportation costs to the markets can be provided by village and district traders.</p>

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ELIMINATION CRITERIA	INFORMATION NEEDED TO ASSESS THE CRITERIA	POSSIBLE SOURCES OF INFORMATION
MARKET AREA		
<p>Access to capital Local credit and saving management groups do not exist or function, and/or the producer, manufacturer, transporter or trader cannot get a loan for start-up or for running business activities.</p>	<ul style="list-style-type: none"> • Current experience of the potential entrepreneurs in raising capital, informally and with formal financial institutions; • List of local, district/provincial and national possibilities for local entrepreneurs to access capital. 	<p>Information on current experiences of accessing formal or informal capital can be collected during the initial workshop while information about formal capital availability will be collected at the district or national level or through the initial survey carried out by the project.</p>
RESOURCE MANAGEMENT		
<p>Spatial distribution and density The product is rare or scarce due to factors such as the biological cycle of the plant on which it is based, overexploitation and changes in the ecosystem.</p>	<ul style="list-style-type: none"> • Resource map; • Extraction pattern; • Trends and reasons for changes. 	<p>This information is best provided by those who collect the resources (the collectors) and can be gathered during the initial workshop. Be sure to ask questions that address not only product supply, but also the issue of labour needed to collect the product.</p>
<p>Impact of harvesting on survival of species The economic value of a product may increase as a result of marketing and this may lead to over harvesting. The ecological impacts of harvesting have not been assessed and such assessment is overly costly or time-consuming.</p>	<ul style="list-style-type: none"> • Current harvesting techniques and their impact on the stock of the species; • Alternative techniques to reduce negative impacts on the survival of the species. 	<p>This information can be obtained from local collectors during the initial workshop as well as from resource people during a survey or meeting at the provincial level.</p>
<p>Domestication possibilities The resource is not or cannot be domesticated, or domestication is time-consuming, costly and complicated.</p>	<ul style="list-style-type: none"> • Local experience with domestication of the resource; • Experience in domestication of the resource elsewhere, and its results, conditions and costs. 	<p>This information can be obtained from local collectors during the initial workshop as well as from resource people during the survey or meeting at the provincial level. This criterion may not be cause for elimination unless it is combined with the two criteria above. If a product is in low density and cannot be harvested without a negative impact, then unless it can be domesticated, it needs to be eliminated.</p>

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ELIMINATION CRITERIA	INFORMATION NEEDED TO ASSESS THE CRITERIA	POSSIBLE SOURCES OF INFORMATION
SOCIAL/CULTURAL		
<p>Regenerative potential The regenerative potential of the product is very low or there is uncertainty regarding its capacity to regenerate.</p>	<ul style="list-style-type: none"> • Life cycle of the natural resource; • Existence of research and experience in how to shorten the life cycle and get products more rapidly. Results and costs of this research. 	<p>This information can be obtained from local collectors during the initial workshop as well as from resource people during the survey or meeting at the provincial level.</p>
<p>Willingness to participate Interest in marketing this product is weak. Potential entrepreneurs must show initiative and be willing to act as economically responsible actors, not simply as beneficiaries.</p>	<ul style="list-style-type: none"> • Do the potential entrepreneurs need to find alternative economic activities to increase their income? • Are the potential entrepreneurs involved in business activities and ready to become actors in the value chain? 	<p>This information should have been checked during Step 1 of Phase 1, but can be investigated further during the initial workshop at this stage.</p>
<p>Social/cultural restrictions Religious and cultural beliefs might prevent the community from exploiting of some products or prohibit women from working with them.</p>	<ul style="list-style-type: none"> • Why are some products traded elsewhere but not locally? • Beliefs that can influence the exploitation of certain products. 	<p>This information can be obtained from local potential entrepreneurs during the initial workshop.</p>
LEGAL/INSTITUTIONAL		
<p>Policy constraints There are legal restrictions on the collection, processing, transportation and trading of a product.</p>	<ul style="list-style-type: none"> • List of rules and regulations on collection, processing, transportation, and trading of a product; • Enforcement measures of those rules and regulations; • Level of knowledge and/or understanding about the existing laws and regulations amongst the potential entrepreneurs. 	<p>This information can be obtained from potential entrepreneurs during the initial workshop, through a local survey carried out by the TG members, or through a survey or a meeting of direct and indirect actors at the provincial level as well from literature from the Government offices (Forests, industry Ministry etc). The information should be verified with a national level NGO or experts familiar with the policy environment in the country.</p>

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ELIMINATION CRITERIA	INFORMATION NEEDED TO ASSESS THE CRITERIA	POSSIBLE SOURCES OF INFORMATION
TECHNOLOGY		
<p>Human resources/expertise The level of knowledge and expertise required for the extraction, processing, marketing and development of a product is low. Improving the levels of knowledge and expertise is time-consuming and expensive.</p>	<ul style="list-style-type: none"> • Human resources currently available; skills; training opportunities for men and women; current assistance from agencies and institutions; available techniques, equipment and tools; training materials; • Type of processing used and list of processing units. 	<p>Information on current number of experienced and knowledgeable individuals can be collected during the initial workshop while information on individuals with experience in production specifically can be obtained through a short local survey by the TG members, or through a survey or a meeting of direct and indirect actors at the provincial level</p>
<p>Infrastructure and communications The physical infrastructure (roads, rivers, etc.) is inadequate for transporting the goods, which severely restricts the potential for marketing the product.</p>	<ul style="list-style-type: none"> • Current status of infrastructure; • Seasonal practicability to move goods throughout the year; • Transportation means and costs; • Telecommunications and Internet infrastructure and level of experience in using them. 	<p>This information can be obtained from the potential entrepreneurs during the initial workshop.</p>

Some principles to use when collecting information:

- Use the table during the workshop to gather general information on resources and products available and to understand the main constraints. At this stage, it is not necessary to gather information on the same products from many informants.
- Remember these criteria are indicative and a judgment needs to be made as to whether they are relevant to your circumstances or not.
- Take social issues into account throughout the MA&D process. In this phase, it is absolutely necessary to assess the acceptability of the potential enterprises and to evaluate their potential impact on the community. When adapting the above table to your own circumstances, try to understand the relative role of each subgroup (such as women, children and the poorest people) and the role of particular products within each group.



Tool 10 – Example of forms for recording data collected from informants

Sample Form 1: Production/trading data – market/economy area of enterprise development

Products	Time spent travelling from home to harvesting or production site	Quantity produced per day	Production season (list the months in the year)	Storage time between production and sale	Production activities (by % men/ women/ children)	Storage place	Traditional management method (planting, rotation etc.)	Protection method (from theft, animals, etc.)

Sample Form 2: Production costs – market/economy area of enterprise development

Products	Main market places	Time needed to reach the market places	Production activities (by % men/ women/ children)	Means of transport	Costs of transporting goods to market places	Number of trips to the market places for selling	Amount of tax/legal fees paid	Problems encountered Other Costs





Sample Form 3: Experience of the potential entrepreneurs in receiving credit – market area of enterprise development

Credit source	Amount	Recipients (% men/ women)	Sponsoring group	Purpose	Credit Term	Interest rate	Reimbursement	Other credit needs



Tool 11 – Example 1: determining products for elimination

District:..... Village:.....

Products Resources	Criteria for elimination (x), or where more information is needed					Elimination
	Market/ Economy	Resource/ Environment	Social/ Cultural	Legal/ Institutional	Technology	
 Wild honey	x Far from village	x Rapid decrease	x Not feasible for women			
 Rattan	x Far from village	x Depletion				
 Wild life	High demand	x Depleted		x Banned/Illegal to utilize as a 'product'		
 Palm leaves	More information needed				More information needed	
Etc.						



Tool 12 – Example 2: determining products for elimination

Resource/products	Elimination	Criteria for elimination, or areas where more information is needed				
		Market/ Finance	Resource Management	Social/ Cultural	Legal Institutional	Technology
Wild honey						
Fern tree					Need more information	
Wildlife	X		Banned			
Fuel wood						
Charcoal	X				Legal restriction	
Wooden farm tools		Need more information				
Rope from bark tree	X	Low value				
Long pepper						
Tree seeds		Need more information				Need more information
Liana (2 types)						
Forest cardamom						
Forest coffee						
Timber	X	Risk of depletion			Legal restriction	
Palm leaves						
Palm leave mats		Need more information				
Beer ferment (gesho)						
Bee hives	X			Benefit only low number of peoples		
Grinding stone	X			Benefit only low number of peoples		
Mushroom		Need more information				
Fish						

• “X” indicates that the product has been eliminated.

• “Need more information” means that additional information is needed to determine to decide whether to eliminate a product.



Tool 13 – The experience of participants in belonging to groups

Village:.....

Activities for which you organized groups in the past	Outcomes of belonging to groups		Outcomes for those working individually		Describe how the groups were formed	Describe the rules for operating group activities
	Strengths	Weaknesses	Strengths	Weaknesses		



Tool 14 – Exercise: the benefits of group-based enterprises

Split the participants into groups and ask them to list the possible benefits of working in groups.

The following are some of the answers you may receive:

- Groups are more effective for training and information sharing.
- Groups have more leverage for negotiation and can find better markets.
- Group can set common pricing.
- Group work can save time as tasks are distributed among members.
- Groups can negotiate lower costs with suppliers and reduce production costs (e.g. transportation, handling, etc).
- Groups can produce a higher quantity of goods by working together jointly.
- Groups can obtain better prices (selling and buying).

One individual can belong to several groups of enterprises, providing that he or she has sufficient time and inclination.

- Participation in a group may be a condition to get and manage specific sources of finance.



Tool 15 – Institutional analysis

Purpose:

The purpose of this tool is to help entrepreneurs study and analyse the institutional environment, both within and outside of their village. It is important to understand the various roles played by institutions in the village and the links between them to ensure the smooth functioning of the project.

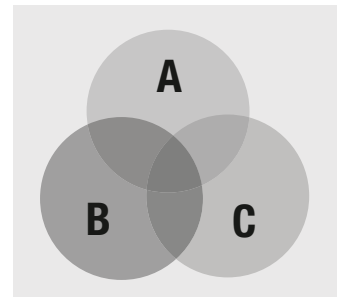
Using the Venn Diagram, potential entrepreneurs can visually represent their relationships with the different institutions as well as the relationships between the institutions.

Institutional analysis will help participants to:

- clarify their perceptions about the relative importance and influence of local institutions;
- understand that they should not create a new organization if one already exists;
- consider the strengths and weaknesses of local institutions and their possible contributions (or constraints) to the development of the enterprises.

Drawing a Venn diagram:

1. Group participants according to their interest in similar products or based on existing groups.
2. Ask each group to draw circles on paper (or on the ground), each representing a local group, organization and institution they have contact with:
 - The sizes of the circles will depend on the importance of the groups, organizations or institutions.
 - The circles may overlap to indicate formal relationships (for example contracts) between some of the local groups.
 - Smaller circles can be inserted inside a bigger circle if, for example, an informal group of entrepreneurs is part of an umbrella organization of other entrepreneurs.
3. Ask each group to present their diagram to all participants and to explain the relationships between the circles.
4. Facilitate a discussion between the groups and analyse which institutional relationships should be developed further to support enterprise development.





Tool 16 – Reviewing the outputs of Phase 1

Outputs of Phase 1	Field site.....	Field site.....	Field site.....
Short-listed products			
Main areas for further research in Phase 2			
Potential entrepreneurs who want to continue to Phase 2			

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**The Field Facilitator Guidelines:
Carrying out surveys
to select products
and identify enterprise ideas**

MODULE 2



The Field Facilitator Guidelines:
Carrying out surveys
to select products
and identify enterprise ideas

MODULE 2



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Symbols used in the FFGs:



Key information the trainer should understand in depth before facilitating the training session



Detailed instructions on organizing a training session



Learning objectives of a workshop



Training material necessary for the session
(to be prepared and adapted from the training tools)



Training tools available from the tool section of the FFG and needed for the session



Facilitation tips



Useful information or advice



Reference to the Field Facilitator Guidelines



Reference to the MA&D manual



Field form for use by entrepreneurs and explained by the facilitator during the workshop or meetings



Tools used by the facilitator during the workshop or meetings



Theoretical information on topics dealt with during the workshops or meetings



Activity to promote gender balance

PHASE 2: CARRYING OUT SURVEYS TO SELECT PRODUCTS AND IDENTIFY ENTERPRISE IDEAS

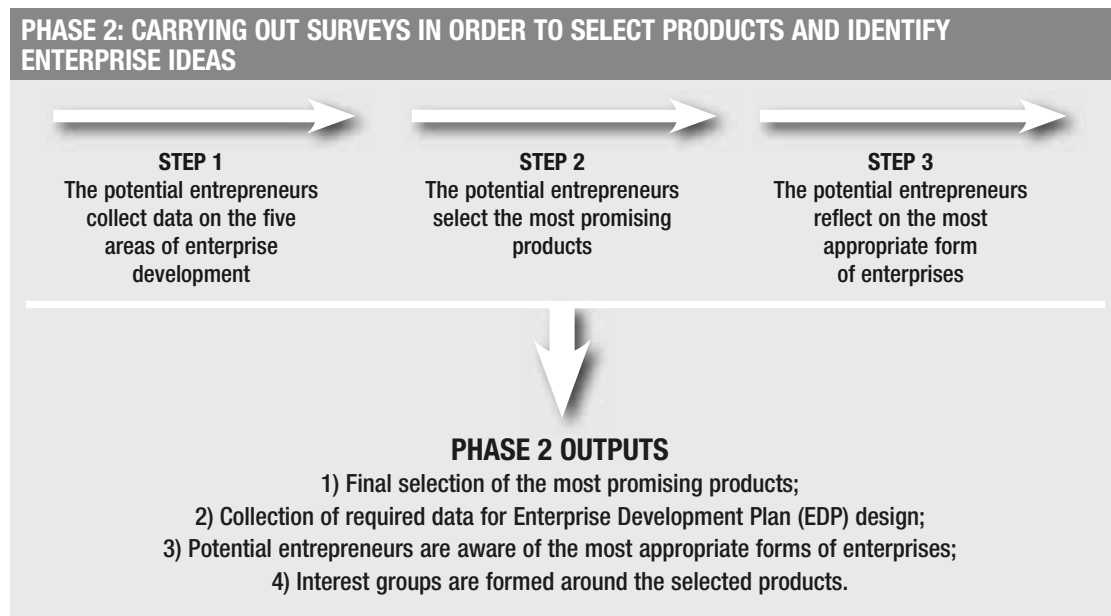
Introduction

At this stage you have completed Phase 1 of the MA&D process (as detailed in the previous section Field Facilitator Guidelines Phase 1 of the MA&D process: Assess the Existing Situation). An initial group of potential entrepreneurs has been identified, and this group has created a short-list of potential resources and products to be further evaluated in Phase 2.

Your role as a facilitator will be to help the group to learn the rationale and the basics for implementing Phase 2. However, before you do this, take the time to learn about Phase 2 yourself.



Do not let too much time pass between Phases 1 and 2 in order to maintain the enthusiasm of the potential entrepreneurs.



1. The main objectives of Phase 2

Phase 2 aims to help potential entrepreneurs to select the best products and enterprise options and to collect all information required to design the EDP in Phase 3.

In Phase 2, participants will:

- gather information for analysing (according to the five areas of enterprise development) the feasibility of the products that were short-listed during Phase 1;
- determine the most viable enterprises;
- consider the most appropriate kinds of enterprises and analyse the data collected in Step 1 of Phase 2 to refine the enterprise ideas;
- reflect on the most appropriate way to raise capital to finance the enterprises.





2. Linking Phases 1 and 2

It is important to organize activities in order to link Phases 1 and 2. For this, it is suggested that a workshop be organized with the potential entrepreneurs to prepare for the implementation of Phase 2. The main activities to be conducted during this workshop are:

- a review of the results of Phase 1;
- an explanation of the Phase 2 objectives and the process.



Organize your training session on “Linking Phases 1 and 2”

	<p>2 hours: To take place at the beginning of the first Phase 2 workshop</p>
<p>Learning objectives</p> 	<p>At the end of the session participants will have:</p> <ul style="list-style-type: none"> • given you their feedback on the process and the outputs of Phase 1; • gained an understanding of Phase 2 of the MA&D process.
<p>Learning materials for the session</p> 	<ul style="list-style-type: none"> • Map of the MA&D process; • filter diagram on a flipchart; • outputs of Phase 1 written on a flipchart (see suggestions in Tool 1); • post-it notes.
<p>Training Tools</p> 	<ul style="list-style-type: none"> • Tool 1 – Review of Phase 1 outputs; • Tool 18 – Fishbowl discussion.

Facilitating the session

1. Organize a meeting with the potential entrepreneurs that have expressed an interest in participating in Phase 2.
2. Start the session by showing on the MA&D map where participants are in the MA&D process. Explain that during this session they will review the outcomes of Phase 1, and prepare for Phase 2 implementation.
3. Reviewing Phase 1:
 - Ask a participant to recall the methods used in Phase 1.
 - Review the results from Phase 1 on a flipchart.
 - Invite participants to display their short-lists in the room.
 - Ask participants to look around and write questions and remarks about Phase 1 on post-its.
 - Generate a discussion based on these remarks and questions using the fishbowl methodology. You can raise the following questions:
 - Discuss and justify the list of short-listed products developed during Phase 1.
 - What went well in Phase 1? What was easy? What was difficult?
 - What went wrong in Phase 1? How did you deal with it?
 - What would you do differently the next time?

See Tool 18 for more on organizing a fishbowl discussion.
4. Explain the objectives, steps and outputs of Phase 2, emphasising that the aim is to select the best products from the list of those already short-listed during Phase 1.

Continued on next page

Facilitation tips



- Some products (especially from existing enterprises) will be ready to be chosen in Phase 2, while for others, it may be necessary to acquire more information before a final selection can be made.

STEP 1: The potential entrepreneurs collect data on the five areas of enterprise development

The first workshop organized in Phase 2 aims at reviewing the outputs of Phase 1 and introducing Phase 2. By now, you will be ready to support participants to prepare and conduct a value-chain analysis for the products they have short-listed.



In this step, participants prepare surveys in order to collect additional information.

Before investing time and energy in setting up a business, entrepreneurs should do a feasibility study to identify the best products on their short-list. This study will cover all five areas of enterprise development. Entrepreneurs should, however, start with a market survey because if there is no market for the products then it is not necessary to continue with the enterprise development process.

Step 1 of Phase 2 is a value-chain analysis

Before the entrepreneurs seek to link up with markets and services, it is necessary to understand the existing value-chains. This is the purpose of Step 1 of Phase 2.



MA&D is not a traditional value-chain development methodology. It does not aim at developing products whose potential has been assumed by the project initiator. Instead, MA&D applies value-chain analysis to help entrepreneurs identify products, markets and means of developing enterprises that best fit their needs and circumstances.

The value-chain analysis used in MA&D is unique because:

- It applies to natural resources and forest products. It screens the resources and their ecological areas since the future enterprises will depend on the ecological sustainability of the resources. As a consequence,

the MA&D value-chain analysis includes a checklist of information on resource status and management possibilities because those can increase the potential of forest products.





- MA&D initiatives are not product development oriented but rather focus on support to groups of potential entrepreneurs.
- The methods and tools used in the process are highly participatory. They require a high degree of involvement by the entrepreneurs during the process, which allows them to take ownership of their own projects.

Whatever the size of the enterprise, the value-chain and business environment analysis uses a variety of tools to collect the information needed about the five areas of enterprise development.

Step 1 starts with the potential entrepreneurs that have expressed an interest in participating in Phase 2. At the end of Phase 1, the group will have appointed some of its members to conduct surveys on its behalf. From this point on, the workshop will continue with the data collectors only.



Organize your training session on “Collecting data on the five areas of enterprise development”

	<p>1-2 days</p>
<p>Learning objectives</p> 	<p>At the end of the session:</p> <ul style="list-style-type: none"> • Potential entrepreneurs will have prepared surveys for analysing the value-chain of the short-listed products and will have an understanding of the business environment in their area. • Data collectors will be able to apply basic observation and interview skills. • The necessary resources for implementing Phase 2 (time, logistics, and budget) will be mobilized.
<p>Learning materials for the session</p> 	<ul style="list-style-type: none"> • copies of the MA&D process map; • copies of the Filter Diagram; • outputs of Phase 1 written on a flipchart; • definition of “value-chain” written on a flipchart; • a flipchart with the headings “direct and indirect actors” written.
<p>Training Tools</p> 	<ul style="list-style-type: none"> • Tool 2 – Exercise: list the indirect actors who may influence the transfer of products from one direct actor to another; • Tool 3 – Identifying the criteria for product selection; • Tool 4 – Checklist of criteria that may be used to select products in Phase 2; • Tool 5 – Conducting a market survey in Phase 2; • Tool 6 – Sources of information in the Market/Economic/Finance area; • Tool 7 – Gathering information on financing an enterprise; • Tool 8 – Options for raising investment capital; • Tool 9 – Gathering information about local resources; • Tool 10 – Participatory mapping of forest resources; • Tool 10A – Forest transect walk; <p>A transect walk is a tool used for describing and showing the location and distribution of resources, features, landscapes and mainland uses along a given transect. It is used in addition to other participatory tools like resource mapping, social mapping, timelines, seasonal calendars, etc.</p> <p>A transect walk can be used for:</p> <ul style="list-style-type: none"> • Gathering preliminary information about resources (quantity of supply available, regeneration potential of the species); • Identifying and explaining the cause and effect relationships between the forest and human activities; • Revealing major opportunities and difficulties perceived by different groups of users in relation to forest and natural resource features or areas along the transect;

Continued on next page

- Learning about local forest protection or exploitation practices;
- Assisting in site selection;
- Triangulating data collected using other tools.

A transect walk is a simple tool easily adopted and replicated at the community level. It requires simple materials – paper, markers and pens – to diagram the walk and to record the discussion generated during the diagram development. If the diagram is drawn on the ground, then a large area will be needed, as well as sticks, stones, leaves and seeds, to represent features on the diagram.

Two to three hours should be allowed for a transect walk, including time to produce and analyse a transect diagram and ensure that a full discussion occurs with local resource persons. In large areas, it is advised to divide the transect walk into smaller transect segments that can be combined later.

The main activities to carry out include:

1. Select local resource people who can talk about their perceptions of the community and its resources. It may be useful to have separate groups of men and women because the two groups are likely to attach value to different resources. It also might be necessary to break down the group into further categories based on as ethnicity, well-being category or caste. The selection should reflect any important social divisions.
2. Check that the local resource people understand the objectives of the walk.
3. Discuss with the resource people the route they would like to follow on the walk. The route should cover the main types of resources available in the area. Start at the edge of the area and begin the walk. Stop at key features or at regular intervals. Ask the resource people to describe the key characteristics of the resources they see. Facilitate the discussion by asking questions about the details and by making observations. Record the details provided by the resource people and draw sketches where necessary. Deviate from the path when useful, or even at random, to observe the surrounding area and to gather relevant and useful information. Interview people you meet along the way to obtain local perspectives. After finishing the transect walk, prepare a diagram of the walk using the information you have gathered. The diagram can be prepared on a large sheet of paper or on the ground. On the top line, illustrate the different zones visited by the local resource people. On the side, list headings noting the areas of interest (plants, land use, problems, and so on) and then fill in the details of what was observed in each zone.
4. Analyze the transect diagram using the following questions:
 - What resources are abundant or scarce?
 - Do the quantities of these resources change through the area?

Continued on next page

	<ul style="list-style-type: none"> • Which resources pose the greatest number of challenges for use? • Where do people obtain water and firewood? • Where do livestock graze? • What opportunities are there for resource exploitation in the different areas? <p>It might be useful to ask them to draw a series of diagrams to illustrate changes observed over time.</p> <p>5. Present the diagram to other community members for their reaction and comments.</p> <ul style="list-style-type: none"> • Tool 11 – Gathering information in the Social and Cultural areas; • Tool 12 – Activity calendar; • Tool 13 – Gathering information in the Legal/Institutional area; • Tool 14 – Gathering information in the Technology area; • Tool 15 – Gathering information at national and international levels; • Tool 16 – Information to be collected: What, where and who; • Tool 17 – Information gathering in MA&D; • Tool 19 – Compile and present Phase 2 Step 1 survey results; • Tool 20 – Example of a simple market chains map; • Tool 21 – Market data; • Tool 22 – Broad estimate of product market size; • Tool 23 – Production and sales calendars; • Tool 24 – Example of a production process for traditional Karite soap; • Tool 25 – Identifying data collectors for local surveys in Phase 2; • Tool 27 – Action Plan for field work in Phase 2.
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Facilitating the session

1. The filter diagram:

- Show the filter diagram and explain that participants will use the same filter as in Phase 1 with the difference that now they must gather the information only on the short-listed products. They now need to look at constraints and opportunities.
- The objective is to determine the best products for their enterprises.

2. Compare products' strengths:

- Explain that in order to compare the strength of the products, participants need to first analyse their value-chains.
- Understanding value-chain analysis:
 - Remind participants of the definition of direct and indirect actors (Section 4, FFG Introduction Module).
 - Split the participants into small groups and ask them to think about a market chain for a product they know.
 - Distribute Tool 2 and ask participants to list the direct actors in the market chain from harvesting to the consumers, as well as the indirect actors needed to bring the product to the consumers. At the end of the exercise, explain that all the activities of the direct actors and the indirect actors form part of the value-chain for a product.
 - In plenary, generate a discussion about the number of actors in a market chain for a specific product. Discuss the strengths and weaknesses of each actor. Emphasise that these strengths and weaknesses can only be assessed after information has been collected at each stage of the chain.

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- Conclude by putting up on the wall the flipchart with the definition of value-chain (see definition in the glossary).
- Stress that an analysis of the value-chain is needed to decide upon the best strategy to enter the chain, at what point, and how to improve one's position in the chain.

3. List the criteria, information needs, information sources and methods of collecting information in each village and/or district (or province):

- Help participants to develop a list of criteria, information needs, information sources and methods for collecting information at the village and district (or province).
 - Make sure they focus on the products short-listed during Phase 1.
 - Ask participants which criteria they would use to qualify a product as well suited for the market. Use Tools 3 and 4 to ensure that all criteria from the five areas of enterprise development are included.



Spend the necessary time to ensure that all participants understand the meaning of all criteria. Reformulate the criteria if needed to make them more understandable.

The checklist of possible criteria (Tool 4) is indicative only. Adapt it to the context of the participants. It is not necessary to use all of the criteria. Between 2-4 criteria per enterprise development area are sufficient.

The following session is optional, depending on whether or not participants are experienced in data collection.

- Ask potential entrepreneurs to list information necessary for checking these criteria. If the participants do not know yet what information is critical for enterprise development in the five areas, you will need to explain it to them as well as to define the tools and methods needed to collect the information.
- Ask participants to describe traditional methods for collecting information.
- Explain that it is important to be selective and strategic about information collection in order to use limited resources efficiently.
- Give examples of cost effective methods of collecting information.
- Split the participants into groups and ask them to list the different tools and methods they know. Groups should subsequently share their findings in plenary. Classify the methods into subgroups: one for the indirect methods of collecting information and another one for the direct methods of collecting information.
- Describe the types of materials that can be used in collecting information and the benefits and potential risks associated with using these materials.
- Reinforce the need to verify secondary sources with primary sources of information. Describe the different ways of collecting data such as through PRA, focus group interviews and observation. Get feedback from participants on their experience with each of these tools and their suggestions. Give examples of structured and semi-structured types of questions. Give examples and gather examples from participants of methods of interviewing and mistakes to avoid. If desired, you can use role play followed by discussion.
- Explain how to prepare a survey field plan and daily review.
- Ask participants to give examples (in sub-groups) of criteria for selection and methods that they would use for identifying informants in a project area.

Use Tools 5 to 15 to facilitate the session.

- If participants already know what information they need to collect, continue with this activity. Form five groups and ask each to consider one of the areas of enterprise development and to list the possible criteria, information needs and possible methods of information gathering by:

Continued on next page

- listing the information needed to assess the criteria;
- identifying the information they already have;
- listing the information that is still needed for each product. This information should be filled in the column “missing information” in Tool 16.
- Once the previous exercise is done, provide participants with the general checklist of possible information to collect under the five areas of enterprise development. The checklist is available in Tool 15.
- Clarify the scope of the surveys:
 - Surveys are done to clarify the constraints relating to a product and its potential for improvement. As a consequence, data needs to be collected on land tenure arrangements and/or constraints, on appropriate technologies available, on quality standards, on possible buyers, etc. Participants may be reminded of the concept of value addition at this point if necessary (see FFG Module 1 for detailed information).
 - Surveys can also be used to identify support institutions.
- Ask participants to identify a list of informants.
 - Facilitate a discussion about the three surveys required (within the district, within the province and outside the province).
 - In small groups, participants should take 45 minutes to fill in the table “Information to be collected: What, where and who”, available in Tool 16.
 - When the time is up, ask participants to present their findings to plenary.
 - Provide feedback to participants on their adaptation of the surveys for their projects.
- Present the various tools needed to collect data during the surveys:
 - the market chains map (see Tool 20)
 - the market data tables (see Tool 21)
 - the production and sales calendars (see Tool 23)
 - the production process example (see Tool 24)
- Finally, ask participants to identify some of their group members who will conduct the Phase 2 surveys on their behalf. For this process, participants will use Tool 25.

Once the data collectors have been identified, the workshop continues with them only.

4. Planning the schedule:

- Ask data collectors to plan the timing of the surveys using Tool 26.
- Indicate that the time needed will depend on the area of the research, the number and complexity of the products involved, the number of team members and their skills. It will also depend on the complexity of the market chains for the chosen products and the accessibility of market information. It can take between one and three weeks, or longer if the international level is included.
- Stress that data collectors may not be in a position to get all required information as in some cases it may be inaccessible.
- Indicate that collectors may need to link up with partners to collect information. Identify possible partners for information gathering.

5. The complexity of gathering information from direct sources:

- Explain that gathering information from direct sources through interviews and observation is complex and difficult. A common problem is that not enough care is given to the preparation of the various tools and worksheets, and not enough thought is given to the purpose the information will serve. Explain that collectors

Continued on next page

must be sure that information is valid and reliable. You will need to train collectors in observation and interview methods. Guidelines for techniques in information gathering are provided in Tools 17.

6. After the workshop, estimate the time, human resources, logistics and budget that will be needed for information gathering. For this estimate, use Tool 27.



The costs involved in Phase 2 are mainly related to staff time, transport and communication. The survey team needs to follow products along marketing chains in person or by using telecommunications. If the market system of a product is limited to the district or province, then the costs should be limited. On the other hand, if the market chain is long and the consumers are located far from the project sites, then the market survey may take longer and the costs will be higher.

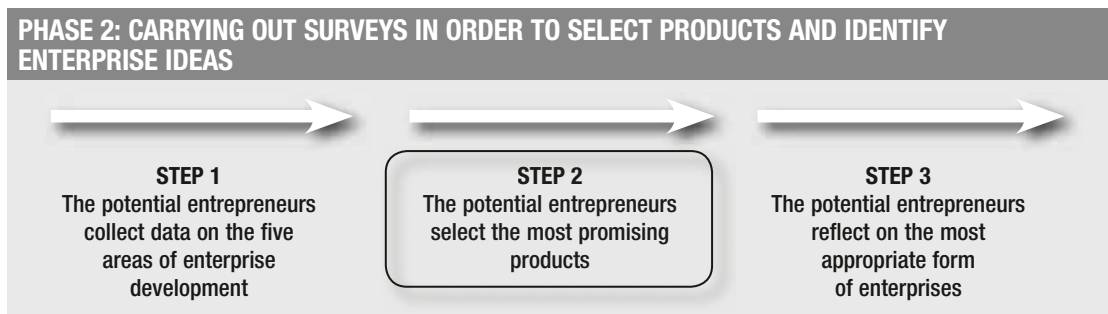
In case it is difficult for the data collectors to carry out the surveys from a distance, a partner can be identified to conduct the survey at the national or international levels. This will significantly increase the budget.

Facilitation tips



- Social aspects continue to be an important concern in Phase 2. Be sure that data collectors include both men and women.
- Ensure that data is collected and recorded in such a way as to be able to distinguish feedback from men versus feedback from women. Data must be collected from both women and men. Information may be collected through interviews, focus group discussions or observation. In each case, both men and women should have the opportunity to express their opinions. If necessary, data collection should occur in separate groups.
- Collectors will need to determine how much information to collect and should be careful not to get caught up in collecting too much data.
- Collectors will also need to remember to consider side production activities of the main product, such as honey and wax, or timber production and firewood/charcoal.

STEP 2: The potential entrepreneurs select the best products



During Step 1, surveys were conducted at the local and national levels. In Step 2, the potential entrepreneurs identify the opportunities and the constraints related to their proposed products. The objective is to select the most promising products for the future enterprises.

To do so, you will organize workshops for all members of the potential entrepreneurs group, including those not participating in the information gathering process. During the workshops, the results of Step 1 surveys will be shared and the most promising products will be presented. Potential entrepreneurs will need to be assisted to analyse further the results of the value-chain analysis and carefully assess the selected products.



Organize your training session on “Selecting the Best Products”

	<p>½-1 day:</p> <ul style="list-style-type: none"> • This session should be timed according to the size of the potential entrepreneur group and the number of products
<p>Learning objectives</p>	<p>At the end of the session:</p> <ul style="list-style-type: none"> • Data collectors have shared the results of surveys they carried out to assess the value-chains. • Potential entrepreneurs have identified opportunities and constraints, ranked products and selected the most promising.
<p>Learning materials for the session</p>	<ul style="list-style-type: none"> • MA&D process map; • filter diagram; • list of products short-listed in Phase 1; • Tool 30 – Table of possible criteria reproduced on a flipchart; • Tool 31 – Table for comparing the products’ scores reproduced on a flipchart; • the compiled data from the surveys on flipcharts and hand outs; • the list of product selection criteria used in Step 1.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 19 – Compile and present Phase 2 Step 1 survey results; • Tool 20 – Example of a simple market chains map; • Tool 21 – Market data; • Tool 22 – Broad estimate of product market size; • Tool 23 – Production and sales calendars; • Tool 24 – Example of a production process; • Tool 29 – Product Assessment Table; • Tool 30 – Checklist of product selection criteria and related scoring; • Tool 31 – Comparison of product scores.

Facilitating the session

1. Start the session by showing the MA&D filter diagram and introduce the purpose of Step 2. Stress that your role in this workshop will be to help them to rank the products by themselves, not to do it for them. Explain that by the end of Phase 2, the objective is to have a list of the most promising products.
2. Sharing the results of the survey of the market environment:
 - Ask data collectors to present a compilation of the results of their surveys (results must be compiled before the workshop using the tools presented during the previous workshop).
 - Ask them to use the data compilation formats (see Tools 19 to 24).
 - Present the main results of the national (or international) surveys. You can either do this yourself or ask a member of the survey team to do it.

Continued on next page

- Ask a few questions about the national data to make sure that participants understand and use it when selecting their products.
3. Analyzing the data by identifying opportunities and constraints and filling in the Product Assessment Table (Tool 29):
- Show the Product Assessment Table and explain that it serves to analyse information in depth.
 - Split participants into small groups. Ask them to assess each product and to justify their assessments based on the collected data:
 - Help them to list the opportunities and positive aspects for each product (first row of the table).
 - Help them to list constraints that need to be overcome in order to improve the current status of a product (second row of the table).
 - Help them to classify opportunities and constraints within the five areas of enterprise development, and to list the possible solutions to the constraints (third row of the table).
 - Since the product assessment exercise can have a powerful impact on the further selection of products, hold a discussion on the criteria that emerge from this exercise. These new criteria should be added to the other selection criteria.
 - You may decide to organize more than one assessment exercise, as needed.
 - Stress that the table should be filled in for the initial products they surveyed and also for new products.
4. Ranking and selecting the most promising products:
- Explain to the participants that they are going to select the most promising products. For that, they will first need to update the selection criteria list using Tool 30, then they will compare product scores using Tool 31.
 - Usually, a single product will not satisfy the needs of all the potential entrepreneurs, especially in a heterogeneous social context. It thus is important to select several products. A large selection of products will better reflect the social diversity and expectations of the potential entrepreneur group.
 - Show participants the table used to compare products score (Tool 31) that you have reproduced on a flipchart.
 - Ask the participants to go back to the list of criteria they have defined in Step 1 and to update it by checking:
 - Whether the criteria are still all relevant.
 - Whether they need to add new criteria after the product assessment exercise.
 - Check that all participants are clear about the meaning of all criteria.
 - Encourage suggestions, changes or addition of criteria.
 - A checklist of potential criteria is proposed in Tool 30.
 - The criteria are classified under the five areas of enterprise development: Market/Economy; Natural resource management/Environment; Social/Cultural; Legal/Institutional and Technology/Product research/Development. With respect to resource management, two different formats can be used, one for harvested products and one for cultivated products.
 - Ask a volunteer to come to the flipchart and write the final criteria in the first column of the table (Tool 31).
 - Ask the volunteer to add a short-listed product at the top of each column. Products should be described in a descriptive way. For example, specify rattan chairs and not just rattan, berry jam and not just berries.
 - Explain it is necessary to define the scoring conventions to assess the criteria. Explain that a positive feature will get a high score while a major constraint will get a low score.
 - For each product, participants should assign the corresponding scores.
 - Facilitate the selection exercise in plenary session by asking participants to check each product against the selection criteria and to rank them accordingly.

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The participants must select the products themselves. Their participation will reinforce their ownership of the process.

5. Analyzing the result of the comparison of products' scores:

- Once all criteria for a product are scored, participants make up the total for each product within each of the five areas and compare product scores.
- Explain that the scores are only to be used as indicators of strengths and weaknesses. They are not a precise measuring tool. The highest scores indicate the products with the least constraints and therefore the most economically viable.
- Discuss and analyse the scores with the participants:
 - Review the products with the highest, the lowest and the median scores.
 - Ask whether participants agree to reject the products with the low scores or whether they need additional information before taking that decision.
 - Review the strengths and weaknesses by pointing out the subtotals of each area of enterprise development for a given product.
 - If participants think that more information is needed, use the Table in Tool 27 and agree upon a new meeting date (information will have to be available then).
- Ask participants how weaknesses could be addressed:
 - Add their suggestions in the Product Assessment table, Tool 29
 - Focus on the most severe constraints such as lack of investment capital, low supply of natural resource, low management capacity or complexity of the technology.

Facilitation tips



- Not all potential entrepreneurs may be able to attend the workshop but make sure that data collectors are present together with a representative number of potential entrepreneurs for each of the main products, as well as members of the subgroups of the potential entrepreneurs group (women, impoverished, etc.).
- Put several flipcharts together to create a very large table showing product scores (Tool 31). It is very important to select the products during the plenary session.
- Visual representations can be very helpful (for example to explain some of the criteria), especially when participants have limited reading skills.
- The ranking obtained during this session is a relative ranking, comparing products to each other. Sometimes, it will be necessary to change, add or remove some parameters for short-listing or elimination.

STEP 3: **The potential entrepreneurs reflect on the most appropriate form of enterprises**



The potential entrepreneurs have prioritized products in Step 2. Now, before refining their enterprise ideas (this will be detailed in Step 1 Phase 3), participants will think about the possible ways to develop and register an enterprise. At this stage, the benefits of collaboration amongst entrepreneurs are usually clear and participants can start thinking about the characteristics of a healthy enterprise group.



Organize your training session on “Reflecting on the Most Appropriate Kind of Enterprises”

	<p>2-3 hours:</p> <ul style="list-style-type: none"> • This session will take place once the product selection ranking exercise has been accomplished (usually takes place during the same workshop as Step 2 – Phase 2, however it can occur at another time if necessary).
<p>Learning objectives</p>	<p>At the end of the session participants will:</p> <ul style="list-style-type: none"> • Understand the benefits of collaboration; • Understand the characteristics of the different kinds of enterprises and enterprise groups available in their country; • Be able to decide whether enterprise registration is needed; • Understand the characteristics of a healthy enterprise group.
<p>Learning materials for the session</p>	<ul style="list-style-type: none"> • MA&D process map; • filter diagram; • results of Tools 18 and 19 of Module 1 (Phase 1 – Step 6); • data about the selected products collected during the surveys, on flipcharts and handouts; • data about possible enterprise status collected during the surveys, on flipcharts and handouts.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 14 – Gathering information in the technology area; • Tool 32 – Selecting the kind of enterprise to adopt; • Tool 33 – Choosing the most appropriate legal structure for the enterprise; • Tool 34 – Checklist of key questions to help entrepreneurs to decide whether to register the enterprise; • Tool 35 – Aspects to be considered in the creation of a sustainable enterprise group.

Facilitating the session

At the end of the product ranking exercise in Phase 2, participants understand which products have the best potential for enterprise development. From now on, participants are going to focus only on the selected products and think about the type of enterprises they want to develop for these products.

1. Making up the groups:

- Ask participants to form small groups based on the type of product they have chosen to develop.

2. Reflecting on the benefits of collaboration:

- Each group should review the data collected in Step 1 of Phase 2 about their particular products as well as the outcomes of the exercise about the benefits of collaboration (Tool 14, FFG Module 1), using the relevant flipchart.

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- Ask each group to review the benefits they could experience if they were to collaborate in developing their products.
 - In the plenary session, facilitate a discussion on the reasons why they may wish to work together including:
 - ensuring larger quantities for production;
 - obtaining good quality products;
 - sharing the costs of technology;
 - other reasons identified by participants.
3. Organizing a discussion on the best ways to develop enterprises, both formal and informal. For this you can:
- Invite a guest speaker from an enterprise development service, NGO or self-help organization (even better if it is an organization of which one of the participants is a member). Ask them to present the possible forms of legal status for start-up enterprises in the country and to share their experiences about enterprise development.
 - After the intervention of the guest speakers, facilitate an analysis of the presentation using Tools 32 and 33.
4. Deciding whether to register an enterprise:
- Help the participants to analyze whether they need to register their enterprise by using Tool 34.
 - At this point, participants may not yet be able to answer all of the questions in Tool 34, but they should be thinking about them as a preparation for developing their Enterprise Development Plans in Phase 3.
5. Highlighting the benefits of enterprise groups:
- Emphasise that participants should form an enterprise group at some point. For that, it is a good idea to familiarize the participants with the concept of a “sustainable enterprise group” using Tool 35.
 - Split the participants into small groups and ask the following questions to guide their reflection on the benefits of enterprise groups:
 - What can be the composition an enterprise group? Who manages the group?
 - What do you think is a perfectly functional enterprise group? What are its strengths?
 - How can the group be efficient and managed in a transparent manner?
 - What does the group need to do to ensure its sustainability?
 - Share the reflections of the groups in plenary and complete the discussion by using the checklist presented in the Tool 34.
6. Involving other community members:
- Ask participants how they plan to involve other members of the community interested in developing enterprises with similar products.
 - Suggest that participants go back to their villages, meet with men and women who might be interested in joining their enterprise groups, and explain to them about the product selection and their motivation to start an enterprise based on those products.
 - Emphasise that it is important to identify individuals who show strong motivation and the ability to become leading entrepreneurs. Usually, three types of leader emerge:
 - Individuals with business experience such as in investigating market potential or managing small enterprises;
 - Individuals with a good education (such as retired teachers and officers) and experience in management of village affairs (these people are usually respected community leaders);

Continued on next page

- Individuals who produce specific products and have technical skills and expertise.
- Highlight that leading entrepreneurs must have the ability to motivate and lead others through demonstration and extension.
- Finally, ask participants for volunteers to act as contact persons to help organize meetings in Phase 3.
- You can also add a discussion on the role of the contact persons.

Facilitation tips



- Give enough time for the participants to spread the word in their community. They will need time to contact other potential entrepreneurs and several points will need to be clarified before they can make a decision on their engagement.
- Participants are not always sure at this point which product they want to work on, or maybe, they want to develop several products. Be flexible so that villagers feel they are free to make their own decisions.
- Be sure to gain the trust of the community members. For that, you need to be well informed about legal, political and cultural opportunities and constraints and communicate in a simple and clear manner. This can be achieved through personal preparation, as explained in the section “setting the context” in the FFG Introduction Module.

Concluding Phase 2 workshop

By now, participants in the workshop are able to communicate the results of Phase 2 to other potential entrepreneurs and the list of individuals willing to start preparing an EDP in Phase 3 has been established. If the potential entrepreneur group is large, ask whether some of the members are willing to help you prepare activities for Phase 3.

Facilitation tips



- Participants are not expected to have definitive enterprise strategies at this point. Mostly, they need to understand the tools, what they are needed for and how to use them. As a result, it will be easier for them to write their EDPs in Phase 3.
- Prepare a list of potential resource management measures applicable to the various types of resources and contexts.
- Prepare a list of potential social and cultural measures to possibly be taken in the local context.
- Very often some potential entrepreneurs are already running small businesses when the project starts. Encourage them to continue these activities.
- Community-based organizations whose objectives and membership fit with the enterprise development should start immediately. They do not need to wait for structuring, training or capital.

MA&D training – Mongolia



Tools to facilitate the training sessions¹

**“Tell me and I will forget.
Show me and I may remember.
Involve me and I will understand”.**

Confucius

¹ Tools should be adapted to the local context, language(s) and specific needs of the project.



Tool 1 – Review of Phase 1 outputs

Outputs of Phase 1	Field site.....	Field site.....	Field site.....
Short-listed products			
Main areas for further research in Phase 2			
Potential entrepreneurs who want to continue to Phase 2			



Tool 2 – Exercise: list the indirect actors who may influence the transfer of products from one direct actor to another

Direct actors in the market chain of natural and forest products	Indirect actors influencing the transfer of products from design/harvesting to final consumers				
	Market	Resource management	Legal/Cultural	Institutional	Technology
Harvester ↓ Village collector ↓ District wholesaler ↓ Transporter ↓ Processor ↓ Transporter ↓ Province wholesaler ↓ Retailer ↓ Consumer					



Tool 3 – Identifying the criteria for product selection

LIST OF THE CRITERIA ESTABLISHED BY THE POTENTIAL ENTREPRENEURS UNDER THE FIVE AREAS OF ENTERPRISE DEVELOPMENT IN ORDER TO GUIDE INFORMATION GATHERING IN PHASE 2

Market/Economy, including Financial aspects	
Natural resource management/Environment	
Social/Cultural	
Institutional/Legal	
Technology, product research and development	



Tool 4 – Checklist of criteria that may be used to select products in Phase 2

CRITERIA	EXISTING INFORMATION
<p>Market/Economy, including financial aspects</p> <ul style="list-style-type: none"> • Raw material supply • Market potential • Competition (to find a market niche) • Constraints to business entry (market channels, high financial needs, etc.) • Profitability 	
<p>Natural resource management/Environment</p> <ul style="list-style-type: none"> • Availability in time (seasonality) • Availability in space (time needed to find and harvest) • Impact of production on environment • For farm products only <ul style="list-style-type: none"> – Length of time from planting to harvest • For forest products only <ul style="list-style-type: none"> – Regenerative potential – Impact of harvesting 	
<p>Social/Cultural</p> <ul style="list-style-type: none"> • Indirect benefits for the community • Contribution to incomes • Experience with the product • Potential for employment creation • Gender impact 	
<p>Institutional/Legal</p> <ul style="list-style-type: none"> • Policy restrictions • Institutional support 	
<p>Technology, product research and development</p> <ul style="list-style-type: none"> • Suitability for rural entrepreneurs • Processing location (distance from home) • Processing technology required (complexity) • Infrastructure status • Human resources, skills and expertise • Number of people available to provide human resources 	

Note: This list of possible criteria is indicative only. It may not be necessary to use all criteria; 2-4 per area could be sufficient according to the circumstances.



Tool 5 – Conducting a market survey in Phase 2

1. Reasons to conduct a market survey

Before spending time and energy to establish an enterprise, an entrepreneur should do a feasibility study on the short-listed products to understand which are the most promising. However, the feasibility study should start with a market survey because if there is no market for the product, then it is not warranted to start an enterprise for that product, and it is not necessary to investigate the other aspects of the feasibility study.

2. What is a market chain analysis?

A market chain analysis aims at gathering information from everyone participating in marketing the product.

A market chain follows a product from the production to consumption and indicates:

- the actors participating in the chain;
- the price of the product at each level of the chain;
- the quantities produced, traded and sold;
- the production costs such as transportation or handling costs, legal fees, etc;
- the modifications of the product along the chain including their nature, cost, etc;
- the competitors and the market trends.

This analysis will help entrepreneurs select their products and develop their EDPs, as it includes information on competition, margins for distribution, marketing trends and growth potential.

The market chain analysis also includes financial information on how to obtain funds before launching a business and how to meet short-term financial needs. Potential sources of financing for the enterprise are detailed in Tool 7, How to finance the enterprise.

3. How to follow a market chain

Entrepreneurs should study their products to understand the market chain. This will involve meeting traders, shopkeepers, buyers and other producers. The more people they meet with knowledge about the product, the more they will understand the market chains and the less likely they are to fail.

To follow a product market chain, from the producer to the consumer, participants should speak with:

- Producers: Interview several producers about the quality, the form and the price of the products, as well as the



Wood products market survey – Mongolia

production and sales calendar. You will find that producers may be either harvesters or purchasers of their raw materials.

- Traders: Village collectors, traders or agents might be difficult to approach because it is possible they may be afraid that you could take their place. Not infrequently, district wholesalers like dealing directly with entrepreneurs without having to go through village collectors.
- Transporters: They are often very good informants as they usually are knowledgeable about quantity, prices, quality and problems faced by buyers and sellers.
- Shop owners: It can be very helpful to buy a sample of the product to open up the discussion.
- Consumers: Ask consumers about quality, price and time when they buy the product during the year.
- Government agencies: Government institutions usually have information about traders, industries, prices, taxes, policies, etc.

The list of information providers is not exhaustive and should be adapted to local circumstances. The information providers can be interviewed in any order.

- During the interviews, use checklists.
- Obtain most of the information through observation and interviews. Information should be validated using triangulation. For instance, observe and take notes while counting the number of vendors selling the product in the market; interview several of the vendors about the origin and destination of their products; look at prices and obtain information about constraints.
- Take time to discuss with product handlers (middle persons, retailers and consumers) in each of the links in the market chains.

4. Compiling data and analysing the results of the market survey

After interviewing the informants, data will be compiled to:

- Have a picture of the main actors, their relationships and the roles they play;
- Fill in the market analysis table, which presents the findings of the market survey (see Tools 21 and 22);
- Prepare the production and sales calendars;
- Design the production processes.

5. Using the checklists (Tools 7, 9, 11, 13, 14 and 15)

Checklists for Phase 2 include questions that may seem similar to those posed in Phase 1. However, in Phase 2, the aim of the questions and the depth of the information sought are different than in Phase 1. During the assessment carried out in Phase 1, information was gathered in order to identify severe constraints leading to the elimination of certain products, or to identify potential opportunities for the selection of other products.

In Phase 2, the survey aims at obtaining more detailed information about the short-listed products in order to assess their potential for further development. Information gatherers may already have obtained such information in Phase 1 and they can use checklists to determine what else is needed.

Remember that in Phase 2 social concerns are as important as in Phase 1. All subgroups in the potential entrepreneur groups should be represented, preferably in the information-gathering team. Their participation will give them the opportunity to assess the direct changes (increased income) and indirect changes (workload, land use, impact on other sources of income) that impact their lives as a result of the enterprises.

Two levels of surveys are considered in Phase 2:

- A local survey conducted in the community, district or province:
 - by representatives of the potential entrepreneur group under the guidance of the facilitators;
 - by the facilitator and the local implementing agency;
- A national and international survey, often conducted by the project staff or a consultant.

Note: The checklists should not be considered as rigid questionnaires, but rather as guidelines to obtain the minimum information needed. Users should adapt the checklists to their needs in order to obtain information relevant to their circumstances.

6. Conclusion

Based on the information obtained during the market chain analysis, it is possible to assess the following issues for each product:

- Product: The unique features of the product(s) (compared to others) have been described. They may include

high standards of quality, uniqueness of raw materials, on-time delivery and cultural value. Problems related to the product(s) are understood and potential solutions proposed.

- Demand: Different types of potential customers have been identified. One type of customer, for example, will buy products because of their high quality, regardless of relatively high prices; another type of customer will buy products because of their low cost. The demand analysis contributes to an understanding of potential and effective demand for the product(s).
- Promotional tools: These are understood to be current advertising or promotional methods used by the traders to attract customers for their products.
- Price structure: Information has been obtained about price variations along the market chain, from harvester to consumer. This will be used to define the pricing policy of the enterprise.
- Distribution channels: It has been made clear who controls the market channels, and their terms and conditions can be dictated to other actors. Storage and transit conditions have been noted.
- Competition: The strongest potential competitors have been identified.
- Strategic marketing alliances: Partners have been identified for strategic alliances and in order to minimize risks.
- Sales variation: Information on the quality and volume of the product available to the buyer has been obtained from potential competitors. The response to this sales survey may indicate in which month/period the customer is most likely to purchase the products. This will help in forecasting sales variations.

An unfortunate result of having inadequate information about the market chains is that the role of the middle person is often misunderstood or distorted. The middle person is often perceived as the villain, but although exploitation can occur, the services they provide should not be overlooked nor should it be assumed that they will take too much of the final price. Many studies have shown that the amount the middle person receives is not always disproportionate to their investment

The analysis of the market chains will highlight comparative advantages and opportunities or points of leverage where the activities of a middle person would be the most effective.

Projects often need strategies for reaching a large number of beneficiaries at a single stroke. An analysis of the value-chain will identify the best entry point in order to achieve maximum impact. This could mean, for instance, that a project may have a mixed strategy, supporting producers while at the same time supporting manufacturers who may need more raw materials, thus creating better conditions for the producers.



Tool 6 – Sources of information in the Market/Economic/Finance area

Market Data Table

Products	Informants	buying Price/bun	Selling Price/bun	Quality buyers/ months	Prod. Cost/bun	Tax	Stover/ year/cost	Ass. cost
- Bed	1	495	1200	30 Lvb.	1726 1221	2% (20)	—	25
	2	605	1300	25 Lvb.	465 1070	2% (20)	66	50
Kenya-Top-bar-(bee-hive)	1	150	400	160 Lvb.	257 467	2% (5)	11	2

Market data table – Malawi

Type of Information	Secondary sources of information (written)			Primary sources of information (direct inquiry)		
	Community/ District/ Province	National	International	Community/ District/ Province	National	International
Demand/ buyers		General Statistic Department records on cooperatives and small and medium enterprises	Assistance to exporters in developing countries	Local markets and consumers	Private and government producers, traders, transporters manufacturers	Private traders, import and export
Competitors			Import promotion and trade facilitation	Private and government traders and processing companies	Small cooperatives and large companies	Manufacturing companies (small and large)
Quality requirements			Offices of traders manufacturers			

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Type of Information	Secondary sources of information (written)			Primary sources of information (direct inquiry)		
	Community/ District/ Province	National	International	Community/ District/ Province	National	International
Supply/ potential quantity and calendar	Forest sustainable supply assessment report from previous projects	Bulletins of research institutes		Villages and communes Producers and traders Direct actors (private and government) participating in trading these products	Direct actors (private and government) involved in trading these products	
Economic forces and constraints		Rules and regulations on trade, transportation and processing of forest products		Village and commune leaders Producers and traders Industry and agriculture departments Direct actors (private and government)	Ministry of Agriculture Forest institutes Research institutes	Import/export regulations
Taxes	Tax Department records			Tax Department	Tax Department	
Access to credit	Records of local branch of Banks Record of saving and credit groups			Farmers who receive loans from banks or through projects	Credit/financial project	
Infrastructure and communication				Farmers and traders Private and government transport agencies or individuals Industry and construction departments		



Tool 7 – Gathering information on financing an enterprise

During Phase 2, participants look into the availability of funding for their enterprises.

To start and operate their enterprises, entrepreneurs will need capital for:

- **Fixed assets:** things needed to operate a business such as a weighing scale, a cart and tools;
- **Current assets:** things needed for production, stocks, etc.

1. Resources for financing the different types of capital

The main sources of capital are:

- **Equity or share capital:** savings or inheritance of the entrepreneur or others investing in the business (including a grant from a donor);
- **Loan capital:** money borrowed from a microfinance institution, a moneylender or relatives;
- **Reserves:** money reinvested from previous profit.

Entrepreneurs first need to determine their internal financing capacities, such as land, buildings and equipment. Internal financing are funds that belong to the owners and become part of the assets of the enterprise. Additional funds will need to come from external financing as discussed below.

The market survey should help to identify which sources of capital are available and compare their respective advantages. The survey should collect information about:

- the sources of capital;
- the conditions and modalities of each source of capital.

2. Identifying sources of capital

- Ask participants to list all the financial sources they know.
- Complete the survey at the district and provincial levels together with the local implementing agency.
- The resulting data will be aggregated using Tool 8.
- Use Checklist 1 on the following page to gather data on the Market/Finance area.

Checklist 1: Local survey – Information needed at the local level in the Market/Finance area

The checklist needs to be used for each product and each direct actor in the market chain.

MARKET/FINANCE AREA	
Demand	<ul style="list-style-type: none"> • Potential buyers: characteristics of the customers • Quality requirements and preferences • Amount of each product sold daily, monthly, seasonally and annually • Potential losses (spoilage, no buyers, etc.) • Unmet demand if any
Competitors	<ul style="list-style-type: none"> • Number of competitors participating in producing, processing and marketing • Competitors' prices • Trends of competition: can the product be substituted by other products
Production costs	<ul style="list-style-type: none"> • Distance/Time and costs of transport of goods from producer to consumer • Handling • Fees and taxes • Rent
Prices and margin	<ul style="list-style-type: none"> • Buying/Selling prices • Income and margins
Access to credit/capital	<ul style="list-style-type: none"> • The capital/credit needs of the actors participating in production, processing and marketing • Experience with capital lending and credit • The existing and potential sources of credit, both formal and informal • Restrictions on access to credit (e.g. gender, landlessness)



Tool 8 – Options for raising investment capital

- List available sources of capital at the top of each column.
- Adapt or complete the criteria used to qualify a “good” source of financing to fit the context (Column 1).

Criteria	Example: agricultural development bank	Example: bank for the poor	Example: project credit	Example: private lenders
Loan purpose				
Loan term				
Loan interest rate				
Collateral				
Distance from the village				



Tool 9 – Gathering information about local resources

To ensure sustainable profit from forest product-based enterprises, some knowledge about the local resource base is necessary, especially to estimate potential sustainable harvests. Various methods can be used to obtain information about tree and forest products. While formal forest inventories provide accurate information, they are often time-consuming and expensive. Instead of entering into a lengthy and costly assessment process with forest inventory technicians, we recommend that local people are trained to conduct broad assessments of forest products.

Participatory methodology

- Forest resources assessment is quite technical, but there is a way for local communities to participate using resource mapping and simple methods such as counting and measuring resources in limited areas (see Tool 10 - Participatory forest resource mapping).
- In larger areas, the sampling method is generally applied. In that case, only a small fraction of resources is counted or measured. To be relevant, the sample area should not be too small and the method used should be easy for rural entrepreneurs to understand.
- Remember that time and budgets are usually limited. The focus should be on estimating the number of harvestable species. If it is estimated that the sampling method will take too much time or money, the transect method can be applied. With the transect method, the villagers examine only the short-listed resources (maximum 6 or 7), and ignore other species.
- Complement the sampling or/and the transect methods by interviewing people who are particularly knowledgeable about certain species (e.g. traditional healers on medicinal plants), holding focus group discussions on indigenous practices, as well examining the literature and consulting with experts.
- Make sure that the measurement units used to evaluate the quantity of available resources are the same as those used by the communities.

After evaluating the volume of resources, ensure that the data is analysed and shared with the potential entrepreneurs. They may wish to use this information to select products and manage their enterprises.

Use Checklist 2 on the following page to gather the data on available resources in the local environment.

Checklist 2: Local survey – Information needed to assess the availability of local resources in the local environment

The checklist should be filled in for each product, and should only be used for forest products. It is not relevant for farm products.

RESOURCE MANAGEMENT	
Harvesting method impact assessment	<ul style="list-style-type: none"> • Negative impacts of the harvesting method on the resource or on the ecosystem
Sustainability of supply	<ul style="list-style-type: none"> • Volume of product that can be harvested from the forest without harming the resource and the ecosystem
Resource management experiences	<ul style="list-style-type: none"> • Solutions to minimize or eliminate the potential negative impact of harvesting/producing the product



Tool 10 – Participatory mapping of forest resources

Purpose

Participatory mapping of forest resources provides an initial estimate of the availability of resources for the products short-listed in Phase 1.

Procedure

1. Ask participants to draw a map of the forest and surrounding area on a large sheet of paper. The map should show the main physical features of the area such as hills, forest, roads, towns and rivers.
2. Discuss forest conditions. Indicate on the map whether the forest is dense with large trees, or open and degraded, etc.
3. Place the location of the resources for the products short-listed in Phase 1 on the map, indicating their level of importance.
4. Discuss the availability of these resources over the past 10 years and the reasons for the trend.
5. Identify past and existing forest protection and management practices.
6. Identify the existing uses of the forest:
 - Which products are used?
 - From where and by whom?
 - List existing forest enterprises (whether formal or informal) and place them on the map.
7. Discuss conservation challenges and whether the forest can be protected once its resources are used for their enterprises.
8. Ask participants to draw a transect line, as a reference, from which all the classes/categories of forest can be reached. Participants in the mapping exercise should be part of the transect walk.



Tool 10A – Forest transect walk

A transect walk is a tool used for describing and showing the location and distribution of resources, features, landscapes and mainland uses along a given transect. It is used in addition to other participatory tools like resource mapping, social mapping, timelines, seasonal calendars, etc.

A transect walk can be used for:

- Gathering preliminary information about resources (quantity of supply available, regeneration potential of the species);
- Identifying and explaining the cause and effect relationships between the forest and human activities;
- Revealing major opportunities and difficulties perceived by different groups of users in relation to forest and natural resource features or areas along the transect;
- Learning about local forest protection or exploitation practices;
- Assisting in site selection;
- Triangulating data collected using other tools.

A transect walk is a simple tool easily adopted and replicated at the community level. It requires simple materials – paper, markers and pens – to diagram the walk and to record the discussion generated during the diagram development. If the diagram is drawn on the ground, then a large area will be needed, as well as sticks, stones, leaves and seeds, to represent features on the diagram.

Two to three hours should be allowed for a transect walk, including time to produce and analyse a transect diagram and ensure that a full discussion occurs with local resource persons. In large areas, it is advised to divide the transect walk into smaller transect segments that can be combined later.

The main activities to carry out include:

1. Select local resource people who can talk about their perceptions of the community and its resources. It may be useful to have separate groups of men and women because the two groups are likely to attach value to different resources. It also might be necessary to break down the group into further categories based on as ethnicity, well-being category or caste. The selection should reflect any important social divisions.

2. Check that the local resource people understand the objectives of the walk.

3. Discuss with the resource people the route they would like to follow on the walk. The route should cover the main types of resources available in the area. Start at the edge of the area and begin the walk. Stop at key features or at regular intervals. Ask the resource people to describe the key characteristics of the resources they see. Facilitate the discussion by asking questions about the details and by making observations. Record the details provided by the resource people and draw sketches where necessary.

Deviate from the path when useful, or even at random, to observe the surrounding area and to gather relevant and useful information. Interview people you meet along the way to obtain local perspectives. After finishing the transect walk, prepare a diagram of the walk using the information you have gathered. The diagram can be prepared on a large sheet of paper or on the ground. On the top line, illustrate the different zones visited by the local resource people. On the side, list headings noting the areas of interest (plants, land use, problems, and so on) and then fill in the details of what was observed in each zone.

4. Analyze the transect diagram using the following questions:

- What resources are abundant or scarce?
- Do the quantities of these resources change through the area?
- Which resources pose the greatest number of challenges for use?
- Where do people obtain water and firewood?
- Where do livestock graze?
- What opportunities are there for resource exploitation in the different areas?

It might be useful to ask them to draw a series of diagrams to illustrate changes observed over time.

5. Present the diagram to other community members for their reaction and comments.



Tool 11 – Gathering information in the social and cultural areas

Social criteria are as important for a social enterprise as market, resource management, institutional and technical criteria. MA&D projects should help, or at least not harm, the most economically vulnerable members of the community. The social dynamics in the community are thus an important factor in designing the organizational structure of the enterprise, which can make the difference between success and failure.

Purpose

The objective of a social analysis is to gather detailed information about the potential producers:

- Is the group able to respond to the marketing activities?
- Are there external factors that might prevent participation?

Another objective is to assess the direct and indirect potential impacts of the proposed products on the community in order to design socially sensitive actions and minimize the negative social impacts.

Procedure

Data collectors will:

- Assess the involvement that potential entrepreneurs are prepared to have in the proposed activities;
- Assess the capacity of the potential entrepreneurs to deal with changes resulting from new enterprises.

When potential entrepreneurs are involved in the social analysis, they become able to select products according to their needs. They also gain knowledge that can be applied when monitoring the success of the process. Each subgroup of the entrepreneurs group should be represented so that they can express their own expectations and concerns, influencing the selection of the products as well as the size and the organization of the future enterprises.

Checklist 3: Local survey – Information needed at the local level in the Social/Cultural area

Use Checklist 3 below to gather data on the Social/Cultural area. The checklist should be filled in for each product.

SOCIAL/CULTURAL AREA	
Control of the product	<ul style="list-style-type: none">• Who spends time in producing, processing and trading the product (Men? Women? Children?)• Who decides about the use of the income from the product? Men? Women?



Tool 12 – Activity calendar

Purpose

The activity calendar tool is useful for understanding the distribution of workload between the men and women from the potential entrepreneurs group.

The calendar seeks to establish regular cycles or patterns of activities involving tree and forest products over a given period of time. These cycles are important in determining such factors as women's participation, labour availability for new activities, and variations in cash flow.

To develop the calendar, you should involve informants from the potential entrepreneur group and include men and women, young and older people. In a community with several distinct groups (based on class, income, caste, ethnic, etc.), household calendars can also be collected and compared in order to identify any differences in activities.

In MA&D Phase 2, information about the labour demand (including men, women and children) and tree and forest production is needed. This helps to assess the workload for men, women and children, as well as labour availability for future activities.

Procedure

1. Take large sheets of paper and coloured markers (or make a sketch on the ground, if the group prefers).
2. Draw the local calendar in a matrix form (with columns representing months of year). Write the local names of the months on each column.
3. Ask what forest and tree products are harvested or collected, when, and by whom.
4. Ask who processes and sells the product and when this occurs.

Month of the year	Forest and tree products harvested or collected	People who collect and harvest forest or tree products	Activity with tree or forest products	People participating in activity with tree or forest products
January				
February				
March				
Etc.				

Other useful tools that may be used to assess the social criteria include focus group discussion on:

- The differing roles of women and men in controlling resources and its implication for the participation of women in enterprise activities;
- Who makes decisions in the society;
- Who has control over income from sales.

Throughout this process, potential entrepreneurs can avoid making the following common mistakes:

- Creating negative impacts on women, such as an unacceptable increase in workload;
- Violating local traditions, religion or unwritten rules that might affect the enterprises;
- Failing to share the benefits with local people, which may create social conflicts and affect the enterprises;
- Using property that is subject to an ownership dispute, which might create conflict in the short term and even bring activities to a halt in the long term.



Tool 13 – Gathering information in the Legal/ Institutional area

Purpose

Legal and Institutional criteria are important to determining the success or failure of an enterprise. If support to the development of small rural or forestry enterprises is a national priority and taken in consideration by provincial and district authorities, then a series of positive overtures can be offered to entrepreneurs, such as tax exemption during the start up stage, easier access to formal financial institutions, access to government funding programmes, simpler enterprise registration formalities, access to infrastructure to move, store or market their products, contracts to supply public institutions with products, eligibility to enter public controlled markets, etc.

If support to the development of small rural or forestry enterprises is not part of a national priority, or if the provincial and district authorities do not consider it to be important, the potential entrepreneurs may not receive much support for their activities. For example, they may have trouble in obtaining permits or licences, they may have to pay a high level of tax, etc. This may discourage them or even increase their production costs to such a level that the activity becomes unattractive. A survey of the legal context will clarify whether the rules and regulations are favourable to the development of small enterprises in the concerned sector.

The objectives of a Legal/Institutional analysis are to:

- Assess possible support from local institutions and organization for future enterprises;
- Analyse the legal aspects that could affect the potential entrepreneurs, such as access to resources and user rights.

Procedure

Data collectors need to:

- Identify the organizations and institutions indirectly participating or potentially related to enterprise development;
- Get information on policy and rules and regulations that may affect their start up and enterprise operation.

Local people in remote areas often are not aware of rules and regulations and the legal issues affecting the development of enterprises because of their limited access to information. Involving them in the legal and institutional analyses can help develop their capacity to defend their rights and introduce them to new ideas.

To help local people to deepen their understanding of policies, rules and regulations, you can facilitate focus group discussions with the potential entrepreneurs group using the following questions:

- What are the policies, rules and regulations on tree and forest products?
- Are the laws effective? How do people get around the laws?

- Does the government enforce the laws?
- Does the government give clear guidelines?
- Does the government provide subsidies for products that it controls?
- What are the policies and regulations relating to resource access and tenure (on both agricultural land and in the forests)?
- What are the policies and regulations relating to access to capital? Do small companies or industries have access to capital? Can communities or community members get access to formal credit?
- Does the current tax system create incentives or disincentives for the marketing of products (raw or processed)? Do local governments levy taxes (such as payment at checkpoints) on goods that leave their county, prefecture or province?
- What are the laws relating to the international export of products (raw or processed)?

Checklist 4: Local survey – Information needed at the local level in the Legal/ Institutional area

Use Checklist 4 below to gather data on the legal/ institutional areas.

Your role as facilitator is to make this information available to the potential entrepreneurs who can then decide on the best legal status for their enterprise. This means that you will need to take the time to translate the legal text into language that can be understood by the potential entrepreneurs. The checklist needs to be filled in for each product.

INSTITUTIONAL/LEGAL AREA	
Role of local institutions and organizations	<ul style="list-style-type: none"> • Existing and potential support/role of local institutions (including informal working groups, NGOs, government agencies and private sector) in production (including subsidies and projects), processing and marketing.
Access to resources	<ul style="list-style-type: none"> • Legal rights of access to resources of the producers/collectors; • Potential impact of the lack of legal rights on product collection/production in the future.
Land tenure	<ul style="list-style-type: none"> • Policies issued at the district and/or province levels; • Enforcement at community level.
Enterprise registration	<ul style="list-style-type: none"> • Legal form of enterprises existing in the country and their specific circumstances.



Tool 14 – Gathering information in the Technology area

Purpose

The objective of the survey on technology is to identify activities and expenses associated with technology for each of the proposed products.

The main questions regarding the technological aspects of marketing the products are the following:

- What is the current level of technical skills needed for natural resource extraction, post-harvest operations, processing and marketing?
- How can these technical skills be improved to meet the requirements of new markets?
- What are the costs of the technical improvements?

Procedure

Data collectors should ask questions about the technological issues affecting the development of a product. These should relate to:

- Processing, storage and transportation requirements for the selected products in different seasons;
- The gaps between current skills and the skills needed to meet market requirements;
- Improved techniques that might be used during production;
- Current practices of production, processing and marketing (for forest products, an ecological survey is likely needed);
- Study of the physical infrastructure (road, railways and airport), availability of energy (water, electricity, cow dung and fuel) and costs.

All the actors in the market chain should be interviewed about the products (such as size, colour and quality), processing techniques and related aspects. The interviews can be conducted with local or national professionals. For example, in the case of a small enterprise, it is usually easy to learn the price of simple equipment from local sources, while for a larger scale enterprise it might be necessary to visit equipment distribution centres.

The technical study should include an analysis of the costs involved in technological improvements. This analysis may show that the proposed technology or the skills training needed to bring a competitive product to market are too costly relative to the value of the product. In this case, either the product should be eliminated or an alternative design of the product should be considered and its feasibility should be studied.

Checklist 5: Local survey – Information needed in the technology area

Use Checklist 5 below to gather data on the Technology area. The checklist needs to be filled in for each product.

TECHNOLOGY AREA	
Local technology	<ul style="list-style-type: none"> • Current level of skills and local technical options available to men/women for extraction/harvesting and post-harvest operations (including storage), processing and marketing; • Local technologies allowing production improvement to meet the requirements of new (and expanding) markets.
Infrastructure	<ul style="list-style-type: none"> • Can the product be efficiently moved through the market chain; • Primary mode of transport through the market chain (truck, rail, air, etc.); • Cost of transportation from one transaction to the next (cost per kg, ton, container, etc.); • Access to telecommunication facilities; • Main sources of market information for each of the direct actors.



Tool 15 – Gathering information at national and international levels

Checklist 6: The national/international survey

THE NATIONAL/INTERNATIONAL SURVEY	
Market/Finance	<ul style="list-style-type: none"> • The different types of buyers and their quality requirements in the national and international market • The trend of demand for the product(s) during the past five years in the national and international market • The volume and value of the product(s) traded in the country and imported/exported • The marketing channels for the product(s) (including other areas of the country) • The production areas for the raw materials of the product • Production costs (transportation, handling, legal fees, rent, etc.) • Prices and margin • Any government interventions concerning price or supply or subsidies for the production, processing or marketing of the product • Major actors with control over the marketing of the product (government, concessionaires, industry, etc.) • The existing and potential sources of financing for enterprise capital and their modalities • Availability of assistance from business services, agencies and associations that can assist in the distribution/marketing of the product in the national or/and international market
Resource management/ Environment	<ul style="list-style-type: none"> • Existence of a national inventory of the type of resources • Existence of a report on the productivity of the resource • Existence of a regeneration survey on the concerned resource • Resource management models that have been developed to minimize the impact of harvesting the product on the natural resource base • Experience in certification of environmentally sound products
Social/Cultural	<ul style="list-style-type: none"> • Is women's labour regulated? Are there restrictions on children's work? • Are the quality requirements adapted to the skills and time availability of the rural entrepreneurs? What will be the impact of the new activity on the workload of specific groups? • Is there experience in using certification to produce socially acceptable products?

Continued on next page

THE NATIONAL/INTERNATIONAL SURVEY	
Legal/Institutional	<ul style="list-style-type: none"> • Policy on land use, extraction, transportation, quality requirement and control, trade of the concerned products (fees, taxes, quota, etc.) • Government incentives/subsidies for production, pricing, etc. helping or hindering product marketing • international policy constraints (e.g. a ban) on the product or product processing • Existence of international trade agreements
Technology	<ul style="list-style-type: none"> • Availability of support services/technical assistance: <ul style="list-style-type: none"> – potential partners developing new technology – technical research being conducted on the product in the country or abroad • Is processing technology available for the product in country or abroad?



Tool 16 – Information to be collected: what, where and who

Criteria	Missing information	Informant/source of information	Who will collect this information*
Market/Economy			
Resource management/ Environment			
Social/Cultural			
Institutional/Legal			
Technology, product research and development			

** Options include the potential entrepreneurs group, the potential entrepreneur group with the facilitator, project staff at national level or a consultant.*



Tool 17 – Information gathering in MA&D

1. Reviewing printed materials

Gathering accurate and timely information can be difficult, particularly in countries where access to official written information may be restricted. In reviewing information materials, it is wise to keep in mind the limitations of particular sources. For instance, data recorded by official trade agencies tend to be overly optimistic in order to promote a country's products. In other cases, a good deal of the information comes from multilateral, bilateral or international NGO sources. Often, little information exists on marketing tree and forest products, given the newness of this topic. However, in the process of identifying products and markets, exact figures are not necessary and approximate information can be still useful in providing a general picture of the situation.

BACKGROUND INFORMATION	<ul style="list-style-type: none"> • Documents, minutes and reports from relevant experts, departments and agencies, communication services, universities, libraries, local communities, and special interest groups, such as local traders, import/export companies, industrial units, trade promotion centres, research institutions and professional groups
INTERNATIONAL LEVEL INFORMATION	<ul style="list-style-type: none"> • International data banks on trade of select tree and forest products • Libraries and communication departments of select research institutions • Tree and forest product producers, manufacturers and traders
NATIONAL LEVEL INFORMATION	<ul style="list-style-type: none"> • Decrees and laws of the Forestry or Agriculture Ministry on product extraction, trade and processing • National inventory of tree and forest products; specific branch of the Forestry Ministry • Trade and industry-related centres and trade promotion centre statistics • Semi-public or private companies' product transactions • International non-governmental organizations' or multilateral agencies' experiences and studies on tree and forest products • Chamber of Commerce data
REGIONAL LEVEL INFORMATION (WITHIN THE COUNTRY)	<ul style="list-style-type: none"> • Regional inventories of products • Research and project reports in the region • Maps, botanical herbarium, regional forest and agricultural statistics (e.g. taxes collected for tree and forest products) • Main traders and marketplace transactions
COMMUNITY LEVEL INFORMATION	<ul style="list-style-type: none"> • Baseline surveys concerning production, collection, transportation, post-harvest activities and selling of tree and forest products; dependency of the community members on the products for household use and income

2. Interviewing

Gathering information from direct sources, through interviews and observation is one of the most difficult tasks for the users of the MA&D process. A common problem is that not enough time and care are given to the preparation of the interview tools, weakening the validity and reliability of the information.

It is important that the facilitator spends time with information gatherers to train them in interviewing and observation techniques. When information gatherers are not prepared properly, they can obtain inadequate and unreliable information.

Conducting an interview

The following is a checklist that can serve as a guide for conducting an interview.

Make interviews informal	Only some of the questions need to be predetermined. During the interview, other relevant questions will arise from observation, interviewee responses and topics they want to discuss.
Select the key information providers	Information providers may be small producers, processors, wholesalers or retailers, leaders of a producers' association, large-scale producers, processors, wholesalers or retailers, government officials, etc.
Develop interviewing skills and information-recording techniques	The most useful information can usually be obtained by asking questions more casually or indirectly and linking the questions to observations.
Ask lots of questions and practice asking them ahead of time	Practice asking questions based on the 'six helpers': who, what, why, when, where, how? Obtain more significant responses by asking open-ended questions. Determine whether responses can be judged as fact, opinion or rumour. Always listen patiently. Let the person being interviewed talk, even if at first the answer may not directly address the question asked.
Make the interviewee feel comfortable	Be punctual and to explain the purpose of your visit on arrival. Ask permission to take notes. Make the person being interviewed feel comfortable (for instance, start by making pleasant conversation about the shop, factory, farm, house, weather).
Select an appropriate location for the interview	Interviews should not last more than one hour. If possible, the interview should take place where the activity occurs. For example, if the subject of an interview is forest products, then the interview is best conducted in the forest. If it is about farm products, conduct the interview on a farm.
Respect the informants and learn from them	Do not make negative comments about the activities of the people being interviewed. For example, it would not be appropriate to comment negatively on their harvesting methods even if you might judge them to be destructive. The task of the information-gathering team is to learn. Explore the issues important to the people being interviewed.
Prepare daily and long-term survey field plans	See Section 4 on preparing a survey field plan below.
Compare notes	There should be a daily review of the information gathered (see Section 4 on preparing a survey field plan below) with the results written up.

Interviewing techniques

Information gatherers need to know how to conduct interviews and how to use a range of techniques for validating the information.

Semi-structured interview

This is an informal interview that starts off with a checklist of issues the interviewer wants to learn about. Some people prefer to have detailed checklists so they do not forget what they want to ask, while others feel comfortable with only a broad outline. In either case, the interview should be as relaxed and friendly as possible. Encourage the person being interviewed to bring up issues not anticipated by the interviewer.

Key informant interview

At several points in the MA&D process, the need for more precise information will become apparent. In this case, it can be very useful to conduct interviews with carefully selected people who have a particular knowledge about the topic of discussion.

Some useful interviewing tools

- Information gatherers should avoid using ambiguous or leading questions during interviews. Leading questions provoke a simple yes or no response, whereas a question that uses what, when, where, who, why or how opens up the conversation.
- By asking questions such as “But why?”, or “Please tell me more about that”, and “Anything else?” the interviewer will learn more about an initial answer and obtain information of a better quality.

Techniques for validating information

- **Triangulation:** This is a way to cross-check information for accuracy. It means looking at a problem from as many perspectives as possible, but from at least three. Triangulation is achieved by using different tools to gather information on the same issue (e.g. maps, transects and trend lines to examine environmental changes), and by listening to different people with different points of view about the same topic (e.g. women/men, young/old, wealthy/poor). Notes made during interviews should be discussed during a daily review of the information gathered.
- **Judging the reliability of the responses:** It is better to gather a small amount of reliable information than large amounts of ambiguous or unreliable information. To avoid gathering unreliable information, the interviewer should judge the responses and determine whether to include various pieces of information or not right away. The information gathered should be classified in one of the following categories:
 - Act: a commonly agreed time- and place-specific fact;
 - Opinion: an individual’s or group’s view on a topic; or
 - Rumour: unsubstantiated information from an unknown source.

Opinion or rumour need to be cross-checked.

3. Observing

Physical observation is not commonly used in information gathering. However, it is important to ensure that interviews are supplemented by physical observation.

For example, walking through:

- a community can provide information on land use, local economy, division of labour (who is doing what) and/or seasonal activities;
- a factory can provide information on technology, labour, quality of products and storage;
- a marketplace can provide information on number of sellers, quality of products and infrastructure.

Information gatherers can also link what they see with the questions asked during the interviews.

For example:

- They can point to a product and ask questions about it;
- If products from trees around the house are sold, the interviewer can ask about the uses of the products, the management of the trees, the value of the products, etc.;
- If products are being processed, information gatherers can ask whether they are for home consumption or for sale, who processes them, who sells them and to whom they are sold;
- In a forest, information gatherers can point to trees and ask when (or if) they were planted, how old they are, and what they are used for. Information gatherers can also ask about other forest products;
- In a shop or market stall, information gatherers can ask questions about the provenance of the products, whether the trader bought them directly from the producer, expected sale for the day, the buyers, the quantities sold, whether the transactions are in cash or credit, etc.

4. Preparing a survey field plan

A good way to optimize time spent in gathering information is to have a survey field plan. This plan should include the schedule of interviews, the topics and a list of the informants. There should be a long-term survey field plan and a daily plan and both will need to be continuously revised as information is obtained and analyzed. The survey field plans are not rigid schedules but rather flexible guidelines.

To develop the survey field plan:

IDENTIFY	<ul style="list-style-type: none"> • The areas for which there is little or no information • The issues, constraints and opportunities • The tools to be used
DESIGN A SURVEY FIELD PLAN THAT INCLUDES	<ul style="list-style-type: none"> • A daily schedule of activities • A clear outline of who will do what (community members/key informants) • The logistical needs (transport, food, etc.) • Enough unscheduled time to accommodate delays or new activities

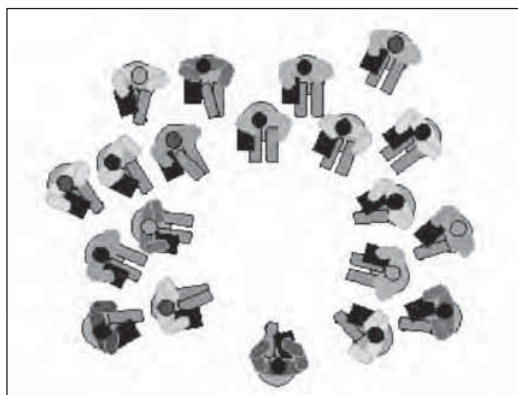
To conduct a daily review when coming back from the field:

ASSESS THE PERFORMANCE OF THE INTERVIEWER	<ul style="list-style-type: none"> • Were the questions open-ended? • Did the questions follow a logical sequence? • Was there a good follow-up and exploration of information? • What went well? • What needs improvement?
ANSWER THE FOLLOWING QUESTIONS	<ul style="list-style-type: none"> • What new information was gathered? • What was learned? • Has similar information been gathered from more than one source? • Is the information accurate? • What new issues arose from today's fieldwork? • How could information on new issues be gathered? • What information still needs to be gathered?
DISCUSS WHETHER ANY PRODUCT(S) SHOULD BE ELIMINATED	<ul style="list-style-type: none"> • Are there any policies/regulations that would prevent the collection or harvesting of a product? • Is there a monopoly over control of the product? • Are entrepreneurs not interested in expanding production? • Is the product currently overharvested? Is it becoming more difficult to find and collect? • Is there an oversupply of the product (too many plantations, trees, etc.)? Is this keeping prices low? • Is there low and declining demand for the product?
PLAN FOR THE COMING DAY	<ul style="list-style-type: none"> • What are the field activities for tomorrow? • Who will do what? • Which informants will participate? • What logistical arrangements (transport, food, etc.) need to be made?



Tool 18 – Fishbowl discussion

A fishbowl conversation is a form of dialog that can be used for discussing topics within large groups. Fishbowls involve a small group of people (usually 5-8) seated in a circle, having a conversation in full view of a larger group of listeners. Fishbowl processes provide a creative way to include the 'public' in a small group discussion. Although largely self-organizing once the discussion gets underway, the fishbowl process usually has a facilitator or moderator. The fishbowl is almost always part of a larger process of dialogue and deliberation.



<http://www.learningandteaching.info/teaching/handouts.htm>

Organizing a fishbowl conversation

Five to eight chairs are arranged in an inner circle. This is the fishbowl. The remaining chairs are arranged in concentric circles outside of the fishbowl. The people who have been chosen or have volunteered for the fishbowl sit in the inner circle, while the rest of the group sits on the chairs outside the fishbowl. The facilitator introduces the topic and the participants sitting within the fishbowl start the discussion. The audience outside the fishbowl listen but do not participate in the discussion.

There are two types of fishbowls:

- The open fishbowl, in which a few chairs (1 to 2) remain empty. Any member of the audience can, at any time, occupy the empty chair and join the discussion. When this happens, an existing member of the fishbowl must volunteer to leave the fishbowl and free a chair. The discussion continues with participants entering and leaving the fishbowl. If no chair is empty and an audience member wants to join the discussion, that member or the facilitator may ask someone to leave the circle.
- The closed fishbowl, in which all chairs are filled. The facilitator splits the participants in 2 groups (or more as needed). The initial participants speak for some time about the subject as indicated by the facilitator. When time runs out (or when no new points are added to the discussion), initial participants leave the fishbowl and a new group from the audience enters the fishbowl. The new group continues the discussion. This may continue until all audience members have spent some time in the fishbowl.

The moderator starts the fishbowl conversation by inviting the participants to sit in the circle, explains to the group how the process will work, and opens with a provocative question, inviting participants to comment. When time runs out, the moderator closes the fishbowl and summarises the discussion.

The role of the moderator is to:

- Analyse the appropriateness of this technique for the objectives of the event;
- Explain how the process works and the role of the participants;
- Summarise the discussion;
- Encourage discussion among the inner circle;
- Prepare some questions to ask participants once they are reassembled in the large group.



Tool 19 – Compile and present Phase 2 Step 1 survey results

The main tools needed to aggregate the data from the surveys will be presented during the first workshop of Phase 2. At that time, you need to explain that at the end of the surveys, all data collectors will need to meet to compile their information.

The information will be based on the following tools:

- The market chains map showing the direct actors at different geographical areas and the form/quality of the products at each location. A section can be added to the map explaining the main constraints revealed by the surveys at each link of the chain and suggesting potential improvements. See an example of a simple market chain map in Tool 20.
- Market data Table 1 filled with products' price, units, quantities, volumes, origin of the raw materials, destination of the products and production costs for all products. See Table in Tool 21.
- Table showing a broad estimate of the market size. See Table in Tool 22.
- Production and sales calendars table (format suggested below). See Table in Tool 23.
- A drawing of the production processes. See example in Tool 24.
- An estimate of income from sales, production costs and the cost/benefit of existing products and of new products derived from existing products.

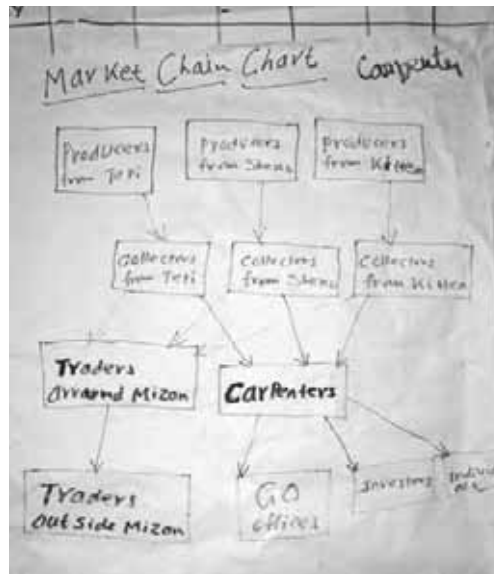
Remember to integrate data from the national level survey:



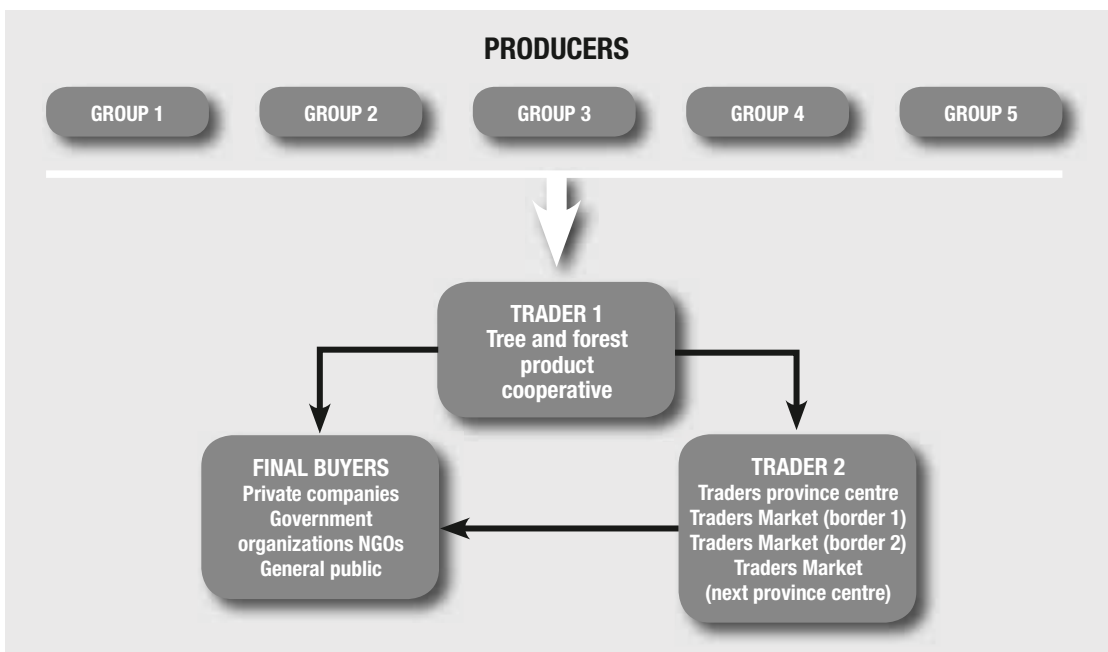
- If there is contradiction between information or if information is still missing, it will be necessary to complete the survey with additional interviews.
- As in Phase 1, do not compile data on your own but let the potential entrepreneurs do it with your help even if this requires more time. This will serve to develop their capacities and skills.



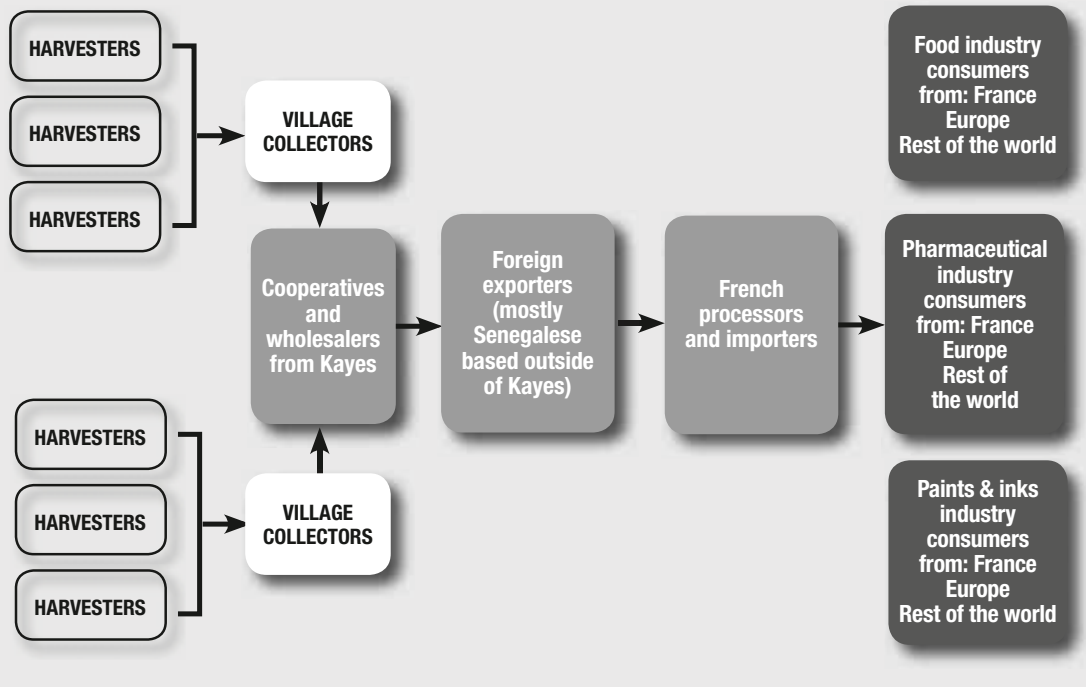
Tool 20 – Example of a Simple Market Chain map



Market chain – Mongolia



EXAMPLE: MARKET CHAIN MAP OF GUM ARABIC IN KAYES PROVINCE, MALI





Tool 21 – Market data (1 table per product)

Informants*	Buying price (unit)	Selling price (unit)	Quantity/ volume traded by informant	Transport costs	Packaging costs	Tax	Storage/ rental costs	Margin	Remarks
Producer a									
Producer b									
Producer c									
Average									
Trader 1a									
Trader 1b									
Trader 1c									
Average									
Trader 2a									
Trader 2b									
Trader 2c									
Average									
Consumer a									
Consumer b									
Average									

* Note: Include all informants who have provided data from the local and national surveys. This may include producers, traders wholesalers, manufacturers, retailers, exporters, consumers, etc.

Note: The number of lines can be adjusted to the number of informants; columns can be added to insert other production costs.



Tool 22 – Broad estimate of product market size (in volume and value)

Informants*	Quantity/ volume traded (unit)	Selling price (unit)	Income from sales	Number of actors participating in this activity	Estimated total quantity/ volume per type of actor	Estimated total value per type of actor	Problems faced by informant
Producer a							
Producer b							
Producer c							
Average							
Trader 1a							
Trader 1b							
Trader 1c							
Average							
Trader 2a							
Trader 2b							
Trader 2c							
Average							
Consumer a							
Consumer b							
Average							

* Note: Include all informants who have provided data from the local and national surveys. This may include producers, traders wholesalers, manufacturers, retailers, exporters, consumers, etc.

Note: The number of lines can be adjusted to the number of informants; columns can be added to insert other production costs.



Tool 23 – Production and sales calendars



Production and sales calendar – Mongolia

High	_____

Average-high	_____

Average-low	_____

Low	_____

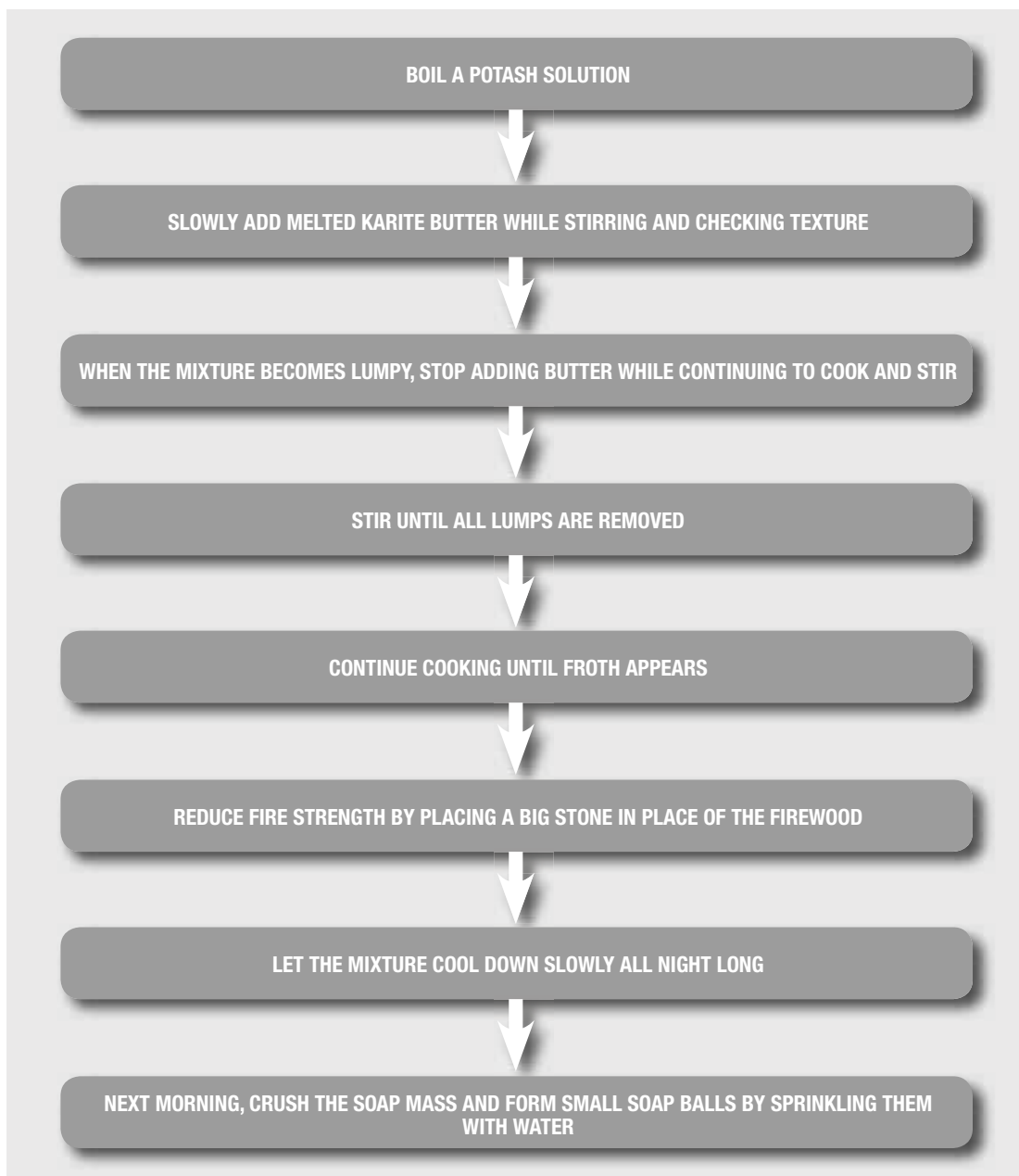
	Jan Feb Mar Apr May Jun Jul Aug Sept Oct Nov Dec

Note: Be sure to include points for both sales levels and production levels each month.

- Levels of availability (low, average, average-low, average-high, high) are added on the left part of the table.
- Two lines, one for production and one for sales, will be drawn according to the production and sales levels over the months of the year.



Tool 24 – Example of a production process for traditional Karite soap



Source: traditional processing of wild fruits and nuts in the Boucle du Mouhoun area, Burkina Faso – Mr. Niéyidouba Lamien.



Tool 25 – Identifying data collectors for local surveys in Phase 2

Procedure

- Facilitate a discussion on the role and responsibilities of data gatherers, stressing that the group should have a high degree of confidence in them since market information is key to enterprise development.
- Ask the potential entrepreneurs to identify individuals to conduct Phase 2 surveys on behalf of the group. Those representatives should be active and preferably currently involved in producing, trading or processing one or more of the short-listed products. They should also have time to spend on the surveys, know how to take notes and be able to communicate back the data.
- Ask data collectors who have been selected if they feel ready to take on the job.
- Answer questions and concerns as needed.



Tool 26 – Preparing the survey plan

As explained above, there are two main parts to the survey: a local element conducted by the data collectors, and a national element coordinated by the project to provide information that is not readily accessible to the data collectors. The results of both the surveys are equally important to the selection of promising products and enterprises.

Purpose

During the first Phase 2 workshop, your role as a facilitator will be to help data collectors prepare their survey instruments to record the data.

Procedure

- The data collectors should first list the information they need to collect. Later, you will help them to choose their survey instruments to record the data.
- Some collectors will collect information at the village and district levels while others may work at the provincial level. Another alternative is that collectors work on a given product from all levels, from the district to the provincial.

Facilitation tips:



- During surveys, female interviewers may be shy and hide behind male interviewers. Be sure to use methods to enhance women's participation, such as establishing all female work groups, or putting them in charge of a specific part of the survey.
- Data collectors should keep control over all the information that is being collected, including data they do not collect themselves. All information, including that collected at national or international levels should be made available to the entrepreneurs before the selection of products occurs.
- The selection of the partner to collect data at the national or international level should be made by the potential entrepreneurs or at least approved by them.



Tool 27 – Action plan for field work in Phase 2

Activities	Who	When	Support	Costs

Current situation:



Tool 28 – Checklist for conducting the surveys in Phase 2 Step 1

At the end of the initial preparation meeting for Phase 2, all data collectors should:

- Know what product(s) (existing or new) they need to collect information on;
- Have contact information for the informants/sources of information they will consult during the survey process;
- Know when they will conduct the survey and the persons who will accompany them;
- Know how they will reach the survey subjects and have arranged with the potential entrepreneur group (or the project) for the payment of transport expenses;
- Have the list of missing information available and the checklist of questions needed to get this information;
- Have a survey instrument ready to record the data;
- Have been trained in interview and observation techniques and know how to validate information;
- Know whom to contact for support;
- Know when the meeting will take place during which survey data will be aggregated and compiled.



Tool 29 – Product Assessment Table (PAT)

Date:..... *Village:*.....

Facilitator(s):..... *District:*.....

Product:.....

	Market/ Economy	Natural resource management/ Environment	Social/Cultural	Institutional/ Legal	Technology, product research and development
Opportunities					
Constraints					
Possible solutions					



Tool 30 – Checklist of product selection criteria and related scoring

CRITERIA	SCALE	SCORE
MARKET/ECONOMY		
Raw material supply/availability	large moderate limited very limited	4 3 2 1
Market demand	large moderate limited very limited	4 3 2 1
Competition (for a market niche)	low moderate high very high	4 3 2 1
Constraints to business entry	low moderate severe very severe	4 3 2 1
Margins/profitability	high moderate low very low	4 3 2 1
Capital investment available	high moderate low very low	4 3 2 1
NATURAL RESOURCE MANAGEMENT/ENVIRONMENT		
Availability (in time)	almost always occasionally rarely/seasonal very rarely	4 3 2 1

Continued on next page

CRITERIA	SCALE	SCORE
NATURAL RESOURCE MANAGEMENT/ENVIRONMENT		
Availability (in space): time needed to find and harvest resources	widespread moderate rare very rare	4 3 2 1
For farm products only Time from planting to harvest	short moderate long very long	4 3 2 1
For forest products only Regenerative potential	high moderate low very low	4 3 2 1
For forest products only Impact of harvesting on survival of the species	minimal moderate severe very severe	4 3 2 1
Positive impact of enterprise on the environment	high moderate low very low	4 3 2 1
SOCIAL/CULTURAL		
Indirect benefits for the community	positive unnoticeable negative very negative	4 3 2 1
Experience with the product	high moderate low very low	4 3 2 1

Continued on next page

CRITERIA	SCALE	SCORE
SOCIAL/CULTURAL		
Potential for employment creation	high moderate low very low	4 3 2 1
Gender impact/activity done by	only women both men and women few men only men	4 3 2 1
INSTITUTIONAL/LEGAL		
Policy control (permit, licence, quota, etc.)	high moderate low very low	4 3 2 1
Legal costs (fees, taxes, royalties, etc.)	very low low moderate high	4 3 2 1
Support from local/national institutions	high moderate low very low	4 3 2 1
TECHNOLOGY		
Suitability for rural entrepreneurs: processing location	home village district province/other	4 3 2 1

Continued on next page

CRITERIA	SCALE	SCORE
TECHNOLOGY		
Suitability for rural entrepreneurs: processing technology/expertise	high moderate low very low	4 3 2 1
Human resources: number	high moderate low very low	4 3 2 1
Human resources: skills, expertise	high moderate low very low	4 3 2 1
Infrastructure in place	high moderate low very low	4 3 2 1

Note: Add or remove criteria according to the entrepreneurs' decisions.

Note: A few key criteria of critical importance are easier to manage than a large number of criteria, some of which may not be strictly relevant.



Tool 31 – Comparison of product scores

Date:..... Village:.....

Facilitator(s):..... District:.....

Villagers:.....

Report the scores obtained for each product from the product selection forms.

CRITERIA	PRODUCTS							
Market/Economy								
Raw materials supply								
Market demand								
Competition (for market niche)								
Constraints to business entry								
Margins/profitability								
Capital Investment needs								
Subtotal								
Natural Resource management/Environment								
Availability (in time)								
Availability (in space)								
<i>For farm products only:</i>								
Time from planting to harvest								
<i>For forest products only:</i>								
Regenerative potential								
Impact of harvesting on the survival of species								
Impact of production on environment								
Subtotal								
Social/Cultural								
Indirect benefits for the community								
Experience with the product								
Potential for job creation								
Gender impact								
Subtotal								

Continued on next page

CRITERIA	PRODUCTS							
Institutional/Legal								
Policy control (permit, licence, quota, etc.)								
Legal costs (fees, taxes, royalties, etc.)								
Support from local/national institutions								
Subtotal								
Technology, product research and development								
Suitability for rural entrepreneurs: processing locations								
Suitability for rural entrepreneurs: processing technology required								
Human resources (number)								
Human resources (skills and expertise)								
Infrastructure status								
Subtotal								
Total								



Tool 32 – Selecting the kind of enterprise to adopt

As a facilitator, it will be your role to help the entrepreneurs to identify the most appropriate kind of enterprises or enterprise groups. Your starting point will be the actual situation of the potential entrepreneurs at the present time. For those entrepreneurs who are already involved with an organization, you will help them to determine whether their current situation is appropriate for the enterprise they want to establish.

The choice of organizational type will be dictated by financing needs, marketing and technical assistance requirements and will be determined through a participatory decision-making process. The skills of entrepreneurs and the local community also need to be taken into consideration when designing organizational structures.

See below for the most frequently asked questions:

Should I work individually or in a group?

Establishing a small individual private entrepreneurship is one option. However, successful private entrepreneurs usually have a certain level of business experience, implying current access to capital and market information and support from local stakeholders and government. Moreover, these enterprises are often eligible for support from the government. A combination of all these factors is quite rare and generally does not apply to most of the micro-entrepreneurs that work on natural products.

In many countries, the loss of traditional life-sustaining activities and the threat of poverty have pushed people to start micro-businesses. Most of these businesses operate informally and cannot rely on government support. In many cases, they have to strive to stay competitive and lack the time and finances needed to invest in researching new markets opportunities.

Potential entrepreneurs usually realise rapidly that it is too difficult to be competitive on their own. Joining with others will make them stronger. As a consequence, most entrepreneurs will set up some form of cooperative arrangement to pursue common interests.

These networks of entrepreneurs are usually known as “interest groups” or “self-help groups.” The main purpose of these groups is to improve the economic conditions of their members in a positive social environment. They take different forms and have different statuses such as producer or business associations, clubs, cooperatives, etc.

Governments, NGOs, and development agencies are increasingly recognising the value of such groups of entrepreneurs because it is more cost effective to work with them than with individuals.

How do I form an enterprise group?

New groups

Motivation is the driving force behind starting any enterprise group. Such groups will be formed according to the product(s) that entrepreneurs wish to develop and based on their affinities with other members. Economic improvement is a major objective in forming the group. As a consequence, level of production, quality of products and marketing should dictate their size and composition. However social concerns should also be reflected in the groups.

Each potential entrepreneur:

- Can choose to join a group involved with similar products to the ones they have chosen to develop. The group should be large enough to take a sufficient and sustainable share of the market and supply the quantity and quality of products required by the buyers but homogeneous enough to ensure mutual understanding and smooth governance;
- Can choose to join more than one group, if they feel they have the capacity, the time, the investment capacity and the desire to earn more income through a range of activities.

Existing groups

If an entrepreneurial group is already in place, it is advisable to build upon the existing structure as long as its purpose is in line with the MA&D principle of economic improvement in a positive social context. In this case, the aim of Step 3 will be to strengthen the existing collective action. Your role will be to help the entrepreneurs to assess whether their current organization meets the requirements of an enterprise group and whether it has good management practices. (See Tool 34).

Should the group be officially registered?

Enterprise groups go through different stages to reach maturity. Each is unique and will develop at its own pace. In addition, the status of an enterprise group can evolve as its activities change.

Entrepreneurs often recognise the benefits of setting up an association, and it may be helpful to raise their awareness as well of the benefits of taking on a legal status (such as a cooperative) when production reaches a significant level. In some cases, a processing unit of several entrepreneurs may need to register early in order to be able to receive initial financial support from a bank, or simply in order to obtain permission to sell the goods.



Every situation will require a different procedure. However, the key elements of successful enterprise groups are always good governance, earnest members and efficient business actors.

You should discourage the establishment of groups by individuals who want to achieve private ambitions through an enterprise group or who do not respect the concerns of other members. In that case, the group may not be sustainable.



Tool 33 – Choosing the most appropriate legal structure for the enterprise

In general, the legal structure of an enterprise will take into account the roles and responsibilities of the partners, when and how much funding they will have to provide for starting the enterprise and how profits will be shared.

Criteria	Self-help group	Cooperative	Cottage industry	SMFE	Etc.
Possible forms of enterprises					
Minimum/maximum number of members or partners					
Minimum initial capital					
Amount of registration fees					
Type and amount of taxes to pay					
Legal responsibility of the owner/members/director, etc.					
Type/frequency of government control					
Incentives from the government: <ul style="list-style-type: none"> • working premises • health insurance • market information • preferential access to capital • tax exemptions 					

Note: You can add additional criteria that will be useful for the potential entrepreneurs.



Find below a summary of the advantages and disadvantages of various types of organizational structures.

SOLE OWNERSHIP

ADVANTAGES

- Business owner is totally responsible for all business transactions
- Business owner has total control of and responsibility for the enterprise and has the rights to all profits
- Decision-making is simple

DISADVANTAGES

- No shared expertise
- Funding comes from a sole source
- Loan collateral consists of the assets of a sole individual
- Enterprise ceases in the event of death or disability of the sole owner
- The owner is personally liable for any adverse business transactions that expose the individual and his/her personal assets to great risk

PARTNERSHIPS
(two or more individuals joining together to conduct business and share proportionately the responsibilities, risks, liabilities and profits and losses incurred)

ADVANTAGES

- Competences from different partners
- Additional capital
- The enterprise doesn't end in the event of death or incapacity of a single member

DISADVANTAGES

- Partnerships spreads control
- Disagreements may arise

Note: A limited partner is an investor in a partnership who has limited liability as well as a limited role in the management of the enterprise. This type of partnership allows for the raising of capital without losing primary control over a business. Joint ventures are examples of limited partnerships, in which technology may be shared, together with certain areas of financing and strategic interests, such as distribution networks.

COOPERATIVE

The individuals who use the services own the cooperative and share the costs and benefits

ADVANTAGES

- Benefits are derived in proportion to the member's use of the cooperative, rather than to the amount of investment
- Management is democratic: each member has one vote regardless of the amount of stock owned or the volume of business conducted
- Services are provided to user-owners at cost
- There are limited returns on equity capital, and limited ownership of shares in order to discourage investor-oriented decision-making

DISADVANTAGES

- Complex management
- Cooperatives are often seen as conduits for government support and members are not encouraged to become self-reliant
- There are high overhead costs in relation to the value of the services



Tool 34 – Checklist of key questions to help entrepreneurs to decide whether to register the enterprise

Ask potential entrepreneurs to consider the following questions:

	YES	NO
Do I need an official stamp, bills and trade name to sell my products to my intended buyers?		
Do I need a source of energy that only enterprises are eligible to get (Example: 3 phase electricity)		
Does my volume/quantity of products exceed the level for which the government imposes official registration?		
Can I move/transport my products without official authorisation?		
Can I access funding without official registration?		
Can I have access to the resource (and manage it) without official registration?		

Note: Add any questions relevant to the circumstances of the entrepreneurs.



Tool 35 – Aspects to be considered in the creation of a sustainable enterprise group

1. An enterprise group needs at minimum:

- A chair person
- A secretary
- A treasurer
- Members

Men and women should both be represented.

2. Rules governing activity management of the enterprise group:

Regulations should be drafted, known and adhered to by all.

3. Frequency of enterprise group meetings:

The enterprise group meets according to a regular timetable and to its needs.

4. Set the level of authority for the group to make and implement a decision:

The group needs need to be able to make decisions. It may need clearance from an official functionary or permission from organizations in the area to implement a decision, but it should also have the support of the community.



5. Ensure that women are encouraged to participate in the decision-making of the enterprise group:

Women should be active members of the management team. They should attend meetings and be part of the decision-making process.

6. Enterprise group members contribute funds to guarantee sustainability:

The contribution can either be the same for everyone or calculated on degree of involvement and ability to pay.

7. Contribution to community development fund:

The group's by-laws should describe the members' regular contributions to the fund.

9. Financial records:

Financial records must describe cash flows (money coming in and going out) and the information should be in the public domain.

10. Decision-making process:

Describe the decision-making process based on to the type of decision to be made.

11. Participation system:

Describe how members and other contributors can participate and how their participation is recognized.

Note: This tool can also be used with existing enterprise groups as a means of conducting group-assessment.

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The Field Facilitator Guidelines:
Preparing the enterprise
development plan

MODULE 3



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development plan

MODULE 3



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Symbols used in the FFGs:



Key information the trainer should understand in depth before facilitating the training session



Detailed instructions on organizing a training session



Learning objectives of a workshop



Training material necessary for the session
(to be prepared and adapted from the training tools)



Training tools available from the tool section of the FFG and needed for the session



Facilitation tips



Useful information or advice



Reference to the Field Facilitator Guidelines



Reference to the MA&D manual



Field form for use by entrepreneurs and explained by the facilitator during the workshop or meetings



Tools used by the facilitator during the workshop or meetings



Theoretical information on topics dealt with during the workshops or meetings



Activity to promote gender balance

PHASE 3: PREPARE THE ENTERPRISE DEVELOPMENT PLAN (EDP)

Introduction

By the end of Phase 2, participants in the MA&D process have prioritised several products and identified the possible types of enterprise on which they wish to embark. They are now ready for Phase 3, which will assist them to plan and manage their enterprises.

The objectives of Phase 3 of the MA&D process are to formulate plans for the enterprises, develop enterprise strategies and prepare for implementation.

Your role as a facilitator in this phase will be to assist the entrepreneurs to prepare their EDPs. This will be done by analysing the data obtained in the previous phases of the project. In this phase, the entrepreneurs will describe the goals of their enterprises, formulate their goals and objectives, develop strategies, draw up action plans, assess the profitability of the enterprises and determine capital start-up needs.

Another important role for the facilitator is to identify the needs of the entrepreneurs for training and assistance, in collaboration with the project team.

Potential entrepreneurs usually have some difficulty in visualising the profile of their enterprise solely on the basis of data collected in Phase 2. Before they can go further, they need to be familiar with the methods and tools they will use to develop the most appropriate enterprise ideas and strategies. This will happen in Step 1.

The outcome of Step 2 will be EDPs prepared by the entrepreneurs.

Finally, in Step 3, you will analyse the EDPs together with the entrepreneurs and identify training and assistance needs in order to decide on a support strategy during the start-up phase of the enterprises.

PHASE 3: PREPARING AN ENTERPRISE DEVELOPMENT PLAN



PHASE 3 OUTPUTS

- 1) Entrepreneurs (or entrepreneur groups) have identified strategies for their enterprises, including a financing scheme.
- 2) Entrepreneurs (or entrepreneur groups) have prepared an EDP, including a yearly implementation plan for the pilot enterprise.
- 3) Training and assistance needs have been identified.





STEP 1: **The entrepreneurs analyse the data collected in Phase 2 in order to refine their enterprise ideas**



To ensure that the entrepreneurs can prepare their EDPs, they need to be familiar with the methods and tools used to define strategies in the five areas of enterprise development. The main objective of Step 1 is to familiarise the entrepreneurs with these tools and methods. During this step, entrepreneurs will also identify the best options for financing their enterprises.



Organize your training session on “Analysing data collected in Phase 2”

	<p>The training session on Step 1 can be split into two sections of 2-3 hours each:</p> <ul style="list-style-type: none"> • one session on the methods and tools used to define strategies; • one session on financing options. <p>The overall workshop for Phase 3 may require 2-3 days, depending on the scope of work and the time availability of participants.</p>
<p>Learning objectives</p> 	<p>At the end of this session, participants will:</p> <ul style="list-style-type: none"> • have acquired the skills needed to define their strategies within the five areas of enterprise development; • be able to compare an enterprise idea with existing enterprises to determine the nature of the challenges they may face; • be aware of financing options for their enterprises.
<p>Learning materials for the session</p> 	<ul style="list-style-type: none"> • MA&D process map; • summary of the differences between selling and marketing on a flipchart; • data about the selected products on flipcharts and handouts; • Product Assessment Tables (PATs) concerning the selected products prepared during Phase 2, Step 2 (see FFG 2 – Tool 29); • table on possible sources of funding put together in Step 1, Phase 2 (see FFG 2, Tools 7 and 8); • copies of Tool 5 for each participant.
<p>Training Tools</p> 	<ul style="list-style-type: none"> • Tool 1 – Buyers and Sellers Game; • Tool 2 – Analysing the Phase 2 survey data to outline potential enterprise strategies; • Tool 3 – Role-play on marketing mix / 5 Ps; • Tool 4 – Strategy development game; • Tool 5 – Comparing the proposed enterprise with existing companies; • Tool 7 – Facilitating Phase 3: summarizing the main activities.

Facilitating the session

1. Bridging the gap between Phases 2 and 3:

- Organize a workshop with the potential entrepreneurs in order to introduce the objectives, steps and outputs of Phase 3, based on Tool 7.
- You could consider organizing a workshop for each product group if a large number of entrepreneurs are working on the same product. Alternatively, you could create subgroups of participants involved with the same products during a single workshop.
- Start the session by showing the MA&D map to introduce the purpose, the steps and the expected outputs of Phase 3:
 - Emphasize that participants will analyse data collected in Phase 2 in order to develop their EDPs.

Continued on next page

- Highlight the two most important points in Step 1:
 - Participants will be exposed to the methods and tools useful to define their enterprise strategies in the five areas of enterprise development.
 - Participants will discuss financing options for their enterprises.

Methods and tools used to define strategies in the five areas of enterprise development

2. The differences between selling and marketing:

- Ask participants to think about the differences between selling and marketing (see glossary for definitions and FFG Introductory Module – Section 4).
- Display the flipchart summarising the differences between the two actions.
- Remind participants that they should base their enterprise strategies on marketing rather than on selling. You can illustrate this by organizing “the Buyers and Sellers Game” (see Tool 1 for explanation).
- Emphasise that even if the information collected in Phase 2 is sufficient to enable entrepreneurs to prioritise their products, the enterprise strategies will still need to be assessed before they can be implemented:
 - This assessment was discussed with participants as they were filling out the PATs in Phase 2, Step 2.
 - Phase 3, Step 1 takes the PATs done in Phase 2 (see FFG 2, Tool 29), as the starting point for assessing additional information and converting the action points identified in the PATs into specific enterprise strategies.
- Participants refer back to their PATs:
 - In Phase 2, they did a broad assessment of the opportunities and constraints presented by the products and filled in the table based on that assessment.
 - It is now time to think about potential solutions to the constraints identified in Phase 2.
- Take time to talk through any issues participants have encountered, discussing objectives and specific strategies for follow-up.
- Explain that the information discussed and developed during Step 1 will be adapted to each specific scenario during Step 2.

3. The marketing mix describes the variables that marketing managers can control in order to best satisfy customers in their target market. The variables – known as the 5 P’s – are Product, Price, Place, Promotion and People:

- To demonstrate that several options are possible with regard to the marketing mix, organize a role-play (see Tool 3):
 - The 5 P’s methodology can help entrepreneurs to move from a selling to a marketing mindset and to find solutions to the problems identified in the PATs.

4. The importance of strategies:

- Refer to Tool 2 for assistance in introducing the importance of enterprise strategies.
- Organize a Strategy Development Game to demonstrate the importance of defining enterprise strategies. See Tool 4 for instructions.

5. The issue of competition:

- Distribute copies of Tool 5 and ask participants to assess the main characteristics of their competitors as well as the needs of their customers.
- Participants will need to refer to information obtained during Phase 2.
- Mention that the financial aspects of the Market/Economy area will be explained later.

Continued on next page

6. Completing the PATs:

- Ask participants to refer to the second column on the PATs (entitled resource management), and to come up with solutions to the constraints they identified earlier.
- Discuss a checklist of resource management measures that could be applied to these constraints, according to the characteristics and objectives of their enterprises.
- Ask participants to refer at the third column on the PAT (entitled social aspects), and to come up with solutions to the constraints they identified earlier.
- Repeat the exercise for the fourth (entitled institutional) and fifth columns (entitled technology).

Financing options for the potential enterprises

One of the objectives of this step is to help the entrepreneurs develop a financing strategy for their enterprises. During Phase 2, Step 1, the entrepreneurs collected data about how they might finance their enterprises. Your role now is to help them deepen their knowledge and analysis:

- Ask participants to look at the results of the survey on access to credit (FFG 2, Tool 15).
- Display the flipcharts with the survey data and discuss possible funding sources for the enterprises.
- Assist the participants to assess the options for financing their enterprise (FFG 2 – Tool 6):
 - You can organize the game “Managing Money, Managing Groups” to help with the process (see Tool 6, for instructions).

Emphasise that enterprise groups may be relevant for supporting production-related efforts and investments as well as for accumulating and managing capital for the enterprise through a Savings and Loan Group.

At this point, explain the process for managing finances as a group as detailed in the FAO Handbook “Group management of finances, Handbook for micro and small tree and forest product enterprises”. Details about this handbook may be found at <http://www.fao.org/forestry/enterprises/25498/en/>.

Facilitation tips



- Assign participants to groups according to the structures of their enterprises.
- If participants have not chosen yet the structure of their enterprises, group them according to their interest in similar products.
- Stress that participants are not expected to come up with a definitive enterprise strategy yet. For now, they only need to understand the various available tools.

STEP 2: The entrepreneurs prepare their enterprise development plans



In Step 1, the entrepreneurs discovered general methods and tools for defining their enterprise strategies. They also reflected on the different options available to finance their enterprises. In this step, entrepreneurs will go a step further and engage in enterprise development planning on the basis of data collected during Phase 2.

Step 2 is about organizing an enterprise development planning simulation exercise in which all entrepreneurs (or groups of entrepreneurs) are invited to reflect on their potential enterprises, using the data collected during Phase 2.







As the entrepreneurs prepare their EDPs, it is important to train them on how to analyse their market situations so that they can design appropriate marketing and production strategies. This training will take place throughout the first part of the exercise. As a facilitator, you must prepare and handle this session with great care.

The second part of the exercise focuses on the financial calculations needed to validate the enterprise strategies. Facilitators who have experience with financial tools can support the entrepreneurs on this aspect of the exercise. An alternative may be to collaborate with a local business centre or an NGO whose staff are trained in business planning calculation. Regardless of who carries out this part of the training, it is important that the specific needs of the entrepreneurs are understood and that the EDP training content is adjusted as needed to respond to those needs.



Organize your training session on “The preparation of EDPs”

	<p>2-3 days:</p> <ul style="list-style-type: none"> • While the training exercise on EDP preparation may last two to three days, the actual preparation of the EDP may take from a week to a month, depending on the size of the entrepreneur group, the logistics and time constraints.
<p>Learning objectives</p> 	<p>At the end of the session:</p> <ul style="list-style-type: none"> • entrepreneurs (individually or in groups) will have simulated the development of their EDPs based on data collected in Phase 2.
<p>Learning materials for the session</p> 	<ul style="list-style-type: none"> • MA&D process map; • outputs of Phase 2 on a flipchart; • instructions for the enterprise planning simulation on a flipchart; • eight sets of flipcharts listing the eight main components of the EDP. Each set should contain flipcharts listing the decisions that entrepreneurs need to take to plan their enterprises; • handouts duplicating the sets of flipcharts listing the eight main components of the EDP for each participant or group of participants; • handouts including the format of a simple EDP and the example of an EDP for each participant.
<p>Training Tools</p> 	<ul style="list-style-type: none"> • Tool 8 – What is an Enterprise Development Plan? • Tool 9 – What do you know about your product? • Tool 10 – Questions to ask when planning an enterprise; • Tool 11 – Exercise: enterprise planning simulation; • Tool 12 – An example of an Enterprise Development Plan; • Tool 13 – How to identify options for enterprise financing; • Tool 14 – Estimating the personal and group contribution of entrepreneurs to the enterprise capital.

Facilitating the session

1. Show the MA&D map and remind participants what they learned about enterprise strategies during Phase 3, Step 1. Participants will now take part in an enterprise planning simulation exercise to learn how to plan their enterprises in an active and efficient way.

2. The benefits of enterprise planning:

Enterprise planning takes time and energy. To ensure that the entrepreneurs are willing to do this planning exercise with care, start by drawing their attention to the benefits of enterprise planning:

- Split the participants into groups;
- Ask each group to list the reasons why planning is important;

Continued on next page

- In plenary, discuss the group findings, using Tool 8;
- Ask what may happen if they do not prepare an EDP.

3. The need to collect data:

Explain that the enterprise planning exercise is based on the data collected in Phase 2. For the purpose of the exercise, it is not a problem if some data is unavailable, but the scenarios should be as realistic as possible as it will be a good basis for planning their real EDPs.

- Organize the exercise using Tool 9. This exercise will help participants to understand that they may still need to collect additional data before designing their real EDPs.

4. Initiating the enterprise planning simulation exercise:

- Explain that the aim of the exercise is to identify and take all decisions needed to plan an enterprise.
- Explain that this exercise will prepare participants to design their real enterprise plans after the workshop ends. Participants need to decide at this point the type of enterprise they want to establish.
- Ask each group to respond to the following questions:
 - Who is promoting the potential enterprise: an individual entrepreneur or a group of partners?
 - What is the product or products you want to develop?
 - What are the reasons for selecting this product or products?

5. Making decisions on the eight categories of enterprise development:

- Explain that enterprise planning requires that a series of decisions should be taken under eight categories.
- Describe the eight categories of decisions using Tool 10.

6. Starting the enterprise planning simulation exercise:

- You can now start the enterprise planning simulation. See Tool 11 for instructions. During the exercise, be sure to:
 - explain the purpose of each decision and the procedure for taking it;
 - use examples to clarify explanations;
 - ask participants to consider how the exercise applies to their own situations;
 - monitor the groups closely, answer questions and clarify misunderstandings.

7. Once participants have drafted their inputs, they will import the information into their EDPs:

- Note that this EDP format is not the only possible version. There are various ways to present such plans.
- An EDP can be very simple or rather complex, depending on the circumstances. Participants should use their own judgment in adapting the EDP to their situations.

8. Financial planning:

- This part of the exercise requires special attention and guidance from the facilitator. Use Tools 13 and 14 to help the entrepreneurs draft a tentative financial plan.
- Once they have completed the exercises with Tools 13 and 14, help participants to include the results of these exercises in their EDPs.

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9. Concluding the session:

- Each group presents their EDP;
- Allow time for other participants to ask questions;
- Ask participants whether they feel confident to fill in their own personal EDPs at this stage;
- Arrange appointments with participants to follow up on the preparation of the actual EDPs;
- The follow-up may last from one to three weeks (or more), depending on the project context, number of groups involved, distances, etc.

Facilitation tips



- Remind participants to base their decisions on actual information and realistic hypotheses.
- The enterprise planning simulation exercise will help participants to visualise their own enterprises. Minimize the time between the workshop and the preparation of the actual EDPs.

STEP 3: **The entrepreneurs identify needs for training and assistance**



In the previous step the entrepreneurs prepared and simulated EDPs under your guidance. In this step you will 1) check the EDP, looking for weaknesses or inaccuracies; 2) request adjustments as needed; and 3) analyse the EDPs in order to extract the training and support needs in collaboration with the project team.



Organize your training session on “Identifying needs for training and assistance”

	<p>2 days (or more):</p> <ul style="list-style-type: none"> • According to the number of EDPs, their degree of completeness and the time participants need to adjust them.
<p>Learning objectives</p>	<p>At the end of the session, the facilitator will have:</p> <ul style="list-style-type: none"> • reviewed the EDPs and checked their soundness; • identified any necessary adjustments; • learned about training and support needs in collaboration with the project team.
<p>Learning materials for the session</p>	<ul style="list-style-type: none"> • EDPs from individual entrepreneurs or group enterprises.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 15 – Factors contributing to the effective preparation of an EDP; • Tool 16 – Assisting the entrepreneurs to evaluate their EDPs; • Tool 17 – Identifying training and assistance needs based on the EDPs; • Tool 18 – Example of an EDP assessment format.

Facilitating the session

Preparation of the facilitator

Consult the checklist of factors contributing to the effective preparation of an EDP (see Tool 15). If you think that you are not quite ready to assess the EDPs, pursue additional training.

1. At the field level:

- Make an appointment with the entrepreneurs to review the EDPs and check whether they are complete, with exact calculations, etc:
 - Facilitate a self-assessment of the EDP using Tool 16;
 - Gather some entrepreneurs or representatives of entrepreneur groups and ask them to exchange their EDPs with each other and to review them using Tool 15. They should write any questions or remarks on separate pages;
 - Participants should present their comments and discuss the proposed revisions with the EDP originators under the guidance of the facilitator;
 - Conclude by providing clear indications of:
 - * the EDPs that are ready for further consideration;
 - * the EDPs that need revision – explain which changes are needed and agree upon a deadline for final submission.

Note: A list of frequent errors in Tool 17 will help you and the entrepreneurs to check for potential mistakes in the EDPs.

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2. With the project team:

- Organize a meeting to assess training and assistance needs by reviewing the EDPs. The project team members responsible for following up on enterprise support in Phase 4 should participate in the meeting. During this meeting, you will:
 - present summary results of the EDP preparation;
 - facilitate the analysis of the EDPs (see suggestions in Tools 17 and 18).


Facilitation tips



- It is important to define and communicate clearly the criteria for the effectiveness of the EDPs.
- If you are very familiar with designing EDPs, it can reduce the risk of the entrepreneurs making mistakes.



Tools to facilitate the training sessions¹



**“I never teach my pupils. I only attempt to provide
conditions in which they can learn.”**

Albert Einstein

¹ *Tools should be adapted to the local context, language(s) and specific needs of the project.*



Tool 1 – Buyers and Sellers Game

Objectives of the game:

- to illustrate the differences between selling and marketing;
- to explain the meaning of an enterprise plan;
- to highlight the need for a pricing strategy as well as the positive and negative aspects of competition.

Duration:

30 minutes

Materials:

1. fake money in bills of 1, 5 and 10;
2. cards representing quantities of goods: 5 kg and 1 kg;
3. two small prizes.

Instructions:

1. From a group of 20 participants, select 3 buyers and 17 sellers. If there are women in the group, make sure that at least one of them portrays a buyer. If there are traders in the group, make sure that they portray sellers, not buyers.
2. Give 10 kg of goods to every seller: 1 card representing 5 kg and 5 cards representing 1 kg.
3. Prepare a total of 170 units of local currency for each buyer.
4. Set the average price of a kg of goods at 1 unit of local currency.
5. Maximum playing time is 10 minutes. Explain that the objectives of the game are for the sellers to earn as much as possible and for the buyers to buy as much as possible. The winner is the seller who earns the most cash and the buyer who buys the largest quantity of a product.
6. Before the start of the game, separate the buyers and sellers and facilitate a discussion with each group to encourage them to work out a strategy in order to meet their objectives.
7. The buyers should set up their booths apart from each other and the discussion and sales can initiate. Towards the end of the game, call out TIME at 5 minutes, 3 minutes and then 1 minute, in order to speed up transactions and introduce an element of last-minute deals.
8. The winning buyer and seller will earn a small reward.
9. Afterwards, in plenary, ask the winners to explain their strategies and discuss with participants how competition might lead to higher prices in some cases and lower prices in other cases.

Hints:

This game can be played with participants with any level of education, from villagers to facilitators to senior programme staff.



Tool 2 – Analysing the Phase 2 survey data to outline potential enterprise strategies

In the MA&D approach, the EDP includes marketing strategies as well as strategies for resource management, socio-cultural, institutional and technological issues.

In Phase 3, Step 1, the entrepreneurs analyse the data collected in Phase 2 and go through the issues raised in the PAT. Once this is done, your role as a facilitator will be to identify strategic objectives with participants and discuss some elements of the following strategies in order to agree on a follow-up and support plan. This information will then be incorporated into the EDP during the next stage.

- Market/Economy strategy includes the ‘5 Ps’ of the marketing mix: product, price, place, people and promotion. It also addresses strategic alliances that can effectively support marketing.
- Natural resource management/Environment strategy includes the resource management options and the best partners for achieving them.
- Social/Cultural strategy addresses methods for ensuring that decision-making and distribution of benefits are equitable and reach the intended entrepreneurs.
- Legal/Institutional strategy includes the legal aspects regulating the enterprise, the institutional set up and the links with supporting institutions at all levels.
- Technological/Research/Development strategy includes the operational aspects of production and processing in addition to the research and development needed to add value to the products.

Market development strategy

The marketing mix is a framework used to develop marketing strategies. It is also known as the ‘5 P’s, which consists of a mix of Product, Price, Place, People and Promotion. The entrepreneurs can use this mix as a framework and checklist to ensure that no critical factors are left out of their development strategies.

PRODUCT

The following guidelines can be used to facilitate discussion on issues related to product development, production and quality. Once the discussion is completed, the entrepreneurs can use the information to fill in their EDPs. The points of discussion include:

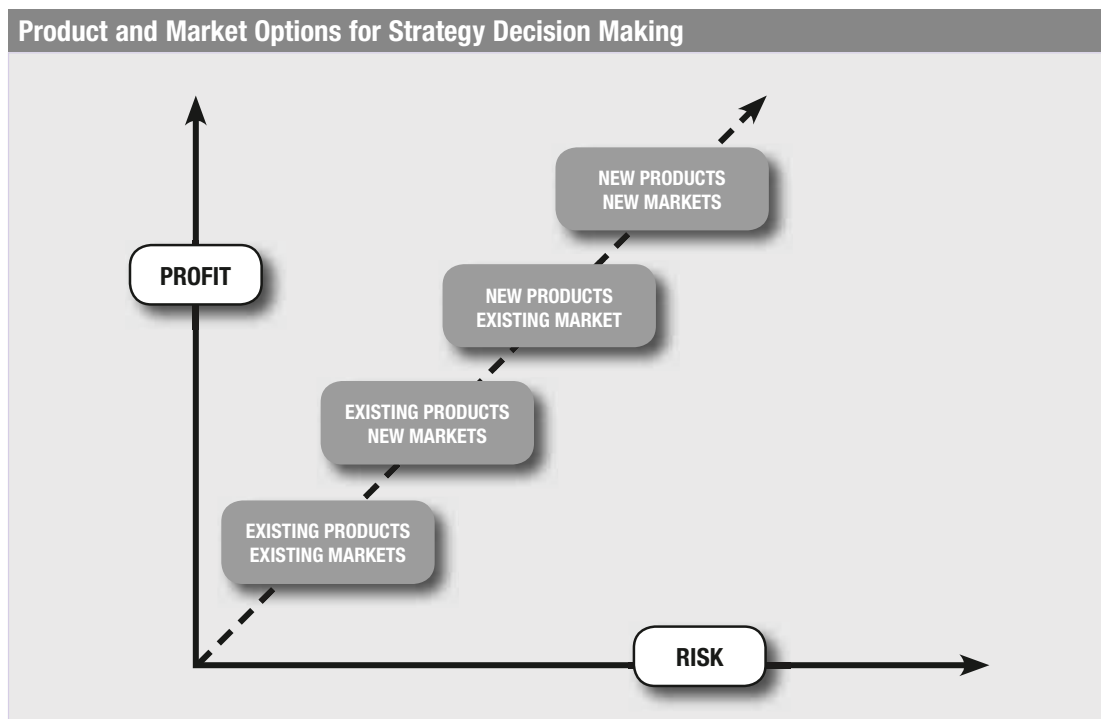
- unique features of their product and their competitive advantages, location of enterprises and the area where resources are collected;
- production processes and permit requirements;
- payment systems and organizational structure.

An enterprise may consider developing more than one product, thereby offering a better mix. A good product mix helps balance risk factors over several different products and improves competitiveness.

Product/market options

There are four options for products and markets and each option implies a different strategy. Discuss these options with participants and help them decide which combinations of product and market strategies are appropriate for their enterprises. After the discussion, the entrepreneurs can formulate their sales targets and include them in their EDPs.

The graph below illustrates the various options for products and markets and the profit and risk factors associated with each option.



Option 1: Continue producing existing products for existing markets

To expand sales in existing markets with the same product, the entrepreneurs must:

- attract new customers;
- convince existing customers to increase purchases;
- improve the quality of existing products;
- intensify promotion or information about the product;
- adjust prices.

Option 2: Continue producing existing products and enter new markets

New markets may be developed by:

- conducting a study to discover new markets;
- studying trends to identify emerging markets;
- searching for market niches;

- focusing on serving customers in a section of the market more efficiently or effectively than competitors;
- investigating the export market.

Option 3: Introduce new products in existing markets or market chains

Sales of new products can be increased among an established customer base by:

- conducting a market study among established customers to find out their needs;
- conducting research and development to create new products;
- conducting promotion targeted to the established client base.

Option 4: Introduce new products and sell them in new markets

New markets can be targeted with new products by:

- identifying a new product and a proper niche or clientele;
- conducting thorough research, development and pilot testing;
- conducting aggressive and well-designed promotion to enter a new market;
- establishing strategic partnerships with distributors that have networks in the targeted markets.

Example: Risk options

The option with the lowest risk is to continue making the existing product for existing markets. The means of marketing can be improved, which results in expanded sales. For example, in Nepal, options for the producers of medicinal plants were to continue selling dried plants to the district collector or to organize the storage of dried plants in a village storeroom in order to improve the quantity and quality of supply and to overcome the seasonal production limitations.

An option with a moderate risk is to continue making the existing product and expand to new markets. An example of this option would be for the producers of medicinal plants not only to sell their products to the district collector but also to expand their sales by selling to an herbal processing company in the capital town.

Another option with moderate risk is to introduce new products to existing markets. A company that already has a well-established market will often use this option to convince its existing customers to try new products. For example, the factory preparing ten types of herbal medicines could add new medicinal preparations and distribute them to the same customers.

The market option with the highest risk, and the greatest potential profit, is to introduce new products to new markets. Successful green marketing is an example of a market strategy that offers new environmentally-friendly products to a new or emerging market niche. For example, the factory manufacturing herbal medicines could produce a new product, such as an herbal tea, for sale to customers who are sensitive to environmental issues.

How to develop a market strategy

To develop their market strategies, small entrepreneurs will analyse information collected during Phase 2 including:

- the cost of collecting, processing and transporting the products;
- the skills and equipment necessary to produce goods that can satisfy the needs of the buyers;
- the grading, cleaning and packaging of the products;
- the standards of quality required by export and import regulations;
- the pricing based on how much the product has been processed.

PRICE

Good pricing is critical to the success or failure of an enterprise. Price determines how much profit is made. If prices are too low, the enterprise cannot cover costs; and if prices are too high, the product will not sell well. The outcome of the discussion on prices will be entered into Box 5 of the EDP.

Establishing prices

To increase profits, an entrepreneur should either raise prices or lower costs. Besides the profit margin, other factors influencing prices include the type of customers, the prices set by the competition and the state of the economy.

The data gathered in Phase 2 is critical for small entrepreneurs so that they can consider all the different factors and make appropriate decisions on pricing. From this data, entrepreneurs will have an overview of:

- the prices that other businesses charge for similar products;
- the prices paid by customers for different qualities of the product;
- costs of collecting, production, management and marketing;
- the profit margin.

To simplify the process, start with the same prices as are currently charged by competitors. Later, when filling in their EDPs entrepreneurs can adjust their prices if needed.

Establishing profit margin

The price of a product should cover the following costs and still offer a profit margin:

- the cost of producing and transporting goods;
- the overhead costs of the enterprise (including depreciation and financial charges);
- the salaries of the workers and the staff;
- the repayments to investors.

PEOPLE

The essence of marketing is finding out the interests and needs of prospective buyers, which can be a real challenge for entrepreneurs in remote areas. It is important to know the customers and to understand the prices they are willing to pay for a given quality of product. Customers such as non-wood forest product (NWFP) traders are influenced by seasonal prices, based on the supply and demand for a product. They do not always trust their suppliers and it is important to understand their concerns about consistent quality and any negative experiences that they might have had with collectors in the past. This information should have come out during Phase 2.

How to develop a market strategy

Information needed from Phase 2 includes:

- a list of types of buyers and market segments;
- trends in the target market.

As a facilitator, it will be your role to help the entrepreneurs develop strategies that link customers to products. The entrepreneurs should regularly visit the markets where their products are sold, compare their products to those of competitors and get customer feedback.

Example

A high quality product, such as a packaged herbal tea with a well-designed label, may appeal to wealthier customers. Similarly, some buyers of forest products will pay more for a product sold in bulk, since it is more convenient for them to buy it that way than to send their own agents to collect quantities of goods from a number of villages.

An herbal medicine production group that sells to a local health clinic targeting low-income customers should keep their products simple and their prices low. On the other hand, if the same group would target a new market of urban buyers, it could improve quality and packaging and attract wealthier customers who would be willing to pay more for their products.

Pricing strategies often take advantage of the psychology of buyers. Some buyers are willing pay more for honey that is guaranteed to come from pesticide-free flowers and is produced by an enterprise that is environmentally sustainable and ensures equitable distribution of profits.

Marketing Information System (MIS)

As a facilitator, you should help small entrepreneurs to assess whether they can take over some of the functions of the intermediary trader in order to increase their profits. In order to do this, entrepreneurs will have to develop a Marketing Information System. In this way, entrepreneurs can have better access to information and more control over prices.

The entrepreneurs need to make a list of information they want to receive, how often they wish to receive that information and the places where the information is available. Gathering information can involve sending a member of the group to collect it on a regular basis or developing a communication arrangement with partners living close to product markets.

The prices of tree and forest products can experience seasonal fluctuations for reasons that are not under the control of producers. The only way to have control over prices in this case is to store the products until prices improve. To do this, entrepreneurs need regular price updates, good storage facilities and the capital to pay collectors for products they may not immediately sell. Initiatives should be supported at regional or national levels

to regulate NWFP prices and to ensure that information can be collected on a regular basis, that trends can be analysed and that market studies can be undertaken.

PLACE

Very often, NWFP are gathered in remote areas. Bringing the products from the village to the buyer requires a well-planned distribution system. In the existing market chain, transactions usually take place between village traders and agents who buy for processing firms.

When trying to increase market share and compete with similar products, the relationship with the wholesale or retail distributors becomes very important. Distributors expect terms of payment that compare favourably with those paid by competitors.

The following information collected during Phase 2 will help to plan a distribution system:

- The type of transportation required to get the product or service to the buyer;
- The distributors of the product (which ones are useful and which are not);
- The time and costs involved in getting the product to the market;
- The product promotion strategies that include actors in the distribution networks.

Example

If an enterprise producing honey wants to penetrate an urban market, it will have to compete with other established brands of honey in that market. These established producers might be giving distributors 30 days to pay their bills, and a new brand will not be successful unless it can offer similar (or better) terms of payment.

PROMOTION

There are several options for promotion, depending on the product and the means available to the entrepreneurs.

To develop a strategy for promotion, the following information from Phase 2 and Phase 3, Step 1 should be assessed:

- Features of the product that help customers recognize it as distinctive and will encourage them to buy it;
- Forms and costs of promotion that can be used to reach the greatest number of people;
- Different target market segments, such as niche markets, and consequent effects on promotion and packaging.

Facilitators need to ensure that the mission and values of the enterprise are part of the promotional package for the product. These need to be communicated to the distributors and end users. The strategy for promotion will depend on the objectives for gaining market share. Brand name recognition in an environment of competing companies is an important objective to strive for. Simple and cost-effective promotion includes attractive and informative labels and packaging. Promotional events include trade fairs. Promotional strategies can include distribution of free samples. More sophisticated (and expensive) forms of promotion include advertising in print media, on billboards and on radio and television. In all cases, the promotional strategies need to be assessed in view of the expected returns.

Certification

Certification is a possible means of promotion that can open new markets. Entrepreneurs who want to certify their products should clearly understand the costs and benefits of certification and ensure that the mission of the enterprise respects the requirements of the certification.

Strategic alliances for marketing

Strategic alliances for marketing are a frequent feature of NWFP market development because:

- product development requires an extremely diverse range of skills and orientations in the economic, financial, legal, institutional and technological areas;
- one enterprise usually cannot afford to maintain the required broad-based staff expertise or to hire adequate technical consultants.

Developing strategic alliances for marketing

In the previous phase of the MA&D process, entrepreneurs identified direct actors (producers, processors, middlepersons and consumers) and indirect actors (research institutions, product associations and government agencies) involved in the production, transportation, manufacturing and trade of a product. The entrepreneurs can form work groups for each area of enterprise development and discuss which kinds of partnerships could help them overcome some of the constraints they might face in that area. Non-financial partnerships for marketing might include an association formed from several production groups to promote trade links and standardise product quality. Other actors or stakeholders may also participate in the organization in some way; these might include local traders, the chamber of commerce and local non-governmental organizations.

Partners in an alliance need to have the following characteristics:

- They should be organized around a well-defined joint aspect of the enterprise that is beneficial to both partners;
- They should have similar values and agree to these before committing to the partnership;
- There should be good communication links between partners;
- A core decision-making group should be identified and maintained;
- Good boundaries and distinctive roles should be agreed upon and maintained.

Resource management/Environment strategy

During Phase 2, the entrepreneurs assessed whether the resource could regenerate itself and be harvested sustainably. Using this information, they should identify resource management and training needs and partners able to provide relevant technical expertise. The outcome of this discussion will be used to fill in the EDPs.

The resource management strategy is critical for:

- deciding the optimal size of the enterprises (a resource which is largely available and can be reproduced has better business prospects);
- deciding on alternative ways of getting scarce resources, such as through cultivation or changing the area of supply;

- developing a protection plan for the species, since it is likely that marketing efforts, if successful, will contribute to greater pressure on the survival of the resources;
- supporting a marketing strategy based on the fact that products contributing to the conservation of the environment and produced in an eco-friendly manner, such as those free of chemicals, gain an added value that can be recognized by consumers interested in environmentally and socially sustainable products.

Developing a resource management strategy

Resource mapping can be helpful for obtaining a good understanding of the users of a resource and the potential conflicts that might arise once products are commercialized.

Potential strategies differ according to the current status of the resource base and whether or not there is a clear understanding of the production yield cycle and regeneration potential of the resource.

The conclusions can be summarised as follows.

- If the resource is widely available and the production yield cycle and regeneration are good, the best option is to allow access to the wild resource and encourage interested groups to organize themselves. Harvesting management rules should be established (regulation of harvesting season, regulation of the minimum size and grade of harvested resource, restrictions regarding the zone for regeneration, and regulation of proper harvesting techniques) and these should be respected by all users.
- If the resource is not widely available and there is a risk of depleting it, harvesting management rules must be established and enforced with the support of the government in order to prevent outsiders from depleting the resource and to discourage local illegal harvesting.
- The domestication of species, where possible, can be initiated on trial plots (on common property or on private lands) in both of the options mentioned above.

Example

In Nepal, one of the biggest threats to the sustainability of tree and forest products, especially high-altitude, high-value medicinal plants, is early harvesting by villagers who need cash for holiday celebrations. Talking to them about improving harvesting methods has no effect, since they have no control over the lands and therefore no incentive to take responsibility for regeneration.

In this scenario, there are two possible strategies for assuring sustainable resources:

- The first strategy is to establish mechanisms whereby collectors can get advance payment before the holidays.
- The second strategy is to give communities greater control over the resource so that they have an incentive to protect it.

Social strategy

The social strategy governs social and equity relationships between male and female enterprise participants in order to ensure that participation, decision-making and distribution of benefits are equitable and reach the intended groups of entrepreneurs.

Disadvantaged community members and gender issues

If the steps in Phases 1 and 2 have been conducted in a thorough manner, the successful marketing of the product should not have negative impacts on any social group. The social/institutional strategy needs to predict possible impacts of changes in land use on all users in the community.

As a result of the new activities, it may become more difficult for other members of the community to access resources, water may become scarce or women's workloads may increase.



Tools such as the gender desegregated function matrix can be used to analyse the stages from collection to processing and marketing. By doing this, the facilitator and the community members can assess the type of activities necessary to encourage women's participation and ensure equal roles in decision-making and access to income benefits.

Develop a strategy for participation of disadvantaged community members

The entrepreneurs should identify the current users of a resource and develop a social strategy that makes provisions to avoid negative social impacts. An important element of this strategy should be the participation of disadvantaged members of the community in planning activities. The facilitator should develop the capacity of the interest groups, ensuring that all members have a chance to participate in the decision-making process. This will be very important if the community decides to use some of the profits from the enterprise to respond to community needs.

Some specific strategies may be needed to ensure that certain users in a community are reached. There is always a risk that new initiatives will result in the alienation of more disadvantaged groups. The entrepreneurs should devise ways of guaranteeing the representation of those individuals in the decision-making bodies of the enterprise and in



the community's management of natural resources. For instance, it may be advisable to include provisions in the organizational structure for the participation of a minimum number of women or other disadvantaged members of the community in decision-making committees. There should always be more than just one or two women on such a committee, so that they can support one another and feel comfortable sharing their views during meetings.

Institutional strategy

An institutional strategy should address the legal aspects regulating the enterprise, the impact of policies and the organizational structure needed in order for the entrepreneurs to maintain links with supporting institutions at all levels.

Organizational structures for enterprises

The choice of an organizational structure is dictated mainly by financing needs, marketing support requirements, technical assistance requirements and strategies for distribution of profits to participants and for sharing decision-making. The capacity of entrepreneurs and of the local community should also be taken into account when designing organizational structures. A collective partnership must serve the needs of its members in order to justify its existence. Further details on designing organizational structures are presented in Phase 2, Step 3.

Technological strategy

Research and development

During Phase 2, existing institutions were identified that could provide technical expertise to the enterprise. The facilitator assessed the skills of the participants and the possibilities for upgrading those skills. An overview of the technical resources (equipment, research and development), and of the infrastructure (communications networks and road access) was also obtained. As a facilitator, your role now is to help the entrepreneurs to select the technology, the processing methods, the equipment, the packing methods and materials for their products.

As part of their EDP, participants may decide to start some kind of processing process. The acquisition of equipment by the group has implications for all of the households. The location of a processing enterprise in the community should be considered carefully. If women are going to use the equipment, you should encourage the group to consider how to reduce their workload through, for example, placing it in a nearby location.

Using research and development in the technology strategy

As a facilitator, you will assist the group to select the technological options best adapted to the values and concerns of the ecological, social, market and economic areas of development defined in its enterprise strategy. You should be able to recommend partners that can help bring about these results.

In the MA&D process, technological options are chosen because they contribute not only to improving production but also to integrating environmentally-friendly methods in the production process.

Planning for worst-case scenarios

Unpredictable events can seriously harm the enterprise and damage the faith of investors. Good planning minimizes risks, so it makes sense to consider worst-case scenarios, to estimate any risks and check whether the enterprise will be sustainable if disaster occurs.

Anticipating risks

Brainstorm with the group about all of the things that could go wrong, no matter how unlikely they may seem. Then try to come up with strategies that would prevent or at least minimize the damage.

Example

Risks that can be anticipated include damage to the product during transportation or storage, or buyers breaking their contracts and refusing to purchase the products.

Participants should think of solutions to the following worst-case scenarios:

Market/Economy

- slowdown in the national/global economy;
- prices drop;
- buyers cancel orders;
- a sample in the shipment is found to be contaminated;
- the truck transporting products has an accident;
- the funds for paying collectors are stolen.

Natural resource management/Environment

- collectors do not respect harvesting rules;
- outsiders continue illegal harvesting;
- weather is unpredictable.

Social/Cultural

- conflicts occur among forest users;
- poorest individuals cannot access commercialized products.

Institutional/Legal

- changes in the legislation restrict access to land or resources.

Technology/Research/Development

- machine or equipment breaks down.



Tool 3 – Role-play on marketing mix / 5 Ps

Objectives:

- to introduce the key concepts around each of the 5 Ps;
- to explain the importance of including the 5 Ps in the planning of the enterprises;
- to introduce ways for villagers to obtain information about the 5 Ps.

Time:

30–45 minutes

Materials:

Traditional farmer's clothing and signs representing each of the 5 Ps (people, product, place, price, promotion).

Method:

1. Choose five participants or five pairs of participants, one for each of the 5 Ps and give each a sign to indicate which P they represent.
2. The pair representing products should choose a few local products.
3. Two people play the part of local small-scale farmers that harvest spice crops (for example pepper, cardamom, cinnamon). They are suffering from dropping prices and are looking for alternative ways to generate income. The local farmers should hold a discussion with all 5 Ps, asking advice on how to identify a good enterprise and develop an enterprise strategy. The farmers also ask about the organizations that could support and finance them.
4. At the end of the role-play, ask participants what they learned during this exercise. You can use the following questions to prompt their thinking:
 - Why did the farmers ask these particular questions to the 5 Ps?
 - Did it help them to plan their enterprise?
 - Where should the farmers go to collect more information about the 5 Ps for their enterprises?
5. Summarize the role-play exercise by stressing the importance of the 5 Ps for planning enterprises and helping to reduce risks.

Hint:

Identify the people who will play the part of farmers and suggest that they use local examples that everyone would be familiar with.



Tool 4 – Strategy development game

Objectives:

This game will be useful for understanding the importance of designing an enterprise strategy with care.

Materials:

Prepare 15 cards (about 10 x 30 cm) of two colours: one colour to denote constraints and one colour to denote solutions (for example, red cards for constraints and yellow cards for solutions). Write one constraint on each red card and the solution to that constraint on a yellow card. Number all the cards, giving the same number to the matching constraint and solution cards. Use examples suggested below:

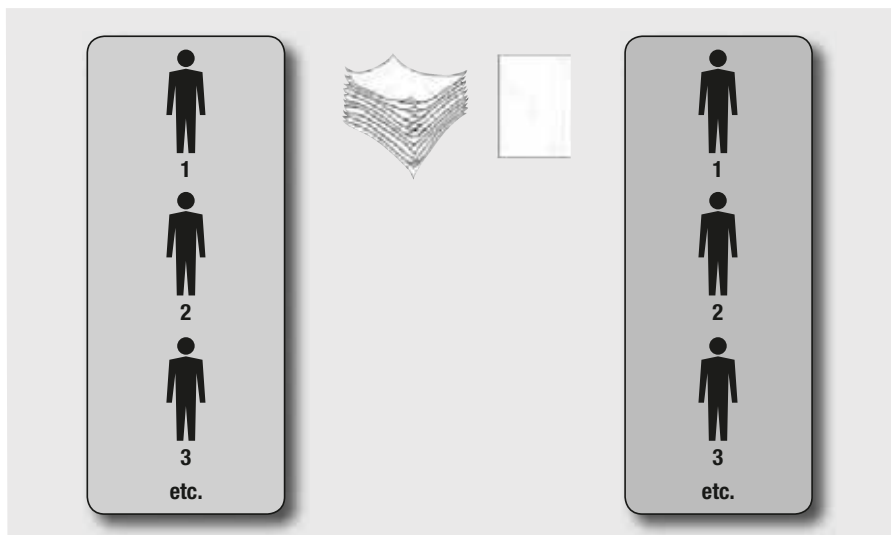
CONSTRAINT	SOLUTION
Many scattered producers	Create a collection centre and group enterprise
Only one buyer – monopoly	Encourage more buyers
No bargaining power	Generate more price information
Expensive transportation	Choose high value, low volume products
Lack of inputs for production	Organize mechanisms to guarantee inputs
Several grades of quality and price	Organize training on grading
Spoilage	Improve post-harvest techniques
Illiteracy	Use simple visual training materials
Seasonal price fluctuations	Enhance storage and capital
Women are overburdened	Gender analysis in the selection of products
Poorest individuals have no income	Select products which benefit the poorest people
Lack of manufacturing skills	Training to develop manufacturing skills
Over-harvesting	Training on harvesting
Shortage of resources in the forest	Increase forest resource domestication

Time:

30 minutes

Steps:

1. Split up participants into two teams with the same number of participants in each team. Ask each team to form a line facing each other. Give a number to all of the participants in one line. Give the same number to the opposite individual in the other line (see figure below).



2. Explain the rules of the game as described below.
3. Ask the participants to turn around so that they now stand back to back.
4. Lay the cards out on the ground in between the two lines.
5. Ask the participants to turn around so that they are again facing each other and can look at the cards.
6. Call out a number (no higher than the highest number of participants in one team).
7. Both participants with that number should pick up the two cards with the same number (constraint and solution).
8. Once they have found their cards, participants should give them to the facilitator. The first one to deliver his/her card wins a point.
9. If a participant picks the wrong card, his/her team loses a point and the other team can pick the correct answer and win an additional point.
10. The game is over when all cards have been picked up. The winning team is the one with the most points.
11. When the game is over, ask the participants what they have learned. They should have realised that if they rush to choose a strategy, they might choose the wrong one! On the other hand if they move too slowly they may lose opportunities.

Hint:

Make sure that each of the constraints has only one clear and well-defined solution.



Tool 5 – Comparing the proposed enterprise with existing companies

Once the entrepreneurs have gathered detailed information about the business environment for their product, they should compare their enterprise idea with existing companies in order to determine the nature of the challenges they will face. The SWOT analysis below identifies strengths, weaknesses, opportunities and threats. Strengths and weaknesses often address the internal factors of an enterprise, while opportunities and threats refer to external forces in the business environment. Two examples of this type of analysis are provided in the following tables.

Example 1: SWOT analysis of honey producers

	Honey producers	Existing company
Strengths	<ul style="list-style-type: none"> • Potential access to suppliers with low-price and high-quality products; • Technical and extension aspects that can easily be solved; • Low investment, low production costs and high potential for profitability. 	<ul style="list-style-type: none"> • Sophisticated research and development and marketing linkages; • Strong capital base; • High-quality production; • Production units are close to the markets and can adaptable easily to customer preferences.
Weaknesses	<ul style="list-style-type: none"> • Lack of knowledge regarding market chains and customer preference; • Locations in rural areas; distant from market centres; • Difficulties in obtaining packaging supplies; • Lack of processing technology. 	<ul style="list-style-type: none"> • Inability to meet the expanding market demand.
Opportunities	<ul style="list-style-type: none"> • Increasing domestic and export markets, with prospects for the development of a domestic niche for pure, natural, certified honey and also for use in the women's health care sector; • Opportunities to substitute imports of Australian and Spanish honey; • Training of small-scale beekeepers to produce export quality honey with the proper moisture content; • Possible links with larger wholesalers of honey in order to acquire technology and market information. 	<ul style="list-style-type: none"> • Well-established distribution chains; • Possibility of exporting honey in bulk, giving larger manufacturers an advantage over small-scale producers.

Continued on next page

Example 1: SWOT analysis of honey producers

	Honey producers	Existing company
Threats	<ul style="list-style-type: none"> • Requirements from foreign buyers for low moisture content, which limits growth of this market; • Difficulty of market penetration, which can only be achieved in export markets through high quality, standardization and respect of contracts; • Eventual dependence of producers on one major buyer. 	<ul style="list-style-type: none"> • Competition from several countries for selling honey to European markets.

Example 2: SWOT analysis and comparison of a NWFP Cooperative with road-head traders in Nepal

	NWFP Cooperative	Road-head traders
Product		
Quality	Offers quality products passed by quality control	Offer low-quality products and want to sell all their stock
Total supply	Meets the demand	May not be able to meet the demand, as the traders also purchase from the cooperative working area and will have to compete with the cooperative in purchasing
Storability	Good	Poor
Price		
Pricing policy	Competitive pricing	Competitive pricing
Conditions of payment	Payment on delivery	Payment on delivery
Promotion		
Advertising	Cost-effective media will be used if found to be appropriate	No
Discounts	No	No
Credit terms	Yes, if trusted, but for no more than one month	Yes, if trusted, but for no more than one month

Continued on next page

Example 2: SWOT analysis and comparison of a NWFP Cooperative with road-head traders in Nepal

	NWFP Cooperative	Road-head traders
Distribution		
Distance factor	No problem	No problem
Market chains	Has information on a few chains	Has information on several chains
Image	Yet to be established	Already established
Service	Competent, reliable, responsive, gate supply on time	Competent, reliable, responsive, gate supply on time
Class of buyer	Herbal or traditional medicine companies in Nepal	Herbal or traditional medicine companies in Nepal
Strengths	Committed to offering quality-controlled products	Possess established image as NWFP traders
Weaknesses	Has insufficient experience in marketing	Not conscious of the quality of the product and depend mostly on the cooperative members for the products
Opportunities	Buyers prefer to purchase quality products with quality service	Buyers choose them to be assured of the supply
Threats	Buyers may not believe in the cooperative, as it has not yet established an image in NWFP marketing	Chances of being unable to meet the order, and threat that the cooperative may over take their NWFP trade



Tool 6 – Game: Managing money, managing groups

Objectives:

- to assess group knowledge about financial products;
- to raise awareness about the skills needed to manage money;
- to identify missing information on how to access financial services.

Time:

60–75 minutes

Materials:

- game board reproduced on a flipchart (see sample on the next page);
- set of cards for each group (see samples later in Tool 6);
- flipchart.

Instructions:

- Place the game board at the centre of the space and explain that it is an itinerary game. Participants will change boxes according to the answers they give to the questions on the cards.
- Divide the group into teams of maximum 5 players.
- Give a set of cards to each team.
- Start the game. All teams should play at the same time.
- Discuss questions and clarify doubts about the rules and the process of the game.
- The game is over when all teams have reached an end point on the board.
- In plenary, facilitate a discussion on the importance of having a financial strategy for the enterprise development process and how this strategy should be incorporated in the EDP.

Hint:

Teams should play the game using the information they already have about external funds for their enterprises. The game will help the group to understand all the steps necessary to choose the best option for accessing capital. Most importantly, participants will better understand the challenges and problems of managing money at individual and group levels.

Game board							
						Yes	Ask your local bank about group loans
			└→	Yes	→	Card 01	
START	→	Do you have access to loans?				No	
			└→	No	←	←	←
				↓			
				↓			
		↓		←		Yes	Ask your funding agency about applying for a grant
		↓	└→	Yes	→	Card 02	
		Do you have access to grants?				No	
			└→	No	←	←	←
				↓			
				↓			
				↓			
		↓		←		Yes →	Proceed to Savings and Loan Group
		↓	└→	Yes	→	Card 03	
		Do you think you can manage money as a group?				No →	Card 04 →
			└→	No	Card 04 →	Go back to start	Go back to start
					↑		
					↑		
					↑		
			└→	No →			
		Do you have access to funds deposits?				Yes →	Proceed to Savings and Loan Group
			└→	Yes	→	Card 05	
						No →	Go back to start

Sample cards – 01. LOANS: Evaluate existing loans

Question	Yes/No
1. Is the loan amount available enough for the enterprise?	
2. Do the terms of the loan fit the seasonal the trends of the enterprise?	
3. In the case of a group loan, is everyone responsible in the same way?	
4. Does the group have the collateral required for the loan?	
5. Is the interest rate adequate based on our rate of return?	
6. Is the application form easy to fill out?	
7. Is the approval period short enough?	
8. Is the financial institution available to give out additional loans after the first has been repaid?	
9. Is the group completely convinced about the need to apply for a loan?	
10. Is the financial institution close to our village?	
TOTAL	x/x

Sample cards – 02. GRANT: Evaluate existing grants

Question	Yes/No
1. Is the grant sufficient for the enterprise?	
2. Is the grant allocated at a good time in terms of seasonal trends of the enterprise?	
3. Is everyone responsible in the same way towards the funding agency?	
4. Is the group eligible to apply?	
5. Is the group able to fill out the application form?	
6. Is the group able to fill out a final report for the funding agency?	
7. Is the group in contact with other groups that have received similar grants previously?	
8. Is it possible to get an extension on the grant?	
9. Is the group really interested in applying for the grant?	
TOTAL	x/x

Sample cards – 03. GROUP SAVINGS: Evaluate group savings capacity

Question	Yes/No
1. Do group members possess the same fiscal assets?	
2. Has the group established strict rules and regulations?	
3. Do administrative responsibilities rotate among members?	
4. Do members possess the same financial assets?	
5. Have members discussed the group membership with their respective families?	
6. Do members follow the same savings patterns?	
7. Do members have a common bond?	
8. Do members have a clear objective for saving?	
9. Do members hold regular discussion and decision-making meetings?	
10. Are there members who demonstrate leadership?	
11. Are there records of group meetings?	
12. Do members know each other's responsibilities?	
TOTAL	x/x

Sample cards – 04. GROUP CAPACITIES: Think about your group's capacities

Question	Yes/No
1. Do members come from similar wealth groups?	
2. Are members both men and women?	
3. Do members come from different families?	
4. Do members always meet at a set time and place?	
5. Do members know each other fairly well?	
6. Do members have the same expectations in terms of enterprise development?	
7. Do members usually avoid being part of other groups apart from this one?	
8. Are members willing to debate within the group?	
9. Do members know exactly why they have formed a group?	
10. Do members agree on the advantages of being in a group, i.e. sharing costs and risks?	
TOTAL	x/x

Sample cards – 05. DEPOSITS: Evaluate available deposit services

Question	Yes/No
1. Is the minimum amount of deposited funds required adequate for our group?	
2. Do the terms for depositing fit with our seasonal trends?	
3. Are the members of the group responsible to the financial institution in the same way?	
4. Can the group provide the necessary collateral?	
5. Is the interest rate to be applied to the deposit account acceptable to the group?	
6. Can the group withdraw money from the deposit account easily?	
7. Are members able to fill out the deposit account application form?	
8. Are the fees applied adequate for the group's income?	
9. Are there limitations in terms of safe-boxes/deposit boxes?	
10. Does the deposit account allow for multiple signatures?	
TOTAL	x/x

Conclusion

Explain that, according to the results of the game, there are three main strategies for managing money and managing people:

- The entrepreneur or entrepreneur groups have easy access to loan or to grants and should ask the bank or donors about the process to get the loan or the grant.
- The entrepreneur or entrepreneur groups face difficulty accessing a loan or a grant and should evaluate the possibility of setting up a Savings and Loans Group.
- The entrepreneur or entrepreneur groups plan their enterprise in such a way that they do not need a loan.



Tool 7 – Facilitating Phase 3: Summary of the main activities

With the project coordination team

1. Organize a meeting with the project coordination team in order to:
 - review the results of Phase 2 and assess the support each product needs in relation to the support capacities of the project;
 - define the project's exit strategy in relation to support needs;
 - plan the time, human resources, logistics and financial requirements needed to carry out Phase 3 according to the number of interested groups, their size and location, the scheduled resources production, etc.

At the local level

1. Organize a workshop with the entrepreneurs (or their representatives) for each group of products in order to:
 - introduce Phase 3 objectives, steps, activities and outputs;
 - explain that you will use a simulation exercise to help them learn enterprise planning;
 - raise awareness of the benefits of preparing an EDP.
2. Organize a workshop with the entrepreneurs (or their representatives) for each group of products in order to train them in the development of enterprise strategies and formulation of their EDPs. This will take between two and three days.
3. Follow up on the development of the various EDPs. This may take one to three weeks (or more) according to the project context, number of groups, distances to be travelled, etc.
4. Collect the EDPs and review them in order to identify weaknesses and suggest adjustments.

In collaboration with the project team

1. Analyse the EDPs in order to extract and aggregate the training and support needs.
2. Confirm your analysis with the representatives of the enterprise groups.



Tool 8 – What is an Enterprise Development Plan?

The EDP is a document that results from the enterprise planning exercise. It describes the enterprise and its strategies.

An EDP is useful to:

- assess future performance;
- communicate intentions for the business/enterprise;
- clarify intentions amongst enterprise partners;
- convince support providers to assist an enterprise;
- raise finance/grants.

A good EDP should:

- be designed by the entrepreneur;
- be realistic;
- be comprehensive – cover all the important areas of the enterprise;
- be very clear;
- convince the reader that the designer is also the promoter of the EDP;
- add to the credibility of the promoter (the entrepreneur);
- be adapted to the capacities of the entrepreneur.



Tool 9 – What do you know about your product?

The objective of this exercise is to summarise what entrepreneurs know about the product they want to develop.

ANALYSING YOUR CAPACITY AND THE BUSINESS ENVIRONMENT	INFORMATION IS ALREADY AVAILABLE	ADDITIONAL INFORMATION IS NEEDED
<p>Production</p> <ul style="list-style-type: none"> • Do you know all the steps involved in producing your product? • Do you know the equipment needed to produce your product? • Do you know the broad production costs of your product? 		
<p>Raw material supply/resource management</p> <ul style="list-style-type: none"> • Do you have access to the resource? • Do you know from where you will get your raw material? • Do you know the maximum amounts of raw materials you can get from your managed forest this year (and the coming years)? • Do you know which measures should be taken to increase resource stock? • Do you have any legal restriction to access the raw material? 		
<p>Marketing</p> <ul style="list-style-type: none"> • Do you know the other actors in your product market chains? • Do you know the product features, quantities, prices and production costs at each level and for each actor in the chain? • Do you know the production and sales calendars for your product or related products? • Do you know your competitors, the quality of their products and their selling prices? • Do you know the potential buyers of your products and their specificities? • Do you know the quality standards required by the various types of buyers? 		

Continued on next page

ANALYSING YOUR CAPACITY AND THE BUSINESS ENVIRONMENT	INFORMATION IS ALREADY AVAILABLE	ADDITIONAL INFORMATION IS NEEDED
<p>Technology</p> <ul style="list-style-type: none"> • Do you know the type of equipment needed to produce your product or/and to add value to your product? • Do you know where and when the equipment is available? • Do you know the costs of the equipment and the transportation costs to your location? • Do you know the type of packing material, where to find it and its cost? • Do you know the different transport means available to you and the advantages and disadvantages of each? 		
<p>Responsibilities/management</p> <ul style="list-style-type: none"> • Do you have enough time for this activity? • Do you or your enterprises members have the required education to manage the enterprise? • Do you or your enterprises members have the required technical skills? 		
<p>Finance/credit/credit management</p> <ul style="list-style-type: none"> • Do you have enough experience in credit management? • Do you know your investment capacity? • Do you know the potential sources of credit available to you, their advantages and disadvantages? 		
<p>Social and institutional</p> <ul style="list-style-type: none"> • Is there any labour force available/willing to engage in your activity? • Do you know the legal disposition for the production, processing, transport and trade of your product? • Do you know where to get permits, pay taxes, etc? • Which are the social or cultural factors influencing the production, processing and marketing of your product? 		



Tool 10 – Questions to ask when planning an enterprise

Using an enterprise planning simulation exercise can familiarise participants with the decisions they will have to make when actually formulating their EDPs. The following is a guide through this exercise.

1. Marketing plan

- What is your competition and what are its characteristics?
- What market segments do you want to target? What are the characteristics of your potential customers?
- How will you set a price for your product?
- What is unique about your product?

2. Operational plan

- How many units of your product do you plan to produce, stock and sell?
- What are your equipment, raw materials, packing and utility requirements?

3. Responsibilities and management plan

- What will be the legal structure and the name of your enterprise?
- How will you structure the organization?
- What will you pay in salaries and wages?

4. Resource management plan

- What will you do to sustain your resources?
- What costs will be incurred to conduct these activities?

5. Social development plan

- What will you do to provide social benefits to the communities?
- What costs will there be to conduct these activities?

6. Risk management

- What potential problems can you identify in the five areas of enterprise development?
- What are the potential solutions?

7. Profitability calculation and financial projections

- What is your forecast for profit and losses (depreciation, fixed costs, variable costs, estimated sales revenues, profit and loss projection)?
- Can you calculate the break-even point?
- Can you calculate the payback period for investment?
- Can you make a cash flow analysis?
- Can you present the balance sheet?



Tool 11 – Exercise: Enterprise planning simulation

The objectives of the exercise are two:

- help entrepreneurs make decisions in relation to planning their enterprises;
- equip them with the methods and tools they need for enterprise planning so that they are both able to use these tools and explain their use to others.

Materials:

- On a flipchart write the instructions on setting a scenario for the simulation exercise. The scenario should explain. Le scénario devra expliquer:
 - Qui promeut l'entreprise potentielle: un entrepreneur individuel? Un groupe de partenaires? Si oui, combien de partenaires?
 - Le produit que vous désirez développer.
 - Les raisons expliquant le choix de ce produit spécifique (utiliser le TEP – voir FCFT 2, Outil 29).
 - The reasons for selecting that particular product (use the product PAT - see FFG 2, Tool 29).
- Huit feuilles de tableau où sont énumérées les huit principales composantes d'un PDE;
- Des feuillets à distribuer où sont transcrites les informations des feuilles du tableau;
- Des feuillets à distribuer avec un modèle de PDE simple et un exemple de PDE compilé.

Time:

20-30 minutes per EDP component.

ORGANIZING THE EXERCISE:

1. Group the participants according to the products they have selected (or by site)

2. Explain the objectives of the exercise

Stress that participants should think in a very realistic manner. For that reason, they will be asked to set an enterprise scenario that is close to their own reality. Some information is already available from Phase 2, and data missing should be replaced by a realistic hypothesis.

3. Ask each team to write a scenario following the questions listed on the flipchart

Example of scenario

Families in the Valley V have few income generating opportunities. Berries are mostly used for home consumption and only rarely sold even though the valley is surrounded by mountains where different types of wild berries grow. Many villagers have experience in collecting berries and processing them into jam or juice. The Valley V is a two-hour drive from the capital and from a lake that is popular with tourists during the summer. Valley V is also a four-hour drive from the capital of a neighbouring country. A group of 12 women from a village in Valley V have decided to join efforts to produce and commercialize berry jam and juice.

4. Explain that enterprise planning implies the making of a series of decisions

Describe the eight sets of decisions that are needed using Tool 10. Explain that the exercise tracks the decision-making process and that the analysis needed to come to these decisions will sometimes lead participants to change strategies. For example, before completing the last section of the marketing strategy on promotion, participants will complete their product strategy in order to estimate their advertising needs. For this reason, the order of the exercise may be slightly different from the order of the EDP boxes.

5. Start the exercise by asking participants to decide upon a name for their enterprises

6. Entrepreneurs establish their marketing plans

Competitor analysis

In order to decide on the type of customers to target, the entrepreneurs need to get a picture of their competition, especially with regard to the selling prices, the quality of their products and the location of their markets. With this information, entrepreneurs can make better decisions on how to position their enterprises in relation to the competition.

TABLE 1: COMPETITOR ANALYSIS

Competitor's products	Competitor's selling price	Quality of their product	Target customers	Target markets (physical)
Berry jam	55 lc/500 gr	Wild berries, not fine filtered	Retail market	Market from District 1
Berry juice	55 lc/½ litre	Wild berries, not fine filtered	Retail market	Markets from Districts 1 and 2

Note: all price figures should be expressed in "lc" (local currency).

People (see marketing mix in Tool 3)

Based on the market research done in Phase 2, participants identify the potential market segments for their enterprise.

The information describes:

- the types of potential customers for the product;
- customer needs and expectations for the product;
- a classification of the needs of the customers (use scores to indicate the relative importance of the needs).

TABLE 2: ANALYSING THE MARKET SEGMENTS

Customer needs	Collectors at village site	Bulk market in town	Retail market in town
Berry jam	Jam in plastic containers of 20 kg.	Jam in plastic containers of 20 kg.	Jam in 400 gr. glass jars
Berry juice	Juice in 30 litre plastic drum	Filtered juice in 20 litre plastic drum	Filtered juice in ½ litre glass bottle

Price (see marketing mix in Tool 3)

Based on the market research done in Phase 2, participants should estimate the price that customers would be willing to pay for their products.

Setting a high price means that fewer customers will buy the product. Nevertheless, the price should be high enough to cover production and marketing costs and to yield the expected profit.

TABLE 3: AVERAGE PRICES FOR SIMILAR PRODUCTS

Product	Village collectors	Bulk market in town	Retail market in villages and towns
Berry jam	16 lc / kg.	20 lc / kg.	35 lc / 500 gr.
Berry juice	14 lc / litre	18 lc / litre	30 lc / ½ litre

Place (see marketing mix in Tool 3)

Based on the market research done in Phase 2, entrepreneurs should choose the market segments and locations where they want to focus their activities.

For this, they will need to assess the market size of each segment and define the volume of goods (number of units) that each type of customer (market segment) could purchase over the next season (defined by month, quarter or year depending on the type of product).

TABLE 4: SIZE OF MARKET SEGMENTS (SIZE OF POTENTIAL DEMAND)

Market segment	Potential demand
Segment 1: (collectors at village site)	2500 kg. for berry jam 3000 litres for berry juice
Segment 2: (bulk market in town)	2500 kg. for berry jam 5000 litres for berry juice
Segment 3: (retail market in villages and towns)	5000 kg. for berry jam for each market 3000 litres for berry juice for each market

Participants must determine their market segments in order to estimate the overall demand for their product. They will then be able to decide on the places of distribution, corresponding markets and costs, such as shop rental, local market fees, transportation, etc.).

TABLE 5: MARKETS	
Geographical markets for the selected segments	Distance from production place
Customers living in the villages of the valley: 15%	About 20 km. maximum
Tourists visiting the lake area: 30%	About 80 to 100 km.
Neighbouring country: 30%	80 km.
District 1 and District 2 markets: 25%	50 to 60 km.

Promotion (see marketing mix in Tool 3)

There are many options for promotion, depending on the product and the means available to the entrepreneurs. Explain to the participants that to develop their promotional strategy, they will have to assess the following:

- the features of the product that help people recognize it as distinctive and encourage them to buy;
- the types and costs of promotion that can be used to reach the greatest number of people;
- the different target market segments and the influence of their tastes on promotion and packaging.

Certification can also be a means of promotion as it can open up new markets. If entrepreneurs are going to certify their product they need to be clear about the costs and benefits of this option and of the need to maintain the mission of their enterprise while respecting the requirements of the certification.

Example of promotion

In our example, the women will think about a label for their product after the first season. They will produce good quality, pure, natural wild berries jam without chemicals.

Example of promotion

In our example, the women entrepreneurs will be using word of mouth to promote their products. They will contact their relatives in the neighbouring country and will present their enterprise to cooperatives in the lake area. They will also contact hotels and restaurants in the tourist camp area. They will do this during their regular trips and thus will not generate additional costs.

Ask participants to decide on the promotional means they will use and their related costs.

7. Participants establish their operational plans

Once they have decided on their market segment and geographical markets, the entrepreneurs will need to adjust the characteristics of their products to the needs and preferences of their customers. They will also need to clarify the production process, to identify the human, time, and equipment resources as well as the raw materials and utilities needed.

Features and quality of the products

Participants need to describe the features and quality standards set for their products, especially when these indicate an advantage of their products over those of their competitors. Participants also need to indicate the features they think will meet the needs of their target customers.

Example of product features

400 gr glass jars of jam and juice sealed with metal lids and made from two kinds of wild berries, collected from 3 hilly areas, from surrounding forests and from the riverside. Proper harvesting methods will ensure protection of the resource base. The product will be made from high quality “organic” natural resources and free of chemicals.

The entrepreneurs will need to schedule production according to raw material supply. The production calendar should thus indicate when raw materials are available. All products should be featured on the same calendar.

TABLE 6: PRODUCTION CALENDAR

Products	Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Berries for jam												
Berries for juice												

Estimating production

Participants will need to determine the quantities of product they can make per day and per production period, (defined by month, season, quarter year according to the product).

For this they will:

- estimate global demand for the products for the selected market segments (see Table 4);
- determine the number of units that can be produced within a certain production period and according to work, time and investment capacities;
- divide estimated production for the concerned production period by the appropriate number of working days per month – it is advisable to add 5-10% to the number of units to account for production mistakes or unexpected losses;
- compare the estimated production target with the global demand (making sure this figure is realistic):
 - producing too much means wasting goods;
 - producing too little means wasting opportunities.

TABLE 7: PRODUCTION TARGET AND SHARE OF THE MARKET SEGMENT

Products	a) Total estimated demand per season	b) Estimated daily production capacity in number of units/day including safety stock (5 to 10%)	d) Total target production (b) x 60 days production	e) Market share you take in (%) d)/a) x 100
Berry jam	5000 kg	30 units/day	$30 \times 60 = 1800 \times 400 \text{ gr} = 720 \text{ kg}$	$720/5000 \times 100 = 14\%$
Berry juice	3000 litres	30 units/day	$30 \times 60 = 1800 \times 400 \text{ gr} = 720 \text{ g}$	$720/3000 \times 100 = 24\%$

Note: 0.5 litre of juice = 400 gr.

Estimating equipment needs

To estimate their equipment needs, the entrepreneurs will need to:

- describe all the steps of the production process for each product;
- identify the equipment needs for each step;
- identify the production capacity of each unit of equipment;
- calculate the number of equipment units needed (by dividing the total target production by the capacity of the equipment);
- estimate the cost of each equipment unit;
- calculate the total equipment costs (by multiplying the number of equipment units required times the price of one unit).

After the start of operations, demand might increase from the original estimate and production should be able to increase accordingly. Keep this in mind when planning equipment needs. If the initial capacity is too limited, it will be difficult to take on an increase in production.

TABLE 8: EQUIPMENT NEEDS

Production process	Type of equipment required	Equipment capacity	Quantity of equipment required	Cost of one unit of equipment	Total equipment cost
Same for both products					
Harvesting, cleaning and sorting berries	Horse cart		1	15 000 lc	15 000 lc
	Buckets		10	150 lc	1 500 lc
	Pans		5	500 lc	2 500 lc

Continued on next page

TABLE 8: EQUIPMENT NEEDS

Production process	Type of equipment required	Equipment capacity	Quantity of equipment required	Cost of one unit of equipment	Total equipment cost
Grinding (manual or electric)	Electrical meat grinder		2	4 000 lc	8 000 lc
	Manual meat grinder		4	200 lc	800 lc
Mixing sugar	Aluminium containers		2	300 lc	600 lc
Cooking	Electrical stove		2	5 000 lc	10 000 lc
	Gas oven		2	5 000 lc	10 000 lc
Jar washing and filling, and lid sealing and labelling	Lids sealing machine		5	200 lc	1 000 lc
	Scale		1	500 lc	500 lc

Note: The amount of equipment anticipated in Table 8 would allow for the first year's production target to be doubled if necessary.

Total cost of raw material and equipment

TABLE 9: TOTAL RAW MATERIALS NEEDED

Item	Total raw materials			
	Unit price	Quantity	Costs	Origin/Supplier
For berry jam	8 lc / kg	1000 kg	8000 lc	Wild
For berry juice	8 lc / kg	900 kg	7200 lc	Wild
Total		1900 kg	15200 lc	

Estimating packing material costs

Participants will need to estimate the costs of packing material and auxiliary requirements for the total production of 1 800 jars (720 kg) of berry jam and 1 800 jars (720 kg) of berry juice:

TABLE 10: PACKING MATERIAL AND AUXILIARY REQUIREMENTS

Item	Total annual requirements			
	Unit price	Quantity	Costs	Supplier
Glass jars 400 g	6 lc	3 600	21 600 lc	In District 1
Labels	3 lc	3 600	10 800 lc	In District 1
Lids	2 lc	3 600	7 200 lc	In District 1
Sugar	30 lc	1 000	30 000 lc	In District 2
Total			69 600 lc	

Estimating running costs of utilities

Participants will need to estimate the costs of utilities for producing 1 800 jars (720 kg) of berry jam and 1 800 jars (720 kg) of berry juice.

TABLE 11: UTILITIES REQUIREMENT AND COSTS

Item	Unit price	Quantity	Total utilities costs
Electricity (km)	0,50 lc	1 000	500 lc
Gas bottles	300 lc	4	1 200 lc
Water (lump sum)			500 lc
Other (lump sum)			1 000 lc
Total			3 200 lc

8. Participants define their management plans**Legal structure**

Participants will need to decide on the legal structure of their enterprises and design the organizational chart for enterprise management.

Example

In our example, the enterprise could be set up as a “non-registered jam production micro enterprise.” The name of the enterprise could be “Valley V Happy Jam and Juices”

TABLE 12: ENTERPRISE MANAGEMENT TEAM PROFILE

Management team members	Background	Education level	Costs	Origin/Supplier
President	Agriculture	Secondary	Agriculture	
Secretary	School teacher	Secondary	None	
Treasurer	School teacher	Secondary	Accounting training	

Estimating staff needs and costs

Participants will need to list the type and number of staff members and to estimate their working time, salaries (per hour, per day, per month) and other associated costs of their labour.

Consider discussing some of the differences between direct and indirect labour (see the table below for an illustration of some of the differences).

TABLE 13: SALARIES AND WAGES

Category of personnel	Number of people	Salary per day or per month	Other associated costs	Total costs per year
Direct labour				
Jam and juice-making workers	3	40 lc/day 20 days x 3 months		7 200 lc
Storeroom keeper	1 during 3 months	500 lc		1 500 lc
Subtotal				8 700 lc
Indirect labour				
Accountant	1 during 2 months	800 lc		1 600 lc
Subtotal				1 600 lc
Total				10 300 lc

9. Participants define their resource management plans

As explained in Tool 2, the entrepreneurs will need to develop strategies in order to ensure that their stock of raw materials remains stable. This is a critical task as no EDP will be eligible for support if it does not have a clear strategy for how to preserve natural resources together with the associated costs. The elements of the resource management plan will depend on the type of natural resources involved, the local context and the capacities of the entrepreneurs. It may also involve the regulation of the harvesting season, the minimum size and grade of harvested resource and restrictions regarding the zone for regeneration and the use of appropriate harvesting techniques, enrichment planting, etc. Entrepreneurs can often get technical and financial support to address these aspects of planning.

Participants will need to:

- list the type of resources used in production;
- describe where the resources come from;
- indicate the management measures needed to maintain the stock of resources;
- list the costs related to the implementation of these measures.

TABLE 14: RESOURCE MANAGEMENT ACTIONS AND COSTS

Required resources	Provenance	Management measures	Costs
Berry jam	Hill area 1 Hill area 2	Training in proper harvesting techniques	2 days training of harvesters = 2000 lc
Berry juice	Forestry farm and river side	Plant additional bushes	20 lc per bush x 200 = 4000 lc
Total			6 000 lc

The resource management costs are not part of the profit and loss calculation since the enterprises will incur these expenses only if they make a profit. A resource management map indicating the collecting sites should be included as an annex to the EDP. The map will reinforce the resource management strategies and facilitate monitoring exploitations patterns.

10. Participants define their social development plan

As explained in Tool 2, the social plan will help to minimize potentially negative social impacts of the enterprise and, ideally, improve the lives of community members.

Entrepreneurs should assess how their enterprises can address the social needs that community members cannot solve on their own. For example, an entrepreneur can use some of their profits to repair a bridge, provide free health to elders and children or provide support to local schools.

Participants will need to:

- describe the social activities that they will take on;
- detail the measures needed to make them happen;
- estimate the costs involved in the implementation of these measures.

TABLE 15: SOCIAL DEVELOPMENT ACTIONS AND COSTS

Social activity	Measures	Costs
Improve public health	Donate % of the production to schools	4 500 lc
Total		4 500 lc

The social costs are not part of the profit and loss calculation since enterprises will incur these expenses only if they make profit.

11. Participants define their risk management plan

Unpredictable events can affect an enterprise and prevent it from meeting its production and sales targets. Consequently, it is a good idea to anticipate risks and develop strategies to prevent or minimize their impacts.

Participants will need to:

- list potential risks in the five areas of enterprise development, no matter how unlikely they seem;
- suggest solutions to lessen the negative impact of these risks.

TABLE 16: ESTIMATION OF RISKS AND POTENTIAL SOLUTIONS

	Market area	Raw material supply area	Social area	Institutional/ Legal area	Technology area
Risk	Competition by city consumers who prepare their jam at home	Natural climatic hazard	Lack of formal credit	Transport permit difficult to obtain Nuisances during transportation	Technological mistakes Electricity shortages
Solution	Develop contacts in neighbouring areas to identify other consumers than city ones	Expand harvesting areas, undertake cultivation	Create a savings fund for the group	Plan in advance to get a permit Contact authorities for help	Training to improve skills by the cooperative Use manually operated tools

Common risks include products being damaged during storage or transportation and buyers breaking their contracts and refusing to purchase the products. See a list of additional common risks below:

Market/Economy	<ul style="list-style-type: none"> • The national economy goes into recession; • Prices go down; • Buyers cancel orders; • A sample in the shipment is found to be contaminated; • The truck that transports the products has an accident; • Funds for paying collectors are stolen.
Natural resource management/ Environment	<ul style="list-style-type: none"> • Collectors do not respect harvesting rules; • Outsiders continue illegal harvesting; • The weather is unpredictable.
Social/Cultural	<ul style="list-style-type: none"> • Conflicts occur between forest users; • The poorest individuals cannot buy the products.
Legal/Institutional	<ul style="list-style-type: none"> • Changes in the legislation restrict access to land or resources.
Technology/Research/ Development	<ul style="list-style-type: none"> • Production equipment breaks down.

12. Participants calculate their profitability and financial projections

Participants will need to calculate their budgets and verify whether all of the strategies they have adopted until now are cost-effective. An estimate of costs and benefits was made in Phase 2 and it is now time to establish very detailed cost plans.

Financial planning

Enterprises that deal with small volumes of goods and simple production processes do not require sophisticated financial tools. These guidelines present simple financial tools that small and micro-entrepreneurs can master with the support of the facilitators. With these tools, the entrepreneurs will be able to assess the profitability of their enterprises, validate their profitability and manage their cash flow.

Review Tool 8 with the participants and explain that they will now fill in their financial plans. As a result of their calculations, they might come to the conclusion that their enterprise strategies are not feasible and will need to be adjusted.

Forecasting profits and losses

Forecasting profits and losses means adding up the different sources of income and analysing how they are spent. This calculation should be projected for the first and the second seasons/years. This calculation is a useful budgeting tool that allows the entrepreneurs to review the records of the enterprise at the end of the period and compare their projections with the actual income and spending figures.

The profit figure is obtained by calculating the difference between total expenses and total revenues over a specified period of time. Total expenses include fixed costs, depreciation costs and variable costs for a production target. Total revenues include income from sales.

To forecast profits and losses, you will first need to calculate:

- depreciation costs;
- fixed costs;
- variable costs;
- estimated sales.

Depreciation costs

Depreciation is a way of putting aside money for the eventual replacement of equipment. Depreciation is calculated by taking the initial cost of the equipment divided by the expected lifetime of the equipment. An equivalent amount is saved every year.

Participants will now calculate the depreciation costs of their equipment.

TABLE 17: EXAMPLE OF CALCULATION OF DEPRECIATION COSTS

	Equipment & machinery	Total cost	Life span (years)	Depreciation costs per year
1	Horse cart	15 000 lc	20	750 lc
2	Buckets (email)	1 500 lc	10	150 lc
3	Pans	2 500 lc	10	250 lc
4	Electrical meat grinder	8 000 lc	10	800 lc
5	Manual meat grinder	800 lc	10	80 lc
6	Aluminium containers	600 lc	10	60 lc
7	Electrical stove	10 000 lc	10	1000 lc
8	Electrical stove	10 000 lc	10	1000 lc
9	Gas oven	1 000 lc	10	200 lc
10	Lid sealing machine	500 lc	5	50 lc
Total	Scale	49 900 lc	10	4 340 lc

Fixed costs

Start by asking participants whether they know the difference between fixed and variable costs. (See definitions in glossary). Ask participants to calculate their fixed costs.

The profit and loss statement reflects the projected income of the enterprise and as a consequence, the initial expenditures for capital assets are not included as operating expenses. Those expenditures are considered as investments and will appear on the balance sheet.

TABLE 18: FIXED COSTS (FOR THE PERIOD.....)				
	Item	Unit price	Qty (Unit)	Total
1	Depreciation costs (see total, Table 17)	15 000 lc	1	4 340 lc
2	Insurance	1 500 lc	1	600 lc
3	Store rental	600 lc	6	3 600 lc
4	Postage, stationery	200 lc	6	1 200 lc
5	Office telephone, Internet	200 lc	6	1 200 lc
6	Indirect labour accountant	800 lc	2 months	1 600 lc
7	Repair and maintenance	5 000 lc	1	5 000 lc
8	Natural resources exploitation fee	800 lc	1	800 lc
Total				18 340 lc

Variable costs

Ask the participants to calculate the variable costs of their enterprises.

TABLE 19: VARIABLE COSTS				
N°	Item	Unit price	Qty (Unit)	Total
1	Purchase of raw materials (see Table 9)	8 lc per kg	1 900 kg	15 200 lc
2	Glass jars 400 g (see Table 10)	6 lc	3 600	21 600 lc

Continued on next page

TABLE 19: VARIABLE COSTS

N°	Item	Unit price	Qty (Unit)	Total
3	Labels (see Table 10)	3 lc	3 600	10 800 lc
4	Lids (see Table 10)	2 lc	3 600	7 200 lc
5	Sugar	30 lc	1 000	30 000 lc
6	Utilities (see Table 11)			3 200 lc
7	Direct labour (see Table 13)			8 700 lc
Total				96 700 lc

Sales revenues

Participants will now calculate the sales revenues. In order to do that they must:

- List their products.
- Set a price for each product, taking into account prices of the competition and qualities of the products.
- Indicate the quantities they plan to sell in a year by:
 - reviewing the production target for each product (Table 7);
 - estimating the number of units that should be kept in stock at the end of the year. Note that stock should be kept to a minimum in order to avoid tying up money in unsold goods;
 - estimating the number of units that should be sold by deducting the stock from total production. This is the sales target for the year;
 - multiplying the number of units to be sold by the unit price. This is the estimated annual sales revenue.

TABLE 20: ANNUAL PRODUCTION TARGET AND ESTIMATION OF SALES REVENUE OVER TWO YEARS – SEASON 1

Item	a) Annual production target (by number of jars)	b) Stock	c) Annual sales a) – b)	d) Unit price	Annual estimated sales revenue c) x d)
Berry jam	1 800	200	1 700	45 lc	76 500 lc
Berry juice	1 800	200	1 700	45 lc	76 500 lc
Total	3 600	400	3 400		153 000 lc

Note: in its first year, the enterprise runs at 50% of its full capacity.

TABLE 20: ANNUAL PRODUCTION TARGET AND ESTIMATION OF SALES REVENUE OVER TWO YEARS – SEASON 2

Item	a) Annual production target (by number of jars)	b) Stock	c) Annual sales a) – b)	d) Unit price	Annual estimated sales revenue c) x d)
Berry jam	3 600	200	3 400	45 lc	153 000 lc
Berry juice	3 600	200	3 400	45 lc	153 000 lc
Total	7 200	400	6 800		306 000 lc

Note: In its second year, the enterprise runs at full capacity.

Note: Sales target is 1 700 jars of jam and 1 700 bottles of juice. 100 jars and 100 bottles are considered potential wastage or/and sample distribution for a promotion strategy.

Profit and loss statement

Participants will now calculate their profit and loss statements.

Gross profit is obtained by adding fixed and variable costs and deducting this sum from total sales. Gross profit may be used to reimburse debts and pay income taxes or it may be retained as earnings. Net profit is the amount left over after taxes have been deducted from gross profit.

TABLE 21: PROFIT AND LOSS PROJECTION OVER TWO YEARS

	Season 1		Season 2	
	Units	Value	Units	Value
a) Sales (total Box 5)	3 400	153 000 lc	6 800	306 000 lc
b) Less – (variable costs + fixed costs) (total Box 14 + total Box 13)		115 040 lc		203 040 lc
c) = Operating Profit		37 960 lc		102 960 lc
d) Less interest expense (table 21)		3 891 lc		4980 lc
e) = Net Profit before Taxes		34 066 lc		97 980 lc
f) Less estimated income tax		0		0
g) = Net Profit after Taxes		34 066 lc		97 980 lc

13. Participants calculate the break-even points for their enterprises

The break-even point serves to determine the minimum number of units that should be produced in order to cover all production expenses. At the break-even point, profit is equal to zero. Knowing it will help determine whether the sales price is high enough to generate sufficient profit. For revenues above the break-even point, calculating profits involves deducting the variable costs of production (not the fixed costs of overhead) from the sales price. Revenues below the break-even point constitute losses.

TABLE 22: BREAK-EVEN POINT

Total fixed costs	18 340 lc
Divided by unit selling price - unit variable costs	$45 - 28.45 = 16.55$ lc
Break-even Point in number of items	$18\,200/16.55 = 1\,108$ jars
Number of items	1 108
Selling price per unit	45 lc
Break-even point in revenue	$1\,108 * 45 = 49\,860$ lc

Once the break-even point is known, group members should analyse these results and assess whether the price set for a product ensures that there is enough margin for profit. If the profit isn't high enough, then a higher price should be fixed and a new break-even point calculated. On the other hand, if the current price ensures a comfortable margin, the group can work out a discount strategy and validate it by calculating an alternative break-even point.

14. Participants carry out a cash flow analysis for their enterprises

A cash flow analysis shows when money moves in and out of an enterprise on a monthly basis. The cash flow analysis is essential for any enterprise – regardless of its size – because it provides a true picture of how the enterprise operates financially. The analysis gives an accurate estimate of the amount of cash reserves needed to start an enterprise. Without this tool, an enterprise might appear to be able to make a profit, yet it will not because it has failed to take account of the cash needed for day-to-day expenses.

A cash flow analysis can draw attention to the periods when cash flows in excess and the periods when there is not enough cash. Cash flow projections will also allow entrepreneurs to look back at the past year and determine whether their initial estimates were accurate. Finally, cash flow analysis can help to assess – on a monthly basis – whether the enterprise is spending too much on a particular cost centre to the detriment of other items.

Preparing a cash flow projection

Participants will prepare a cash-flow projection by:

- referring to the calculations made for the profit and loss projection (Table 21);
- reviewing when monthly payments should be made during the year. For this they will:
 - estimate the cash available in the first month (i.e. the cash the enterprise opens with). The total amount of capital forecasted in the start-up costs can be used to supply this figure. Once sales begin, income will be added to the cash on hand;
 - add expenses at the bottom of the table;
 - deduct total expenses from total cash in order to estimate the cash available at the end of the month;
 - report the resulting amount as cash available for the following month;
 - maintain a total of each row in the first column in order to ensure that the cash flow projections follow the profit and loss projection.

The cash flow projection will help the entrepreneurs think about the details of their enterprises and understand the importance of working capital for the survival of the enterprise. It also shows when and how profits are distributed to the enterprise group.

TABLE 23A: CASH FLOW PROJECTION FOR THE FIRST SIX-MONTH SEASON

Item	Month						Total
	1	2	3	4	5	6	
Cash in hand		51 833	3 745	36 308	42 931	49 553	
Start-up capital (including loan)	149 820						
Sales	0	0	38 250	38 250	38 250	38 250	153 000 lc
a) Total cash	149 820	51 833	41 995	74 558	81 181	87 803	487 181 lc
Expenses							
Equipment	49 900						
Fixed costs	3 056	3 056	3 056	3 056	3 056	3 056	18 340 lc
Variable costs	44 383	44 383	1 983	1 983	1 983	1 983	96 700 lc
Interest (%)	648	648	648	648	648	648	3 888 lc
Principal payments				25 940	25 940	25 940	77 750 lc
b) Total expenses	97 987	48 087	5 687	31 627	31 627	31 627	196 538 lc
Cash minus total expenses (a-b)	51 833	3 745	36 308	42 931	49 553	56 176	290 644 lc
Deposit into resource management fund	0	0	0	0	0	6 000	
Deposit into social development fund	0	0	0	0	0	4 500	

Continued on next page

TABLE 23A: CASH FLOW PROJECTION FOR THE FIRST SIX-MONTH SEASON

Item	Month						Total
	1	2	3	4	5	6	
Deposit into group savings funds	0	0	0	0	0	0	
Dividends /profit sharing	0	0	0	0	0	24 000	
c) Cash in hand at the end of month	51 833 lc	3 745 lc	36 308 lc	42 931 lc	49 553 lc	21 676 lc	

Note: Based on this projection, each member of the enterprise group will receive 2 000 lc at the end of the first season. Any cash available at the end of the sixth month will be reinvested to start up production in the following season.

TABLE 23B: CASH FLOW PROJECTION FOR THE SECOND SIX-MONTH SEASON

	Month					
	7	8	9	10	11	12
Cash in hand (c)	21 676	30 473	471	30 268	60 065	89 863
Loan	100 000					
Sales	0	61 200	61 200	61 200	61 200	61 200
a) Total cash	121 676	91 673	62 671	97 468	121 265	151 063
Expenses						
Equipment						
Fixed costs	3 056	3 056	3 056	3 056	3 056	3 056
Variable costs	87 317	87 317	2 517	2 517	2 517	2 517
Interest (%)	830	830	830	830	830	830
Principal payments			25 000	25 000	25 000	25 000
b) Total expenses	91 203	91 203	31 403	31 403	31 403	31 403
Cash minus total expenses (a-b)	30 473	471	30 268	60 065	89 863	119 660
Deposit into resource management fund						10 000
Deposit into social development fund						6 000
Deposit into group savings funds						
Dividends/profit sharing						60 000
c) Cash in hand at the end of month	30 473 lc	471 lc	30 268 lc	60 065 lc	89 863 lc	43 660 lc

Note: Based on this projection, each member of the enterprise group will receive 5 000 lc at the end of the season. Any cash available at the end of the sixth month will be reinvested to start up production in the following season.

15. Participants prepare their financial plan

Start-up costs and capital needs

Participants will now estimate:

- the amount of funding needed to start up their enterprises, on the basis of the sales projections;
- the amount of funding that should be set aside to cover initial operating expenses. Note that these funds should usually be adequate to cover a period of three to four months. For many microenterprises, however, longer periods might be necessary and this can be determined by using the cash flow calculation in Table 23;
- the amount of capital already available and the amount remaining to be found.

Calculating start-up costs

Participants will need to look back at their first year sales projection (in Table 20) to calculate their start-up costs.

TABLE 24: START-UP COSTS FOR THREE MONTHS EXAMPLE

	Total start-up costs for three months			
	1	2	3	Total
Fixed assets				
Buildings				
Equipment				
Horse cart	1 500			
Buckets	150			
Pans	500			
Electrical meat grinder	4 000			
Manual meat grinder	200			
Aluminium containers	300			
Electrical stove	5 000			
Gas oven	5 000			
Lid sealing machine	200			
Scale	500			
a) Fixed assets sub-total	49 900			49 900 lc
b) Fixed costs	3 057	3 057	3 057	9 170 lc
c) Variable costs	44 383	44 383	1 983	90 750 lc
Total start-up costs for 3 month a) + b) + c)				149 820 lc

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TABLE 24: START-UP COSTS FOR THREE MONTHS EXAMPLE

	Total start-up costs for three months			
	1	2	3	Total
Less sales	0	0	0	0 lc
Less members own capital				72 000 lc
Remainder to be financed				77 820 lc

Note: Sales during the third month are paid at the end of the month and therefore are not included in the calculation.

Financial plan

Participants will need to refer back to the list of the possible sources of funding they established in Phase 1, Step 1 to decide whether they have adequate capital available to start their enterprises or whether they need to bring in partners.

TABLE 25: SOURCES OF CAPITAL

Financial plan: sources of capital

Own funds	72 000 lc
Community funds	
Bank loan	77 820 lc
Saving and credit group loan	
Grant	
Total	149 820 lc

TABLE 26: INTEREST CALCULATION

Monthly interest charge (%): Annual interest 10%, divided by 12 months	0.83%			
Total interest expense				
Monthly interest charge (%) divided by 100	0.0083			
Duration of the loan (in months)	6			
Total amount of loan	77 750 lc			
Interest expense	$0.0083 \times 6 \times 77750 = 3872$ lc			
	Loan amount	Yearly interest rate: 10%	Monthly interest rate: 0.83%	Interest paid per month
Year 1	77 750 lc	0.1	0.0083	648 lc
Year 2	100 000 lc	0.1	0.0083	830 lc



Tool 12 – An example of an Enterprise Development Plan

This tool is an example of an Enterprise Development Plan and will have to be adapted to the needs and context of the entrepreneurs. Also note that this example will not contain all the tables used in the simulation exercise.

EDP Example

Date prepared:

Name of the enterprise

Full name of the business operator.....

Address and contact numbers.....

1. Executive summary: (General description of the enterprise)

2. Motives and location of the enterprise:

Families in the Valley V have few income generating opportunities. Berries are generally used for home consumption and rarely sold, even though the valley is surrounded by mountains where different types of wild berries grow. Many villagers have experience in collecting berries and processing them into jam or juice. The Valley V is a two hour drive from the capital and from a lake that is much visited by tourists during the summer. Valley V is also a four hour drive from the capital of a neighbouring country. A group of 12 women from a village in Valley V have decided to join their efforts to produce and commercialize berries jam and juice.

3. Short description of the product(s) features and origin of the raw material:

The enterprise will produce 400 gr glass jars of jam and juice sealed with metal lids. The raw material will be wild berries collected from the hills surrounding the village, from the forest and by the river side.

4. The targeted market segment(s) and customer needs, and the advantage(s) of targeting these versus other markets segments and customers:

The enterprise will first focus on the retail market segment in villages around the valley, which includes tourists in the lake area, buyers in a neighbouring country whose border is close to the village, and in surrounding towns. The size of the seasonal/annual demand is estimated to be 5 000 kg for berry jam and 3 000 litres for berry juice. This market segment is preferred to other outlets (such as berry collectors at village sites and bulk jam markets in town) because potential profits are higher and risk is lower thanks to the many available sales outlets.

5. Production and sales targets during the first season:

The enterprise aims to produce 1 800 jars (720 kg) of jam and 1 800 bottles (720 kg) of juice. The expected sales amount to 1 700 jars of jam, generating a revenue of 76 500 lc, and 1 700 bottles of juice, generating a revenue of 76 500 lc. The total sales target for the first season is an estimated 153 000 lc.

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6. Fixed capacity of the enterprise:

The enterprise should be able, in the second year/season to produce twice the quantity produced during the first year, that is 7 000 jars (2 840 kg) of berry jam and juice. During the first season, the equipment will be used at only 50% capacity.

7. Expected profit, initial capital needs and financing plan:

The expected net profit is 34 066 lc for the first season.

The initial capital needs are 149 820 lc.

Financing plan:

- Twelve members of the enterprise group have funds worth 72000 lc and can invest them in the enterprise;
- The enterprise can contract a loan for 77820 lc.

8. Enterprise management team:

(During the initial phase of operations, the enterprise will be only registered at the community level.)

Name of the manager(s), team members, working experience:

President:

Secretary:

Treasurer:

9. Current situation:

With the support of an MA&D facilitator, the enterprise group has conducted all preliminary studies required to establish the enterprise. The enterprise has not started yet as it is waiting the bank to accept its loan request.

10. Plan duration:

The duration of this plan is 2 years.

1. Marketing Plan

Description of the product(s) and marketing strategy:

The products intended for sale are high quality berry jam and juice made from organic fruits and harvested in a sustainable manner. The jam and juice will be packed in attractive clean glass jar.

The market strategy is based on the following:

- organic raw material;
- attractive packaging;
- a wide range of potential customers in local villages, neighbouring cities, tourists and neighbouring country;
- existing connections with cooperative, hotels, tourists and relatives living in neighbouring country.

Competitor analysis

Competitor's products	Competitor's selling price	Quality of their product	Target customers	Target markets (physical)
Berry jam	55 lc/500 gr	Wild berries, not fine filtered	Retail market	Market from District 1
Berry juice	55 lc/½ litre	Wild berries, not fine filtered	Retail market	Markets from Districts 1 and 2

Marketing strategy

Target market segments (People): List and justify possible markets segments and note which ones the enterprise will focus on initially and in subsequent years.

Market segments			
Customer needs	Collectors at village	Bulk Market in town	Retail Market in town
Berry jam	Jam in plastic containers of 20 kg.	Jam in plastic containers of 20 kg.	Jam in 400 gr. glass jars
Berry juice	Juice in 30-litre plastic drum	Filtered juice In 20-litre plastic drum	Filtered juice in ½ litre glass bottle

Specify the main needs of each type of customer for the target segment (Table 4 the simulation exercise).

Targeted market segment, its customers' needs, and its advantages compared to other market segments

The enterprise will first focus on the retail market segment, composed of villages in the valley including tourist locations in the lake area, buyers in surrounding towns and relatives the neighbouring country. (The size of the demand is seasonally/annually more than 5000 kg for berry jam and 3000 litres for berry juice. This retail market segment is preferable because of higher potential profits and lower risk due to the many retail outlets outlets. The market share is 14% of the segment for jam, and 24% of the segment for juice.

Price (report results Table 3)

Explain the selling price(s) for each item how the price was set. Based on the prices of competitors and the higher quality of the products, the price has been set at 45 lc per jar of 400 gr.

Marketplaces where the enterprise will focus its activities (report results of Table 5 in Tool 11)

Distribution places and related costs (if any)				
Geographical markets for the selected segments	Distance from production place Transport costs	Rental costs	Market place fees	Vendors salary
Customers living in the villages of the valley: 15%	About 20 Km Maxi			
Tourists in the lake area: 30%	About 80 to 100 Km			
Neighbouring country: 30 %	80 km			
District 1 and District 2 markets: 25%	50 to 60 Km			

Columns should be added as necessary.

Promotion (report results of the promotion section in Tool 11)

- List the means of promotion you will use to inform customers about the specific features of the products and to make them attractive for purchase.
- Note the related costs.

Example

In our example, the entrepreneurs will be using word of mouth to promote their products. They will contact their relatives in the neighbouring country and will present their enterprise to the cooperatives in the lake area. They will also contact hotels and restaurants in the tourist camp area. They will do this during their regular trips in order not to generate additional costs.

Product (report results of the section on product features and qualities)

Describe in detail the features of the products, including the quality standards that will be expected by your target customers.

Product features

400 gr glass jars of jam and juice sealed with metal lids and made from two kinds of wild berries, collected from 3 hilly areas, from surrounding forests and from the riverside. Proper harvesting methods will ensure protection of the resource base. The product will be made from high quality “organic” natural resources and free of chemicals.

2. Operational plan

Sales calendar per quarter for each products over three years (see Table 20)

Year 1 – Annual production target and estimation of sales revenue					
Item	a) Annual production target (by number of jars)	b) Stock	c) Annual sales a) – b)	d) Unit price	Annual estimated sales revenue c) x d)
Berry jam	1 800	200	1 700	45	76 500
Berry juice	1 800	200	1 700	45	76 500
Total	3 600	400	3 400		153 000 lc

Note: The enterprise runs at 50% of full capacity.

Year 2 – Annual production target and estimation of sales revenue

Item	a) Annual production target (by number of jars)	b) Stock	c) Annual sales a) – b)	d) Unit price	Annual estimated sales revenue c) x d)
Berry jam	3 600	200	3 400	45	153 000
Berry juice	3 600	200	3 400	45	153 000
Total	7 200	400	6 800		306 000 lc

Note: the enterprise now runs at full capacity.

Estimation of equipment needs

Production process	Type of equipment required	Equipment Capacity	Quantity of equipment required	Cost of one unit of equipment	Total equipment costs
Same for both product					
Harvesting, cleaning sorting berries	Horse cart		1	15 000 lc	15 000 lc
	Buckets		10	150 lc	1 500 lc
	Pans		5	500 lc	2 500 lc
Grinding (manual or electric)	Electrical meat grinder		2	4 000 lc	8 000 lc
	Manual meat grinder		4	200 lc	800 lc
Mixing sugar	Aluminium containers		2	300 lc	600 lc
Cooking	Electrical stove		2	5 000 lc	10 000 lc
	Gas oven		2	5 000 lc	10 000 lc
Jar washing and filling, and lid sealing and labelling	Lid sealing machine		5	200 lc	1 000 lc
	Scale		1	500 lc	500 lc

Note: This table must be filled in for each product.

Note: The fixed equipment capacity could be doubled after the first year of production.

3. Enterprise management plan

Legal structure of your enterprise:

- The enterprise will be a non-registered jam group enterprise for the production of jam and juice.
- Draw the organizational chart of the enterprise management team.

Enterprise management team profile				
Management Team members	Background	Education level	Professional experience	Remarks
President	Agriculture	Secondary	Agriculture	
Secretary	School teacher	Secondary	None	
Treasurer	School teacher	Secondary	Accounting training	

Salaries and wages (for first year)				
Category of personnel	Number of people	Salary per day or per month	Other associated costs	Total costs per year
Direct labour				
Jam & juice- making workers	3	40 lc/day 20 days x 3 month		7 200
Storeroom keeper	1 during 3 month	500 lc		1 500
Subtotal				8 700 lc
Indirect labour				
Accountant	1 during 2 months	800 lc		1600
Subtotal				1600
Total				10300 lc

4. Resource management plan

Resource management actions and costs			
Required resources	Provenance	Management measure	Costs
Berry jam	Hill area 1 Hill area 2	Training in proper harvesting techniques	2 days training of harvesters/ 2000 lc
Berry juice	Forestry farm and river side	Plant additional bushes	20 lc per bush x 200 = 4000 lc
Total			6 000 lc

The resource management costs are not part of the profit and loss calculation since the enterprises will assume these expenses only if they make a profit.

5. Social development plan

The social costs are not part of the profit and loss calculation since the enterprises will assume these expenses only if they make a profit.

Social Development actions and costs		
Social activity	Measures	Costs
Improve public health	Donate % of the production to school	4 500 lc
Total		4 500 lc

6. Risk management

Estimation of risks and potential solutions					
	Market area	Raw material supply area	Social area	Institutional/ Legal area	Technology area
Risk	Competition by city consumers who prepare their jam at home	Natural climatic hazard	Lack of formal credit	Transport permit difficult to obtain Nuisances during transportation Plan in advance to get a permit	Technological mistakes Electricity shortages
Solution	Develop contacts in neighbouring areas to identify other consumers than city ones	Expand harvesting areas, undertake cultivation	Create a savings fund for the group	Contact authorities for help	Training to improve skills by the cooperative Use manually operated tools

7. Profitability calculation and financial projections

FORECASTING PROFIT AND LOSSES				
Depreciation costs				
	Equipment & machinery	Total cost	Life span (years)	Depreciation costs per year
1	Horse cart	15 000	20	750
2	Buckets (email)	1 500	10	150
3	Pans	2 500	10	250
4	Electrical meat grinder	8 000	10	800
5	Manual meat grinder	800	10	80
6	Aluminium containers	600	10	60
7	Electrical stove	10 000	10	1000
8	Gas oven	10 000	10	1000
9	Lid sealing machine	1 000	5	200
10	Scale	500	10	50
Total		49 900		4 340 lc
Fixed costs (for a year)				
	Item	Unit Price	Qty (Unit)	Total
1	Depreciation costs (see total, Table 17)		1	4 340
2	Insurance		1	600
3	Store rental	600	6	3 600
4	Postage, stationery	200	6	1 200
5	Office telephone, Internet	200	6	1 200
6	Indirect labour accountant	800	2 months	1 600
7	Repair and maintenance	5 000	1	5 000
8	Natural resource exploitation fee	800	1	800
Total				18 340 lc

Variable costs				
N°	Item	Unit Price	Qty (Unit)	Total
1	Purchase of raw materials (see Table 9)	8 per Kg	1 900 kg	15 200 lc
2	Glass jars 400 g (see Table 10)	6 lc	3 600	21 600 lc
3	Labels (see Table 10)	3 lc	3 600	10 800 lc
4	Lids (see Table 10)	2 lc	3 600	7 200 lc
5	Sugar	30	1 000	30 000 lc
6	Utilities (see Table 11)			3 200
7	Direct labour (see table 13)			8 700
Total				96 700 lc

Profit and loss projection over two years				
	Season 1		Season 2	
	Units	Value	Units	Value
a) Sales (total Box 5)	3 400	153 000	6 800	306 000
b) Less – (variable costs + fixed costs) (total Box 14 + total Box 13)		115 040		203 040
c) = Operating Profit		37 960		102 960
d) Less interest expense (table 21)		3 891		4980
e) = Net Profit before Taxes		34 066		97 980
f) Less estimated income tax		0		0
g) = Net Profit after Taxes		34 066		97 980

Break-even point	
Total fixed costs	18 340
Divided by unit selling price – unit variable costs:	$45 - 28.45 = 16.55$
Break-even point in number of items	$18\ 200/16.55 = 1\ 108$ jars
Number of items	1 108
Selling price per unit	45
Break-even point in revenue	$1\ 108 * 45 = 49\ 860$

Note: unit variable costs = total variable costs by number of units: $96730:3400 = 28.45$.

Cash flow projection for the first six-month period							
Item	Month						Total
	1	2	3	4	5	6	
Cash in hand ()		51 833	3 745	36 308	42 931	49 553	
Start-up capital (including loan)	149 820						
Sales	0	0	38 250	38 250	38 250	38 250	153 000
a) Total cash	149 820	51 833	41 995	74 558	81 181	87 803	487 181
Expenses							
Equipment	49 900						
Fixed costs	3 056	3 056	3 056	3 056	3 056	3 056	18 340
Variable costs	44 383	44 383	1 983	1 983	1 983	1 983	96 700
Interest (%)	648	648	648	648	648	648	3 888
Principal payments				25 940	25 940	25 940	77 750
b) Total expenses	97 987	48 087	5 687	31 627	31 627	31 627	196 538
Cash minus total expenses (a-b)	51 833	3 745	36 308	42 931	49 553	56 176	290 644
Deposit into resource management fund	0	0	0	0	0	6 000	
Deposit into social development fund	0	0	0	0	0	4 500	

Continued on next page

Cash flow projection for the first six-month period

Item	Month						Total
	1	2	3	4	5	6	
Deposit into group savings funds	0	0	0	0	0	0	
Dividends/profit sharing	0	0	0	0	0	24 000	
c) Cash in hand at the end of month	51 833	3 745	36 308	42 931	49 553	21 676	

Each member of the enterprise will receive 2000 lc at the end of the first season. Cash available at the end of the sixth month will be reinvested to start up production in the following season.

Cash flow projection for the second six-month period

	Month					
	7	8	9	10	11	12
Cash in hand (c)	21 676	30 473	471	30 268	60 065	89 863
Loan	100 000					
Sales	0	61 200	61 200	61 200	61 200	61 200
a) Total cash	121 676	91 673	62 671	97 468	121 265	151 063
Expenses						
Equipment						
Fixed costs	3 056	3 056	3 056	3 056	3 056	3 056
Variable costs	87 317	87 317	2 517	2 517	2 517	2 517
Interest (%)	830	830	830	830	830	830
Principal payments			25 000	25 000	25 000	25 000
b) Total expenses	91 203	91 203	31 403	31 403	31 403	31 403
Cash minus total expenses (a-b)	30 473	471	30 268	60 065	89 863	119 660
Deposit into resource management fund						10 000
Deposit into social development fund						6 000
Deposit into group' savings funds						
Dividends /profit sharing						60 000
c) Cash in hand at the end of month	30 473	471	30 268	60 065	89 863	43 660

Each member of the enterprise will receive 5000 Ic at the end of the second season. Cash available at the end of the sixth month will be reinvested to start up production in the following season.

8. Start-up costs for three months

	Total start-up costs for three months			
	1	2	3	Total
Fixed assets				
Buildings				
Equipment				
Horse cart	1 500			
Buckets	150			
Pans	500			
Electrical Meat grinder	4 000			
Manual meat grinder	200			
Aluminium containers	300			
Electrical stove	5 000			
Gas oven	5 000			
Lid sealing machine	200			
Scale	500			
a) Fixed assets sub-total	49 900			49 900
b) Fixed costs	3 057	3 057	3 057	9 170
c) Variable costs	44 383	44 383	1 983	90 750
Total start up costs for 3 month a) + b) + c)				149 820
Less sales	0	0	0	0
Less members own capital				72 000
Remainder to be financed				77 820

Sales taking place during the third month are paid at the end of the month and therefore are not included in the calculation.

Financial plan

Referring back to the list of the possible sources of funding, decide whether the enterprise has adequate capital available to start their enterprises or whether it needs to find investment partners.

Financial plan: sources of capital	
Own funds	72 000
Community funds	
Bank loan	77 820
Saving and credit group loan	
Grant	
Total	149 820

Interest calculation				
Monthly interest charge (%): Annual interest 10%, divided by 12 months		0.83%		
Total interest expense				
Monthly interest charge (%) divided by 100		0.0083		
Duration of the loan (in months)		6		
Total amount of loan		77 750 lc		
Interest expense		0.0083*6*77750 = 3872 lc		
	Loan amount	Yearly interest rate: 10%	Monthly interest rate: 0.83%	Interest paid per month
Year 1	77 750	0.1	0.0083	648
Year 2	100 000	0.1	0.0083	830



Tool 13 – How to identify options for enterprise financing

The entrepreneurs should first determine the internal financing that they can provide, such as land, buildings and equipment. Internal financing comprises funds that belong to the owners and become part of the assets of the enterprise. Additional funds will need to come from external financing sources, such as a loan from a financial institution, advances negotiated by buyers according to projected future production and sales, a grant or investment capital from interested investors.

The entrepreneurs may need to consider four basic types of external financing: seed money, start-up capital, working capital and long-term financing and/or growth capital.

- Seed money is needed to refine the business concept and includes the costs associated with implementing the pilot phase in Step 3. Outside investors (including prospective buyers) are rarely willing to take the risk that exists in supporting an enterprise at such an early stage. This kind of financing therefore needs to come from internal sources or grants.
- Start-up capital usually consists of short-term working capital, needed to get the business going, and long-term capital, needed to obtain physical and human resources. Although it may be easier to get start-up capital than to obtain seed money, it is still difficult to capture the interest of potential investors at this stage. Banks are normally reluctant to make start-up loans because the degree of risk involved is too high. However, certain rural development and credit banks may be in a position to help at this stage. Venture capitalists may also furnish start-up capital, but it will be based on a solid enterprise plan that can show evidence of market acceptance of the concept, promise of large-scale returns on the money invested and capable production and administrative skills on the part of the group.
- Working capital is short-term financing needed to build up current assets (raw materials, etc.) and it is usually available from commercial banks and trade creditors. This kind of financing is usually the easiest to obtain.
- Long-term financing is used to finance the enterprise's fixed asset base (buildings, equipment) and is usually a combination of long-term loan and the owners' equity capital.

Options for raising investment capital

Entrepreneurs can raise investment capital through pursuing the following options:

- Microenterprises can organize saving and credit groups. This is a way to obtain small capital to meet the needs of microenterprises without depending on external financial services.
- Entrepreneurs can organize a day-long “Contact and Collaboration Fair”, during which they would have the opportunity to negotiate support with a range of stakeholders. Participating institutions might include training, microfinance and relevant state institutions as well as the donor community.
- Entrepreneurs can take a partner into the enterprise for either cash or collateral value (i.e. general and limited partnerships).

- Entrepreneurs can form a cooperative. This is an association of many partners who buy shares in the cooperative in order to raise capital.
- Entrepreneurs can attract investors by selling stock in a corporation. This is a way of obtaining cash without incurring debt. Profits are shared, but management is not.
- Larger enterprises can enter into a joint venture with investors who are usually looking for opportunities to gain a financial interest in innovative or high-tech enterprises that start on a small scale but have large-scale potential. Although this is another way of raising capital without debt, this type of partner often demands a controlling interest in management.

To facilitate reflection and decisions on the financial plan you will:

- Show the forms Estimating the personal and group contribution of entrepreneurs to the enterprise capital in Tool 15 to the participants and facilitate a discussion on their realistic contribution based on Box 10 (Fixed assets and depreciation), Box 12 (variable costs), and Box 11 (fixed costs) in the EDP.
- Facilitate a discussion about the amount of money that should be kept for household needs and therefore cannot be invested in the enterprise.
- Invite a guest speaker, for example, a successful entrepreneur who has received a loan in the past, or a representative of a local bank or a credit agency. Facilitate a question and answer session about the criteria and the procedures for borrowing money. If time is limited, an alternative is to simply explain the different criteria used by credit institutions and their procedures for lending money to small entrepreneurs.
- Help participants to express their preferences about the external sources of financing by asking them to refer to the table presented in Tool 8 of FFG 2 “Options for raising investment capital.”



Tool 14 – Estimating the personal and group contribution of entrepreneurs to the enterprise capital

Personal contribution to the enterprise

Name of the entrepreneur:

Assets	Personal property of the entrepreneur (in unit)	Share of the entrepreneurs in the enterprise (in unit)	Value of the share in ...
Name of the entrepreneur:			
Assets			
Land			
Buildings			
Available cash*			
Cash at bank			
Jewellery			
Animals			
Cow, goat, etc.			
Poultry			
Cock, hen, etc.			
Transport			
Tractor, cart, bicycle, etc.			
Other items			
Generator, well, water pump, etc.			
Other			
Total (in value)			



Note that the entrepreneur cannot invest all his/ her money in their enterprises and should keep money available for household expenses.

Net assets:

The entrepreneur can invest approximately

Knowing that he/she needs to save..... for

Group contribution in the enterprise

Each group member fills in one of the columns thus defining their share in the enterprise.

Assets	Entrepreneur 1		Entrepreneur 2		Entrepreneur 3		Entrepreneur 4	
	Unit	Value	Unit	Value	Unit	Value	Unit	Value
Assets								
Land								
Buildings								
Available cash*								
Cash at bank								
Jewellery								
Animals								
Cow, goat, etc.								
Poultry								
Cock, hen, etc.								
Transport								
Tractor, cart, bicycle, etc.								
Other items								
Generator, well, water pump, etc.								
Other								
Total (in value)								

Together, partners can invest approximately

The contribution of each member will be.....

Name of entrepreneur	Contribution
1.
2.
3.

Note: Both the criteria and the potential sources of financing listed in the above tables are only indicative. Adapt the tables according to the circumstances of the enterprise.



Tool 15 – Factors contributing to the effective preparation of an EDP

- The entrepreneur has taken part in a MA&D training workshop.
- The project is built upon the information collected during Phase 2.
- The facilitator has clearly informed the entrepreneurs about the criteria for the effectiveness of the EDP:
 - the list of standard and corresponding units (volume/weight) per product;
 - indicative prices for equipment;
 - an estimation of the production costs;
 - realistic selling prices for selected products.

- The project team:
 - has given the facilitator the time and means to help the entrepreneurs to revise their EDPs (finalising and reviewing them as needed);
 - has assisted the facilitator to assess the weaknesses and strengths of the EDPs, and to postulate the assistance and training needed;
 - provides necessary support to the facilitator and the entrepreneurs to adjust the EDPs and to conduct additional information collection, study tours, meetings with manufacturers or buyers, etc.



Tool 16 – Assisting the entrepreneurs to evaluate their EDPs

The following criteria should be checked:

1. Is the EDP complete?
 - Are all questions answered?
 - Are all boxes filled in?

2. Is the EDP accurate?
 - Are there any miscalculations?
 - Are the same units used consistently?
 - Is data entered in the appropriate boxes?

3. What are the strengths and weaknesses of the EDP?
 - Are the investments proportionate to the production level?
 - Are labour costs proportionate to the production level?
 - Are all production costs included?
 - Is the project environmentally friendly?

4. Information should be crossed-checked with similar projects:
 - Is the cost of equipment proposed in the EDP in line with prices found in the district or region?
 - Are the costs of raw materials, packing material, etc proposed in the EDP in line with prices found in the district or region?
 - Is the productivity proposed in the EDP in line with local productivity?

5. Conclusions:
 - Is the EDP ready for further consideration?
 - What elements need be reviewed?

Most common mistakes

1. Entrepreneurs don't explain clearly their marketing strategy. They are vague about their market segments and geographic markets. This often reveals incomplete market information.
2. General information is copied from previously tried enterprise models, meaning that the EDP has not been thought through carefully. The information should be specific and clear, especially regarding the resource management plan, the social plan and the conclusion.
3. References such as "assisted natural regeneration", without any other detail, usually indicate that the entrepreneur doesn't really know how regeneration will take place.
4. Entrepreneurs only superficially estimate potential risk and solutions as they haven't thought about this topic carefully.

5. Production costs are incomplete, falsely increasing potential profits.
6. Labour time is unrealistic or unexplained.
7. Units for volume or weight are used incoherently.
8. The production process is not presented in sufficient detail. This leads to a vague estimation of labour, energy needs or tax to pay.
9. The EDP doesn't adequately reflect information collected in Phase 2.
10. The equipment capacity doesn't match the production plan.
11. The equipment needs are overestimated.
12. Fixed costs are allocated to variable costs or the reverse.
13. Selling price differs from that for similar products sold in the region.
14. Equipment or operational costs differ from normal costs in the region.



Tool 17 – Identifying training and assistance needs based on the EDPs

It is the role of the project team together with the facilitator to study the EDPs in order to assess the assistance that the entrepreneurs will need to implement their projects successfully.

For this it will be necessary to:

- Calculate the sales targets for resources exceeding the resource regeneration capacity of a site. Then:
 - Ensure that the measures proposed to avoid overexploitation appear clearly in the EDP;
 - Review the resource management measures and the corresponding actions and costs;
 - Identify training needs for each measure. The same analysis should be repeated for each type of product.
- Identify the main social development needs and training support. In their EDPs, entrepreneurs should indicate the social measures they propose to overcome the potential negative impacts of their activities:
 - Those measures should be listed;
 - The costs should be assessed;
 - The training actions and needs with regards to social development should be described.
- Identify technical training needs by:
 - identifying the lack of technical expertise or know-how;
 - aggregating the various types of technical training needs and planning for training.
- Aggregate sale forces for similar products and propose a marketing strategy:
 - Entrepreneurs may decide to join forces in order to become stronger on the market.
- Analyse the production and sales calendars of different products on the same sites in order to identify possible labour shortages.
- Analyse the start-up costs and financial plans in the EDPs in order to answer the following questions:
 - How many entrepreneurs plan to create saving and credit groups? For what amount?
 - How many groups will apply for microloans? For what amount?
 - How many groups will need large loans?
 - How many groups will expect grants?
- Understand how many groups or individuals entrepreneurs will need training in bookkeeping or finance management.
- Assess which projects will be group-based and whether these groups will need training in their creation and management.



Tool 18 – Example of an EDP assessment format

Name of the enterprise(s):	Product:
Village:	Site:
Facilitator/evaluation team:	Date:

Credit use

Amount of requested credit/loan:

Expenses	Type of credit/loan/grant	Amount of credit requested
Total		

Criteria 1:

1. The enterprise makes a profit (in cash):

YES 3

NO 0

If the answer to that question is NO, then the EDP will not be received favourably and the need to fill in the pre-selection questionnaire should be reconsidered.

Subtotal 1:/3

Criteria 2:

2. In the current context, the production objective:

Will be easy to achieve 3

Should be achievable 1

Will be hard to achieve 0

Give information about the factors you used to carry out this evaluation

Production per person (indicate the unit used for production)	
Capacity of the production equipment	
Infrastructure	

Subtotal 2:/3

Criteria 3:

3. What is the current market price for the selected products? Will the enterprise be able to sell their products at this price?

YES 3

NO 0

4. If the answer is NO, what is the proposed selling price and why?

Selling price:

Justification:

5. Is the proposed selling price justified?

YES 3

NO 0

Subtotal 3:/3

Criteria 4:

6. Do some of the entrepreneurs currently have credit?

YES 3

NO 0

7. If the answer is YES, list how many members have credits. For each member that has credit, fill in the following information:

8.

Members					
Intended use of the Credit					
Deadline for reimbursement					
Credits difficult to reimburse					

9. How were you able to verify this information?

10. Considering this information, would you currently say that taking out credit by the group would be:

A little risky 3

Risky 1

Very risky 0

Subtotal 4:/6

Criteria 5:

11. How do you evaluate the dynamics and the motivation of the group members? Would you say that:

The group is very dynamic and its members are eager to collaborate? 3

The group is dynamic and its members are willing to collaborate? 1

The group is not very dynamic and its members are not really motivated to collaborate? 0

12. Legitimacy of the group leaders:

Would you say that the group leaders are:

Very well accepted? 3

Well accepted? 1

Not well accepted? 0

13. The group has held meetings during the last two months:

YES 3

NO 0

Did you see any potential for poor performance among the group members?

YES 3

NO 0

If YES, please explain

.....
.....
.....

Subtotal 5:..... /12

Grand Total:...../27

Number of groups preselected..... Number of groups not preselected.....

Recommendation from the evaluation team:

.....
.....
.....

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The Field Facilitator Guidelines: Supporting the start-up phase of the enterprises

MODULE 4



The Field Facilitator Guidelines:
Supporting the start-up
phase of the enterprises

MODULE 4



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Symbols used in the FFGs:



Key information the trainer should understand in depth before facilitating the training session



Detailed instructions on organizing a training session



Learning objectives of a workshop



Training material necessary for the session
(to be prepared and adapted from the training tools)



Training tools available from the tool section of the FFG and needed for the session



Facilitation tips



Useful information or advice



Reference to the Field Facilitator Guidelines



Reference to the MA&D manual



Field form for use by entrepreneurs and explained by the facilitator during the workshop or meetings



Tools used by the facilitator during the workshop or meetings



Theoretical information on topics dealt with during the workshops or meetings



Activity to promote gender balance

PHASE 4: SUPPORTING THE START-UP PHASE OF THE ENTERPRISES

Introduction

By now, some entrepreneurs or groups of entrepreneurs have been identified and their EDPs have been accepted. The project management team and the entrepreneurs have an understanding of training and assistance needs, which generally include:

- initiating contact with financial providers;
- initiating technical preparation;
- linking with services providers;
- developing the capacities to monitor the performance of the enterprises.

The objective of Phase 4

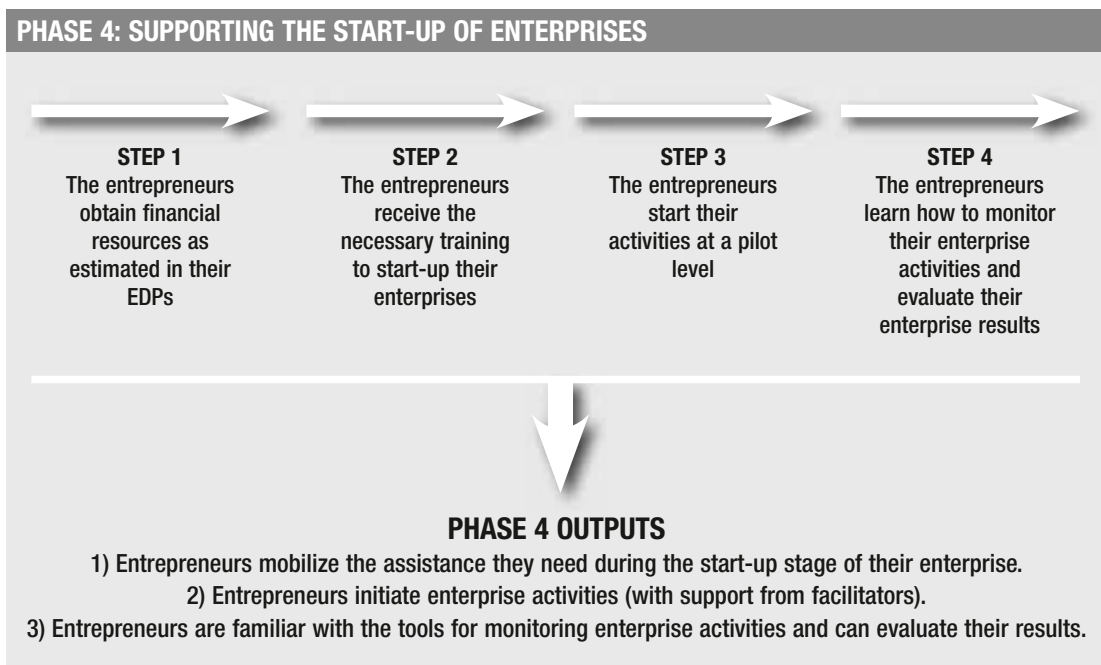
The objective of Phase 4 is to help the facilitator identify ways to support the entrepreneurs during the start-up phase of their enterprises.

Phase 4 will be focused on helping the new enterprises move ahead by providing support to address constraints such as:

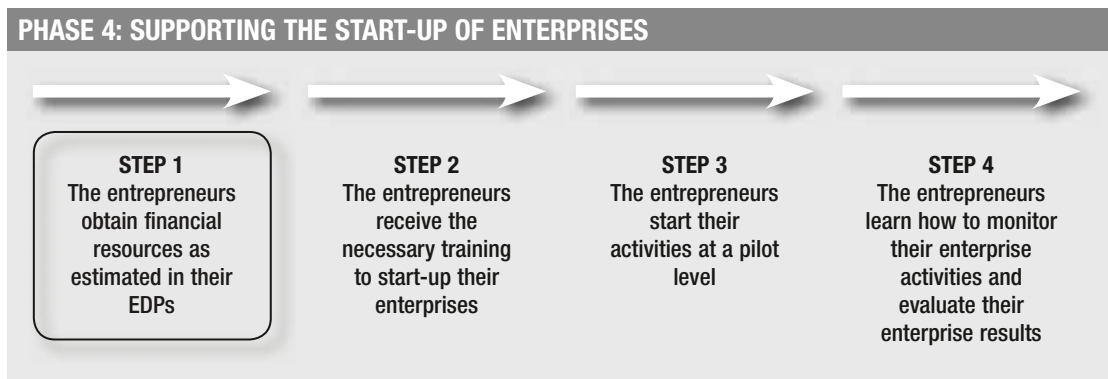
- lack of interest by financial institutions in microenterprises;
- shortage of technical skills;
- insufficient market information;
- poor knowledge of available support services.



While supporting entrepreneurs (or/and groups of entrepreneurs), the project management team and the facilitator will continue to act in a neutral way, facilitating the process rather implementing it on behalf of the entrepreneurs. The entrepreneurs remain the decision-makers and the main actors in their enterprises, while the facilitator and the project team provide guidance and support to enable the entrepreneurs to successfully turn their EDPs into reality. This role is so important that it is advisable to bring in external service providers if the facilitator and the project team do not have the skills to provide the required support.



STEP 1: The entrepreneurs obtain the financial resources as estimated in their EDPs



While conducting the survey during Phase 2, the entrepreneurs collected information about possible funding sources for their enterprises (FFG 2, Tool 6). They also learned the importance of credit and became aware of the options available to finance their enterprises after taking part into the activity “Managing Money, Managing Groups” (FFG 3, Tool 6).

During Phase 3, the entrepreneurs evaluated the potential profitability of their enterprises and indicated in their EDPs how much money will be needed to launch their businesses and meet short-term financial needs and how these funds will be obtained.

As a facilitator, you also have to be aware of the entrepreneurs (or groups of entrepreneurs) who are:

- applying for grants;
- investing their own funds in the enterprises;
- creating saving and credit groups;
- applying for short-term loans;
- applying for long-term loans.

You should also know how much money is required by the entrepreneurs for each type of activity and when the funds will be needed.



Organize your training session on “Obtaining the financial resources as estimated in the EDPs”

	<ul style="list-style-type: none"> • The process of helping entrepreneurs to obtain financial resources may last from a week to a month (or more), according to the type of credit and the number of entrepreneurs involved. • Follow-up activities once the enterprises are operating will require regular support during the first year, probably requiring a few additional days of work.
<p>Learning objectives</p>	<ul style="list-style-type: none"> • At the end of the session, the facilitator will be able to list the activities necessary to assist entrepreneurs in obtaining the financial resources required for the start-up of their enterprise operations.
<p>Learning materials for the session</p>	<ul style="list-style-type: none"> • MA&D process map; • outputs of Phase 3 listed on a flipchart; • the main results of the EDP analysis.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 1 – Basic principles for creating Savings and Loans Groups (SLG), rules and regulations; • Tool 2 – Managing a revolving fund; • Tool 3 – Managing savings accounts in a bank.

Facilitating the session

At the project level

Review the project’s financial policy in order to communicate realistic expectations to the entrepreneurs. You need to understand the extent to which the lead institution is willing to support the entrepreneurs. Is the institution willing to contribute to inventory credit (a part of the harvest is used as a guarantee) or to commit set-up funds to the compulsory savings account required to access loans?

Summarise the results of the analysis of financial needs in the EDPs:

- list the enterprises/enterprise groups in need of financial support;
- list the different legal statuses and number of enterprises for each type of legal status;
- count the number of enterprises per product;
- summarise the total projected sales volume and income for the first season, month and year;
- list the main market segments and their geographical locations.

With the financial services providers

Get in touch with potential financial services providers in order to:

- find out about the financial services available, their conditions and criteria for eligibility;
- present the entrepreneurs and their financial requirements. You will emphasise that the entrepreneurs have

Continued on next page

already gone through a detailed planning process and that the project team will continue to support the entrepreneurs during the initial phase of their enterprises;

- negotiate beneficial conditions for groups of entrepreneurs as they can frequently represent a larger market than individual entrepreneurs;
- convince them to visit some of entrepreneurs.

Get in touch with other potential financial providers such as project/programmes, donors offering soft loans or grants and provide them with the same information.

With the entrepreneur groups

When you are ready, call a meeting with the representatives from the entrepreneurs' groups. During this meeting, you will:

- Introduce the objectives, the steps and the outputs of Phase 4;
- Share the outcomes of the analysis of the EDPs;
- Explain the main components of the assistance strategy such as:
 - Linking entrepreneurs to financial services;
 - Organizing technical or managerial training courses;
 - Linking with service providers.
- Describe the principles and means of providing support:
 - The project team will only provide limited direct support but will help connect the entrepreneurs with the services they need to start up their enterprises.
- Clarify any doubts and questions in order to prevent inappropriate expectations.
- Explain that you will work with each entrepreneur group to plan training and assistance activities, starting with financial services.

Note that as in Phase 3, you may decide to organize individual workshops for each group of entrepreneurs dealing with the same product or to form small groups of people working on the same product within a single workshop.

Prepare each group to access financial services according to their status and needs

Facilitators often over-emphasise the importance of external credit sources, which may delay entrepreneurial activities. Entrepreneurs often wait for funds before starting their activities. Obtaining financial resources may take a long time, and the entrepreneurs might have forgotten many of their MA&D skills by the time funds become available. In locations where external credit is difficult to obtain, you should emphasise alternatives such as Saving and Loans Groups (SLG).



During the preparation of the EDPs (Phase 3), it was explained that entrepreneurs can start their activities with limited capital, investing their profits progressively in order to increase their enterprise capacity. For example, instead of constructing a storeroom or a processing hall immediately, they might choose to rent these buildings initially.

1. For groups in need of internal sources of credit:

- Review the possibility of setting up SLGs in order to acquire experience in finance management at the start-up of the enterprises. Financial institutions are more willing to provide credits to groups that have some experience with credit management.

Continued on next page

- The SLG is often the best solution for microenterprises working in situations where it is difficult to access formal financial services.
- The SLG is generally created when there is a need to manage money collectively in order to make the most out of the existing capital.

Note: Generally, microfinance interventions and assistance are provided by non-governmental organizations, which already have network and project staff. When such services are available, it is advisable to collaborate with them rather than the project trying to establish new SLGs. As a facilitator, you will need some background knowledge about the basic principles for establishing SLG. For this, see Tool 1, Principles for establishing SLGs, rules and regulations. Detailed guidelines on how to establish a self-managed group for collecting savings and granting loans are available in a separate publication by FAO (Group management of finances, Handbook for micro and small tree and forest product enterprises.) Visit <http://www.fao.org/forestry/enterprises/25498/en/> for more information.

2. For groups receiving revolving funds:

- Ensure that entrepreneurs benefiting from revolving funds receive the appropriate training to use them.
- See Tool 2, Managing a revolving fund, for further detail.

3. For groups looking for external credit from financial institutions:

- Describe in detail the criteria that entrepreneurs will have to meet in order to get credit from financial institutions.
- According to these criteria, you will help the entrepreneurs to:
 - adjust their EDPs to ensure that all required information is included;
 - formulate their loan applications and fill in the necessary documentation.
- Explain the basics of managing bank deposits using Tool 3, Managing saving accounts in a bank.

4. For groups who have identified donors that are willing to provide a soft loan or grant:

- Review in detail the process that entrepreneurs will have to go through to apply for the grant and assist them to complete the application forms and adjust their EDPs to donor specifications.

5. For all groups and regardless of the type of credit chosen:

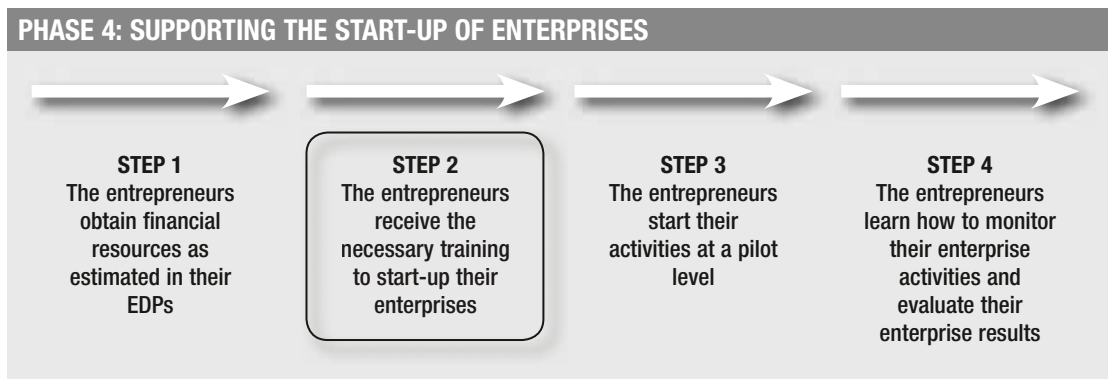
- Emphasize that all funds needs to be managed properly.
- Provide training in basic finance management, including bookkeeping and relations with financial institutions.

Provide support during the initial operations of the enterprises:

It sometimes happens that when entrepreneurs receive their first income, they forget to keep money for running costs or loan reimbursement and spend it immediately. While this behaviour is quite normal, a lack of funds to cover running costs can lead to businesses failure and for this reason, it is important to stick with the entrepreneurs during the initial phase of their operations.

Be present when they make their first sale and recommend that they immediately put aside the funds needed to operate their businesses and pay off their debts.

STEP 2: The entrepreneurs receive the training necessary to establish their enterprises



At this stage, entrepreneurs will have purchased the equipment and raw materials they need to start operating their enterprises. Even if some entrepreneurs do not yet have all the funds they need for these purchases, go to Step 2 so that they can continue to move ahead with their activities.

While developing their EDPs, some entrepreneurs may have recognised certain gaps in their knowledge and skills. It is imperative to provide training to address these gaps before they start their enterprises. Step 2 is about helping entrepreneurs to gain these necessary knowledge and skills.

Note: It is sometimes difficult to differentiate between training activities of Steps 2 and 3. The training activities presented in Step 2 are essential for the entrepreneurs before establishing their enterprises. The activities presented in Step 3 can take place later and after the enterprise is already up and running.



Organize your training session on “Receiving training necessary to establish the enterprises”

	<ul style="list-style-type: none"> • The process of guiding entrepreneurs in obtaining the skills they need to establish their enterprises may take from a week to a month (or more), according to the training needs, the number of entrepreneurs, the logistics and financial resource available for assistance.
<p>Learning objectives</p>	<ul style="list-style-type: none"> • At the end of the session, the facilitator will be able to list the activities they need to conduct in order to assist the entrepreneurs in getting training necessary to establish their operations.
<p>Learning materials for the session</p>	<ul style="list-style-type: none"> • MA&D process map; • outputs of Phase 3 on a flipchart; • main results of the EDP analysis; • table listing local, regional, and national service providers per topic as determined during Phase 2.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 4 – Identify training providers; • Tool 5 – Example of a list of training providers; • Tool 6 – Negotiating the provision of training services.

Facilitating the session

At the project level

- Summarise the results of the EDP analysis related to training assistance:
 - List the topics for which training needs have been identified.
 - Estimate the number of entrepreneurs or enterprise groups that need training.
 - Evaluate the number of entrepreneurs who may have similar training needs even though they didn't mention them in their EDPs.
- Review possible training providers by using Tool 4, Identifying training providers.
- Refer back to the table listing local, regional, and national service providers per training topic as determined in Phase 2. (FFG 2, see Checklist 4, Tool 13 and in Checklist 6, Tool 16).
- Complete the table using Tool 5 – Example of a list of training providers.

With the entrepreneur groups

Prepare each group to receive training according to their needs by:

- Reviewing and updating the list of training needs identified in the EDPs;
- Discussing practical issues related to the organization of the training courses with the entrepreneurs in order to determine:
 - availability of the participants;
 - number of participants per course;
 - any constraints such as language, training materials, etc.

Continued on next page

With the training providers

1. Consider the options for training in each of the five areas of enterprise development:

- **Marketing:** Training may include topics such as enterprise related vocabulary, budgeting, book-keeping, management of cooperatives and savings funds, inventory and stock control, customer liaison, product development, quality control, production management, or identification of market opportunities.
- **Resource management:** Training may include topics such as harvesting, cultivation, community mechanisms for resource control, management of common property resources, use or property rights on local resources and products or resource management planning.
- **Social development:** Training may include topics such as group formation, reinforcement and facilitation.
- **Institutional:** Training may include topics such as conflict resolution for resource management or advocacy on policies, laws and regulations related to tree and forest products.
- **Technology:** Training may include topics such as processing and storage technology related to the enterprise products.

Several methods can be used to build capacity among the entrepreneurs. A review of these methods is presented in Tool 6, Negotiating the provision of training services.

2. Contact experts that can provide training for your project in order to:

- gain an overview of their training programmes and their conditions;
- explain the training needs of your project and the type of training required
- (a checklist of the points to consider while negotiating with training providers is given in Tool 6 – Negotiating the provision of training services);
- negotiate beneficial conditions for training the entrepreneur groups;
- convince them to visit the entrepreneur groups in order to finalise the training needs assessment.

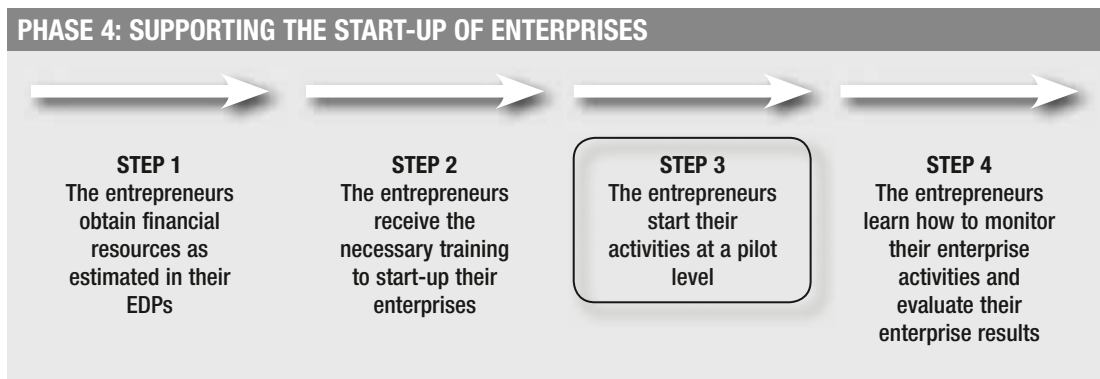
Facilitation tips

- The training needs assessment is done before the entrepreneurs establish their enterprises and should be repeated when their skills are deemed insufficient to operate the enterprises successfully. For example, technical training is needed when adopting a new production process and should be repeated when a new technology emerges. Additional technical training and training in bookkeeping or management can take place before or after the pilot period (Phase 3, Step 3).



- Access to training is an important issue for women. Ensure that women can attend training courses for example by holding them near their homes and at times when they are able to attend. Childcare also could be provided.

STEP 3: **The entrepreneurs start pilot activities**



The entrepreneurs have now secured financial resources and received training. They are now ready to start their activities. Nevertheless, they will be better off starting their production and marketing efforts on a small scale during an initial pilot period before producing and selling on a larger scale.

As a facilitator, your role during the pilot period will be to assist entrepreneurs to test the strategies developed previously. This will also allow you to identify entrepreneurs who are really serious and committed. In addition, you will encourage the entrepreneurs to network and form business-oriented groups. As a facilitator, your role will be to strengthen these groups by providing them with business development advices and linking them with the appropriate service providers.



Organize your training session on “Starting pilot activities”

	<ul style="list-style-type: none"> • During the pilot period, the facilitator will regularly visit groups of entrepreneurs. This step can last anywhere from 3-9 months, depending on the production and sales calendars of the enterprises.
<p>Learning objectives</p>	<p>At the end of the session, the entrepreneurs will:</p> <ul style="list-style-type: none"> • have tested their production, management and market strategies with the support of the facilitator; • formed entrepreneurs’ networks or groups; • understand how they can become stronger in their markets.
<p>Learning materials for the session</p>	<ul style="list-style-type: none"> • MA&D process map; • EDPs and work plans for the pilot period.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 7 – Introducing the trial period facilitation; • Tool 8 – Suggested timetable for planning the pilot period; • Tool 9 – Possible mistakes and obstacles that may arise during the pilot period and corresponding corrective measures; • Tool 10 – Supporting initial productions; • Tool 11 – Supporting initial entrance on the market; • Tool 12 – Encouraging entrepreneurs to create business-oriented groups; • Tool 13 – Creating a participatory Market Information Systems (MIS); • Tool 14 – Business rules and appropriate behaviour; • Tool 15 – Establishing contracts; • Tool 16 – Developing the negotiation skills of the entrepreneurs.

Facilitating the session

Trial period

During the early stages of enterprise development, entrepreneurs will not know whether the targets they have set are realistic and will deliver the expected results. Therefore, it is very important that you work closely with them and, if possible, organize frequent short workshops.

During this period, your role will be to:

- review and correct the production process as needed in order to produce a first batch of products for market testing;
- ensure that the first production batch is sold on the market in order to check the quality of the product and obtain customers’ feedback;

Continued on next page

- integrate feedback from market testing into enterprise development (adjust the product quality, obtain contracts, review price strategy, design advertising methods, etc.);
- identify additional studies and training necessary before moving on to a larger scale production.

Organize a workshop with the entrepreneurs to define the procedures during this pilot period as well as the modalities of your assistance. This workshop is described in Tool 7 – Introducing the trial period facilitation.

During the trial period

1. Define the assistance needed

Your assistance may be needed in the five areas of the enterprise development. In the case that meeting the needs of the entrepreneurs goes beyond your capacity, your role will be to link entrepreneurs up with commercial business development service providers (BDS) such as experienced entrepreneurs, equipment suppliers, NGOs or facilitating agencies, etc.

2. Production

See Tool 10 – Supporting initial productions.

3. Bring the product to the market

Your role will consist in linking up the entrepreneurs with commercial partners and customers. See Tool 11 – Supporting initial entrance on the market.

4. Examples of business support to assist entrepreneurs during the start-up stage of their enterprises

There are numerous business support activities able to support entrepreneurs during the pilot phase. The ones presented in these guidelines are particularly relevant for small forest and tree entrepreneurs and include:

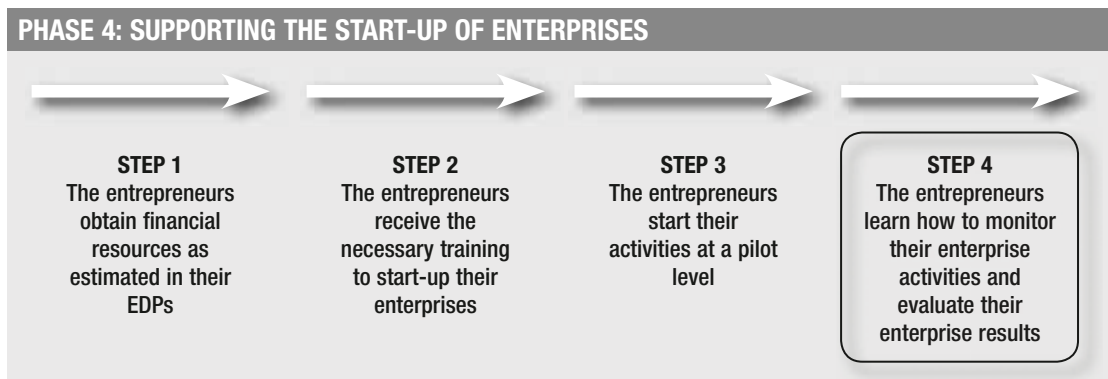
- Encouraging entrepreneurs to create business-oriented groups (see Tool 12);
- Encouraging entrepreneurs' groups to:
 - Develop simple participatory MIS (Tool 13);
 - Define and respect business rules (Tool 14);
 - Negotiate contracts with suppliers or/and sellers (Tool 15);
 - Strengthen their positions on the market (Tool 16).

Facilitation tips



- Visit the entrepreneurs frequently to evaluate their progress and prevent them from making irreversible mistakes.
- Entrepreneurs may find it difficult to take decisions on their own and will need your support to continue.

STEP 4: **The entrepreneurs learn to monitor their activities and evaluate the results**



To gain independence from the project staff and become empowered to act on their own, the entrepreneurs will need to be able to monitor their enterprises and react to changes that will inevitably affect the market environment.

In this step, your role will be to assist entrepreneurs to establish a simple monitoring system for their enterprises.



Organize your training session on “Learning to monitor enterprise activities and evaluate the results”

	<ul style="list-style-type: none"> • The facilitator will regularly visit the entrepreneurs during their pilot periods. This may last from 3-9 months, depending on the production and sales calendars of the enterprises.
<p>Learning objectives</p>	<p>At the end of the session entrepreneurs will have:</p> <ul style="list-style-type: none"> • selected the tools and methods to monitor and assess their activities.
<p>Learning materials for the session</p>	<ul style="list-style-type: none"> • MA&D process map; • EDPs and work plans for the pilot period; • operation and account books of the enterprises.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 13 – Creating a participatory Market Information Systems (MIS); • Tool 17 – Facilitating the assessment of the performance of enterprises; • Tool 18 – SWOT analysis; • Tool 19 – Analysing changes and preparing next; • Tool 20 – Follow up forms for start-up phase; • Tool 21 – Follow-up forms used in Mali; • Tool 22 – Follow up enterprises used during start-up phase and operations.

Facilitating the session

1. Organize a workshop with the entrepreneurs or representatives of the groups of entrepreneurs to define a monitoring system:

Explain that enterprise monitoring includes a early assessement of the performances of an enterprise to formulate realistic objectives and address potential problems for the coming year.

2. Assessing performances

The entrepreneurs need to look back at the past year of operations. From this, they will learn what went according to plan and what did not go as expected. As a facilitator, your role will be help them understand:

- what needs to be assessed;
- what questions should be raised;
- where and how the resulting information should be recorded.

This assessment should be done at least once a year, but it is even better to do it semi-annually as it allows the entrepreneurs to take better informed decisions.

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Refer to Tool 17 – Facilitating the assessment of the performance of enterprises, to facilitate this session.

After a brief analysis of the performance of their enterprises, entrepreneurs may realize that they were not able to meet some of their targets or that they faced obstacles due to changes in the market environment. As a result, they might conclude that they cannot define realistic plans if they do not assess their market environment regularly.

3. Assessing the business environment to identify problems and deal with changes

Entrepreneurs need to monitor their market environment because they need to be aware of changes and how those changes might impact their enterprises. This will be addressed in the second session of the workshop.

Together with the entrepreneurs you will:

- Review baseline information on the business environment used in Phase 3 for preparing the EDPs.
- Develop a system for gathering regular information on the business environment.
- Review how to analyse that information at least on an annual basis in order to detect the any changes that could impact the enterprises.
- Set realistic targets for the next cycle's enterprise plan.

The business environment of an enterprise is not only about the market. It also includes all areas of enterprise development. To succeed, enterprises need to adapt to new legislation and social, ecological or technical changes.

To raise the awareness of the entrepreneurs you will:

- Organize a field study of the current business environment (like in Phase 2, but in less depth). The types of information collected will be similar to that which was gathered when preparing the marketing plans for the EDPs (see Phase 3, Steps 1 and 2);
- Facilitate a discussion of the results of the study. Organise a SWOT analysis (see Tool 18);
- Discuss the possible means for collecting information. Explain that setting up a participatory Market Information System (MIS) is one of the most useful methods. Refer to Tool 13 - Creating a participatory Market Information Systems (MIS);
- Discuss how to analyse any new information regularly using Tool 19 - Analyzing changes and prepare next plan accordingly.

4. Following up the enterprises

You may need to use different tools in order to summarise the information related to the progress of the enterprises at regular intervals. Examples of tools developed by some projects are presented in Tools 20 to 22.

Action plan

10 DETAILED WORK PLAN FOR MCHUKU TAMBOR DISTRICT

ACTIVITY	WHO'S RESPONSIBLE	WHAT RESOURCES REQUIRED	INTERNAL DURATION	IMPACT	INDICATOR
1. Holding meeting with other interest group members	Trained members and front line staff	Invited for comments materials - Pen - Paper	1/10/10	13, 105, 108	Participation of the group
2. Filling of forms for registration	Champion and staff	Registration forms	Transport to and from	Form 100/105 to 100/108	Registration of the group
3. Organize activities for the group	Group members for the day and weekly staff (one)	Planes, Cam, can, pens, paper, etc. (one)	Transport for the day	10/10/10	Level of participation
4. Sowing of logs	Five workers at the field	Log seeds		10/10/10	Amount of logs sown
5. Setting of banks	Mr. T. Mwachira			21/10/10	Cost of setting
6. Holding meeting with group members	Champion and staff			23/10/10	Success of meeting

Tools to facilitate the training sessions¹

“By crawling, a child learns to stand.”

African Proverb

¹ Tools should be adapted to the local context, language(s) and specific needs of the project.



Tool 1 – Basic principles for creating Savings and Loans Groups (SLG), rules and regulations

The main principles behind an SLG

- An SLG is a self-selected group of individuals who to decide pool up their savings and keep them in a safe place for an agreed specified time (“cycle”) in order to make loans to its members.
- The group sets its own rules in a democratic and cooperative manner.
- The group meets regularly to collect savings and manage loan activities.
- The group has the capacity to save and the need to access loans.
- At the end of the cycle, funds are redistributed or another cycle is established.
- The value of the savings fund increases over time thanks to service fees paid on loans.
- Each member has an equal voting right regardless of the amount of their contribution.
- Group members can use funds for emergencies and/or to fund community activities through the Emergency/Social Fund.
- Until the capital is redistributed, the funds are owned by the group communally.
- Each cycle has its own management committee elected by all group members.

SLG are created to raise working capital for enterprises

Savings and loan groups are generally created to manage money collectively in order to optimise available capital. These groups will teach their members good saving and management practices and, in the long term will improve their access to loans. When SLGs are set up to support the creation of enterprises, their goal is to gather working capital.

This means that:

- group members already saving for other purposes will now save towards enterprise development activities, and may be unwilling to take on the risks associated with lending;
- group members may want to define rules setting limits on savings and loans services for individuals, since the primary purpose is to serve the group enterprise;
- group members may want to include savings and loans responsibilities and obligations for members as part of the rules governing the group enterprise.

SLGs may also be used for risk management

Risk management might be the most compelling reason to set up a savings and loans group and, if so, this purpose should be explained clearly in the Constitution (see hints on savings and loan and savings activities for further explanation).

Savings and loan regulations

The group is in need of working capital

The following factors must be taken into consideration when establishing an SLG:

- the cost per unit of production, taking account of issues like the time before financial yields are obtained, cash flow volumes, seasonality, source of the resources for making the product and processing timeframes;
- the type of activity being carried out and the product being made as a result;
- the financial needs of small forest-based enterprises dedicated to tree and wood products are usually fixed capital investments in the initial years and long-term working capital investment because of the long period of time between harvests;
- the financial needs of small forest-based enterprises dedicated to non-wood products usually are low fixed capital investment (mainly for processing) and short-term working capital investment.

Activities eligible for loans

Since diversification of income sources is a plus, limiting the type of activities that are eligible for loans can be a mistake. Moreover, household and productive activities are activities that are highly interdependent in most small-scale enterprises, so limiting the activities that are eligible for loans could be unrealistic. Based on this, entrepreneurs should set their own rules for accessing loans.

Service fees

Entrepreneurs should consider two main criteria to define their service fees: the market interest rate and the projected income from activities.

Compulsory savings amounts

Compulsory savings should be decided according to the realistic amount each member of the group can save (including during low-cash periods).

The group needs a risk management tool

The table below summarises the various factors that must be taken into consideration when creating a SLG with the purpose of managing enterprise risk.

TERM OF CYCLES	
SLGs are not banks	<p>SLGs can be considered as a step in the financial evolutionary process of the entrepreneur group. In time, they should allow groups to reach formal financial institutions.</p> <p>SLGs should NOT become permanent banking institutions.</p> <p>SLGs should not be established when there are already formal financial institutions willing to serve the same segment of the population.</p>

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TERM OF CYCLES	
Common experiences with cycles	<p>Generally, most small entrepreneurs cannot save large quantities of money. It is suggested to set the first cycle between 9-12 months in order to generate enough savings and loans activity to increase group capital and at the same time avoid the power struggles and governance problems that can arise during longer cycles.</p> <p>It is desirable to set the cycle period in such a way that it will finish during a period of the year when group members usually need cash, such as during festivities, celebrations, etc.</p> <p>The term of the cycles should also be determined depending on the productive activity of the group enterprise. For example, it would be advisable to have the redistribution process coincide with the low-liquidity period of the enterprises.</p>
GOVERNANCE	
Importance	Because managing capital is such a fundamental issue when establishing an enterprise, there are serious implications for governance when setting up savings and loans groups and group enterprises.
Offices and responsibilities	The group enterprise and the savings and loans group will coincide in the majority of cases, so offices and responsibilities should be well distributed to avoid power struggles. Management committee members within savings and loans groups should not hold any other office within the entrepreneur group. Avoid duplication of work, i.e. the treasurer of the group enterprise could be the treasurer of the saving and loan group enterprise as well.
Democratic and participatory methods	Both SLGs and group enterprises should be managed in a democratic and participatory way, so that each member is aware of the rules and participates in decisions concerning common activities.
Time and workload	It is crucial to distribute the workload of the SLGs and group enterprises among all group members equally to avoid conflicts and omissions.
MEMBERSHIP	
Members: from the enterprise, outside of the enterprise?	<p>The group enterprise and the savings and loans group will coincide in terms of membership in most cases, so membership rules will not be very complicated. However, granting access to the SLG to individuals who do not belong to the same group enterprise, might be part of a risk management strategy. For example, having group members who are dedicated to a multiplicity of productive activities might create complementarities in terms of seasons, loan terms, earnings and emergencies.</p> <p>At the same time, it is wise to avoid having groups that are too heterogeneous, especially in terms of economic and social background, because such differences can threaten the bonds of trust that need to be established in order for the group to work well. If new members enter the group, attention must be paid to group dynamics and integration.</p>

Continued on next page

MEMBERSHIP	
Gender balance	<p>At the end of the first cycle, membership rules can be modified.</p> <p>It is advisable to avoid having family members in the same group, even if most small enterprises are household based.</p> <p>Because there are gender imbalances in accessing financial services, it is common for savings and loans groups to be divided along gender lines, i.e. all women or all men groups. In this case, since group enterprises can be mixed in terms of gender participation, savings and loans groups must carefully respect gender balances. The management committee should include at least one woman.</p>

Detailed guidelines on the legal issues relating to the SLGs (elections, general assembly, management committee and main rules and constitution) and on how to set up a self-managed group for collecting savings and granting loans are available in a separate publication by FAO called *Group management of finances, Handbook for micro and small tree and forest product enterprises*. Visit <http://www.fao.org/forestry/enterprises/25498/en/> for more information.



Tool 2 – Managing a revolving fund

Characteristics of a revolving fund

- An institution decides to allocate funds as a grant to a group of entrepreneurs.
- The group of entrepreneurs decides to use these funds to grant loans to its individual members.
- The institution sets the criteria for selecting the entrepreneurial group to finance but not necessarily the regulations for managing the revolving fund.
- The institution can decide to provide a facilitator to maintain the relationship with the group or to have one member of the group representing the group to the institution.

Purposes of setting up a revolving fund

- To ensure access to capital for small enterprises managed by people who would not have access to formal financial institutions to support their income-generating activities;
- To ensure that the funds are used wisely;
- To create a capital basis for the future endeavours of small enterprises.

How do revolving funds work?

- As the group of entrepreneurs repays the loans, the revolving fund grows and can be used for additional loans or as investment capital for the small enterprises.
- Groups should be able to manage this money wisely following strict rules on loan activities.

How can the SLG model be adapted to revolving funds?

A revolving fund can be managed as an existing deposit in the cashbox of the enterprise group. The group must figure out how to grant the loans and possibly how to contribute additional funds from individual members.

In order to properly manage a revolving fund, the group should think of the existing money as their own, and not as a “present” from someone else. A sense of ownership is crucial to ensuring good repayment rates.

After a first cycle, when everyone in the group has accessed and repaid a loan, the group should decide what to do with the fund, according to a) grant rules and b) group’s decisions taken in a democratic way.



Revolving loan funds, the capital of which is entirely supplied by an external source, have been shown to be risky financial mechanisms that might prevent the group enterprise from succeeding because of poor internal management processes.

Considering the high failure rate of revolving funds, it might be helpful to add a savings component to the fund, in order to avoid unsustainable attitudes in terms of financial management (low repayment rate, lack of professional management of the funds, etc.).

The facilitator will find that adding group savings to revolving funds partly helps to make them more successful and hence more reliable as financial sources. In fact, having entrepreneurs participate in the “risk” of the loan fund with their own savings can improve their commitment to the fund. Nevertheless, it is also true that asking the entrepreneurs to incur debt at the beginning of their entrepreneurial activity is a risky operation, especially if they are not used to loans and cannot dispose of a significant amount of savings.



Tool 3 – Managing savings accounts in a bank

The benefits of savings accounts

- security of funds;
- established a stable relationship which can lead to better access to other services in future;
- increase of credit worthiness of the group (building of credit history);
- potential for accessing more bank operations (loans, payment services, etc.);
- potential for using savings and loans regulations as internal group rules;
- relatively simple procedures;
- three members involved in managing the relationship (in rotation), so less work for each individual group member.

How do bank deposits relate to SLGs?

- To manage a savings account properly, a group should go through a process of training.
- Look into the specific requirements from the formal financial institutions.
- Opening an account in a formal financial institution entails costs, so be sure that all members of the group are aware of these expenses.

This option might be of interest to mature SLGs who want to deposit their funds in a formal financial institution rather than to keep them in their own cashbox. In this case, there is no need to go through any training because the group is already capable of managing its own funds.

According to the experience of some of the most successful savings and loans groups (i.e. self-help groups in India), there are cases where group needs cannot be fulfilled by internal lending activity and group savings alone. Group members, for example, might express the need for larger loans and believe that formal financial institutions such as unions, banks, microfinance institutions etc. can offer greater support. However, while there have been successful cases of self-help groups in India linking to cooperatives and other financial institutions, this could be problematic in other countries. Nevertheless, it is worth investigating the option of local financial institutions interested in supporting SLGs, mainly because it means a potentially wider range of financial services, an alleviation of work for group members, and an increased security of funds.

One must not forget that savings and loans groups are work-intensive activities, and that more sophisticated products and services can only be delivered by formal financial institutions (payment services, transfers, remittances, leasing etc.).

How can the SLG model be adapted to bank deposits?

- The group account will be managed by a management committee elected by the group;
- The procedures for collecting savings will be the same as in the SLG described in Tool 1, except that the funds are deposited in the savings account instead of in the cashbox.



Tool 4 – Identify training providers

The objective of this exercise is to establish a comprehensive checklist of training providers and tools available to support entrepreneurs.

Setting the context:

- The analysis of EDPs emphasised that entrepreneurs needed training in different areas.
- Gaps in their knowledge and skills have been discussed with entrepreneurs and training sessions need to be organized accordingly.
- The project is looking for the best way to provide marketing expertise at a reasonable cost.

Different options to identify training providers:

- Ask successful entrepreneurs (from the group or outside the group) to explain their marketing strategies to the new entrepreneurs.
- Invite a representative from a local business development centre to explain the services they can provide.
- Invite a (potential) client for your entrepreneurs' products to explain their requirements in terms of product quality, quantity, delivery schedule, packaging, price, reliability, etc.
- Invite a speaker from a research and development institute or from a machinery supplier to explain new developments in production technology.
- Send representatives of the entrepreneur groups on study tours to institutes, firms, or equipment suppliers in order to learn about new technologies.
- Send representatives of the entrepreneur groups to a marketing course with the understanding that they will share their newly acquired skills with other entrepreneurs.
- Invite an expert from or send representatives of the entrepreneurs to visit an export promotion agency, chamber of commerce or employers' federation to help them explore new markets.
- Contract an association, a government institute or a business service provider agency to provide training and follow-up.
- Link with private or governmental training organizations as well as various support programmes established by donor projects and NGOs that can provide technical training. For example, the International Labour Organization often provides subsidised services for improving business skills.
- Services provided by buyers can be a way to develop entrepreneurs' skills. Buyers will usually not charge for these services as they enable them to buy better quality products. For example, a factory that processes rattan furniture might provide training on quality production of rattan poles or woven rattan parts.



Tool 5 – Example of a list of training providers

Type of training		Institution or organization	Contact person	Address, telephone, email	Brief description
Finance and basic enterprise management	Bookkeeping				
	Basic calculation				
	Organization of SLG				
Technical training	Shea butter soap production				
	Beekeeping				
	Berry jam production				
	NWFP storage methods				
	Food preservation methods				
Marketing training	Contract negotiation				
	Market Information System				
	Business plan				
Group creation and management					
Resource management	Resource management planning				
	Tree or specific NWFP nursery and planting				
	Appropriate harvesting techniques				



Tool 6 – Negotiating the provision of training services

While trying to negotiate the provision of a training course with an institution, organization or individual, you should consider the following:

Training approach	Theory versus on-the-job
Location	At the project site or at a training centre
Duration	<ul style="list-style-type: none"> • A half day, a few days in a row or a sequence of sessions spread over time • One time training versus initial training plus follow up
Number of participants	Maximum/minimum number of participants per training course
Training materials	<ul style="list-style-type: none"> • Provide basic technical tools if needed or /and basic written materials in the appropriate language
Language	Trainers/participants can adjust to different vernacular languages
Training costs	Lump sum training package or à la carte training programme costs based on: <ul style="list-style-type: none"> • number of trainees; • daily training duration; • daily training fees; • daily allowances for staying on the site; • transportation costs; • costs of study tour.

Training programmes with the following characteristics are usually more suited to the MA&D approach:

- designed specifically for the project and that will address the specific needs of entrepreneurs rather than ready-made training programmes;
- on-the-job training with limited theory;
- training done at the project site (own context and reality);
- several sequential training sessions;
- appropriate number of participants (not too many that individuals cannot fully participate, not too few in order to reduce costs);
- trainers who can speak the local languages;
- availability of training materials in local languages.



Tool 7 – Introducing the trial period facilitation

Testing the strategies and preparing the entrepreneur group

Organize a workshop with the entrepreneurs in order to define the procedures of the pilot period and the modalities of the assistance provided by the project.

During this workshop, entrepreneurs will:

- discuss the benefits of a pilot period during which the enterprise will only produce limited quantities and will also consider the risks of not going through a pilot period;
- update the initial work plans they made at the end of the EDP formulation phase, using Tool 8 - Suggested timetable for planning the pilot period.

At this stage all entrepreneurs should have finalised a detailed work plan before proceeding further.

The outcome of this review exercise is a timetable with a list of activities (see Tool 8).

- Reflect on the possible mistakes or obstacles that may occur during the pilot period:
 - In small groups, consider possible measures to prevent mistakes and overcome obstacles;
 - Use Tool 9 – Possible mistakes and obstacles that may arise during the pilot period and corresponding corrective measures' outcomes.

Your role as a facilitator will be to:

- Explain that participants need to record what happens during the initial production, processing and marketing campaigns (quantities, market values, customer feedback, etc.).
- Organize a workshop at the end of the pilot period in order to review results and prepare the work plan for the first year of full-capacity production.
- Provide simple advisory services depending on your own skills. For more complex services, your role will be to link the entrepreneurs with commercial BDS providers (such as experienced entrepreneurs, equipment suppliers, NGOs or facilitating agencies, etc).
- Explain that contact with local authorities (to get permits, licences etc), financial institutions or other service providers should be undertaken by entrepreneurs themselves even though you may be able to accompany them.



Tool 8 – Suggested timetable for planning the pilot period

This timetable should indicate when the presence of the facilitator is needed (for example, first delivery of products to the buyer, formulation of business contract, etc.).

Activities	Person responsible	Skill & knowledge required	Partner to involve	Date and duration	Facilitator assistance need



Tool 9 – Possible mistakes and obstacles that may arise during the pilot period and corresponding corrective measures

POSSIBLE MISTAKES AND OBSTACLES	POSSIBLE ACTIONS OR CORRECTING MEASURES
Equipment for production is not completely installed.	Check whether it is possible to rent similar equipment from other entrepreneurs during the pilot production period.
Clearance from the hygiene and sanitary office has not yet been obtained.	Check whether it is possible to obtain a temporary permit to produce a limited amount during the pilot period.
Raw materials are not available in sufficient quantities.	Check whether it is possible to buy extra raw materials from other suppliers, even at higher cost.
Production workers are not fully trained in using the new technology.	Check whether more experienced entrepreneurs can assist in producing trial items
The items produced by the enterprise do not have a high demand on the market.	The enterprise should change plans even if it means delaying the start-up.
Packaging materials are not yet ready.	Check whether it is possible to borrow/purchase from other enterprises or suppliers (even at a higher cost).
Products will only be ready after the high demand season has ended.	Wait for the next season; otherwise the market feedback will not be realistic
Products cannot be delivered on time.	Check whether is possible to deliver with a delay (with associated costs). Check whether products can be purchased from other entrepreneurs (at high price)?



Tool 10 – Supporting initial productions

Entrepreneurs need to produce a first batch of products with a satisfactory quality in order to test their market and check whether customers will buy and appreciate their products.

During this phase, your role as a facilitator will be to:

- visit entrepreneurs who are ready to start production to review possible problems and discuss the potential solutions or corrective measures;
- visit less experienced entrepreneurs shortly after they have started production to identify possible problems. Discuss the potential solutions or correcting measures adapted by experienced entrepreneurs and suggest visits to the more experienced entrepreneurs as needed.

As a facilitator, you are not expected to be a technical expert in all the different types of enterprises you need to support. However, most rural enterprises use simple processing methods and equipment and a visit to an experienced entrepreneur may give you an understanding of the process. In other cases, you will have to arrange for the services of a technical expert.



Tool 11 – Supporting initial entrance on the market

In the MA&D approach, interventions don't focus only on the entrepreneurs but also involve the direct actors (e.g. commercial partners) with whom entrepreneurs will be linked.

Your role a facilitator includes the following functions.

At the client level

Visit potential clients to help entrepreneurs find markets for their products and prepare the first delivery. During these visits, you will discuss the quantities of product to be sold, the quality requirements, the delivery schedule and potential sales development. You should also explore the possibilities of commercial contract if clients are satisfied after the test production.

At the entrepreneur level

Before sales

- Review the entrepreneurs' marketing plan to ensure that they have selected the easiest and most profitable market segments to conduct market tests.
- Work with the entrepreneurs to ensure that they know the quality requirements, the delivery time, and the quantity of products required.

Entrepreneurs commonly fail because they don't respect the requirements of their customers, lack discipline, or forget basic business rules (lack of honesty on quality or quantity, disrespect of delivery time etc.).

During sales

Be present before and during the first delivery to ensure that client requirements are respected. Return regularly to ensure that the entrepreneurs respect the terms and conditions of their contracts.

After the sales

Organize a meeting with the entrepreneurs in order to:

- Assess the results of market testing:
 - the results of the first sales in terms of timing, quality, quantity, etc;
 - clients' reactions to the products and delivery process;
 - clients' feedback on the products and sales methods compared those of competitors.
- Reflect on how the products and sales methods might need to be adapted to be stronger on the market.

- Review the profitability of the first sales by measuring revenues, expenses and profits to-date.

The main purpose of the market test is to train entrepreneurs to respect business rules and check clients' reaction to the products, not to get a high profit. Entrepreneurs may even lose money because of the low volume of production.

- Revise the entrepreneurs' strategies (revise prices, target additional or larger clients, send more salespeople during deliveries, place more advertising, etc.) and help them adjust their workplan for the first season or year of the enterprises.



Tool 12 – Encouraging entrepreneurs to create business-oriented groups

Entrepreneurs may be located on sites far away from their potential customers and, as a consequence, not know them or understand their needs. The MA&D approach encourages networking among individual entrepreneurs or groups of entrepreneurs. By joining together, smaller entrepreneurs can better meet their family's basic needs, while controlling access to resources and ensuring their sustainable management.

Facilitating networking among entrepreneurs

Experience shows that small entrepreneurial associations often fail due to lack of market and legal information, poor management, social conflict or when they are used to serve personal interests.

Careful facilitation is needed to establish successful networking. Networks can be of different natures: producers' associations, traders' associations, manufacturers' organizations, etc. and can take various legal forms according to the context, objectives and preferences of the entrepreneurs themselves (see FFG 2, Step 3).

Initially, rural entrepreneurs tend to favour groups that they form themselves around specific resources or products and that are based on members' affinities. This usually proves to be a good place to start as it encourages group dynamics and social cohesion (both of which are consistently mentioned as key benefits of using the MA&D methodology).

However, the ultimate goal of the entrepreneurs is to be successful on the market and for that they need to network with other groups in order to reach higher levels of production, obtain better prices for their products or negotiate better prices and conditions with suppliers. Associations/federations should be large enough to ensure sufficient production capacities.

The creation and facilitation of groups and associations are not the focus of these guidelines. For further information, you can consult existing documentation such as:

- ILO, *Managing Small Business Associations, Trainer's Manual*, Geneva, International Labour Office, 2006;
- FAO, *Group management of finances, Handbook for micro and small tree and forest product enterprises*.

Enhancing capacities of the entrepreneur groups to access market information

The entrepreneurs learned the skills to collect information during the second MA&D phase and they will need to continue collecting information to keep on top of market changes and adjust to them. Your role as a facilitator will be to encourage them to collect additional market information, particularly at the national level.

To this end, you should encourage the entrepreneurs to develop a simple participatory Market Information System (MIS). See further explanations in Tool 13 – Creating a participatory Market Information Systems (MIS). Additional information is available in FAO publications such as:
(http://www.fao.org/fileadmin/templates/nr/images/comdev/PDFs_projects/RKNFlyers_04_hires_nomarks_5.pdf)
(<http://www.ifad.org/rural/firstmile/index.htm>).



Tool 13 – Creating a participatory Market Information Systems (MIS)

This tool explains how to create a MIS but is not enough to actually facilitate the creation of a MIS.

As explained previously, the development of market linkages and improved communication between producers and market actors is a key to the success of the MA&D approach. One way forward is to establish a participatory Market Information System.

MIS is an organized procedure for collecting, analysing and distributing predetermined types of marketing information for informed decision-making and increased bargaining power. There are a wide variety of market information systems or services, including those from local participatory MIS to national level systems. Several projects have demonstrated the impact that Internet information can have. The introduction of internet kiosks or cafes that provide information on wholesale prices have improved the functioning of rural markets by increasing the competitiveness of local traders. Studies have also demonstrated the impact of cell phones in reducing price variations on the markets.

In general, a MIS will collect information related to:

- the prices of products (differences between retail, wholesale, or farm-gate prices);
- the explanation for changes in price or demand;
- the names and locations of traders;
- the volume, quality and packaging requirements of various markets and traders for different products;
- the price variations for products by market;
- the alternatives sales and marketing channel alternatives (direct sales, middlemen, cooperatives, wholesalers, retailers, marketing boards);
- the various distribution channels available (transportation alternatives, storage facilities);
- the promotion opportunities (product shows, advertisements, incentives, packaging);
- the payment alternatives (barter, credit, cash, labour).

The procedure to develop a participatory MIS includes:

- The design of the MIS describes:
 - the goals and objectives of the MIS;
 - the beneficiaries of the information;
 - the types of data collected;
 - the sources of information;

- the stakeholders analysing the information;
- the process for sharing the information;
- the training needs of the concerned entrepreneurs.

Ensuring the participation of the entrepreneurs in the design of the MIS will ensure that the information gathered and the collection methods are appropriate to the project circumstances. This will also increase ownership of the MIS and commitment to its sustained operation.

- The implementation of the MIS consists of:
 - organizing the collection and the analysis of the data
 - establishing the monitoring and evaluation process;
 - designing training to enable users to analyse and use the MIS.
- The follow-up of the MIS consists of:
 - regular meetings with entrepreneurs in order to assess the MIS, measure its impact on business practices and evaluate the confidence of users in being able to manage it autonomously.

The following changes can be expected from a MIS

- Entrepreneurs have enhanced ability and willingness to work together.
- Discussions of the MIS provide opportunities to discuss enterprises, and highlight the benefits of collaboration in purchasing raw materials or selling goods. These discussions usually reinforce the decision of the entrepreneurs to create groups or associations.
- Improved responsiveness to consumer interests:
 - Entrepreneurs understand customers' needs and can adapt their products accordingly.
 - Entrepreneurs feel more comfortable in asking customers what other products, colours, shapes or sizes of products they would like.
 - Entrepreneurs observe how their products are used and are able to adjust them accordingly.
 - Entrepreneurs can better estimate levels of production.
- Increased ability to target market segments:
 - Entrepreneurs can target customers with higher purchasing power.
- Basis for setting prices:
 - Entrepreneurs have access to more information to decide on their prices.

Managing a MIS

Experience has shown that rural entrepreneurial groups are usually able organize data collection and dissemination among themselves. However they have a hard time adjusting the MIS by themselves.

Consequently, to ensure that a group of entrepreneurs is able to use and manage the MIS independently, the following actions should to be taken during the project:

- Assist the groups to assess their MIS regularly. This will give them the confidence that they can adjust it themselves.
- Link the groups with other organizations that can help to facilitate the MIS in collaboration with the entrepreneurs.
- Consider how MIS might become financially sustainable.





Tool 14 – Business rules and appropriate behaviour

There are general rules, regulations, and standards that market actors must obey in order to participate in the market chain. In rural areas, such rules usually take the form of agreements between buyers and suppliers. However, more sophisticated business standards and rules (such as standards for export products) tend to prevent rural entrepreneurs to access more developed markets. Even though some business rules may be informal, it is important to write them down and to make sure that the entrepreneurs and their workers understand them.

In local markets, rules and standards related to product quality, grading, and business practices are loosely enforced. Traders often provide limited information to producers as a way of obtaining supply at low costs. Rural producers often don't understand rules related to product quality or characteristics or other commercial requirements.

Business rules may serve as good management tools to help the enterprise achieve its goals, avoid losing clients, reduce costly mistakes, improve communication, comply with legal requirements and increase customer loyalty. Without basic business rules, no long-term consistent market relationship can be maintained.

Organize a session on the benefits of business rules.

	1.5 hours
<p>Learning objectives</p> 	<ul style="list-style-type: none"> • Raise awareness of the benefits of respecting business rules and adopting appropriate behaviour. • Provide entrepreneurs with an understanding of some important business rules to respect and appropriate behaviours to adopt • Develop charts of rules that can be used in their enterprises.
<p>Facilitating the session</p> <p>Before the first delivery of products to clients, gather the entrepreneurs to discuss the following questions:</p> <ul style="list-style-type: none"> • Do any of the entrepreneurs have knowledge or experience of a failed business? • Can they explain the reasons for the failure? • Ask one of the participants to record the reasons that are related to disrespect or ignorance of business rules on the left column of a table on a flipchart. • Ask all participants to complete that column (see table below for additional information). 	

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- Split participants into small groups and ask them to draft proposed rules to overcome the reasons for business failure.
- Share the results in plenary and facilitate a discussion on the proposed rules and the possible outcomes when those rules are ignored.
- Ask each group to identify which rules are relevant to their own situations and explain that there are several types of business rules:
 - Rules adopted by a group to enable them to function better as entrepreneurs. These rules usually involve agreements between buyers and suppliers within the market chain.
 - Rules decided outside the value chain (e.g. quality standards for a specific product). In general, the standards imposed on producers who are willing to export are a lot more complex than rules governing local and national markets.
- Entrepreneurs should first focus on understanding and respecting their own rules and local commercial rules. Only after they have shown that they are able to respect these local rules, should they think of expanding towards export markets.

USUAL REASONS FOR BUSINESS FAILURE	CORRESPONDING BUSINESS RULES
Late delivery of goods	Fix clear delivery schedules with the client and respect them.
Late delivery of goods because of delays in supplies of raw materials	Establish contracts with suppliers of raw materials (see Tool 15).
Insufficient quantity delivered	Deliver requested quantity even if this means acquiring missing items from other producers.
Lower quality than specified in the order	Set clear quality standards for each item. Write these down and respect them under all circumstances (see Tool 16).
Inconsistent quality.	Ensure that quality standards are respected.
Clients not informed about late delivery or changes in packaging	Agree on how best to communicate with clients before, during and after transactions.
Goods contaminated with fungus	Establish a contract with an external agency (sanitary office) and show certificate to client.
Transport costs added without informing the clients <i>or</i> Prices are higher than agreed upon	Always respect conditions agreed with clients. It is better to lose money on a consignment than to lose a client forever.
Poor packaging leads to damage or breakages during transportation.	Have provision for replacement or purchase an insurance policy.

Failing to abide by business rules generally leads to a loss of clients and a damaged reputation.





Tool 15 – Establishing contracts

Establishing trusting relationships with resellers and suppliers is critical for enterprise success and establishing contracts is very helpful in achieving that goal. Contracts with suppliers of raw materials enable processors to have greater control over the quantities delivered and the quality, time of delivery and prices of their raw materials. Contracts with processors list quality requirements, ensuring that post-harvest handling and storage are done correctly.

However, contractual agreements work only when parties respect them, requiring a high level of trust and understanding.

Organize a session on establishing contracts.

	1.5 hours
<p>Learning objectives</p> 	<ul style="list-style-type: none"> • Raise awareness of the benefits of establishing contracts as a way to improve relationships with other business actors. • Provide entrepreneurs with guidelines on negotiating contracts. • Encourage entrepreneurs to design their own contracts.
<p>Facilitating the session</p> <p>Before the first delivery of products to clients, gather the entrepreneurs with the objective of helping them to develop contracts.</p> <ul style="list-style-type: none"> • Refer back to the outcomes of the exercises done on the business rules (Tool 14) and introduce the session by stressing that a number of problems encountered by enterprises can be solved by establishing contracts. • Identify among the participants: <ul style="list-style-type: none"> – An experienced entrepreneur who has experience in establishing contracts with suppliers or clients. If no one has this experience, invite an entrepreneur from another site. – An entrepreneur who has experience in supplying raw materials to clients without a contract. • Ask both participants to describe the business relationship they had with their clients: <ul style="list-style-type: none"> – How long did it last? – When and how were prices set? – Were there controls and inspection procedures? – Was there a written contract or an oral arrangement? – Why did they enter (or not) into a contractual relationship? <p>Ask the participants to list down the main points on a flipchart.</p>	

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- On another flipchart, prepare a table with one column headed implications of having a contract and another column headed consequences of not having a contract. Discuss and fill in the column.
- Facilitate a discussion about the importance of contracts for developing trust with suppliers and clients, possibly leading to long-term business relationships and their reputation as reliable suppliers.
- Review the usual terms of a contract:
 - A request for a contract should be prepared by the buyer and submitted to the supplier. It would specify:
 - * the products to produce with detailed quality standards;
 - * the quantity;
 - * the mode of delivery (transport means, location);
 - * the frequency /schedule of delivery.
 - Additional terms may be added:
 - * minimum demand guaranteed by the buyer;
 - * compensation paid to the supplier when minimum demand is not bought by the buyer;
 - * compensation paid to the buyer when minimum demand cannot be delivered.
 - Once the terms of a contract have been agreed, the buyer submits a preliminary proposal to the supplier who then has the right to add, remove or change any of the clauses.
 - Long-term contracts regulating relationships between suppliers and resellers should include the following elements:
 - * the identity of the parties with their addresses and contact information;
 - * their goals and intent;
 - * detailed description of the goods;
 - * buyer's rights and obligations;
 - * supplier's obligations;
 - * attestation (date, location and signatures).



Tool 16 – Developing the negotiation skills of the entrepreneurs

While collecting and analysing market information in MA&D Phase 2 (FFG 2, Step 1) or using an MIS, entrepreneurs have developed their capacities and willingness to work together. They now also understand the benefits of collaboration, such as lower production costs, or higher prices.

Your role as a facilitator will be to help entrepreneurs to contain their production costs and improve their negotiation positions by:

Organizing entrepreneurs so that they can purchase raw materials or packing materials supply in bulk

Gather the entrepreneurs that are working on similar product(s) and ask them to:

- List all the raw materials or/and packing materials they need (volumes, schedule).
- List their suppliers, the supply modalities (prices, special conditions, transportation mode, delivery location etc) and the maximum supply a supplier can provide.
- Compare suppliers and identify those capable of supplying large quantities of materials.
- Identify one or two entrepreneurs to visit the selected suppliers in order to discuss favourable conditions for bulk delivery.

Note: Favourable conditions don't mean only lower prices but also, better payment conditions.

Your role will be to facilitate contract negotiations between the group of entrepreneurs and the selected suppliers.

Setting common pricing:

Frequently, individual entrepreneurs disrupt group price decisions by selling their own goods at lower prices. To reduce this risk, you will:

- Ask participants whether they have experienced situations in which prices were set but the agreement was later broken by individuals.
- Discuss the possible consequences of such behaviour (e.g. the group loses a market, mistrust is created in the group, unfair competition is created between group members, etc);
- Discuss what can be done to avoid this type of behaviour stressing that:
 - It is critical to reinforce the strength and the governance capacities of the group. If group members are organized enough to decide on group purchases, they should also be strong enough to establish common prices and respect them.

- Encourage the entrepreneurs to set a price range for their products and issue internal rules to ensure enforcement.
- Pricing can be governed by the business rules adopted by the group. Appropriate pricing relates to the product quality as defined and accepted by all the group members.

Encouraging group selling

Group selling has proven to be a powerful way to increase the income of rural entrepreneurs. It is beneficial to producers as well as to buyers who can get higher volumes in one location, reducing their transportation costs.

To assist entrepreneur group to organize group selling, you will:

- Identify buyers that are able to buy in large quantities (information available from EDPs or local and national market surveys conducted in Phase 2).
- Invite two or three representatives of the entrepreneur group to visit potential buyers in order to find information on:
 - quantity and quality requirements;
 - price and conditions (ensured transport, mode of payment);
 - preferred location to pick up goods;
 - yearly schedule of supply;
 - the possibility of long-term contracts;
 - possible visits by the buyers to the entrepreneurs locations.
- Organize a meeting with all entrepreneurs of to communicate the findings of the visit.
- Be present at the project site when the first delivery takes place.

Encouraging product certification

Worldwide, there is an increasing demand for products with specific quality labels ensuring environmental protection and social respect, opening up new markets to small entrepreneur groups. Such certifications have benefits but they also have costs (such as the requirement for inspection by an independent certification body) and constraints that entrepreneurs will need to understand.

MA&D projects usually focus on enterprises linked to specific geographical locations and which can develop a reputation by a Geographical Indication (GI) reflecting the unique combination of local natural resources (climate, soils, local breeds and plant varieties, traditional equipment, etc.) and cultural specificities (traditions, ancestral know-how and skills) These products can meet a specific and valuable demand.

If the entrepreneurs try to target these markets they should know that that a certification system with the following characteristics needs to be put into place:

- agreed common rules to maintain product specificities, avoid misuse and foster consumer confidence;
- agreed Code of Practice (CoP) to define the product in relation to its geographical origin,
- recognition of the Geographical Indication of product by public authorities. Producers may decide to apply for a GI registration, according to the legal and institutional framework of their country or/and have the product protected by intellectual property rights as provided by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) of the World Trade Organization;
- careful marketing of the GI product, traceability along the supply chain, a high level of responsibility and accountability of producers and processors and, generally, a number of technical or management innovations.

Obtaining a GI can only be achieved through a collective effort as it requires substantial work.

For more details on how to develop origin-based quality certification refer to:

LINKING PEOPLE, PLACES AND PRODUCTS

A guide for promoting quality linked to geographical origin and sustainable geographical indications

This guide has been jointly produced by the Food and Agriculture Organization of the United Nations (FAO) and SENER-GI – FAO 2009

Website: www.foodquality-origin.org



Tool 17 – Facilitating the assessment of the performance of enterprises

Objective

Assist the entrepreneurs to assess the performances of their enterprises so that they are able to readjust their strategies and goals and formulate realistic objectives for the next EDP.

Method

After the first season or year entrepreneurs will need to:

- review past activities and results and check them against the initial plans;
- analyse this information in order to readjust strategies and goals and to set realistic objectives for the next season or year of operations.

As a facilitator your role will be to organize a workshop to help the entrepreneurs to understand the benefits of monitoring:

1. the benefits of monitoring;
2. which elements of performance should be assessed and what questions should be asked;
3. where and how data can be found, recorded and stored.

1. The benefits of monitoring

The following is a checklist that can serve as a guide for conducting an interview.

- Ask participants why it is important to monitor enterprise activities.
- List their answers on a flipchart in two different columns based on whether they can be related to the enterprise performance or the enterprise environment.
- Common answers are as follows:

ENTERPRISE PERFORMANCE	ENTERPRISE ENVIRONMENT
<ul style="list-style-type: none"> • to formulate realistic objectives for the next year's EDP 	<ul style="list-style-type: none"> • to help the enterprise stay competitive in a changing marketplace
<ul style="list-style-type: none"> • to measure the progress of the enterprise 	<ul style="list-style-type: none"> • to identify problems that arise

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ENTERPRISE PERFORMANCE	ENTERPRISE ENVIRONMENT
<ul style="list-style-type: none"> to ensure that the enterprise can judge its performance on an annual basis according to the progress made in reaching stated objectives. 	<ul style="list-style-type: none"> to develop new strategies to correct or overcome these problems to ensure that the enterprise has the ability to foresee unexpected events and is prepared to cope with them.

2. Elements to be assessed and questions to be asked

- Explain that when assessing the performances of their enterprises, entrepreneurs should:
 - refer to their EDPs and initial work plan targets;
 - look at the actual enterprise activities and results.
- Divide participants into small groups and ask them to list the indicators and information they need in order to monitor their enterprise activities.
- Compile their inputs using the following checklist:

PRODUCTION AND SALES RESULTS	
<ul style="list-style-type: none"> What were the production targets and estimate of sales revenue? How much was actually produced? How much was sold? How much revenue was obtained from sales? 	
If production and sales targets were met	<ul style="list-style-type: none"> What worked well? Would it have been possible to produce goods? Explain.
If production and sales targets were not met	<ul style="list-style-type: none"> Was equipment capacity underestimated? Was equipment installed too late? Were there problems with packaging? Was quality insufficient and if so why? Did some buyers cancel orders and, if so, why? Did some buyers refuse to pay the price and, if so, why? Was delivery late? Did customers change their preferences and, if so, why?
MANAGEMENT	
<ul style="list-style-type: none"> What legal structure was chosen? Was the legal structure registered as planned? What was the expected management team structure? Who is part of the actual management team? 	

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PRODUCTION AND SALES RESULTS (CONT.)	
If the management team worked well	<ul style="list-style-type: none"> • Identify what was successful.
If the management team didn't work well	<ul style="list-style-type: none"> • Identify management problems. • List their impacts on enterprise operations.
RESOURCE MANAGEMENT	
<ul style="list-style-type: none"> • What were the plans for resource management? • Was the resource management target achieved? 	
If yes	<ul style="list-style-type: none"> • Would it have been possible to do more in term of resource management? Explain.
If not	<ul style="list-style-type: none"> • Explain why not.
SOCIAL DEVELOPMENT	
<ul style="list-style-type: none"> • What were the plans for social development? • Was the social development target achieved? 	
If yes	<ul style="list-style-type: none"> • Would it have been possible to do more in term of social development? Explain.
If not	<ul style="list-style-type: none"> • Explain why not.
RISKS MANAGEMENT	
<ul style="list-style-type: none"> • Did the enterprise face unexpected problems? • Was it prepared to overcome those problems? How? 	
PROFITABILITY	
<ul style="list-style-type: none"> • What was the expected profit at the end of the first season/year? • How does it compare with profit and losses projection in the EDP? • Did the enterprise make a profit? 	
If the enterprise didn't make profit	<ul style="list-style-type: none"> • Were their unexpected fixed costs? For which amount? • Were their unexpected variable costs? For which amount?
CASH FLOW MANAGEMENT	
<ul style="list-style-type: none"> • Did your cash flow follow the initial projection? 	
If the enterprise ran out of cash was it because of	<ul style="list-style-type: none"> • Late availability of loan? • Delayed payment of capital by some group members? • Delayed payment by customers?

3. Where and how data can be found, recorded and stored

Most of the information on enterprise performance will be available from the EDP and past season operations. In case some entrepreneurs have difficulties in finding information about the past season, review the different types of books that were used and explain where to find the necessary information.

The cash book	The cash book is a descriptive and chronological record of day-to-day financial transactions: all money received from sales, all money paid out for purchase, sales and purchase credits notes, salaries, maintenance costs, etc.
The ledger	The ledger takes account of each transaction from the daily cash book and serves as a tool for recording every transaction under the correct type of account.
For entrepreneurs who have bank accounts	
A book of bank account transactions	This book records all bank transactions.
A petty cash book	The petty cash book records all transactions made by cash.

- Facilitate a discussion on the information needed to assess progress on resource management. In general for forest product based enterprises, a resource management plan is developed in parallel with the EDP to ensure proper monitoring of the resource stock. The management plan should include the indicators and monitoring modalities specific to each case.
- Facilitate a brief analysis about enterprise performance to help the entrepreneurs realize whether they did not meet some of their targets because of changes in the market environment. As a consequence, they will surely conclude that they cannot set up a realistic plan without a system to regularly assess their market environment.



Tool 18 – SWOT analysis

Objective

Conduct a SWOT analysis to help the entrepreneurs assess the performance of their enterprises after their initial operation (season or year) and to refine the planning exercise for the next phase.

Method

- Prepare a SWOT table on a flipchart
- Participants have 20 minutes to write the answers to the following questions on cards (one idea only per card, text should be written large enough to be readable):

<p>STRENGTHS</p> <p>What are the internal strengths of their enterprises and how they did these strengths influence their results:</p> <ul style="list-style-type: none"> • Did the staff have the right skills? • Were workers motivated and efficient? • Did the network or the alliances support them? • Was the equipment adequate? • Did the equipment function properly? • Was funding adequate? • Etc. 	<p>WEAKNESSES</p> <p>What are the internal weaknesses of their enterprises and did these weaknesses influence their results:</p> <ul style="list-style-type: none"> • Which skills were missing? • Was their judgment about the market correct? • Did they estimate the raw material supply in the right quantities? • Did they face management problems? • Did they run out of cash? • Etc.
<p>OPPORTUNITIES</p> <p>What are the opportunities for their enterprises as identified from recent studies:</p> <ul style="list-style-type: none"> • Did they identify additional support from the local government or NGOs that they can tap into? • Did they identify other groups of entrepreneurs they could collaborate with to obtain better selling prices or better supply conditions? • Did some policies change in their favour (e.g. decrease in tax, etc.)? • Etc. 	<p>THREATS</p> <p>What are the threats to their enterprises as identified from recent studies:</p> <ul style="list-style-type: none"> • Are there powerful traders that do not want the entrepreneur groups to be organized (for fear of losing control over prices, etc.)? • Are there investors who are trying to restrain their access to resources? • Are there possible community conflicts over the resources? • Does the community feel there is a prejudice against their products? • Is the price of their product decreasing due to an excess in the offer. • Etc.

- After 20 minutes (or more if needed), participants should stand up and place their cards on the corresponding cell of the table.
- Review the table and discuss the input.
- Discuss possible actions and recommendations to address weaknesses and threats.

RESOURCE MANAGEMENT ANALYSIS

Monitoring must measure whether an enterprise have a negative impact on the resource stock and on the ecological environment. An initial rapid assessment the resource base was conducted before starting the enterprise operation and should be repeated regularly to detect any changes.

Ask entrepreneurs to:

- Analyse any changes between the initial survey and the last survey (after operations have started) to determine whether the resource is sustainable.
- Estimate the impact of harvesting.
- Discuss possible corrective measures.
- Plan the implementation of the corrective measures and estimate the corresponding costs.
- Assess the relationship with the local forest development officer in order to ensure their support in forest resource monitoring, issuance of permits, and to negotiate in the case of an unclear ruling.
- Identify how to improve relationship with resource management service providers including the forest office.

SOCIAL/CULTURAL ANALYSIS

Ask entrepreneurs to:

- Assess the social impact of their enterprises against the set of indicators used to gather information for the preparation of the EDPs, including:
 - the role of women in decision-making on the selection of products, pricing and distribution of income;
 - the impact of the enterprise activities on marginalised groups;
 - etc.
- Evaluate the capacities of enterprise staff members.
- Assess the relationship of the enterprise with the local authorities, NGOs and other social groups.
- Suggest how to improve relationship with local authorities, NGOs and other social groups.

INSTITUTIONAL/LEGAL ANALYSIS

Ask entrepreneurs to:

- Assess whether they have monitored national and international policy and are aware of all policy changes since their enterprises started.
- Discuss how to get regular information about national and international policy.
- Assess whether they have maintained a close relationship with the local forest officer, banks, tax office and other official bodies to be informed of policy changes and to negotiate in the case of an unclear ruling.
- Discuss how to improve relationships with the aforementioned parties and influence policies in their favour.
- Discuss how to respond rapidly to new national or international rules that would affect their enterprises

TECHNOLOGY ANALYSIS

Ask entrepreneurs to:

- Assess whether they are informed about new technologies that will allow them to remain competitive.
- Discuss how they can remain informed about these new technologies and identify potential links with other organizations.
- Discuss how they can lobby for better infrastructure in the community (additional telephone lines, road extensions, etc.).



Tool 20 – Follow-up forms for start-up phase

For the start-up phase (two weeks after financial resources have been obtained)

I. INVESTMENTS DONE

A. Use of credit (if financial resources consist of credit)

Date of credit: ____/____/____

Initial reimbursement (month):

End of reimbursement period (month):

Periodicity of reimbursement:

Expenses	Actual cost	Cost forecasted in the EDP*
Total		

B. Other financial resources

Expenses	Actual expenses	Expenses forecasted in the EDP*
Total		

* Fill in "0" if the expense wasn't planned.

C. Progression of forecasted investments:

.....

II. ACHIEVEMENT OF PRODUCTION OBJECTIVES

	Total Quantity (kg)	Production	Collection	Purchase
Forecasted in the EDP				
Achieved				

III. DIFFICULTY EXPERIENCED BY THE GROUP

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IV. ADDITIONAL COMMENTS

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V. ACTIONS TO BE TAKEN

By the group	
By the facilitator or other partners	
By the project team	

For regular follow-up

I. CREDIT REIMBURSEMENT

Last amount to be reimbursed		
Last amount actually reimbursed		
Remaining amount to be reimbursed		

Explanation in case the entrepreneur is having difficulties reimbursing his/her credit:

.....

.....

II. PRODUCTION OBJECTIVES

	Total Quantity (kg)	Production	Collection	Purchase
Forecasted in the EDP				
Achieved at the time of the previous follow-up visit				
Achieved to date				

Explanation of gaps:

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III. SALES OBJECTIVES

	Average price per unit	Total quantity (kg)	Total sales revenue
Forecasted in the EDP			
Achieved to date			

Explanation of gaps:

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IV. CAPACITY DEVELOPMENT

Training sessions followed up to now	
Training sessions as planned	
Additional training needs	

V. GROUP DYNAMIC

Group members who left or joined:

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Number of meetings held in the previous month:

.....

Contribution from the members:

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Respect of internal rules:

.....

Conflicts experienced by the group:

.....

VI. GROUP INITIATIVES

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VII. ACTIONS TO TAKE

By the group	
By the facilitator or other partners	
By the project team	

Source: Ludovic Conditamde, Burkina Faso.



Tool 21 – Follow-up forms used in Mali

SITE	Villages	Product	Name of entreprise	Turnover (in CFA)	Number of members		
					M	F	Total
FARAKUNNA	Pakan Bobo	Shea nuts	GNOUBOIRISSIN	136 500	0	13	13
		Honey	PARISSIN	1 120 000	8	0	8
		Tamarind	MOUGNOUSSI	216 000	0	9	9
	Sub-total	3	3	1 472 500	8	22	30
	Tiéblénikuy	Shea nuts	PARISSIN	156 800	0	14	14
		Honey	PARISE	980 000	7	0	7
	Sub-total	2	2	1 136 800	7	14	21
	Bambara	Shea nuts	PARISE	168 800	2	13	15
		Honey	WE HAN HIRO	980 000	13	0	13
	Sub-total	2	2	1148800	15	13	28
	Fifini	Shea nuts	SENIWE	352 800	0	18	18
		Honey	PARISE	1 400 000	10	0	10
		Mead	PARI TCHIMI-TCHAMA	393 750	0	5	5
	Sub-total	3	3	2 146 550	10	5	33
Siradié	Hydromel	BENKADI	392 000	0	9	9	
	Honey	DJEKAFO	700 000	5	0	5	
Sub-total	2	2	1 092 000	5	9	14	
Pakan Kado	Hydromel	BENKADI	224 000	2	18	20	
	Honey	KAFASSOBONOGOLA	350 000	6	4	10	
Sub-total	2	2	574 000	8	22	30	
GRAND TOTAL FARAKUNNA	14	14	7 570 650	53	85	156	

Source: Ludovic Conditamde, Burkina Faso.



Tool 22 – Follow-up forms used during start-up phase and operations

Site:

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Updated on:

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Group	Village	Product	Current staff members	Starting date	Financial resources for start-up			Troubles with credits	Fore-casted collection	Actual collection	Fore-casted production	Actual production	Fore-casted turnover	Actual turnover	Fore-casted price	Actual price
					Credit	Auto financing	Other									

Training

Group dynamics	Follow-up of EDPs	Management of credit/savings	Marketing	Book-keeping	Supply	Planning	Technical

Source: Ludovic Conditamde, Burkina Faso.

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