

Small-Scale Enterprise for Forest Protection?

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Summary

Small-Scale Enterprise for Forest Protection?

1. The promotion of small-scale enterprise can help contain the poverty-induced pressure on rural livelihood systems to exploit forest resources, and help compensate losses caused by restrictions on utilization imposed to protect the forest. Building on existing concepts, the present paper proposes a procedure for developing a strategy to promote small-scale enterprise in the transition zones of protected forest areas.

2. Small-scale enterprise promotion today is geared to the potentials of the overall system within which small-scale enterprise is pursued as the main or as a secondary source of income. The approach is a systemic one, and aims to achieve cooperation between public and private actors based on a division of labour. The aim is to promote target groups' self-responsibility, as well as self-sustaining, ecologically and socially compatible structures, and to help channel the dynamic potential of these factors into the utilization of locally available resources.

3. Small-scale enterprise components in transition zone projects are usually characterized by broad conceptual scope. This fosters participatory procedures which do not relieve the target group of responsibility for analyzing potentials, seeking solutions, and planning and implementing activities, but support the target group in the various steps. Learning by experience turns mistakes into something valuable, and requires flexible planning and intensive exchange between the various actors and partners.

4. Traditional instruments of small-scale enterprise promotion are savings and credit programmes, transfer of expertise, support of business start-ups, and promotion of service institutions and lobbying organizations. Experiences and materials available locally should be harnessed and integrated into a process-oriented participatory approach. Autonomous organizations of small-scale entrepreneurs can make key contributions towards self-determined problem-solving. These organizations should therefore be a focal point of promotion.

5. Before elaborating the strategy it is first necessary to clarify how the function of small enterprise promotion, namely to generate income, can be linked to that of forest protection, and how that link can be consolidated. Where positive relationships emerge, the legal frameworks governing resource utilization by small-scale enterprise must be analyzed, and if appropriate linked to protective functions.

6. The potentials and problems of the groups utilizing local resources for the purpose of small-scale enterprise form the basis for the selection, economic appraisal, preparation and implementation of measures to promote local small enterprise in transition zones. The learning processes associated with that are geared to the groups' knowledge status, and build on their own responsibility.

7. Which promotion measures are implemented should be made dependent on their significance as compensation for restrictions on forest resource utilization, and on their relevance to forest protection, their impact on the entire livelihood system, and whether the resource users can be monitored efficiently by village organizations. Care must be taken to ensure that these parameters are taken into account. Failure to comply with these conditions may lead to a discontinuation of promotion.

1 Introduction

At many sites, farms are also being made partly responsible for the alarming destruction of tropical forests. As a result of population growth and rising income expectations, forested areas are being converted into agricultural land. Timber and non-timber products are also being utilized by locally based population groups. Their activities are highly diversified; operations in the agricultural sector are usually complemented by gathering and artisanal activities. In such situations natural forest resources often form the raw material base for off-farm activities.

Forest resources are utilized for activities outside the agricultural sector.

In cases where forest-depleting activities are to be restricted for forest protection reasons, households lose either income or the utility value of the corresponding products. In principle, households then have the option of expanding other activities by way of compensation. Yet forest areas can only be protected sustainably if those households are willing and able to adapt their farm organization and their combination of activities to the forest protection requirements. A solution involving exclusion, with a strict prohibition on entry as attempted in some countries, is not financially sustainable, and is becoming increasingly politically unfeasible.

Diversified farm organization must be adapted to forest protection requirements

German development cooperation is making a broad range of contributions to accelerating the process of change taking place within protection and conservation agencies, forest administrations, extension services and agricultural livelihood systems. The strategy is to secure forest protection through targeted development promotion in the transition and buffer zones of protected areas¹. The various user groups are supported in accessing alternative sources of income that do not deplete forest resources, or do so only to a minor extent.

Small-scale enterprise creates alternative sources of income

Thus depending on regional circumstances, small and micro-enterprise promotion takes on an important role. The present conceptual element is essentially based on the work already carried out by GTZ's corresponding technical division², and on the available literature. On that basis, it attempts to provide recommendations for the elaboration of project strategies to promote small enterprise within the scope of transition zone development.

After first defining and describing the terms, concepts and instruments of small enterprise promotion, an approach will be proposed for developing strategies to promote small-scale enterprises and activities in transition zone projects.

¹ Cf. LISTRA (1996) for a discussion of the terms transition and buffer zone.

² Späth, B., Trah, G. et al. (1996): Sektorkonzept Entwicklung und Förderung von Klein(st)-gewerbe. Entwurf. BMZ/GTZ OE 4050.

As with the other conceptual elements of GTZ's LISTRA (Livelihood Systems and Tropical Forest Areas) project, the present paper welcomes constructive criticism and an exchange of ideas concerning practical examples, other opinions, experiences, and inputs to conceptual work.

2 Small-Scale Enterprise Promotion – An Overview

Fostering the entrepreneurial potentials of the rural population

German development policy is designed to help alleviate poverty in the countries of the third world, by providing help towards self-help. Small-scale enterprise promotion is an appropriate means of strengthening the non-agricultural sector in rural regions. It can foster the development of innovative and entrepreneurial potentials among sections of the rural population, and help improve income, employment and the decentralized distribution of goods and services. At the same time, small-scale enterprise promotion serves as an integral component of activities to promote development around protected tropical forest areas, by helping reduce the poverty-induced pressure on the population to exploit forests. When rural forest users accrue additional income from small-scale entrepreneurial activities, restrictions on forest utilization to date can be compensated, and lost income substituted. This is necessary in order that local user groups are able to accept and support protection and conservation projects.³

2.1 Small-scale enterprise – definitions and descriptions

Industry – a self-reliant activity in the service or production sector

The term **industry** covers all self-reliant activities designed to secure profit on a sustainable basis, with the exception of primary production, i.e. agriculture, forestry, fisheries and mining. A distinction is drawn between production and service industries. Production embraces not only processing activities, i.e. artisanal and manufacturing industries, but also the power and water industries, the processing of mining products, and the construction industry. Service industries comprise services such as the distributive trades, banking, insurance and the hotel trade.

³ Cf.: LISTRA (1997): Compensating Losses Caused by Restrictions on Forest Utilization.- Conceptual Element 3.

The term **small-scale enterprise** or small-scale industry covers micro, small- and medium-sized manufacturing or artisanal operations⁴, and retail and service activities in the formal and informal sectors. Small-scale enterprise employs simple technologies and local resources. The production or service activities are geared to the needs and the income of the local population. Small-scale enterprises are usually dependent on local markets.

Small-scale enterprises are dependent on local markets.

In rural areas – and in the transition zones of tropical forests – the term **rural small-scale enterprise** or rural small-scale industry is used. This qualification is significant, since the general conditions prevailing in rural areas – e.g. lack of physical and institutional infrastructure, low absorption by local markets and distance from centres – may constrain development potentials. This is the case in the transition zones of protected forest areas in particular.

The term **informal sector** covers sections of the national economy which are not reached by or are excluded from the actions of government. This can be the case for instance with regard to registration, taxation, trade supervision, statistical analysis, access to credits or public benefits, and legal security. The characteristic features of activities in the informal sector⁵ include:

- easy access,
- utilization of local resources,
- family businesses closely networked with the household,
- production on a small scale,
- labour-intensive organization and technology,
- transfer of skills outside any regulated training system,
- markets geared to competition.

The term informal sector was first applied to the urban economy, and only later to rural areas. To this day, research and promotion policy are still geared rather to urban areas. Existing strategies cannot be simply transferred to comparatively sparsely populated rural areas, especially if infrastructures there are poorly developed.

The informal sector – not taxed, but also without access to credits or public benefits.

⁴ One criterion often applied to distinguish between large and medium-sized industries/enterprises is the number of persons employed, since corresponding data are relatively easily available. One typical **classification system** for instance is 0–9 = micro-enterprise; 10–49 = small-scale enterprise/industry; 50–99 = medium-sized enterprise/industry; >100 large-scale enterprise/industry.

⁵ Cf. also ILO 1972.

2.2 Small-scale enterprise promotion strategies

Small-scale enterprises play an important role in economic development.

Since the 70s, small-scale enterprise has become increasingly important in third-world countries. The "employment problem" remains unsolved, as agriculture and industry are incapable of absorbing the growing pool of labour.

Since employment and basic needs satisfaction were laid down as development goals, small-scale and micro-enterprises have been accorded a major role in the economic, social and political development of a country. This rests on the idea that development of the small enterprise sector can generate macroeconomic structural change, decentralization of economic development and technological innovation, as well as fostering the development of entrepreneurial self-initiative⁶. By promoting small and medium-sized industries, as well as artisanal activities, the aim is "to also anchor the process of present and future development within broad sections of the population" (BMZ 1989:75).

Early approaches to promote small and medium-sized industries (SMIs) aimed to modernize enterprises through technology, and technical consultancy and training. Inadequate infrastructures (electricity, water supply and sanitation, transport and communications, education and health facilities) were considered a key problem. Today, promotion measures in this field (development banks, trade schools, industrial plants, artisanal centres) are considered to be cumbersome and dependent on subsidies. They have hardly any links to target groups and generate few broad-based impacts, because they focus on the comparatively small number of modern enterprises and neglect small-scale and micro-enterprises.

Promotion must utilize existing potentials – raw materials, skills, knowledge.

Today's approaches focus on the overall system within which small-scale and micro-entrepreneurs operate. Here, promotion is geared to existing potentials such as knowledge, skills, capabilities, raw materials, production factors, climatic conditions, organizations, structures etc.. Small-scale enterprise promotion does not set out to eliminate the bottlenecks "which always become apparent in catching-up and modernization strategies when the available resources are compared with unrealistic objectives" (Schneider-Barthold 1984: 75). "Instead, individual and intelligent solutions" need to be identified which "match the respective problems and potentials ... of a target group" (Späth, Trah et al., 1996, p. 9).

Small-scale enterprise promotion comprises all measures conducted by non-governmental organizations, public institutions, self-governing organizations and associations to promote either small-scale enterprise as a whole, or certain segments thereof, or individual enterprises, within a region. It seeks to bring about cooperation between the various private

and public actors, based on a division of labour. In so doing it pursues a systemic approach, in order to harness synergies. Emphasis is placed on self-responsibility, and on helping people identify and achieve their own solutions through their own efforts. The aim is to promote self-sustaining structures that are ecologically and socially compatible, and mobilize their potentials in the utilization of locally available resources.

Cooperation between public and private actors based on a division of labour.

The promotion of small-scale enterprise in the transition zones of protected forest areas is usually a sub-component of a project. Participatory analyses are conducted jointly with the entrepreneurs, or groups interested in small-scale enterprise, to identify development potentials and limiting factors. The nature and scope of the cooperation is determined according to the project mandate, and the interests and visions of the small-scale entrepreneurs. The box below shows one example of how that mandate might be worded.

The scope of cooperation is determined by the project mandate, and the interests of the

**Box 1: Small-scale enterprise promotion
in forest protection projects:
Example: Bayanga, Central African Republic**

Result: Alternative sources of income are developed and tested.

Indicator: Reports, analyses and test results allow quantified assessment of the various potentials.

Activities:

- Investigate and test production potentials for the agriculture, livestock management, game husbandry and fisheries sectors, also taking into account a division of tasks by gender;
- Initiate measures to develop the touristic infrastructure;
- Support emerging initiatives to promote tourism;
- Investigate the potential uses of other forest products;
- Investigate the income generation potentials for artisanal industries and small-scale enterprise;
- Examine the potentials for processing agricultural and other forest products, and test them in selected cases;
- Calculate the benefits and drawbacks of all the technical solution identified from a business management perspective;
- Investigate marketing problems and test solutions.

⁶ Cf. ILO 1987, p. 267 and Späth, B., Trah, G.: *Sektorkonzept Entwicklung und Förderung von Klein(st)gewerbe*. Entwurf. GTZ Section 4050, p. 5.

This example provides a clear illustration of a project mandate being broadly worded, creating wide scope for the design of measures. Neither is the project subject to strategic constraints, but is able to proceed in accordance with the potentials and interests of its target groups. Experiences with action research methods in small-scale enterprise promotion⁷ demonstrate that participatory instruments should be employed here too. The key steps are:

- The affected or interested groups and persons analyze potentials and problems themselves.
- They seek solutions and plan measures self-reliantly.
- They act self-reliantly and self-responsibly in accordance with their plans.



Small-scale enterprise covers both micro and small-scale artisanal industries, and small-scale trade and services

The project supports the group in an iterative process of action, reflection, action, reflection

One important role of the project consists in supporting the iterative process of reflection and action, and facilitating access to expertise, funds, information and contacts. The project should ensure that its activities are conducive to the self-organization of groups, and that it does not initiate inputs prematurely or act in place of the group or person concerned.

The characteristic features of a participatory approach based on self-help also include:

⁷ Gagel (ed., 1994) et al. in "Aktionsforschung und Kleingewerbeförderung" describe the application of the principles of action research to small-scale enterprise promotion in six African countries.

- There is no guarantee of success. Rather, the motto "learn from your mistakes" applies. It is crucial that the group reflect on mistakes and undesirable developments, and analyze when and why they arose. Those developments can then be positively utilized: What needs to be done differently in the future? It is important that the group begins by first tackling modest tasks, since this is the only way they can withstand the setbacks that arise within the learning process, without losing heart and giving up.
- Plans must be continuously updated. Promotion is not implemented according to a schedule prescribed at the outset. It must be adjusted in line with the progress of the group processes.
- There must be a regular process of exchange between groups, and between groups, consultants and the project. Only those learning processes which are thus located in the "public domain" can generate broad-based impacts.

The group learns from its mistakes.

Many organizations have their own divisions to promote the interests of women in small-scale enterprise

Many organizations now have their own divisions to address the specific problems of women in small-scale enterprise at the micro-economic, socio-cultural and macro-economic levels, and to design promotion programmes geared to women's potentials and problems. These divisions support the representation of women's interests, and lobbying work on their behalf.

2.3 Instruments of small-scale enterprise promotion

Unfavourable general conditions at the national and regional levels can be a major constraint to the development of small-scale enterprise potentials. Having said that, the present paper will not address the issue of these policy frameworks (e.g. exchange rate, interest rate, fiscal and tariff policy). They usually cannot be influenced by projects to promote the development of transition zones around protected forest areas. At the micro-economic level, problems include inadequate expertise in management, organization and marketing, poor access to information, low capital resources, limited access to credits, and the low level of technical skills within the labour pool. Since small-scale entrepreneurs have virtually no organized representation of interests, there is often a lack of vocational training institutions, or information and advisory services, at the inter-enterprise level.

There is a lack of training and advisory services for small entrepreneurs at the interenterprise level

Further obstacles may arise for persons hitherto not gainfully employed when they seek to access new sources of income in small-scale enter-

Savings and credit programmes are traditional instruments of small-scale enterprise promotion.

prise. These obstacles need to be identified, continuously addressed and solved by the concerned groups themselves. The project should provide in-process inputs to help analyze problems and identify solutions. Marketing in particular can be a problem area.

The traditional instruments to promote small-scale entrepreneurs in the formal or informal sector include savings and credit programmes, technical assistance through consultancy, training, start-up programmes, and promotion of the establishment of lobbying organizations, and advisory and service institutions. These inputs can be provided by public, parastatal or private institutions.

Savings and credit programmes

Low capital resources and a lack of access to credits are probably the most common problems encountered by small-scale entrepreneurs, and those who would like to become such. With a few exceptions, micro- and small-scale entrepreneurs have no access to the formal capital market. The reasons which banks put forward for this are the high risk caused by the lack of collateral, and the relatively high overheads when handling small-scale loans. Enterprises are thus dependent on "informal" credits, i.e. on money loaned from family members, friends or informal creditors.

Savings and credit programmes are a key promotion measure where new small-scale enterprises are to be started-up or existing ones expanded. Once a certain number of enterprises exist or are organized within their own association, the organizational inputs required to serve the needs of and advise the concerned groups is reduced. An exchange can then take place between enterprises and groups which accelerates learning processes. In the often sparsely populated transition zones, however, this is seldom the case, which means that the required input per credit tends to increase.

With "**credit-only**" measures – which usually prescribe minimum and maximum credit amounts – credits are extended to individuals operating either as such or as members of a group. The client must provide credit collateral, and pay back instalments by fixed deadlines. To minimize costs, credits are processed quickly, repayment is monitored efficiently and sanctions are imposed in case of default. In addition, interest and fees are charged at the going market rate. These measures are to be seen more as banking measures than as development promotion measures in the sense described above. They are of minor significance for the promotion of small-scale enterprise in transition zones.

A combination of savings and credit programmes is often found in the field of rural micro-enterprise and start-ups. They are usually based on the internationally acknowledged "Grameen Bank" model developed in

In the transition zones of protected forest areas, pure credit programmes are of minor significance.

Bangladesh. In place of formal collateral, the savings deposits of a community of borrowers are accepted. The box below shows an example of a savings and credit group.

Box 2: Savings and credit groups as a means to access credit.

Example "Kenya Rural Enterprise Programme (K-REP/Werep Ltd.)", Nairobi, 1992.

Interested small-scale (female and male) entrepreneurs organize themselves into borrower groups. A small group of 5 persons joins up with a further 5 small groups of its choice. This group of 30 members elects a chairperson, a secretary and a treasurer.

For an initial period of 8 weeks, they each save per week an equal amount which they themselves have determined. The amounts saved are deposited in a group account with a commercial bank. The authorized signatories are all the group members, plus two staff members of K-REP.

After 8 weeks, the first credits are granted to 3 members of each of the small groups. The group decides who receives one of the first credits. 12 weeks later the remaining 12 members can apply for credits. The group continues to save, and continues to pay the weekly money saved into the account.

Repayments and payments of interest are effected together with the saved amount, at the weekly meetings. The group members are liable for the disbursed credits with their entire deposited savings. If a member is unable to effect payment of the instalment and interest on time, the first step is to draw on the savings of the small group. If that does not suffice, then the savings of the entire group are utilized for the repayment. A staff member of K-REP provides the groups with advisory services concerning their business activities.

Savings and credit programmes may be run by public or private institutions.

Savings and credit programmes to promote small-scale enterprise can be run by either private or public institutions. Development or agricultural banks, municipal and post office savings banks, and commercial banks too can implement the lending, provided that they maintain a broad network of branches. Non-governmental organizations are also often involved in the provision of advisory services to the groups.

Experiences in Niger⁸ demonstrate that it is appropriate to integrate small-scale enterprise credits with group liability into a framework of close cooperation between the group of small-scale entrepreneurs and

the project. The repayment behaviour of borrowers improves where the following circumstances are in place:

- where the project has been cooperating with the group for a prolonged period and a basis of trust already exists,
- where the borrowing was preceded by a joint activity not involving credit, i.e. the group was not formed for the purpose of borrowing,
- where the group meets regularly, and amounts are regularly paid onto the joint account,
- where a part of the credit amount was saved prior to the credit being extended, and is put aside until repayment is completed.

If the undertaking is profitable and the group susceptible to monitoring, the scope of credit can grow

In principle, credit should be applied as an instrument firstly on a small scale, and expanded only when the undertaking has proved to be profitable and the group susceptible to monitoring. This is the only way to maintain the scope to make (and learn from) mistakes, which is essential in participatory forms of promotion geared to self-help. It can be appropriate to supplement predominantly private financing arrangements through large-scale investment, e.g. in a processing plant, provided that the profitability of the undertaking under the given management conditions has been demonstrated.



The concerned groups and individuals analyze potentials and problems themselves

⁸ V. Reinhard (1994), p. 69, in Gagel (1994).

Systems to transfer knowledge and experiences

Inadequate knowledge and experiences in the business organization and technical domains can lead to problems, especially when new options arise or new small-scale enterprises emerge. Technical defects mean that products are produced which are not of marketable quality. Errors of planning, organization, coordination or monitoring can result in lost income or jobs, or even termination of the business. The promotion of knowledge systems for small-scale entrepreneurs managing a business or wishing to establish one is thus an important activity. Consultancy and training inputs delivered by public and private organizations supplement the learning process which the group members jointly undergo, and which is supported and moderated by the project.

Poor product quality can lead to loss of income.

When groups join forces and organize to expand an artisanal activity into a small-scale enterprise, a need arises for an exchange of experiences and new knowledge. Traditional **business consultancy** of a commercial and/or technical nature is handled similarly by various governmental, parastatal and private implementing organizations, or self-help organizations. Specially-trained business consultants are usually employed who, upon request, visit entrepreneurs or interested groups, and jointly with them elaborate solutions tailored to the specific problems. They transfer knowledge, procure information and refer clients to persons and institutions that can assist them further – e.g. institutes for the development and dissemination of appropriate technology, practical work experience, literacy campaigns.

For technical consultancy, specialist consultants are usually available whose services can be requested by clients or business consultants. In many organizations there are also female consultants who are employed to help address problems encountered by female entrepreneurs. (For instance in situations where women are only allowed to discuss things with a male consultant in the presence of their husband).

Business consultants help solve specific problems.

Newly-established groups are always able to draw on the services of business consultants. The various options for starting and running a small-scale entrepreneurial activity are discussed with the interested parties. Here, analysis and consultancy must be directly linked to the experiences and potentials of the group.

Analysis and consultancy must be directly linked to the experiences and

Where there are no locally-based advisory institutions, projects can request corresponding experts from other regions. It is recommended that a sufficient period for on-site preparation be provided for, so that the expert can familiarize him-/herself with the participatory methods of the project, as well as with the infrastructural, socio-economic and cultural situation in the region. Workshops with artisans and visits to small-scale enterprises are usually an appropriate means to satisfy the consultancy

Existing training offers must be supplemented to include participatory

needs of groups. They can foster processes of analysis and the joint search for solutions

Technical and business management deficits within existing enterprises can be eliminated through **training**. Group training programmes are a low-cost option because they provide an opportunity to bring a large number of interested parties together. Having said that, it must be ensured that the training is not implemented on a conventional basis. Participants should be supported in:

- communicating with each other and employing their respective knowledge to further the expertise of their fellow participants,
- identifying and articulating their potentials, problems and training needs by themselves,
- jointly analyzing causal factors and possible solutions,
- elaborating strategic approaches and planning implementation.

Attention should be focused on facilitating and promoting possible initiatives of the workshop participants to join forces and tackle problems jointly.

Governmental and private organizations often possess **training materials** on various topics of small enterprise management. When covering these topics, participatory, experimental and conventional methods can be employed in conjunction with a broad range of techniques (case studies, games, role playing, picture stories, field trips). There are also courses for women which for instance use case examples of specific interest to women. Courses offered generally include business management and technical topics, as well as self-organization for groups.

The training courses and materials offered by existing institutions should always be examined and, jointly with the concerned institutions, supplemented to incorporate methodological elements which foster participation. The courses and materials should thus be tailored to specific needs.

New business development

The promotion of start-ups in the small-scale enterprise sector has become more important. It is designed to strengthen private enterprise within a country: "The social structures in most developing countries are characterized by acute polarization, and the absence of a strong, economically independent SME sector. Consequently, social policymakers can expect successful start-ups, especially in the small business sector, to help bridge social polarities, create opportunities for upward mobility and thus release potentials for development" (Reichert & Boschmann 1995, p. 83).

*Business consultants help solve specific problems
Business start-ups in the small enterprise sector can offset social polarization.*

It is also appropriate to promote small business start-ups in the transition zones of protected tropical forest areas. This is particularly true for sections of the population whose only opportunity to secure additional income is through self-reliant business activity. Where the necessary restrictions on land use for agricultural or forestry purposes have led to conflicts, alternative sources of income can help defuse the situation. In most cases, however, the activities in question will not be start-ups in the strict sense – i.e. business activities in which the family is engaged to the exclusion of all others, and from which the family derives all the income it needs. It is more likely to involve a diversification of the non-agricultural portion of the family's gainful activity, and will increasingly be designed to help protect their livelihood and social security. Promotion will therefore first target activities in which family members are already engaged or intend to become engaged. Given the highly fragmented nature of the activities, it will usually be groups that are promoted.

Promotion should first target existing activities.

The **key elements of conventional promotion** are training programmes for groups, combined with individual support and advice. The training courses are geared to the interests of the group, and can be flexibly scheduled. Business management, technical and entrepreneurial aspects should be combined such that participants can relate and adapt what they have learned to their own situation. Groups which have hitherto operated in a different sector of the economy need time to plan and deliberate on the implementation of new measures. It is helpful if the same members of the group meet on a regular basis for this purpose.

Leave the group plenty of time to plan and deliberate.

**Box 3: Small Enterprise Promotion Strategy
"New Business Development Programme" of the
"Business Advisory Service for Women Project",
(Development of Malawian Traders Trust - DEMATT), 1993**

1. Survey the activities of women in the region, and identify or infer their interest in training courses
2. Conduct public awareness workshops to raise the profile of the programme
3. Consult, and interview and select participants
4. Discuss face-to-face the business idea, visiting the future participants individually in their homes or enterprises
5. Conduct the training course with the following training modules:
 - entrepreneurial self-assessment
 - marketing and market research
 - production plan
 - management
 - accounting

- financing plan
- establishing the business and the role of the family
- drawing-up the general operational plan

The course lasts a total of 6 weeks, spread over 4 months. During this period the participants elaborate all the data needed to draw-up the individual general operational plan. They submit the plan to lending institutions for financing. During the initial phase of establishing and running the business, graduates can apply for individual support and advice.

Between 1989 and 1992, 82 women took part in a total of 6 courses. Of those, by 1992 a total of 33 women had started a business and 28 of them had received a small loan of up to DM 2,000. From the end of 1991 it was no longer possible for credits to be extended, as irregularities had occurred in the award of funds.



The repayment behaviour of borrowers improves when the group meets regularly and contributions are paid into the joint account on a regular basis

Many promotion programmes offer courses followed by advisory and financing support.

Courses last up to several months, sometimes with interruptions. Potential entrepreneurs who are unable to take part in courses are offered individual support. The business start-up programmes run by public and private organizations resemble each other. The UNIDO-financed project of a parastatal organization to promote new businesses in Malawi (Box 3) is a typical example of a promotion strategy based on courses, followed-up by advice and financing. The individualized promotion approach pursued previously that did not include the formation of groups and which involved rather unspecific training led to the unsatisfactory result that only few women pursued an entrepreneurial activity after completing the training.

Today, when small groups of traditional artisans, women's self-help groups or rural youth are being promoted, institutionalized courses are often not utilized. One reason for this is that literacy is an initial entry requirement for participation in such courses.

When the aforementioned groups meet, work then involves:

- identifying the information and learning requirements in accordance with the concrete business idea. The latter is usually based on secondary artisanal or business activities already practised;
- reflecting on and evaluating the group's experiences acquired in the course of previous attempts to expand their business;
- seeking and making available solutions and sources of information which are appropriate to the capabilities, views and goals of the group.

Courses should also allow each particular group of participants to co-determine anew the course contents, methods and results.

The "**Competency-based Economies through Formation of Entrepreneurs (CEFE)**" programme aims to promote entrepreneurial skills, i.e. the capability to respond to changes, and recognize and exploit opportunities. Course modules can be employed to identify and build on personal qualities and resources. A further aim is to develop project ideas, and elaborate the presentation of the general operational plan. Through human resource development and "training of trainers", the ability of the programme's partners in implementation to conduct the courses self-reliantly is increased. The programme incorporates a package of advisory, financing and follow-up measures, which can be employed on a subsidiary basis to the new entrepreneurs' own efforts.

*Individual qualities
and resources must
be identified.*



Poor product quality can lead to loss of income

Promoting service institutions and lobby organizations for small-scale entrepreneurs

In the transition zones of protected tropical forest areas there are usually no institutions which represent the interests of micro- and small-scale entrepreneurs, or offer them advisory and promotion services. Consequently, decisions are taken at the local, regional and national levels which small-scale entrepreneurs are unable to influence. Not infrequently, those decisions later prove to be inadequate or disadvantageous for the activities of small-scale entrepreneurs. Where promotion and advisory institutions do exist, they are often inefficient and reach only few micro- and small-scale entrepreneurs.

Consequently, at the same time **institutions** are often supported that **promote small enterprise** and **small entrepreneurs' self-governing organizations**. An institutional analysis provides information on which governmental, parastatal and non-governmental organizations exist. It also shows which institutions are suitable to act as partners in the promotion of small enterprise groups, and to conduct measures self-reliantly. As a rule, the establishment of new institutions will not be promoted within the framework of a forest protection project.

Self-help organizations are an important partner in small-scale enterprise promotion. They can be either branch-specific (guild-like organizations) or they can serve all branches (chambers of crafts, employers' association), and are designed to:

- represent the interests of their members;
- work jointly towards solutions to identified problems;

Small entrepreneurs in transition zones have no lobby

Seek partners among existing organizations.

- provide specific services to members (training, advice, information), or to initiate and support activities such as the joint organization of purchasing and marketing, exchange of experience and training, or the establishment of production, purchasing, marketing, savings and credit cooperatives.

Traditional instruments to promote existing self-help organizations include training and advisory services concerning financial, administrative, legal and organizational issues, and often also financial assistance. GTZ Division 403 provides guidelines on how grass-roots, self-help and cooperative organizations can be analyzed and strengthened.⁹

3 Small-Scale Enterprise Promotion in Transition Zone Development

Depending on the site in question, the transition zones of protected tropical forests offer a broad range of possibilities for generating non-agricultural income and creating jobs, and for enhancing the productivity of exiting enterprises.¹⁰ Some activities only become possible by virtue of their proximity to a protected forest, or changes/improvements in forest management. For instance, income can be generated through ecotourism. When honey collection is improved, then opportunities are created for local entrepreneurs to manufacture beehives and other apicultural requisites, or to process and market honey and wax on a local basis.

Local marketing of honey and wax thanks to improved honey collection.

This section will present the steps in which a **promotion strategy** can be elaborated for small entrepreneurs in the transition zones of tropical forests. In the course of the process within which an internal project strategy is formed, the project team, project institutions and partners in implementation need to continuously address and consider the following issues:

- How significant should small enterprise promotion be for forest protection and for the local livelihood systems?
- How is the link between small enterprise promotion and forest protection to be established for the various actors (rural communities, village communities, concerned groups, forest protection authorities etc)?

Must restrictions on forest utilization be compensated?

⁹ Division 403 Organization, Communication and Management Consultancy. See References.

¹⁰ Overview A in the Annex lists key words indicating potentials for small enterprise activities which can be promoted, provided that local groups are interested.

- How does the promotion impact on income and on the further management of natural resources? Which impacts are intentional, and which should be avoided? How can this be achieved?
- In the given situation, which user group should receive direct compensation for restrictions imposed on forest use¹¹, to secure protection of the forest?
- What contribution to forest protection is expected from the beneficiaries in return for the promotion? How can it be ensured that the contribution is provided?
- How can it be ensured on a sustainable basis that the promotion of non-agricultural income will have a stabilizing effect on forest protection?

Small enterprise promotion must impact positively on households and forest protection.

A promotion strategy should only be developed if and when it is certain that small enterprise promotion will impact positively on the stabilization of livelihood systems **and** forest protection. This aspect must be continuously reviewed during implementation. Appropriate instruments for this purpose include participatory methods of diagnosis and dialogue, as well as planning and consultancy methods from the toolbox of Participatory Rural Appraisal (PRA) and Action Research.

3.1 Situation analysis and identification of potentials¹²

Different user groups are identified.

Within the target group of agriculturally-based livelihood systems in the region, sub-groups are identified that can be distinguished from other sub-groups by virtue of their joint forms of current natural resource management, and their similar goals and potentials. One example would be women who collect lianas from which they manufacture baskets and mats, as distinct from young men who produce and market charcoal.

1. Clarify legal frameworks

Inform the local population in detail concerning their rights and obligations arising from forest protection.

In cases where currently practised forms of forest utilization are to be partially restricted for forest protection reasons, it will first need to be clarified which utilization practices are permissible or negotiable for small entrepreneurs, and which regulations need to be observed regarding sustainable management. It should also be examined to what extent small entrepreneurs who are forest users can perform tasks of forest protection, thus harnessing their self-interest in conservation of the resources. This clarification process is absolutely essential, in order that local resource users are not led to entertain any false hopes, and forest

¹¹ With regard to the issue of compensation for restrictions on forest utilization, cf. LISTRA (1997).

¹² The individual steps are summarized in the Annex in a list of key words.

protection officials are not led to experience any anxiety. Following that, the population of the transition zone must be informed in detail as to the rights and obligations arising from forest protection. In this context, the importance of the promotion for protection of the forest must also be made clear.

2. Identify target sub-groups

The various user groups are identified in a process of dialogue. Those groups whose current uses of the forest are not compatible with forest protection should be supported in adapting their forms of utilization. These groups form a target group of the project. User groups should also be identified who themselves have a direct interest in protecting the forest.



In the course of the process within which an internal project strategy is formed, many questions need to be jointly addressed by the project team, project institution and partners in implementation

Involve governmental and non-governmental partners in the strategic development process.

3. Jointly analyze potentials, interests and problems

In dialogue and workshops with the various groups, interests, potentials and problems are analyzed in order to obtain pointers for possible cooperation with the project. Cooperation should comprise measures to help render current forms of utilization more sustainable and enhance their efficiency, so that higher incomes are generated. Furthermore, activities that do not have any adverse impacts on the protected forest zone should be diversified. During this phase it should also be established which governmental and non-governmental institutions exist, and how cooperation with them might be arranged. This means considering credit institutions and their terms for extending credits, training institutions, and the organizations of pressure groups. Institutions that might be considered as partners in cooperation should be involved in the strategic development process as soon as possible.

4. Select groups for business promotion

Those target groups should be selected that are interested in business promotion. Generally speaking, the following groups can be included:

- ➔ (female and male) entrepreneurs who have to change or give up their business due to forest protection measures;
- ➔ disadvantaged groups such as landless, smallholders, women and their self-help organizations who could obtain income as micro- or small-scale entrepreneurs;
- ➔ entrepreneurs who wish to introduce sustainable modes of production;
- ➔ entrepreneurs who utilize local resources and produce goods or deliver services to meet local demand. These include activities both upstream and downstream of agriculture and forestry which play an important role in local development as suppliers or consumers.

5. Identify options for business development

By building further on the joint analyses of potentials, interests and problems, and with facilitation inputs from the project, the sub-groups identify the areas in which they would like to intensify or diversify their business activities.

Depending on the potentials of the region (existing raw materials, "ideas" and individual capabilities, demand for goods and services etc.), it may be appropriate to identify, through studies or external expertise, new areas of business not practised hitherto. In turn, it is important that the participation of the interested group in the preliminary studies be inten-

External expertise can also be called in.

sive enough to enable them to gain their own impression of the feasibility of the various options.

6. Assess the profitability

The profitability of the promoted measures should first be assessed jointly with the group intending to begin or expand an undertaking. This includes:

- assessing the demand for a (planned) product or service,
- assessing the marketing potentials with respect to geographic location, seasonal factors and quality standards,
- clarifying legal issues, such as rights of use or licenses for natural resource use (e.g. logging, water use etc.).

In this context it is crucial that the project does not carry out the assessments, but rather supports the group in doing so for themselves. The intensity with which a group perform these preliminary tasks is a key indicator of their willingness to make a committed effort. The learning processes associated with that make a key contribution to the development of entrepreneurial potentials, and to the group members taking decisions on their own responsibility.

Intensive participation by the group indicates their willingness to make a committed effort

3.2 Designing measures

On the basis of the results jointly achieved with the interested groups in the step-by-step analysis described above, concrete measures are now planned. One appropriate way of doing this is to hold workshops lasting several days in which groups, representatives of the village community and forest protection agency, as well as partner institutions and project staff participate.

1. Identify the projects to be promoted

Jointly with the group in question, appropriate business promotion measures are presented and recommended for promotion. The measures should be selected on the basis of the active contribution to forest protection made by the beneficiaries of the measure, or in other words the benefit which they lose as a result. In this context, the actors may once again discuss in detail the issue of forest protection and the reasons for current promotion.

Define responsibilities and prioritize the projects.

2. Define the measures

The respective procedures and responsibilities for the proposed projects are elaborated in small groups, presented to the group in plenary, and the projects prioritized by degree of urgency.

The following criteria might be applied in this connection:

- relevance to forest protection, impact on jobs, demand, compensation;
- impact of the promotion on the livelihood system as a whole;
- probability of feasible monitoring by village organizations.

3. Identify the promotion requirement

The promotion requirement is identified jointly with the respective group. The question to be addressed is, what contributions can the project and other partners make in the fields of savings and access to credit, advisory services, training, start-ups, establishment of service organizations and lobbying organizations?



Legal issues such as rights of use and licenses should be addressed

4. Draw-up a plan of operations

The activities and responsibilities are laid down in a plan, along with the time schedule and the criteria for monitoring the results. It is important that consensual agreements be reached concerning the criteria for the intended and negotiated changes in resource management.

3.3 Implementation and evaluation

The responsible groups and individuals implement the activities in accordance with the plan and the principles explained (cf. Section 2.2). At agreed intervals the group review the implementation status. The plan in question is then updated or, if necessary, adjusted in line with the changed conditions.

The implementation of activities and assemblies is supported by project staff. All partners in implementation and promoted groups should receive regular reports of successes and failures. To this end, one appropriate instrument is periodic workshops in which individual groups can report to partners, other groups and the project concerning the progress and results of the cooperation. If required, external support can be requested, or joint consultation by partners and target group representatives can be organized.

The individual steps in the course of the cooperation are reviewed continuously by the groups themselves; the groups evaluate the results, and present and discuss them in group sessions.

In this connection it is important to observe how resource management changes. Depending on the agreement reached, this task can be the responsibility of the project, village structures or other partners in implementation. All observations are documented and compared with the tar-

Define criteria for results monitoring.

Evaluate results and present them in group sessions.

geted changes. The actors – small enterprise groups, village representatives, forest protection authorities, other partners and the project – discuss the results in workshops. Following that the results are worked into proposals for improvement or change. Positive or negative sanctions can also be agreed on at these workshops.

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Annex A:

Promotion potentials in the non-agricultural and small enterprise sectors in the transition zones of protected forest areas

Measures to protect and conserve natural resources	Forestry utilization	Agricultural utilization	Touristic development	Infrastructural measures
<p>Jobs in park administration, in information centres, as game wardens, guides;</p> <p>Award of public contracts to local entrepreneurs (e.g. construction firms, carpenters, joiners, painters) for building roads, construction and interior completion of buildings.</p>	<p>Support in the establishment of enterprises to utilize timber and wood wastes (utilization of over-mature plantation trees, e.g. gum trees, oil-palms for the manufacture of chip boards, joineries);</p> <p>Support in the establishment of local tree nurseries, production of seedlings of native forest trees;</p> <p>Concessions for logging to neighbouring communities and support in the establishment of community-owned or collective sawmills;</p> <p>Jobs as forestry workers with the forestry authority;</p> <p>Promotion and establishment of locally-based haulage companies for timber and agricultural products;</p> <p>Improved utilization of forest products and timber in conjunction with licenses and concessions of the forest or park authorities (production of honey and beeswax, collection and sale of herbs and wild fruits, sale of wildlife products);</p> <p>Charcoal burning operations that use wood from outside the protected area;</p> <p>Labelling of "ecologically-sound products" (e.g. eco-labelling in forestry)</p>	<p>Support in improving the processing of agricultural produce (e.g. sugar-cane presses, oil-presses for fruits of the oil-palm/coconut palm);</p> <p>Propagation of plants for agroforestry, seed production for forest plantations and agroforested land;</p> <p>Training in the collection of wild plants in fields and gardens, to be purchased by the forestry authorities;</p> <p>Promotion of intensified apiculture, the processing of honey and wax, and the production of the necessary equipment;</p> <p>Fish-pond management with fish-smoking facilities;</p> <p>Promotion of enterprises upstream or downstream of agriculture and forestry, e.g. manufacturing agricultural and forestry equipment, as well as tools, implements and plant for the further processing of agricultural and forestry products;</p> <p>Manufacture, sale and maintenance of agricultural implements, including improved stoves, by local artisans.</p>	<p>Suppliers to hotels and restaurants (dealers or self-marketing groups) of locally-produced food (vegetables, fruit, meat, fish);</p> <p>Production and sale of handicraft products;</p> <p>(Guided) tour operators;</p> <p>Operators or employees in camps, hotels and restaurants;</p> <p>Guides and drivers;</p> <p>Service delivery (repairs, laundry) to tourist enterprises.</p>	<p>Construction of streets and roads, schools, kindergartens, health stations, Energy supply,</p> <p>Water supply and sanitation.</p>

Annex B:

Procedure for promoting small-scale enterprise in transition zone development projects - in key words

1. Promotion of income generated through self-reliant entrepreneurial activity

- Placement of contracts with local artisans/enterprises
- define planned measures (demand)
- survey/analyze local artisans (weak points)
- clarify/consult on award procedures and legal provisions
- identify promotion requirement and survey/analyze training institutions
- examine terms for access to credit
- assess which lobbying organizations exist, and if necessary analyze and promote them.

2. Promotion of non-agricultural income not generated self-reliantly

- identify relationships between wage income and forest protection,
- assess and negotiate jointly with interested parties the availability of jobs in ecotourism, industry, forestry authorities, park administrations,
- establish the training qualifications of interested groups jointly with them, and ascertain their training requirement,
- negotiate, identify and if appropriate support the inputs to be made by the various interested actors,
- establish contractual arrangements.

3. Promotion of micro-enterprises to initiate alternative sources of income (to compensate losses caused by restrictions to protect the forest).

3.1 *Identifying the potentials*

1. Identify the user groups whose resource utilization practises are to be changed or adapted. Analyze interests, potentials and points of departure;
2. Establish the preconditions for feasibility:
Clarify and negotiate the legal prerequisites for the utilization of raw materials (e.g. for utilization to timber, lianas, wild animals);
3. Do any points of departure for business promotion already exist in the various livelihood systems: individual capabilities, access to raw materials, "ideas"?
Identify additional new sources of income and business ideas (possibly through participatory studies or by involving external expertise);

4. Analyze access to credit; raining institutions: survey suitability and promotion requirement; Survey and analyze organizations and interest groups; Identify and involve governmental and non-governmental partners;
5. Analysis by the interested group of the financial viability (Is the demand sufficient, how could the product be marketed etc.?);

In projects considered appropriate and recommended for implementation and promotion (improvement of existing businesses, start-up of a new business), a joint analysis is conducted with the target group to establish which measures can provide the respective beneficiaries with “compensation for losses elsewhere”.

3.2 *Designing measures*

1. Select the group to be promoted according to the prescribed criteria (Who and what should be promoted, where, how? What are the desired impacts on forest protection?).
2. Identify and clarify jointly with target groups, the promotion requirement and the potential scope for promotion by the project.
3. Jointly select the promotion activities (if necessary, fix priorities) and clarify inputs to be made by the various partners (measures in the field of savings and access to credit, advisory services, training, business start-ups, establishment of service organizations and lobbying organizations).
4. Draw-up the detailed plan of operations and agree on criteria for results monitoring. Here, it is important to reach agreements on the desired changes to current forest and natural resource management practises.

Important issues include:

- relevance to forest protection, impact on the availability of jobs, demand, compensation for restrictions on forest use.
- Person or group of persons versus the livelihood system. Which points within the system should the promotion target? Who is being promoted, and how will that promotion affect the livelihood system and its activities that are potentially harmful to the forest?
- The local or village community is more likely to perform monitoring if and when income/benefits are also generated there, i.e. the community must also profit from the measure. How should that be brought about?
- How can individual utilization of resources be monitored in the event of promotion? It will be necessary to provide the population with detailed information in advance (forest protection, reason for promotion, rights/obligations).

3.3 *Implementation*

1. Implement measures, ensure that partner inputs are provided, request external support if necessary.
2. Ensure regular support/in-process consultancy, and report correspondingly to all partners. Investigate the potentials for sustaining agreements on natural resource management geared to forest protection.

3. Organize joint support and steering by partners and target-group representatives as required, establish exchange of experiences with other actors.

3.4 Evaluation

1. Implement evaluation on an in-process basis in accordance with the prescribed criteria.
2. Identify, report and discuss successes and failures; elaborate proposed improvements.

It is important in this connection to observe, record and report on resource utilization practises, to compare them with the desired targets, and possibly to take necessary measures.