

**Microfinance Summit 2010**  
**How Do We Enhance Entrepreneurial Skills of MFI Clients?**  
**Presentation of GTZ Program INCLUDE**  
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**1. Introduction**

This presentation is about the relationship between entrepreneurship development and micro finance or more precisely about how we can enhance the entrepreneurial skills of prospective clients of MFI's. In order to provide a broader perspective the presentation will also deal with entrepreneurship development for clients of financial institutions in general.

This topic is very relevant and timely since it is also related to the "Youth and Small Enterprise Self Employment Fund" (YSESEF) program, which was launched by Nepal Government in 2009. It may be called innovative since it attempts to provide both supply sided and demand sided interventions for the improved access to micro finance. We will report on the new training approach for the YSESEF program, which was supported by the GTZ program "Inclusive Development of the Economy (INCLUDE)".

The training intervention itself is based on two distinct methodologies for entrepreneurship development, which have been combined here for the first time, namely CEFE and BUS. We will give you an overview of the contents and methods used and point out how they are able to complement each other. The new training approach for the YSESEF has not been applied yet at a large scale and results and impact cannot be analyzed. However, we will relate experiences and results of other applications of entrepreneurship training.

We hope that the presentation of the discussion on entrepreneurship training will contribute to capacitating the clients of MFI services in Nepal with the necessary entrepreneurial attitudes and business planning skills.

## **2. Relevance of demand sided interventions to improve access to credit**

### ***2.1 Credit or credit plus training?***

Micro finance is rightly qualified to be a most important instrument to lead people out of the vicious cycle of poverty. Muhammad Yunus (1994), claims, "If we are looking for one single action which will enable the poor to overcome their poverty, I would go for credit. Money is power." And on another occasion Yunus (1999) adds: "So rather than waste our time teaching them new skills, we try to make maximum use of their existing skills. Giving the poor access to credit allows them to immediately put into practice the skills they already know".

This statement leads us to the question: Are micro entrepreneurs maximizing profits with the finance available to them, or can basic entrepreneurship training lead to improved managerial decisions, and thus profits?

However, some indicators tell us that the offering of credit alone does not help the individual to overcome poverty and the increasing number of financial institutions and of financial products still cannot meet the demand for credit among small-scale business people. The indicators are for example:

- High number of active or prospective business people who find it difficult to successfully apply for a loan,
- The difficulty to identify business ideas, market niches and investments with perspectives in the small-scale business sector,
- Many borrowers find it difficult to utilize credit profitably, repay it timely and become a steady and reliable client.

This leads us to these questions:

- How can the poor be enabled to obtain credit, then repay it and become a steady and reliable client?
- How can the poor identify promising business ideas, market niches, investment opportunities?
- Can clients be enabled to make even better use of the credit?

These questions are increasingly answered by microfinance organizations with the attempt to build the human capital of micro-entrepreneurs in order to improve the livelihood of their clients and help further their mission of poverty alleviation. (Karlan, Valdivia, 2007). Improved access to micro finance should not only depend on interventions on the supply side but should be complemented with interventions on the demand side.

This was evidenced for example in a survey on the micro credit programs of FINCA Peru, an MFI that implements village banks in rural areas for poor, female micro entrepreneurs. In the survey treatment groups of clients which received entrepreneurship training as part of their mandatory weekly meetings were compared with control groups which remained just a credit and savings group. The trainings contained basic business practices but not the enhancement of an entrepreneurial "spirit", which would relate more to personal attitudes than to skills.

The results of the survey show that the provided entrepreneurship development is of benefit for the clients as well as for the MFI.

- higher profits and better smoothing of fluctuations between good and bad periods.

- clients apply training contents like: separating money between business and household, reinvesting profit, maintaining records, thinking proactively about new markets,
- client retention was increased by the value added which clients obtained through the training program,
- improved repayment rates due to higher cash flow and a stronger feeling of reciprocity among clients,
- there were few effects on loan sizes, since a higher demand for loans for business expansion may be balanced by a more effective management of cash flow,
- there is also a risk, that growing small-scale businesses may migrate to larger banks,

It is also interesting to note that after the study ended, the MFI FINCA decided to make it mandatory that in all its village banks the clients participate in the business training.

From this survey we may question the approach that treats human capital as fixed, and focuses instead on financial constraints and information asymmetries. As a consequence we should then not concentrate only on infusion of financial capital into micro-enterprises but also on improving human capital of the entrepreneurs.

Much discussion then exists in the development finance community whether lenders should specialize on financial services only, or should integrate non-financial services into their programs (McNelly, Watetip, Lassen and Dunford 1996). MFIs here have three options:

- **MFIs may ignore the trend and stick to financial services only:** based on the argument that specialization is always preferable and that detailed business advice may lead the borrower to perceive the lender as partially responsible for the results of business decisions.
- **MFIs may integrate training services:** based on the notion that better information on clients obtained through training improves matching of loan products to the real needs; however it is also argued this may distract from the core business.
- **MFIs may use the third alternative:** in order to avoid the disadvantages stated above the non-financial services can be provided by an organization in coordination with the MFI, utilizing their specialist experience and applying most appropriate training methodologies.

It can be summarised here that the debate on whether credit alone or credit cum training are the ideal approach is still going on. However, the debate has already departed from the strict presumption that credit constraints alone, not skills, are the obstacle to the entrepreneurial poor. It now turns to the questions on how improvement of skills can best be achieved. This will also be in the focus of this presentation.

## ***2.2 Needs and limitations of entrepreneurship training***

Entrepreneurship is the active process of recognising an economic demand in an economy, and supplying the factors of production to satisfy that demand, usually to generate a profit. If successful, entrepreneurship likely results in establishing a Micro, small or medium enterprise (MSME). They include a very great variety of firms: village handicrafts, small machine shops, restaurants, service providers that operate in very different markets and environments.

The general objective of entrepreneurship training for clients of financial institutions can be defined as follows:

Effective enhancement of competencies for MFI clients in order to strengthen their entrepreneurial attitudes and qualities, to assist them in identifying viable business opportunities, to improve their business planning skills, and to become more successful in accessing and using available financial services in their business.

More precisely, the needs of prospective and active clients fall into the major categories entrepreneurial attitudes and entrepreneurial skills. In order to illustrate these categories the following tables present important subjects relating to attitudes and skills in form of examples.

<b>Entrepreneurial attitudes</b>	
Attitudes and values	Responsibility; positive thinking; openness; self confidence; honesty, reliability; determination etc.
Self recognition	Knowing ones strengths and weaknesses; What does success mean for me? What are my aspirations? Analysing ones actual situation, objectives and future prospects.
Personal skills	Using profit of the business for needs of the business and for personal needs; separate business and personal money; maintaining good relationships; making good decisions; concentration on solution not on problems; balance between concentration and relaxation.

<b>Entrepreneurial skills</b>	
Basics	What is a business; How does a business work.
Costs and finances	Income, Costs, and Profit; Costs of Production and Operating Resources; Cost of Production; Registers and Controls; Will I Be Able to Pay My Loan? Taxes; Calculating Profits.
Marketing	The Market; Who are my customers; Who are my competitors; My position in the market; Product and price Strategy; Improving products and services; How to make a good price decision; Marketplace and promotion strategy.
Business planning	Commercial Plan; Use Planning Steps to Grow the Business; Decide How to Improve Your Business; Develop and Test New Business Ideas, The Growth of the Business.

The relative importance of these categories and of the particular attitudes and skills very much depends on a variety of factors: new or active business people; family situation, age and gender; rural or urban environment; clients from disadvantaged groups; type of business, and many more. They need to be taken into consideration in programs for the enhancement of entrepreneurship and development of business skills.

It is self-understood that the training approach has its limitations. Good attitudes of the business person and a well written business-plan alone cannot overcome the statutory requirements of financial institutions for appropriate loan assessment, Awareness on the side of MFIs on usefulness of training needs to be raised. In addition, supply side instruments like loan guarantee funds need to be considered as well.

### **2.3 International experience**

In the following we present a variety of examples from several countries, which illustrate combinations of micro credit with entrepreneurship development.

A study conducted in 2004 for the **European Commission** DG Employment, Social Affairs and Equal Opportunities in 8 EU member states revealed that micro-finance can be a successful tool for social inclusion through self-employment if demand and supply factors are matched. In this context the following questions were analysed, which exemplify the interdependence between supply sided and demand sided measures:

- Do integrated self-employment promotion programmes for the socially excluded exist?
- Do different systems (social, employment, financial) collaborate to promote self employment?
- To what extent are different instruments (business development services and financial services) complementary and synergic?
- Are other services needed (coaching, training, marketing, advice) to make micro-credit an effective instrument for self-employment?

Government of **India** through the Ministry of Small-scale Industries and the SIDBI implements a Micro-finance programme since 1999. As part of the program training courses are organised for the entrepreneurs through National Level Entrepreneurship Development Institutes (EDIs) and Small Industries Service Institutes (SISIs).

The international NGO Center for Humanitarian Outreach and Inter-Cultural Exchange (**CHOICE**) runs a Rural Entrepreneurship Training Program in several countries in Africa, Asia, and Latin America. The program consists of three basic elements: Self-sustaining Savings Groups, Flexible Small Credit Systems (loans e.g. for small scale enterprises, income generating projects), Integrated Training Centers. The latter provide specific training through demonstrations, counseling, and instruction in many professional skills as well as entrepreneurial skills needed to succeed in establishing small income generating projects.

Since 2001 the Community Development Financial Institutions Fund in the **USA** embarks on initiatives designed to overcome barriers preventing access to credit, capital and financial services in Native (i.e. Indian) communities. It provides direct monetary awards and training, through contractors, aimed at increasing the number and capacity of existing or new CDFIs serving Native communities. The necessary entrepreneurship training is provided e.g. by the California Indian Manpower Consortium, Inc. which conducts "Leadership Training for Entrepreneurial/Small Business/Economic Development."

In **Singapur** the public agency SPRING organizes a program for professionals, who became unemployed during the recent financial and economic crises. SPRINGS sees this as a good time for persons with entrepreneurial aspirations to start their own business. Many of them have industry knowledge and experience but do not have the basic entrepreneurial skills due to the lack of experience in entrepreneurship. SPRING supports general entrepreneurship trainings which are offered by polytechnics and covers up to 70% of the course fees. Successful participants then have access to loan programs.

In **Malaysia** the NGO YSS implements since 1997 the program "Plus 4 Creating Young Entrepreneurs through skills training, entrepreneurship development & micro business loans". It is directed to young members of the Indian community with youth problems, in order to develop and utilize their potential for a self-sustainable life. The program has 4 components: Skills training, Job Placement & Follow through programme, Entrepreneurship Development, and Micro Business Loans. Persons who completed a skills training programme and attended the entrepreneurship training programme are eligible to apply for a loan.

**Freedom from Hunger (FFH)**, a US-based non-profit organization, has developed the "credit with education" integrated model of microfinance. It is used for entrepreneurship training around the world by International Labor Organization, BRAC in Bangladesh and many other national NGOs. It has great influence in credit-linked training programs and has given this approach a prominent role in the micro finance sector.

### **3. Entrepreneurship development for clients of financial institutions in Nepal**

#### **3.1 Entrepreneurship development for MFI clients**

In the beginning of micro finance programs in Nepal, much focus was given on only the credit aspect. However, since few years back, some initiations are made to offer entrepreneurship development programs to micro finance clients.

The **Micro Credit Project for Women (MCPW)** launched in 1994 in 12 districts and five towns of Nepal with the support of Asian Development Bank and the Women's Development Division of the Ministry of Local Development had made provision for introducing entrepreneurship development programs to their clients. To impart entrepreneurial skills to their clients, partner NGOs of MCPW were trained by IEDI in entrepreneurship development.

The **Rural Micro Finance Development Centre (RMDC)** started on May 1999 with the support of Asian Development Bank to create and promote number of appropriate MFIs to enable them providing micro finance services to the unserved population. It also aims to make MFIs financially viable and sustainable by providing necessary services to these organisations. The RMDC which provides wholesale fund to MFIs felt the need of entrepreneurship development programs to micro credit groups. Realizing the need of such programs, RMDC conducted training of Trainers (TOT) course to MFIs trainers and officials on micro enterprise creation and development in 2007. 24 participants from different MFIs had participated in TOT that was conducted by IEDI.

Similarly, **Nirdha Uthan Bank** which was started as a NGO in 1993 using the Grameen Bank of Bangladesh approach has trained its trainers in Entrepreneurship development. In addition, it conducted entrepreneurship development program to its 84 clients of Rupendehi district in 2009 as a pilot project. At present various MFIs such as Chhimeki Bank, rural development banks and others have shown their concern on entrepreneurship development programs.

However, it is observed that due to the lack of special focus on entrepreneurship development program on the side of MFIs and the insufficient willingness to invest resources, this additional type of intervention has not yet been widely used in Nepal.

#### **3.2 Entrepreneurship development for bank clients: The Youth and Small Enterprise Self Employment Fund Program (Yuba Swarojgar Program)**

##### **3.2.1 Program outline**

In 2009, Government of Nepal (through the Ministry of Finance) launched the program "Youth and Small Enterprise Self Employment Fund" (YSESEF) in order to provide the opportunity of self-employment to the unemployed youths and to small business people. The YSESEF program includes four steps:

- 1) Application and registration at CCIs,
- 2) orientation training on small business and entrepreneurship provided by CCIs,
- 3) loan up to 200,000 NRS through banks and financial agencies,
- 4) using the loan for establishing new or strengthening existing small-scale businesses.

There has been record response to the program from the public and around 600,000 applicants have been registered in local CCIs. An estimated 350,000 applicants have already received the 3-days orientation training. However, the implementation of the lending program has not yet started.

Probably its most important achievement is the mobilization of so many persons, who took the important first step on their way of learning, investing efforts and gaining experience.

From this large target group, which is fully documented, participants for entrepreneurship development can be recruited in future.

### 3.2.2 Intervention of FNCCI

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) supports the YSESEF program as it can contribute to generating employment opportunities to the youths, utilizing local resources, relieving rural unemployment, alleviating rural poverty, and strengthening peace development. CCIs organised the orientation trainings all over the country.

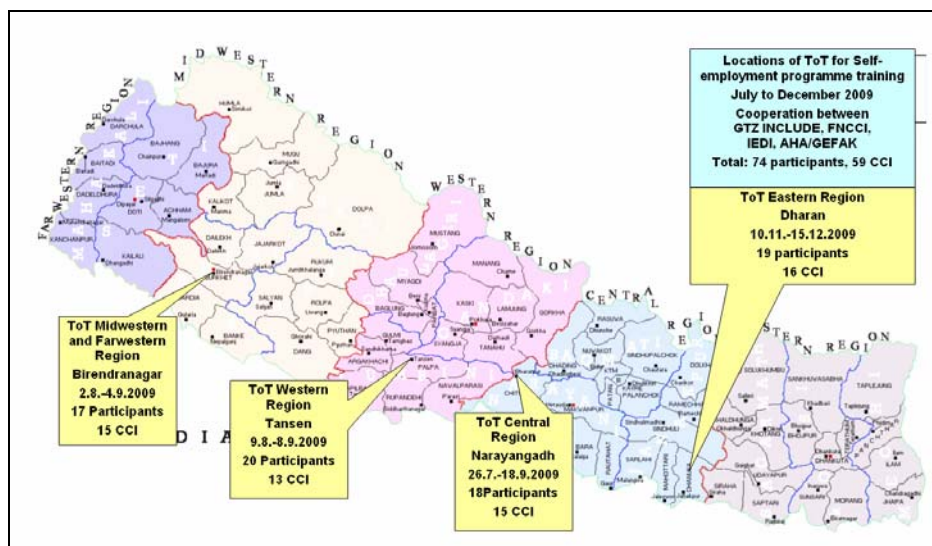
However, FNCCI found gaps in the design of the program with the consequence that the interventions mentioned above were seen inadequate to make this program a success. The key concerns on the orientation training were as follows:

- Limited effectiveness due to short duration, large audiences, complicated training materials and non-participatory teaching methods.
- There is little regard for project identification and market perspectives in the area
- There is lack of preparation for preparing business plans for submission to the banks and financial institutions along with the loan applications.

In order to address these limitations FNCCI has initiated an intervention of its own in July 2009, which was intended to reinforce the YSESEF program by launching a complimentary support and training program. Its objective is to provide appropriate training to selected applicants on developing their entrepreneurial attitudes and skills as well as on providing knowledge and skills for elaborating a bankable proposal (business plan).

### 3.2.3 ToT for Entrepreneurship training and business plan development

The improved training approach demands the provision of skilled trainers at the CCIs. Therefore, as from July to December 2009 a Training of Trainers (ToT) program was implemented by several expert teams with trainings in four locations: Far-western and mid-western region with location Birendranagar, Surkhet, western region with location Tansen, Palpa, central region with location Naryangarh, Chitwan and eastern region with location Dharan, Sunsari.



The ToT program has been supported by the GTZ program INCLUDE. For this purpose INCLUDE has contracted the consortium GEFAK-AHA from Germany and the IEDI from Nepal. They provided the necessary methodologies, i.e. BUS training for developing entrepreneurial

attitudes and skills and CEFE for developing the ability to elaborate a business plan and to elaborate the loan application (for more details on the methodology see below).

The target groups of the ToTs were officers of the CCIs as well as other potential trainers identified by the FNCCI or CCIs, i.e. freelance trainers and consultants or local entrepreneurs. Through the ToTs a trainer pool of 74 trainers from 59 CCIs was established, which covers about 75% of all districts.

The objective of the ToT program was to capacitate trainers nominated by the CCIs in providing training on entrepreneurship and on business planning to potential entrepreneurs.

In each location trainers received a sequenced ToT package with a total of 30 effective training days. It was designed and scheduled into these stages:

Sequenced Training of Trainers program					
ToT on Entrepreneurship Part 1		ToT on Entrepreneurship Part 2		ToT on Business planning	
Training 6 days	Coaching 2 days	Training 6 days	Coaching 3 days	Training 10 days	Coaching 3 days

The following content has been selected for the ToT (for details see below):

- 1) methods and elements of entrepreneurship training based on BUS methodology,
- 2) methods and elements of business plan development based on CEFE methodology,
- 3) skills and methods on planning and providing effective training with exercises,
- 4) feedback from experts and from training group,
- 5) development of training manuals for trainers and of handouts for participants in Nepali language.

During the coaching phases the trainers conducted simulated trainings with supervision and feedback by the experts. For these events the prospective trainers prepared and conducted sessions to small-scale business people, who had been selected and invited by the respective CCI. Some of these business persons were applicants of the YSESEF programme, which provided the opportunity to test the application of the training with the target group.

### 3.2.4 Training on entrepreneurship development and business plan development for YSESEF participants

In the following important aspects of design and implementation of the trainings for youths and small business persons will be presented. They reflect the current status of planning and are subject to whether and how the program will be continued in cooperation between MoF, FNCCI, CCIs, NRB and the financial institutions.

1. **Organizers:** The trainings will be organized by CCIs with own staff or freelance trainers trained in the ToT cycle (about 59 CCIs).
2. **Trainers:** The trainings will be implemented by CCI staff and freelance trainers, who have participated successfully in the ToT program and have shown the ability to apply the respective methodologies (about 74 trainers). Some CCIs with only one trained staff at their disposal cooperate with neighbouring CCIs in implementing the training.
3. **Participants:** The YSESEF program has three main target groups: i) young people without skills, ii) young people with skills and iii) small scale business people. FNCCI decided that the training to be provided by CCIs is directed to the second target group i.e. young people, who already have a particular skill in terms of crafts, experience in

selling etc. Priority will be given to persons from the disadvantaged groups. The number of participants of every training shall not exceed 25 persons.

4. **Training cycle:** Each training cycle comprises 11 days of training and additional field work during which the participants gather market information for their business idea (for details of the training contents see below).
5. **Facilitation:** GTZ INCLUDE Program will facilitate guidance to trainers in conducting the first two training cycles in four selected locations. Guidance will be provided by experts from the IEDI.
6. **Baseline survey:** In four selected locations a survey will be conducted in order to better match the needs of the potential entrepreneurs (trainees). It will help to prepare the training and to analyse the target group of disadvantaged groups and unemployed youth and women. Furthermore, it will provide guidance in the selection of the participants and in the development of bankable business plans.
7. **Selection:** On the basis of the survey results a procedure will be developed for selection of participants. In principle, it will be based on the criteria: participants with a particular skill, belonging to a disadvantaged group, preparedness to contribute to the costs of training (see below).
8. **Outreach:** About 70 trainers in teams of two at 35 locations will implement training courses lasting for 11 days for 25 participants. Therefore up to 70 training cycles with about 1,800 participants can be organized in one month. Taking into consideration the large number of applicants a considerable selection exercise is needed to identify the participants of the program.
9. **Certificate:** Participants who have successfully completed the program and have developed a bankable business plan receive a qualified certificate which is intended to support them in the process of loan application. The local banks will be made aware of the advantages they can expect from the successful applicants, i.e. stronger attitudes and skills as well as better researched business plans.
10. **Cooperation with banks and other financial institutions:** The loans under the YSESEF program will be provided by financial institutions. For this purpose an intensive relationship and trust building between the CCIs and the financial institutions is required. The GTZ INCLUDE program will support this process. It is planned to invite representatives of local financial institutions to meet the participants after the business plans have been developed in order to offer their first feedback to the participants. This does not oblige the financial institutions to offer loans.
10. **Contents:** The training package which has been designed for the participants of the YSESEF programme consists of three stages: two parts of entrepreneurship training and one part of business plan development (see the outline on the next page).
11. **Loan products:** The financial institutions will be encouraged to offer loan products which are suitable and accessible for the target group. Support from Government is required to have transparent systems which the financial institutions follow in order to ensure a smooth flow of the process.
12. **Screening:** The training program will assist the participants in form of a self-reflection, on whether the loan application and the career in small scale business is the ideal option for them. This will improve the quality of the loan applications and reduce possible frustration among unsuccessful applicants.
13. **Support:** The strong participation and guidance of the partners MoF, FNCCI, CCIs, NRB and the financial institutions is important to ensure the success of this program.

Proposed outline of the training package for participants of YSESEF program		
Entrepreneurship training part 1 *) (2 days)	Entrepreneurship training part 2 *) (3 days)	Business plan development training **) (6 days)
<p><b>Objectives:</b> Learn how to obtain a new approach on finding solutions to problems, Learn how to utilize your own personal abilities in order to become successful, Learn how to analyse your actual situation, your objectives and your future prospects, Understand that key of success is knowing about one's actual situation and knowing where one wants to go to.</p>	<p><b>Objectives:</b> Obtain a future-oriented, strategic view of enterprise development, Analyse facts, personal and emotional factors as well as expected developments, Concretely and clearly conceptualize the future Apply creative thinking for achievable objectives Learn how to make good decisions and to implement them with a systematic strategy; Gather your development concept for implementation of your ideas.</p>	<p><b>Objectives:</b> Analyse personal strengths and weaknesses and develop entrepreneurial competencies To identify and select appropriate business To develop business plan and assess the viability of the selected project.</p>
<p><b>Contents:</b> Learning / practising to be responsible for oneself Focussing on solutions instead of problems Boosting one's self-confidence Reaching one's own objectives Taking decisions Developing good relations Knowing where one starts from</p>	<p><b>Contents:</b> Position of one's own enterprise; Understanding dynamics of the economy; Analyzing future perspectives; Identifying the potential of the enterprise; Strengthening of market orientation; Finding the strategic direction of the business; Analyzing the portfolio of business lines; Recognising strengths and resources; Developing ideas for business development.</p>	<p><b>Contents:</b> Reviewing own strengths and weaknesses, Evaluating and Developing risk taking behaviour, Analyzing Business Environment, Assessing Business Opportunities, Selecting viable and appropriate business, Identifying market niche, Developing business plan on selected project, Evaluating the project viability.</p>
<p><b>Some training elements:</b> Responsibility; My wheel of success; Limitations in my life; Providing feedback; Defining objectives; Bird's eye view; Gap analysis</p>	<p><b>Some training elements:</b> My market orientation; My portfolio; Analysis of my environment; My vision ten years from now; My alternative ways; Decision making; Power team</p>	<p><b>Some training elements:</b> Self Assessment, Risk Taking Exercise, Competition and collaboration exercise, Qualities of a successful entrepreneur, Project identification and selection, Macro and micro screening of project ideas, Market and marketing, Business plan preparation.</p>

\*) Entrepreneurship training parts 1 and 2 are based on BUS methodology;

\*\*) Business plan development training is based on CEFE methodology.

## **4. Outlook on enhancement of entrepreneurship in Nepal**

### ***4.1 Enhancement of entrepreneurship and micro finance***

It is self understood that commercial lending must be based on a thorough analysis of the business person, the plans for establishment or expansion and the property which is available for investment from own sources and for securing the loans. The entrepreneurship training and business plan development training, which were described above, will for certain improve the personal attitudes and business skills of the prospective borrowers.

Small-scale business people who successfully accomplish the training programme and pursue their personal advancement demonstrate their motivation and determination. The improved personal qualification and business skills of borrowers can support a positive loan assessment. Enhanced business skills can also reduce lending risks of the financial institutions.

In summing up, there is evidence that the enhancement of entrepreneurship not only increases the benefit of the borrowers but provides advantages to the financial institutions. Investments in entrepreneurship training should therefore be openly acknowledged by financial institutions as an asset of their clients. In this case many small scale business people will be interested to contribute to the costs and to make such trainings programs sustainable.

Even then the question of collateral for the loans can still be raised. It is obvious that tangible property is hardly available to many clients of micro credit services. In this regard new solutions have to be found, such like group based lending, whole sale lending to savings and credit cooperatives, credit guarantee funds, provision of credit embedded in schemes of value chain financing.

### ***4.2 Enhancement of entrepreneurship and the YSESEF program***

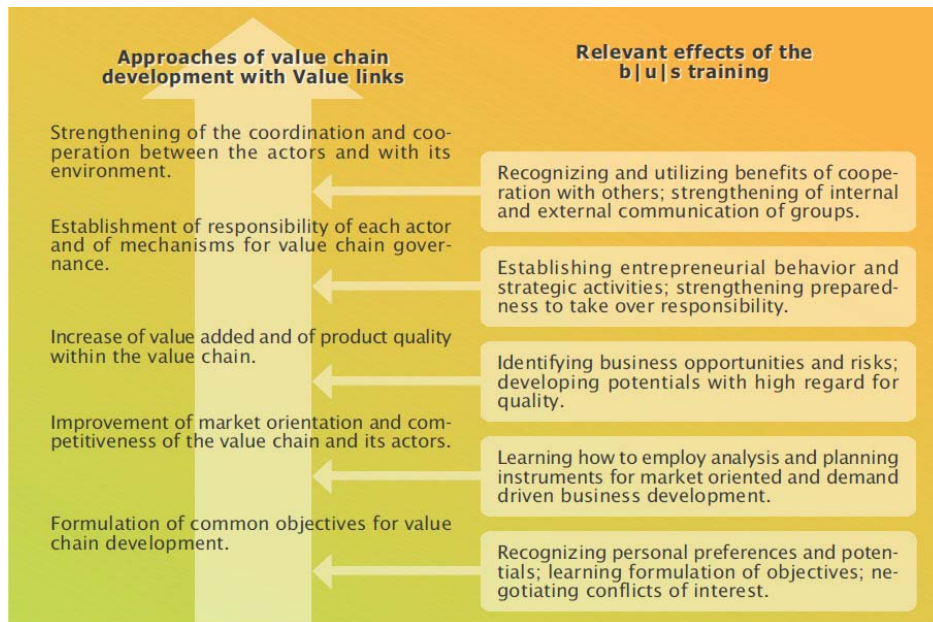
Currently GTZ Program INCLUDE conducts a baseline survey in 4 locations on the potential participants of entrepreneurship training for the YSESEF program. The results of the survey, which are expected in a few weeks time, will enable a more detailed planning of this training program.

Until then, it is expected, the future support of the YSESEF program by the MoF as well as the roles of FNCCI, CCIs, NRB and the financial institutions have been clarified. The same is expected to apply to the entire set of rules and regulation for the lending processes in the program. This will then be good news for very many young people and small-scale business persons who have expressed their interest to participate in the YSESEF program and to use it for the benefit of their own businesses and for the development of their environment.

### ***4.3 Enhancement of entrepreneurship and value chain development***

This conference is devoted among others to the subject of value chain development. Therefore it is interesting to note a further strategic option for the advancement of entrepreneurship training and for the support of lending to small-scale businesses can be found in the development of value chains. In particular the financing of agricultural value chains has been treated in another presentation by the GTZ program INCLUDE at the Micro Finance Summit.

Entrepreneurship training has many potential implications for value chain development. The development of value chains demands on professional qualification as well as entrepreneurial attitudes and behaviour of all actors. The entrepreneurship training supports all actors in optimizing their abilities which are important to make the value chain work and in recognizing and utilizing potentials within the firm and its environment. In this way, entrepreneurship training helps all actors to optimize their contribution to as well as their benefit from the value chain. This presents a complementary support to other activities for value chain development, e.g., through the ValueLinks approach. The following graph shows how the approaches of value chain development (especially with ValueLinks) can be supported by the relevant effects of entrepreneurship training (shown with the example of BUS training).



The target groups for entrepreneurship training comprise all relevant value chain actors:

- farmers and other rural business people who facing problems to integrate into the market economy and to make use of new opportunities;
- management and staff of other value chain actors (traders, processors, service providers, exporters etc.) for effective exchange and governance within the value chain;
- representatives from public and private facilitators to better support value chain actors and to establish appropriate framework conditions.

It is expected that entrepreneurship training and business planning have a positive effect on the attitudes and skills of value chain actors. If this is recognized by other actors within the value chain (e.g. large processors), which benefit from higher reliability, and better quality of products they could support such interventions.

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## **Annex 1: Approach, methodology, and results of BUS training**

### **1. Approach**

The BUS entrepreneurship training was developed in Germany by the Andreas Hermes Akademie (AHA), which is the national business training organisation of the agricultural sector in Germany. Developed about fifteen years ago, BUS stands for Farmers Business Training. It was designed with the objective to enable farmers and rural producers strengthening their individual personality, improving their businesses, identifying market opportunities and coping with structural changes.

Tens of thousands of participants in Germany have benefited from this training programme, which brought them more success in business and a better quality of life. Most specifically the programme has helped to secure thousands of farming businesses, which otherwise would have been closed down. The sons and daughters of many German farmers were no longer interested in the farming profession. The BUS programme enabled them to find additional sources of income, which compliment the running of the farming businesses: e.g. transfer to organic farming, tourism offers, bio energy projects, processing and marketing of agricultural products, on-farm shops.

In the year 2000 the BUS training programme was successfully introduced in Austria. There it also attracted thousands of participants and had the same positive effects to the sustainability of many farming businesses. In Austria as well as in Germany BUS has since long time been applied also for small-scale business in non-agricultural sectors, with equally great success. It needs to be noted that participation in BUS trainings was for some time been supported through national or EU programmes for agricultural development. However, most of the costs are now covered by fees to be paid by the participants.

#### **What are the specific features of the BUS training approach?**

1. BUS comprises a systematic development process which leads participants to more success in business and to a better quality of life.
2. Entrepreneurial competencies are trained in stable participant groups which are coached by the same few trainers.
3. The training does not focus on technical specialist knowledge, but rather on developing personal abilities which help participants to cope with individual challenges and to utilize available opportunities.
4. There are about ten different BUS training modules, which in total cover all aspects of developing the entrepreneur and his/her business: entrepreneurial skills and attitudes, business management, strategic management, marketing, negotiations, network management, investments etc.
5. The individual modules last for only 2 to 3 days and the entire programme is normally taken within a period of 2 to 3 years.
6. Trainers themselves are farmers, small-scale business owners or self-employed consultants with extensive experience of surviving in difficult market conditions.
7. The trainers are selected very carefully and constantly receive further training, coaching and supervision by experienced master trainers.
8. Training materials consist mainly of check lists, exercise sheets. Very often participants are asked to express e.g. their visions by making drawings. To a very great extent these training materials respond to the need of illiterate participants.
9. Training methods used are nearly completely participatory: e.g. discussions, group work, individual with feedback from others, role plays, games, exercises.

In the year 2006 the German development agency GTZ has identified the BUS training programme as potentially useful for farmers in West Africa. GTZ commissioned a pilot project in Burkina Faso in order to adapt the methodology to the existing training needs and conditions. The project was carried out for GTZ jointly by AHA in Bonn with the consulting firm GEFAK mbH, one of Germany's market leaders for consultation and information systems in the field of regional economic promotion.

Since 2006 three groups with a total of 60 local trainers were trained. The adaptation of the training methodology was accomplished in close collaboration with them. The application of three BUS courses was tested with 150 rural producers in various regions. Since then the trainers have organised BUS training courses for nearly one thousand participants in several regions of Burkina Faso. The participants are not only small-scale producers, but also other actors (processors, traders, input providers) of value chains, which are developed by GTZ's project PDA (e.g. for mango, sesame, cassava, rice, and cashew nuts). The trainers have already started to establish a BUS trainer network in Burkina Faso.

## 2. Methodology

For the project in Burkina Faso out of the available ten BUS courses the following three courses were selected for application. They are presented in the following table as an example of BUS training contents and methods.

BUS course 1: Me and my world	
Objective	Attitudes oriented at finding solutions as well as personal skills related to success are trained. The participants discuss their current situation, objectives and perspectives and learn about the personal qualifications of successful people.
Content	Applying the principle of personal responsibility; distinguishing problem-oriented and solution-oriented thinking; training of abilities for success in business; strengthening self assurance; increasing determination and motivation; strengthening the aptitude for decision-making and courage; developing clear relationships and a positive image; finding the balance between concentration and relaxation.
BUS course 2: My enterprise	
Objective	Enterprise success must be based on realistic situation analysis. Participants obtain a future-oriented, strategic view of enterprise development. Hard facts, personal and emotional factors as well as expected developments are analyzed.
Content	Describing the initial position of one's own enterprise; understanding the dynamics of the economy; accepting the demands on the enterprise for satisfaction of individual needs; analyzing future perspectives; identifying the potential of the enterprise; analyzing the portfolio of business lines; recognising operational strengths and resources; developing ideas for further business development.
BUS course 3: My development concept	
Objective	Without clear conception of one's future, development is not purposeful and effective. It is necessary to concretely and clearly conceptualize the future and to apply creative thinking for achievable objectives. Ability to make good decisions and implement them systematically. Participants analyze alternative options, learn methods for decision-making and gather their own development concept for implementation of their ideas.
Content	Becoming conscious of personal values and convictions; discovering own talents and strengths; defining expectations towards one's own enterprise; checking concrete development objectives; thinking in alternative ways and gaining new perspectives; coaching of creativity; managing problems and obstacles constructively; creating individual implementation concepts; planning the way forward for one's own enterprise

### 3. Results

GTZ also promotes the BUS programme in its search for specific training approaches, which can be successfully transferred from Germany to rural target groups in partner countries. This trend is called the increasing “commodification” of knowledge. As such training services are offered by local educational and consulting organisations GTZ also intends to further develop the market for rural training and advisory services.

Due to this context the application and impact of the BUS training in Burkina Faso are systematically being evaluated. A first impact analysis in September 2007 highlighted the effects of BUS training on rural entrepreneurs at various levels.

<b>Effects of BUS training on rural entrepreneurs and their environment in Burkina Faso</b> (Source: Impact analysis in November 2007, Stephan Armbruster)	
Personal attitudes	Increased sense of responsibility; more careful decision-making; stronger consideration of perception of others; realisation of their own potentials and capacities, better planning and organisation of activities as well as consideration of economic efficiency.
Family relations	More rational management of available income; better management of conflicts; improved communication within the family; more self-control and openness; stronger support for school education of their children.
Business operations	Creation of new economic activities; focus on profitable activities; improved product quality; better work planning; stronger sense of responsibility; more efficient production; stronger market orientation; concentration on profitable activities.
Community	Strengthened solidarity between producers; recognition of the benefits of cooperation.

A second impact analysis of the effects of the BUS training in Burkina Faso was undertaken in December 2009. Of the 619 participants who were trained in the year 2009 50 persons or 8% were questioned. This analysis established the following results and impact of the BUS-Training in addition to those identified during the first evaluation (see above).

<b>Effects of BUS training on rural entrepreneurs and their environment in Burkina Faso</b> (Source: Impact analysis in Dec. 2009, Aly Ouedraogo and Jim Housséini Zongo)
The analysis has shown that the BUS training is an effective instrument which has already proven to achieve real impact in the field.
76% of respondents stated that they had no difficulties in applying the BUS methods in their business.
84% of respondents are very satisfied with BUS methodology, 12% are satisfied, 4% are little satisfied.
74% of respondents stated that they achieved very important changes in their business by using particular BUS methods, 18% reported important changes and 4% reported only few changes.
Real changes that were reported: Improved relations and better coordination with business partners; better orientation of production towards market demand; better understanding of interdependence of business activities; Better knowledge of own strengths and weaknesses and how to utilize strengths; more self-confidence and improved ability to take initiatives; Better financial analysis of business.
As an additional effect the spontaneous creation of business networks between participants has been observed.
It is important to note that many participants stated their readiness to pay contributions to the costs of the BUS training.

“There is no doubt that the BUS-training concept is very successful in Germany and has been effectively adapted to the needs of rural producers in Burkina Faso” (Hoffmann 2009). The impact analyses have shown that the BUS training can indeed be implemented successfully in very diverse cultures and environments and can effectively support the development of small-scale entrepreneurs.

## Annex 2: Approach, methodology and results of CEFE training

### 1. Approach

The Creation of Enterprises, Formation of Entrepreneurs (CEFE) philosophy evolves from the realization that the entrepreneurs are neither born nor made, but rather potential entrepreneurs can be developed and stimulated to start their own businesses through appropriate interventions. In 1980, GTZ, the German Technical Cooperation, was involved in experimenting different approaches for small enterprise development in Nepal. Various interventions were tested in this period while GTZ was heavily involved in Bhaktapur Development Project. The Economic Promotion Unit of this project was concentrated in promoting potential and existing entrepreneurs. Based on initial three years project output, GTZ decided to implement a separate project focusing on entrepreneurship development program in Nepal.

Hence, Small Business Promotion Project (SBPP), a joint project of the Ministry of Industry, Government of Nepal and GTZ was established with four main programs; New Business Creation (NBC), Small Business Consultancy (SBC), Ceramics Development and Promotion Project (CDPP) and a Complimentary Credit Programme (CCP). The NBC, in the later stage became popular in the name of CEFE in international scenario. Since then CEFE is being implemented in more than 70 countries in different parts of the world.

Realizing the success achieved by the SBPP and with a view to sustaining it, Governments of Nepal and of Germany decided to institutionalize the project as a permanent autonomous institution. The government approved the formation of Industrial Enterprise Development Centre (IEDC) in May 1995 under the Development Committee Act 1956. Later, to provide more authority, autonomy and functional flexibility, the government drafted a special Act and established Industrial Enterprise Development Institute (IEDI) in 1996. At present, IEDI, as an autonomous institution formed under IEDI Act, implements different programmes with the following objectives:

- To assist in the human resource development of organizations and institutions involved in industry/enterprise development
- To provide services to industry/enterprise development
- To develop technical, entrepreneurial and management skills
- To carry out need-based industry and entrepreneurial related research, feasibility studies and development activities
- To establish and develop organizations that support and help in the field of industrial development.

### CEFE Concept

The CEFE approach is based on the following conceptual sub-themes:

- Entrepreneurs, if they want to succeed, should always be aware of their **personal qualities, competencies** and surrounding environment to develop appropriate business strategies,
- Entrepreneurs, based on their competencies, have to **identify and select their own project**, test their ideas and judge the viability of the business,
- Prescribed fixed solutions provided to solve business problems increase the dependency and reduce the competitiveness,
- If entrepreneurs come up with viable business ideas/plan, then they should be supported by **finance** and other types of assistance,
- Needs of potential and existing entrepreneurs are different. So they need different types of support programmes/services.

## 2. CEFE Methodology

### What are the specific features of the CEFE training approach?

1. Focus on action learning where the participants play an active role in business games and exercises.
2. Facilitators do not spoon feed the participants but they themselves derive the learning points from various exercises and activities.
3. Great variety of training methodologies used.
4. Directed at attitudes and skills
5. Leads participants to developing business plan
6. Representatives of financial institutions provide feedback to participants on the presented business plans

### Training Modules

The CEFE training which lasts 1-2 weeks in the initial period consists the following modules:

- **Entrepreneurial Competencies Development**

A series of behavioural exercises are used in this module to assist participants to evaluate their strengths and weaknesses,, widen their vision and goal, self disclosure and receiving feedback, evaluating and developing risk taking behaviour and entrepreneurial competencies that are essential for running business as a successful entrepreneur.

- **Project identification and Selection**

After self assessment and judging their entrepreneurial competencies, participants receive input on project identification and selection assuming that they have not selected the appropriate project to them. Various tools and techniques related to assessing business opportunities, generating business ideas, screening of projects based on macro and micro techniques and selection of business based on market study are covered in this module. It is expected that at the end of this module, participants select one viable business by each participant.

- **Business plan Preparation and presentation**

The business plan module is considered as one of the most important pillars of CEFE training. After identification and selection of the project, participants have to develop their individual business plan following a logical sequence i.e. marketing, production, organization and management and financial aspect. At the end of the module, participants are asked to make presentation in front of bankers to have their feedback and comments. In most cases, bankers give conditional approval to their business plan subject to certain improvements in their business plan.

## 3. Results

The entrepreneurship development training (known as CEFE in international sector) conducted by then SBPP (now IEDI) has been found very encouraging. The average start-up rate of 4-6 weeks training was 12 businesses out of 20 participants. The independent evaluation conducted in 1996 estimated that the SBPP project had created 4,866 new businesses and 19,500 jobs at an average cost per job of US\$ 84 (Tomeco & Kolshorn 1996). Similarly, an evaluation conducted by Technonet Asia in Fiji, Philippines, Bangladesh, Thailand and Srilanka where the CEFE was conducted shows that 61% of participants had started their enterprises after the training (Technonet 1993).