



Building Resilient Livelihoods towards Local Economic Development:

A CAFOD Guide to Enterprise Development

ACRONYMS TABLE

AGM	Annual General Meeting	IGA	Income Generating Activity
CST	Catholic Social Teaching	ISAL	Income Savings and Loans Groups
DNH	Do No Harm	J1W	Just One World
DRR	Disaster Risk Reduction	LT	Long Term
ED	Enterprise Development	MEL	Monitoring, Evaluation and Learning
EMMA	Emergency Markets Mapping Analysis Tool	P&L	Profit and Loss
GMI	Group Maturity Index	PMSD	Participatory Market Systems Development
HH	Households	SME	Small Medium Enterprise

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DISCLAIMER

This document has been prepared by Ian Barney for CAFOD with the support of Gisele Henriques (Livelihoods Adviser) and Sarah Montgomery (Economic Justice Policy Analyst). The views expressed in this document do not necessarily represent the views of CAFOD, nor does CAFOD take responsibility for the accuracy of information contained in the document. Any recommendations presented refer to suggestions made by the author and have not necessarily been endorsed by CAFOD.

QUESTIONS OR COMMENTS

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CAFOD
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2. Woman Selling Vegetables: Sierra Leone: Simon Rawles/ CAFOD July 2003
3. Ethiopian tailor: Phil Talman/ CAFOD February 2010

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Glossary and Useful Terminology¹

Bottom of the Pyramid	...is the proportion of the global population (approximately 4 billion people) who live on less than \$2 per day.
Business (Enabling) Environment	The set of policies, institutions, regulations, support services, social norms and other conditions that collectively improve or create a general business setting where enterprise and business activities can start, develop and thrive.
Business Model	... is a term coined to describe the logic behind a business - what will you offer that others don't, who will pay for the product or service and how will you ensure that income is greater than costs?
Capital	...is a term used to describe the money or other assets owned by a person or organisation or available for a purpose such as starting a company.
Cash flow	... maps the movement and timings of cash in and out of the Enterprise .
Corporate Social Responsibility	...is about understanding your business' impact on the wider world and considering how you can use this impact in a positive way.
Debt	Funds to be repaid (in an agreed time frame) plus an interest on the principle amount. Debt finance can be issued in many forms, for example, <ul style="list-style-type: none"> • Micro loans to individuals or small scale businesses enabling capital investment or supporting cash flow. • Trade finance essentially providing working capital to a business. • Term loans are essentially time bound lending instruments that facilitate capital investment that will improve financial returns and be paid back over or at the end of that period.
Elevator pitch	...is a summary of your enterprise (or other idea) made in a convincing and memorable way in 30 seconds.
Enterprise	...is an undertaking towards making a surplus or profit; especially one of some complication and risk.
Enterprise Development	... any initiative or project that engages actively in the market through a commercial business entity (whether privately, publicly or group owned).
Equity	...represents a long-term commitment to support the business through an ownership interest or stake in the business. E.g. purchase of shares in a business to help it make the initial investment to become established or to grow.
Expenditure	...payments made by an enterprise in return for goods and services received.
Grants	Often necessary to establish or build the capacity of fledging enterprises which are usually non-repayable gifts.
Impact Investment	...refers to investments made to achieve clear social and/or environmental impact and a (often below market) financial return on investment.
Inclusive Business	...is a subset of business that seeks to integrate the poor either in value chains or to supply services/customers.
Income	Revenue received by an Enterprise in return for the provision of goods and services.
Market	...is where a buyer and seller meet (physically or remotely, e.g. internet) to exchange a good or service.
Patient capital	...are long-term loans or equity with typically low or no interest, suitable for projects predicting significant social or environmental impact over the long term. Patient capital investors have a higher risk appetite and are generally willing to forgo financial returns for long-term social & environmental impact.

¹ These items are in reference to CAFOD'S enterprise development work

Payback Period	... the length of time it takes for the profit of an Enterprise to match the initial investment made in the Enterprise.
Profit	...is the difference between income earned and expenditure incurred related to the goods and services sold during a period.
Philanthropic Capital:	Broad term that describes capital that has no expectation of any financial return. It can, therefore, be used strategically in ways that can enable financial structures to be created (e.g. first-loss tranches- where the Philanthropist agrees to protect other investors from any initial loss) or to leverage in other funds (e.g. using financial guarantees- providing reassurance to other lenders). Philanthropic capital and patient capital are often used interchangeably.
Resilience	Resilience thinking is about understanding and engaging with a changing world. By understanding how and why the system as a whole is changing, we are better placed to build capacity to work with change.
Micro, Small or Medium Enterprise	There is no one, universally accepted definition. But generally these are formal enterprises defined by number of employees, size of investment or turnover. In many countries, “small” businesses are most frequently defined as having fewer than 50 employees and micro-firms fewer than ten – or in some countries five – employees.
Proforma financials	...templates to display financial data related to the enterprise.
Social Enterprises	...are “businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.”
Social Investment	...is the provision and use of capital to generate social as well as financial returns. Social investors weigh the social and financial returns they expect from an investment in different ways. They will often accept lower financial returns in order to generate greater social impact.
Solidarity	... is empathy and compassion to help others in time of need. In Latin America it is described as the “tenderness of people to help each other”
Start Up	... is a new or fledging enterprise .
Subsidiarity	... is supporting those at and towards the bottom of the value chain to assume their rightful role and to benefit fairly from the goods and services they produce.
Sustainability	... is about ensuring the durability of that resilience.
Value Chain	... the various stages involved in developing a product or service from raw materials to end-user. A value chain is very similar to a supply chain but places the emphasis on understanding the ‘value added’ by each link in the chain.
Venture Philanthropy	... is high-engagement grant-making, which can be summarised as “grants plus business acumen advice”. Venture philanthropy takes concepts and techniques from venture capital finance and high technology business management to apply them to achieving philanthropic goals through innovative grant-making. It is more hands- on than philanthropic capital and more demanding than ‘patient capital’.

Introduction

AIMS OF THE DOCUMENT

CAFOD has been working with partners on livelihoods projects for many years. Enterprise Development (ED) forms an important and increasingly significant element of many of these projects. For the purposes of this guide we define ED as any initiative or project that engages actively in the market through a commercial business entity (whether privately, publicly or group-owned).

This guide responds to a number of requests from CAFOD Programme Officers seeking support and guidance to help them assist partners in this aspect of their work. It also seeks to facilitate greater consistency of approach across CAFOD supported ED initiatives. It is meant to support conversations between programme staff and partners to improve the program quality and design of proposed interventions.

USING THIS GUIDE

Section 1 provides the context of the CAFOD approach to ED, its foundations in Catholic Social Teaching (CST) and contribution to a Just One World (J1W). This section also provides a framework to guide ED within CAFOD.

Section 2 presents a rapid ED assessment tool to help you navigate this report.

Section 3 provides practical guidance to CAFOD Programme Officers to help them support partners engaged in ED work. This section forms the core of the document and is divided into 3 broad areas which all CAFOD ED projects need to consider at design stage: **Strong developmental impact, strong commercial proposition and a well-designed intervention.**

Each of these areas is further divided into subsections that include:

Key Questions to guide the understanding and assessment of the ED initiative.



(G) Indicates questions relating to Gender, or the need to consider the most marginalised.

A **Red Flag** that warns CAFOD Programme staff of weak or unacceptable ED practice that might require the revision of the initiative's design.



Foundational
Good Practice
Best Practice

A '**Foundational**' standard for CAFOD ED work and 'Good practice' and 'Best Practice' in this challenging area.



Tools for CAFOD staff and partners to consider for making more robust ED initiatives. These are presented in a separate Annex to this Guide.

Section 4 presents a series of Frequently asked questions, lists references and other materials.

“

ED is a growing area of our work. The partners are leading CAFOD.

”

CAFOD Zimbabwe

Section 1:

CST, CAFOD and Enterprise Development

CST AND ENTERPRISE

According to Catholic Social Teaching (CST), there is a strong relationship between an economic enterprise or livelihood and the concept of a vocation (or calling), which God holds out for each person.²

CST sees an economic enterprise as a participation in God's creation with both material and social benefits.

Within CST, however, there is the recognition that economic activities must operate within a certain broader moral framework: honesty and accountability, respect of human dignity, fairness, and a vision of integral and authentic development that goes beyond mere material profits.

Enterprises based on these principles are beneficial within a CST understanding because they:

- Promote an economy of inclusion and participation;
- Seek to rebalance power in the global economy;
- Enhance social values such as solidarity and subsidiarity, hence enriching the social fabric.

CAFOD AND ENTERPRISE DEVELOPMENT

Just One World Aim 2.1 is key to CAFOD's Enterprise Development (ED) work:

"More women and men, in programmes supported by us, will be able to make a decent living, to access fair markets and meet the needs of themselves and their families in ways that are sustainable"

CAFOD's ED work is contained under the 'Livelihoods' portfolio. This area of work is being considered increasingly relevant across CAFOD's developmental and humanitarian work.

CAFOD's livelihoods work is governed by principles of resilience and sustainability. **Resilience** thinking is about understanding and engaging with a changing world. By understanding how and why the system as a whole is changing, we are better placed to build capacity to work with change. **Sustainability** is about ensuring the durability of that resilience. Consisting of three pillars, sustainable development seeks to achieve, in a balanced manner, economic benefits, social well-being and environmental protection. Our approach to enterprise development is firmly rooted in these three pillars of sustainability and one should not trump the other. In other words, even though an enterprise development project may focus on the economic aspect of sustainability it should not undermine social or ecological factors.


CAFOD also recognises the need to move 'beyond aid' and to build on the potential of local economies to support poor people to move beyond survival to a situation where they can thrive. Addressing the causes and symptoms of poverty requires a two-pronged approach focusing not only on programming responses but also advocacy and policy. ED has a crucial role to play in both these aspects of CAFOD's work.

“For us, any notion of development that is limited solely to economic growth or that sidelines the social, moral and spiritual dimension of human beings lacks actual ‘authenticity’.

”

Augusto Zampini
Theological Review 2014

²This is a part of a longer think piece developed by our theology department. Please contact us if you want further information.



Our commitment to standing alongside the poorest and most disadvantaged communities, and supporting them to challenge the root causes of poverty and injustice is critical to achieving this vision.

Through our partnership approach, (working with those closest to communities including community-based organisations, social movements and local NGOs, both secular and faith based) CAFOD is able to accompany and provide long-term support for the communities we work with. This is essential for enterprise development projects since they often take a longer period of time to bear fruit.

Based on CAFOD's values and developmental approach we can begin to define a set of principles that help to frame CAFOD's ED work. These principals have implications for the way we do ED. The principles, related values and implications for CAFOD's ED work are captured in Table 1.

PRACTICAL IMPLICATIONS FOR CAFOD ED WORK

CAFOD is committed to work with the poorest and most disadvantaged communities who will engage with enterprises in many ways, e.g. as workers, suppliers (including producers) and customers. Enterprises inevitably come in many shapes and sizes. This guide does not prescribe one over another but it does strongly suggest that 'HOW' an enterprise conducts its business is crucial to its fit with CST and CAFOD's Mission, Vision and Values, e.g. whether the business is inclusive, whether suppliers are paid a 'fair' amount and how the environment is impacted.

This guide is aimed at improving the ED practice supported by CAFOD and its partners. By its nature it strives to help enterprises become independent and viable businesses.

Whilst there is a risk that this will deter CAFOD from working with weaker enterprises this is not the intention. The challenge for CAFOD is often helping enterprises that are weak but with strong social impact potential to take the first steps towards independence. In doing so CAFOD is likely to occupy a niche in the ED space. Indeed it may be that CAFOD begins to see its role as supporting 'early stage' enterprises and helping them graduate to other partners as they become more established.

Table 1: CAFOD Principles and ED Implications

CAFOD Principles	ED Implications
Common Good	GOAL BEYOND PROFIT: The enterprises we support should reflect the multi-dimensional nature of poverty. Whilst the emphasis may be on economic empowerment our work should be aware of and consider social and environmental aspects using both process and impact indicators.
Solidarity and Inclusion	FOCUS ON THE MOST MARGINALISED: Our ED work should seek to improve the lives of the most marginalised. This might be directly or indirectly. Target individuals or groups should be involved in the design of businesses.
Sustainability	RESILIENCE: We should assess the impact of our ED work across the 3 pillars of sustainability (social, economic, environmental) and ensure that we contribute positively across these areas. Short-term gain should not be achieved at the expense of greater vulnerability.
Dignity	CAFOD ED should seek to create ENTERPRISES THAT ARE VIABLE AND INDEPENDENT of external support. The enterprises we support need to be commercially sustainable. There are dangers in encouraging reliance on grants and external actors that could lead to dependency, distortion of local markets and undermine the livelihoods of others in the community.
Reciprocity	CAFOD ED should encourage TRANSPARENCY AND ACCOUNTABILITY . CAFOD should prioritise business models which seek to improve access to basic information for marginalised people and create a mechanism where they can have ‘voice’ in the enterprise.
Address causes of poverty not just symptoms	CAFOD ED should seek to understand and, where possible, affect the structural or systemic barriers to change. This will demand a broader understanding of the policies and processes that affect a business and the enabling environment in which a business sits. It is also likely to involve a policy element.
Subsidiarity/ Plurality	CAFOD ED should focus on where CAFOD can demonstrate a COMPARATIVE ADVANTAGE (not replacing market players). CAFOD should also ensure that ED initiatives work through partners and collaborate effectively with other stakeholders. Where possible CAFOD ED should seek to empower poor people to have a ‘voice’ in the business.

Section 2: Rapid Enterprise Development (ED) Assessment Tool

To help you navigate these guidelines the following ‘**Rapid Assessment Tool**’ has been developed to encourage and orient an initial conversation between CAFOD staff and partners. This is the starting point of the process and will help you to identify the strengths and weaknesses of your ED initiative. Through using this tool, staff will be able to identify areas of work within the ED proposal / project which need improvement. The assessment results will point the user to the section of the guide for further information and will highlight specific tools that could be used to improve weaker elements.

[Note: below is an example of the tool. The actual tool can be found in the accompanying excel spreadsheet.]

Enterprise Development Rapid Self-Assessment Tool


Enterprise Development (ED) is a complex area of CAFOD’s work. There are a huge variety of enterprises that we could potentially work with, each operating within a unique context. The CAFOD guide to Enterprise Development has been developed to provide practical guidance for CAFOD staff to help them engage with partners and improve the consistency of ED work across programmes. The below **rapid assessment tool** is the first step in the process and has been designed to help you, the reader, navigate these guidelines.

The 4-step (in orange boxes) rapid assessment tool will help you analyse the ED initiative or proposal against 9 different areas. These 9 areas are critical to the success of any ED project. At the end of the assessment, a score will be generated which will help you to identify the strengths and weaknesses of the ED initiative or proposal. For areas that need to be strengthened, the assessment will then point you to the appropriate section of the guide and to tools that can be used to further develop the initiative.

Instructions:

Step 1: To help assess the strength of your ED initiative, discuss the statements in the **green column** below with your partners and assess the ED initiative’s ‘fit’ with each. Allocate a score (only 0, 1, 4 or 5) for each statement based on the following simple scoring system. [note 1: each of these statements is based on the key elements necessary for a successful ED initiative and has a corresponding section within the guide with further information] [note 2: don’t worry about the blue column at this stage - this column is used in step 3]

Explanation	Score
The ED initiative is totally in accordance with the statement	5
Close to 5, but not quite there	4
Close to 0, but not that poor	1
This is not in place, or is not true, or does not happen	0

Enterprise name:	<i>e.g. Agricultural Supply Co.</i>		
Key elements of succesful ED Initiatives			
Marginalised Are Targeted			
	Statement of best practice	Your score	
1.1	The ED initiative clearly targets the most marginalised and the impact on them is clear	5	
1.2	Potential unintended consequences are articulated clearly	4	
1.3	Practical gender benefits and strategic gender interests are distinguished	4	
Total score (highest possible score = 15)		13	
Tools that you can use with partners to improve the ED initiative and overall programme quality			
Tools			
Tool 1: Stakeholder Analysis			
Tool 2: CAFOD gender checklist			

Key elements of succesful ED Initiatives		
Livelihoods Enhanced		
	Statement of best practice	Your score
2.1	Economic assets are enhanced. Social and environmental assets are not negatively affected	5
2.2	The venture reduces the vulnerability of the target population to stress and shock and considers gender impacts	4
2.3	Loans provided do not have negative impacts trapping people into unmanageable levels of debt	1
Total score (highest possible score = 15)		10
The Market		
	Statement of best practice	Your score
3.1	There is a clear and identified demand for the product and service and customer/buyer needs are understood	5
3.2	The Enterprise is differentiated from identified competitors	1
3.3	The enterprise encourages women's participation in and ownership of market based activities	1
Total score (highest possible score = 15)		7
Enterprise Foundations		
	Statement of best practice	Your score
4.1	The Entrepreneurs/Manager can demonstrate the skills necessary to run a business	4
4.2	The inputs that the business needs can be reliably sourced	4
4.3	The enterprise can demonstrate a clear objectives	4
Total score (highest possible score = 15)		12
Enabling Environment		
	Statement of best practice	Your score
5.1	The enterprise has clearly assessed the enabling environment through a context analysis	4
5.2	Linkages are made to address specific market constraints through policy and advocacy work	0
5.3	The programme addresses specific market failures in its strategy	4
Total score (highest possible score = 15)		8

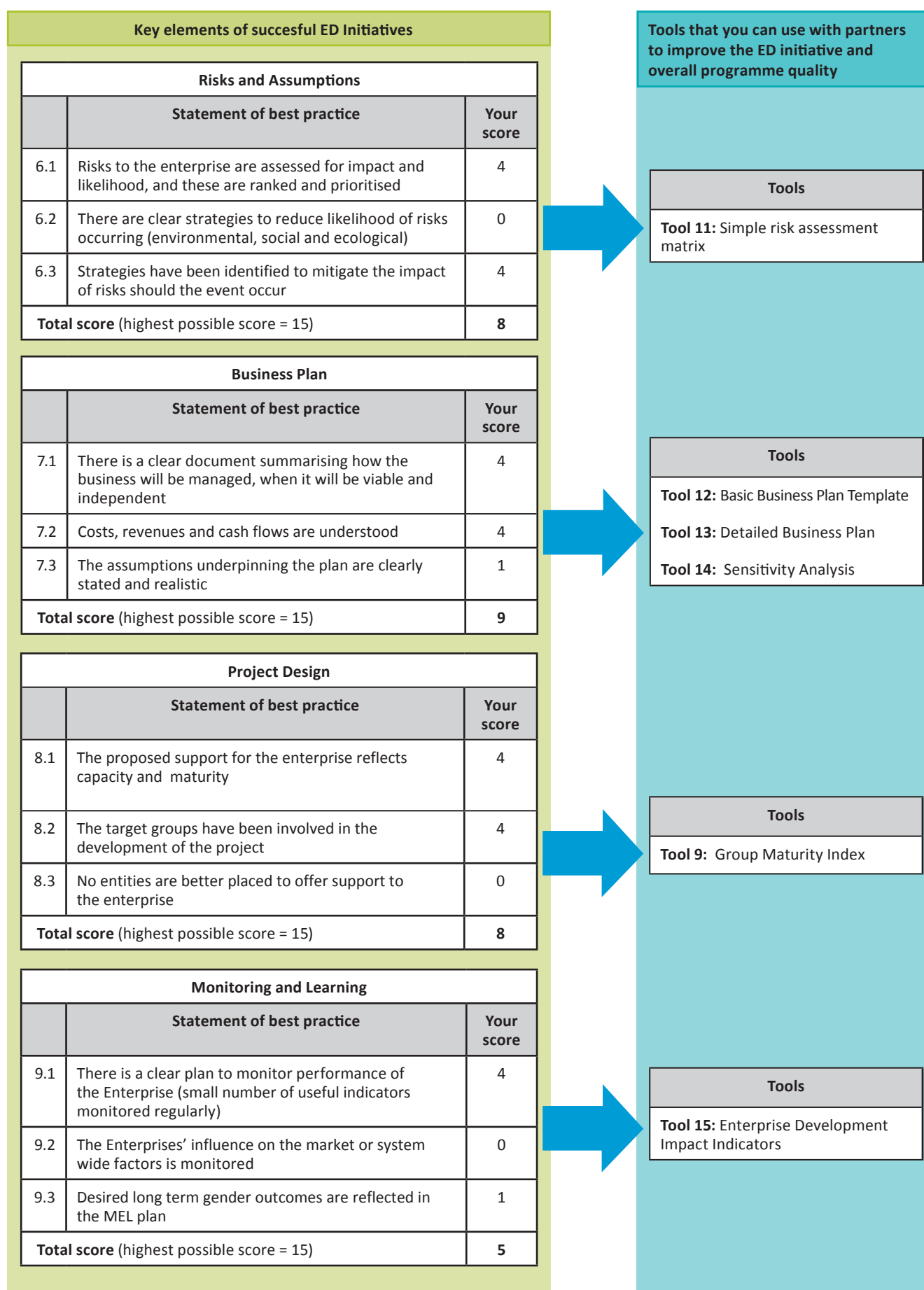
Tools that you can use with partners to improve the ED initiative and overall programme quality

Tools
Tool 3: Brainstorming ED Impacts on Assets
Tool 4: Building resilience into enterprise development design

Tools
Tool 5: Competitor Analysis
Tool 6: SWOT and PESTLER
Tool 7: Mapping the Market (Value Chain)

Tools
Tool 7: Mapping the Market (Inputs)
Tool 8: Who is an Entrepreneur?
Tool 9: Group Maturity Index (GMI) Tool

Tools
Tool 6: PESTLER
Tool 7: Mapping the Market
Tool 10: Analysing the Business Environment



Step 2: Assess the **overall** score of the ED initiative.

Explanation	Your Score	Weak	Medium	Strong
1. Marginalized Are Targeted	13	0-6	7-11	12-15
2. Livelihoods Enhanced	10	0-6	7-11	12-15
3. The Market	7	0-6	7-11	12-15
4. Enterprise Foundations	12	0-6	7-11	12-15
5. Enabling environment	8	0-6	7-11	12-15
6. Risks and assumptions	8	0-6	7-11	12-15
7. Business plan	9	0-6	7-11	12-15
8. Project Design	8	0-6	7-11	12-15
9. Monitoring and Learning	5	0-6	7-11	12-15
Total score	80	0-54	55-99	100-135
If your score is less than 54:				
Work to be done! The ED proposition is not strong and likely to fail. The ED initiative should not be supported until changes are made to the proposition. ED weakness of this scale might suggest that partners capacity in this area would benefit from some support.				
If your score is between 55-99:				
Not bad! There is clearly some good ED practice in place, but still plenty of room for improvement. Low scoring sections (See step 3) require immediate attention from managers.				
If your score is over 100:				
Well done! The ED proposition is strong. But do also consider the nine assessments in each section: effective enterprise development requires strength in all nine areas. Use this opportunity to make improvements and further improve the ED proposition's chances of success (See step 3).				

Step 3: Analyse results against each of the 9 key elements. Where your score is 'weak' or 'medium' for any of the 9 areas you can turn to the section in the guide to increase your understanding of the issue. You can also use the tools provided in the **blue column** to improve the strength ED proposition.

Step 4: The Spider's Web graph of ED strength provides a simple visual interpretation to aid discussions and monitor progress. *[This will be created automatically if you use the accompanying spreadsheet to assess your ED Initiative]*

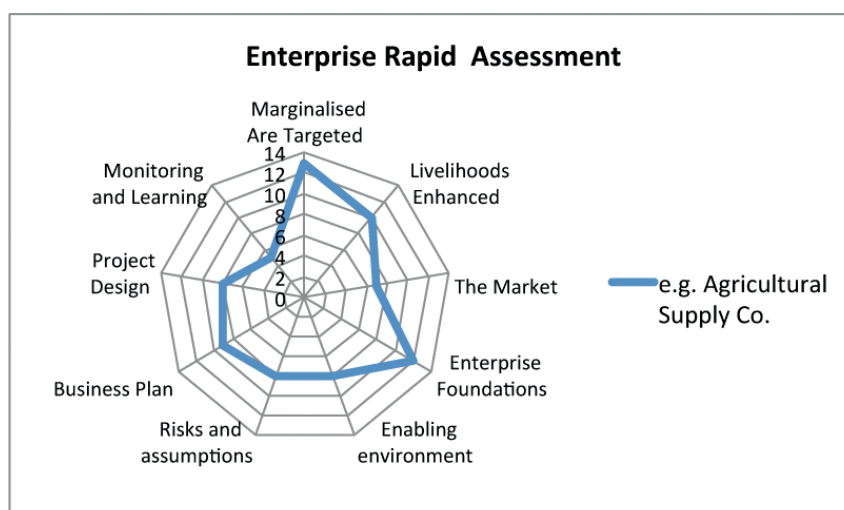


Table 2: Levels of Enterprise Development

	Developmental proposition strong			Commercial proposition strong					Intervention strong and integrated		
	Most marginalized targeted (Inc. gender)	Livelihoods Enhanced	Market/Demand	Enterprise Foundations Strong	Enabling environment	Business Risks Understood and Managed	Strong business plan in place.	Project Design Strong	Clear MEL System in Place		
	Warning!	Warning!	Warning!	Warning!	Warning!	Warning!	Warning!	Warning!	Warning!		
Weak	The poorest and most disadvantaged communities are not targeted. Impact on women and gender relationships are not considered.	Economic Benefit but Negative Environmental and Social Consequences. No assessment of risks to individuals and community.	No market analysis. Demand is unclear.	Questionable management capacity. Supply base uncertain.	Impact of the 'enabling environment' on the enterprise are not adequately assessed.	Inadequate understanding and assessment of business risks.	No business plan in place.	The poorest and most disadvantaged are excluded in the design of the ED initiative	There is no clear framework to monitor the performance of the enterprise.		
Level 1	Foundational Poor indirectly impacted. Gender neutral.	Foundational Economic Capital Enhanced . Social and Environ' DNH. Risks to individual and community assessed. Women and children not adversely affected.	Foundational Basic market analysis carried out. Demand for product good.	Foundational Minimal Management in Place. Reliable supply identified. Governance mechanism clear. (Group Cohesion)	Foundational BE scanned and risks assessed and mitigated.	Foundational Business risks assessed and mitigation strategies identified	Foundational Basic business plan with income and expenditure projections.	Foundational Participatory design. Support tailored to commercial reality of the Enterprise.	Foundational A framework exists to monitor the performance of the enterprise.		
Level 2	Good Practice Poor indirectly impacted with clear impact pathways identified. Practical gender benefits.	Good Practice Economic Capital Enhanced and Social or Environ' Benefit. Economic or social or environmental resilience enhanced.	Good Practice Detailed Market Analysis and understanding of competition	Good Practice Good Management in place. Supply base strong. Governance and transparency strong. (Evidence of strong group cohesion)	Good Practice ED initiative specifically addresses a systemic obstacle to development.	Good Practice All risks are prioritised and have clear prevention and mitigation strategies identified.	Good Practice Basic business plan with financial projections including cash flow.	Good Practice Support reflects the stage of the ED and makes direct linkage to market players.	Good Practice Framework uses core indicators, extends to qualitative analysis of long-term outcomes.		
Level 3	Best Practice Poorest directly impacted. Power/voice and influence increased. Strategic Gender interests.	Best Practice Economic, Social and Environment Capital Enhanced. Resilience to environmental, social and environmental shock and stress increased.	Best Practice Detailed Market Analysis and understanding of longer term trends.	Best Practice Good management with succession plan in place. Alternative suppliers identified. Governance of groups strong (evidence of accountability)	Best Practice ED initiative specifically addresses a systemic obstacle to development and explicitly outlines how impact will be scaled/replicated.	Best Practice Key partnerships formed to address key risks (perhaps outside project framework)	Best Practice Detailed business plan with cash flow and sensitivity analysis.	Best Practice Transition from CAFOD support to commercial support.	Best Practice Learning and best practice recorded and used to influence program cycle		

Section 3: Facilitating Successful ED Interventions

The following section provides guidance to CAFOD Programme Officers on the 9 elements that contribute to successful ED initiatives. For an ED initiative or programme to be successful each of these elements should be present. These can be divided into three themes:

A STRONG DEVELOPMENTAL PROPOSITION

- 3.1 The poorest and most disadvantaged communities are targeted;
- 3.2 Livelihoods (e.g. economic, social and environmental assets plus resilience) are enhanced.

A STRONG COMMERCIAL PROPOSITION

- 3.3 The market is understood and demand strong;
- 3.4 The foundations of the business are strong;
- 3.5 The enabling environment is understood and key risks and challenges managed;
- 3.6 Risk and assumptions are understood and managed;
- 3.7 There is a clear 'plan' on how the enterprise will be run.

A STRONG AND INTEGRATED INTERVENTION

- 3.8 The project design is strong;
- 3.9 Progress is monitored and contributes to wider understanding of programmatic learning.

CAFOD Programme Officers need to be aware of these different elements when reviewing and assessing partner ED initiatives. They will be relevant for all Enterprises but might require adaptation to reflect the type of enterprise and its stage in development.

3.1. THE POOREST AND MOST DISADVANTAGED COMMUNITIES ARE TARGETED



Key questions to ask:

- Does the ED clearly target (directly or indirectly) the most marginalised?
- Is the link between the enterprise and the most marginalised clear and robust?
- Are unintended consequences considered?

(G) Are 'benefits' disaggregated by gender?

(G) Does the proposal distinguish between practical gender needs and strategic gender interests?

The poorest and most disadvantaged communities are not targeted.

Impact on women and gender relationships are not considered.

WHY?

CAFOD is committed to work with partners who serve the poorest and most disadvantaged communities. The principle of **SOLIDARITY** demonstrates a desire to serve the broadest community and ensure that CAFOD programmes reduce rather than accentuate inequality and do not inadvertently harm others. At the heart of this commitment is working with the poorest and most disadvantaged communities- prioritising women - and seeking ways in which this target group can exert greater influence on the world around them.

HOW?

CAFOD should reconsider supporting an ED initiative unless it is able to articulate how the poorest and most disadvantaged communities will benefit from the proposed initiative (either directly or indirectly). As a minimum, they should be able to articulate that women and other marginalised groups (e.g. ethnic minorities, people with disabilities, indigenous communities, and elderly) will not be negatively affected by the initiative. Good social analysis in the design phase is key to achieve this outcome (Case 1).

Although we do have a commitment to work with poorest, this does not mean that CAFOD will work exclusively with these groups. Given the challenges of explicitly targeting the poorest in an enterprise development initiative, programme staff may encourage partners to have a mixed group of participants where the most vulnerable benefit as well. If this route is followed, it would be especially important to do a power analysis and to be aware of power dynamics and how the poorest benefit or not through these relationships.

Poor people engage with enterprises in a number of ways, e.g. as workers, suppliers, customers and neighbours. They might also relate to the enterprise one-link removed from the focus enterprise, e.g. workers of suppliers. In this case the extension of core labour standards and a fair remuneration might be important considerations. **Stakeholder Analysis (Tool 1)** provides a simple framework to assess stakeholders' influence and interest in the ED initiative.

“

Female-headed households, for example, often lack the confidence to participate in markets and they can face significant cultural barriers to their involvement.

”

Gender Adviser
CAFOD London

Gender

Women remain among the most disadvantaged in many communities yet their greater participation is widely regarded as crucial to achieving positive developmental outcomes.

At a minimum ED initiatives should ensure they do not place excessive burden on women or accentuate power imbalances. In practical terms for instance, this means holding meetings when it's most convenient for women and ensuring the project does not pit men against women. More progressive ED initiatives should target women and seek ways to enhance material benefits but with a clear understanding of gender roles and relationships.

Case 1: Mushrooms Nigeria- Caring for the Vulnerable

The initiative was designed to help people with disabilities to earn a livelihood through the growing and marketing of mushrooms. The initiative, however, did not appear to deliver significant tangible benefits for the target population. Lessons emerging from the project include: there was a lack of good market knowledge; the challenges of growing mushrooms successfully were underestimated/misunderstood; and poor socio-economic analysis led to the failure to appreciate the role of those providing care to those with disabilities and their ability to capture benefits accruing from the enterprise.

A further development would be to address strategic gender interest and processes (i.e. addressing causes and not just symptoms of the gender imbalance), for example, building the capacity of women to make them less dependent on men, to building their self-confidence to work together and to take care of each other, getting women in positions of leadership and overcoming role stereotypes. **Tool 2** provides some simple questions to help ensure that ED logic is clear and thorough from a gender perspective.

Voice and Influence

A more aspirational ED would not only seek to target the poorest and most disadvantaged communities with material benefits but would also seek to change their ability to affect and influence the world around them. This might include group-led enterprises such as cooperatives or collective mechanisms (e.g. networks, associations) to engage in wider policy discussions.

“

In Bangladesh's microfinance banks, the loan will be taken by women but 'handed down' to men.

”

CAFOD London

Most marginalised targeted (inc. gender)

Foundational

Poor indirectly impacted. Gender neutral.

Good Practice

Poor indirectly impacted with clear impact pathways identified. Practical gender benefits.

Best Practice

Poorest directly impacted. Power/voice and influence increased. Strategic gender benefits.

3.2. LIVELIHOODS (ECONOMIC, SOCIAL AND ENVIRONMENTAL ASSETS) ARE ENHANCED



Key questions to ask:

- Are enhanced economic assets achieved at the expense of social and/or environmental assets?
- Are assets enhanced but contribute to greater vulnerability to stress and shock?
- Will the enterprise distort the market place and have 'unintended consequences on others'?
- Does the workload fall on certain shoulders (men/ women, old/young etc.)?

(G) Does the enterprise increase the vulnerability of women?
E.g. increased workload competing with other primary responsibilities.

Economic benefit
but negative
environmental and
social consequences.

No assessment of
risks to individuals
and community.

WHY?

ED is often perceived as primarily contributing to enhancing income and economic empowerment. Enhancing economic benefits, however, should not be achieved at the expense of social and environmental assets or the resilience of communities or individuals. This is an important element of the **SUSTAINABILITY** principle.

If possible, ED initiatives should seek to enhance social (e.g. support collaborative enterprises) and environmental capital (e.g. supporting regenerative agriculture and building soil) and strengthen the resilience of marginalised people or communities, i.e. going beyond purely economic gains.

HOW?

CAFOD should reconsider supporting ED initiatives unless partners can demonstrate that economic empowerment for one group of people does not detrimentally impact another vulnerable group. It should also be able to show that it is not achieved at the expense of the environment, resilience or the social cohesion of the community.

A thorough socio-economic analysis and an understanding of the market and key relationships within it will help flag issues for consideration.

For relatively simple and small enterprises **Tool 3** sets out a series of basic questions aimed at understanding the impact of an enterprise on social, economic and environmental assets.

For more complex enterprises, the use of basic social and environmental assessment methodologies would be important in order to provide a more thorough analysis of the likely impacts of the ED. Appropriately scaled environmental impact assessments may be considered for enterprises with potential environmental risks – from supply chain issues to waste disposal.



We see 3 key elements to ED impact: increased income, greater empowerment and self-esteem and conservation of the environment.



CAFOD Central America

Whilst an enterprise might contribute to the short-term enhancement of assets (social, economic or environmental) it is also possible that it might result in the target population becoming more vulnerable to shock and stress. It is therefore vital that an assessment is made of the extent to which the enterprise contributes to resilience. Case 2 highlights such an occurrence.

Case 2: Poultry Farming CAFOD Sierra Leone (Dependency Risks)

CAFOD SL supported local partners Caritas Makeni and Caritas Kenema to encourage poultry production in Bombali and Kenema Districts. The model involved provision of chicks and technical support on use of Moringa as a feed supplement. A clear lesson emerging was that the business model at an individual level had not been well thought through (i.e. the beneficiaries might not generate sufficient surplus to support the purchase of the chicks, food and medical supplies) and that the participants rather than demonstrate entrepreneurial initiative and solve the problem, themselves will become dependent on CAFOD partners to provide the feed.

Vulnerability or resilience may be affected by a wide number of factors. These include:

Economic vulnerability:

- Taking on debt that is unmanageable (e.g. borrowing to fund agricultural inputs and then not being able to repay);
- Overreliance on a single stream of income, particularly one with high risk;
- Overreliance on a single customer.

Environmental vulnerability:

- Overreliance on certain crops (e.g. cash crops);
- Where a concentration of agricultural production might increase vulnerability to climate change or severe weather events.

Social vulnerability:

- Redistribution of working tasks undermining other activities, increasing burden on certain members of the household/community.
- Additional work burden: If ED contributes to an unsustainable workload or the reduction in other key livelihoods strategies (e.g. reducing reliable sources of income in favour of potential higher ED rewards) it can increase vulnerability. This is likely to be a particular challenge for women.
- In refugee situations ED is increasingly seen as an important strategy to manage the transition from emergency provision to independence. It can, however, be perceived by the host community as undesired competition to local businesses and thereby increase vulnerability of refugee communities, in which case partners may choose to consider a mix of participants in the intervention. **Tool 4** provides some advice on assessing vulnerability in project design.

Livelihoods Enhanced

Foundational

Economic Capital Enhanced. Social and Environmental Do no Harm (DNH). Risks to individual and community assessed. Women and children not adversely affected.

Good Practice

Economic Capital Enhanced and Social or Environmental Benefit. Economic or social or environmental resilience enhanced.

Best Practice

Economic, Social and Environment Capital Enhanced. Resilience to environmental, social and environmental shock and stress increased.

3.3. THE MARKET IS UNDERSTOOD AND DEMAND STRONG



Key questions to ask:

- Is there a clear and identified demand for the product or service to be sold by the enterprise?
- Who are the customers? What do they want/ value?
- Who are the competitors? What differentiates your enterprise from competitors?

(G) Can product, price, place, promotion be adapted to encourage women's engagement with the market?

No market analysis.

Demand unclear.

WHY?

Any enterprise needs to understand the market in which it intends to operate, assess the strengths and weaknesses of the value chain in which it is situated and demonstrate that there is a strong and achievable demand for the product or service it is selling. However in many traditional 'aid' projects the 'market' is conveniently forgotten and the focus is placed on inputs. This is counter to our desire to help facilitate viable enterprises.

HOW?

CAFOD should reconsider supporting ED initiatives unless there is an understanding of the market in which they operate, the value chain they are a part of and can demonstrate that there is a demand for the goods or services provided by the enterprise.

At the basic level this involves: a simple market analysis, understanding of what consumers want, what competitors currently offer and how much customers might be prepared to pay for the product.

At a more advanced level this would also include an assessment of longer-term trends in the market and a resulting marketing plan (5P's).

Market Analysis – 5Ps:

It is crucial when assessing a project to ensure that partners have sufficiently understood the market and its implications for the product or service (Case 3).

- Who are your potential consumers? (**People**)
- Where are they situated? Where /how do they buy goods and services? (**Place**)
- What do consumers value/want? (**Product**)
- What price will they pay? (**Price**)
- How will you promote your product?³ Who are your competitors? (**Promotion**)

³ See also CAFOD Marketing Training Handbook

A key element of assessing the opportunity is understanding the enterprise's competitors. **Tool 5** presents a basic framework for a competitor analysis. It also presents a more detailed framework (Porters "Five Competitive Forces") to explore competitors in a broader more strategic way.

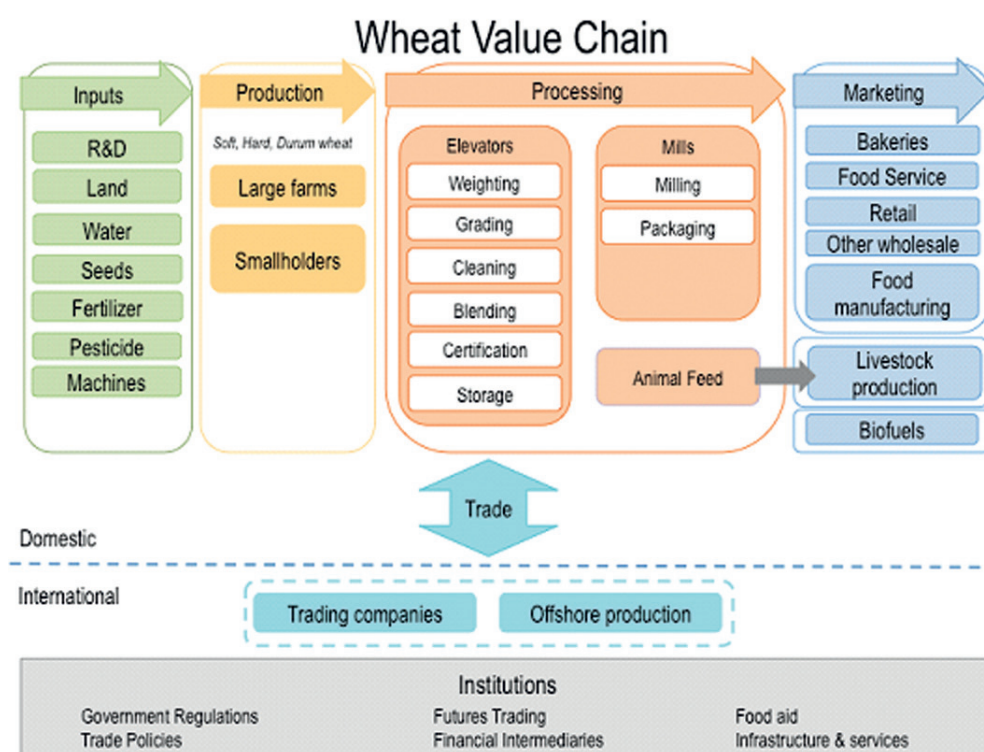
Case 3: Saffron Production and Marketing, Afghanistan

CAFOD Afghanistan worked with local partner SDO to promote the production and marketing of saffron as a way of increasing and diversifying income earning opportunities in rural Herat. It did this through a network of farmers and 3 private enterprises. Over a 3-year period the project proved successful with crop productivity and profitability increasing and the 3 enterprises appearing to be established and positively influencing practices in the saffron sector. Key lessons include: farmers were able to achieve strong financial gains quickly; there is a strong demand for saffron locally with active local traders able to provide access to key markets; a lack of thorough market analysis at the beginning of the project caused considerable delay; the design should also have identified links to government initiatives to promote quality standards that would have assisted the project.

Tool 6 outlines the popular SWOT and PESTLER approaches which both seek to identify key internal and external drivers that can help shape commercial success.

Value Chain

An enterprise usually sits in a much wider value chain. For example, a farmer relies on seeds, finance and other inputs to grow their crop and then sells to a cooperative or intermediary. They then consolidate volumes and sell to a trader, who in turn sells to a processor, who then packages the product. The trader sells to a retailer, who sells to a customer, who cooks the food and it is eventually eaten by the consumer. Each link in this value chain represents a market. *A value chain is only as strong as the weakest link.*



Source: <http://sites.duke.edu/minerva/files/2013/08/wvc.png>

It is, therefore, important that those engaging in ED not only understand their immediate market (e.g. the sale of their crop to a cooperative) but also the other links in the chain. Intermediaries for instance are often seen as a problem because they eat into the profits at the farm gate, but if engaged as partners they can provide valuable services which can benefit producers.

Practical Action has developed the Participatory Market Systems Development Approach (PMSD)⁴ method to do this. It is an important but simple tool that brings together key stakeholders to map the value chain for key products. The process of eliciting the participation of stakeholders and facilitating discussion is important in itself helping marginalised people understand the broader picture and is particularly useful as part of a 3 step design process:

1. map the value chain and build a picture of the key actors and margins earned along the chain (the difference between the price they pay for the inputs and receive for the output);
2. map the enabling environment (see 2.5) and the policies, processes and norms that impact the value chain;
3. map the supporting services or inputs that affect the business at each stage (see 2.4).

Tool 7 provides some more detail on the PMSD tool and a mapping workshop outline.

In the humanitarian context a similar tool, “The Emergency Market Mapping Analysis⁵” (EMMA), is used to assess the focus of enterprising approaches in a humanitarian context. How do you help displaced people avoid hand-outs and stimulate economic activity (reduce dependence on hand outs, build confidence and self-esteem)?

These processes will also help to identify where an ED intervention has the potential to affect and possibly distort markets along the value chain.

Additionally, it may also be worth considering product differentiation as a way of improving access to markets through quality assurance trainings, value addition or creative marketing for product promotion.

Market/Demand
Foundational
Basic market analysis carried out. Demand for product good.
Good Practice
Detailed market analysis and understanding of competition.
Best Practice
Detailed market analysis and understanding of longer-term trends.

⁴ http://practicalaction.org/docs/ia2/mapping_the_market_albu_griffith_sedj-june2006.pdf

⁵ <http://emma-toolkit.org>

3.4. THE FOUNDATIONS OF THE BUSINESS ARE STRONG



Key questions to ask:

- Has the entrepreneur/ manager / cooperative the skills necessary to run a business?
- What inputs does the enterprise need? How reliable is their supply?
- When working with groups, how cohesive is the group?

(G) Are women able to assume positions of leadership?

(G) Are women able to participate in group structures?

Questionable management capacity.

Supply base uncertain.

WHY?

Small Medium Enterprise (SMEs) have a high risk of failure. ED initiatives need, therefore, to be based on solid foundations to have a good chance of success, e.g. they need:

- Strong human capacity-leadership/management;
- The cohesiveness of group enterprises;
- The reliability (consistency in quality and quantity) of key required inputs.

HOW?

CAFOD should reconsider supporting ED initiatives unless the enterprise can demonstrate competent management capacity (or a plan to build it) and a reliable supply of inputs. More aspirational ED will seek to reduce the enterprise's reliance on key individuals and suppliers.

Where enterprises are group-based the initiative should also demonstrate that the group is cohesive and that there are transparent accountability systems in place (or at least the intent to create these).

Our sister agency Catholic Relief Services has developed a manual on '**Skills Farmers Need for Organising and Managing groups**'. This manual includes lessons and tools for organising and managing groups as well as planning and implementing joint activities.

Human capacity

The capacity and quality of enterprise management is likely to be fundamental determinant of an enterprise's success. Gaps or weaknesses in the capacity need to be addressed through technical support, guidance and or training, in which case the proposal should have a strong capacity building component. Mapping service providers will inform whether these are available for capacity building.

Tool 8 provides a series of insights into what makes a good entrepreneur.

Where HIV/AIDS is a major challenge an ED initiative might need to consider management contingencies and succession planning from an early stage.

Financial management is a distinct but crucial aspect of managerial capacity. For larger organisations the ability to prepare accounts will be central to retaining trust of members. For smaller organisations the ability to adequately track income and expenditure and separate from other household activities will be crucial to understanding how profitable an activity really is⁶.

“

It is essential to have management capacity and leadership in place.

”

CAFOD Central America

⁶See CAFOD 2014a Mango's Health Check

Group-led enterprises

Group-run enterprises take many forms, for example: self-help, cooperatives, associations and social enterprises. Such enterprises are strongly favoured by CAFOD because of their peer support, economies of scale, social interaction and support, potential for leveraging power in the market and opportunity for collective voice in policy discussions.

Despite the well-known benefits of group-led enterprises, it is widely acknowledged that group-led enterprises are not always successful (L Davies 2013). Group cohesion can be weak – particularly when external actors have led group formation or where there are obvious weaknesses in the levels of transparency and accountability of the groups. The quality of communication between the executive and the members, and the effectiveness of AGMs are all indicators of this. **Tool 8** provides a more detailed assessment tool for groups.

In the same spirit, it is possible that privately owned enterprises could have a strong social impact, e.g. through employment and supply practices. A strong focus on desired outcomes (not exclusively on institutional form) should help in this regard. Whether collective or individually owned, all enterprises come with a risk. A successful intervention is one where these risks are analysed and mitigated against.

Security of supply

Many businesses are dependent on the quality and reliability of suppliers to the business. Ideally we'd want to be creating strong links to local markets rather than supplying all necessary inputs ourselves. This is important for long-term business sustainability as Case 4 highlights.

Care should also be taken to ensure that the enterprise is not, where possible, reliant on a single supplier. When possible and if economically viable, it would be beneficial to assess the possibility of procuring inputs from a local reliable source, in that way contributing to local economic development.

It's also important to ensure that the source is reliable and able to withstand shock/stress. In agricultural enterprises, for example, ensuring that a crop is suitable for the current climate and soil conditions and resilient to climate variability will be essential to the enterprise's long-term viability.

The second stage of the PMSD (**Tool 7**) process might help to bring out some of these issues. It maps inputs and services that are required by the enterprise to make it successful.

Enterprise Foundations Strong
Foundational
Minimal management in place. Reliable supply identified. Governance mechanism clear. (Group Cohesion)
Good Practice
Good Management in place. Supply base strong. Governance and transparency are strong. (Evidence of strong group cohesion)
Best Practice
Good management with succession plan in place. Alternative suppliers identified. Governance of groups is strong (evidence of accountability).

Case 4: Groundnut Processing, Zimbabwe

CAFOD supported Caritas Mashvingo to provide support to local youths affected by food insecurity. This developed into an enterprise initiative to improve on-farm productivity of groundnuts, and the processing and marketing of peanut butter. Initial results appeared to be positive with enhanced productivity and some success in selling peanut butter in local markets but the initiative does not appear to be sustainable. Lessons included: the need for a more thorough design process (value chain analysis) to better understand the local market; the need to seek ED expertise to complement partner knowledge; the emphasis on input support (e.g. machinery, building a workshop) was partly driven by the availability and nature of funding and was counter to developing a sustainable business. This highlights the importance of balancing short-term funding and long-term development objectives. The concept needed a clear strategy to achieve sustainability or manage the business.

3.5. UNDERSTANDING THE BUSINESS ENVIRONMENT



Key questions to ask:

- Has the project adequately considered the external environment (including fiscal and legal obligations) and its impact on the enterprise?
 - Are risks adequately understood and mitigated?
 - Is there a specific market failure or blockage that needs to be addressed? Are linkages made to existing or future 'policy' constraints? (Advocacy linkages identified?)
- (G) Are there constraints that affect the participation of women in ED (e.g. land tenure, business/ cultural norms).

Impact of the enabling environment on the enterprise is not adequately assessed.

WHY?

The success of many ED initiatives is often determined not by the business itself but the 'environment' in which the enterprise sits. This is often referred to as the Business Environment (BE). For many enterprises it can be dis-enabling!

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

Whilst potentially out of the control of partners or the enterprise itself, an awareness of the BE is often crucial to its success. It might also signal links to policy or advocacy work around trying to influencing a more 'pro-poor business environment'. Being aware of and responding to the BE can contribute to addressing the **CAUSES AND NOT JUST SYMPTOMS OF POVERTY**.

While not every project will necessarily include an advocacy element and strategies to address policy issues, an analysis of the business environment should still be done so that partners / the enterprise is aware of these policy regulations etc. and of the impact that these may have on their business. Participation in trade unions or professional associations can also be a way to organise around policy issues which inhibit an enabling business environment for small enterprises.

HOW?

CAFOD should reconsider support to an ED initiative unless it demonstrates some awareness / analysis of the BE and the potential impact this may have on the business. Where this does not exist partners are encouraged to facilitate a BEE scan with participants – the PESTLER is a simple tool which could be used for this. **Tool 10** provides some questions that could be asked within a PESTLER analysis that is being used for analysing the BEE. The detail and depth of the analysis will depend on the nature and size of the enterprise.

“If the business environment is unfair or unsupportive your business will always hit a brick wall.”



CAFOD Policy Team

There is no one right way to analyse the BE. Three principles are however key:

- **Participation:** The issues within the BE can best be responded to if the community that you're working with participates in and ideally leads the process and has ownership over the analysis.
- **Broad Consultation:** To understand the business environment you need to talk to a broad range of people to understand how they are affected by their local or national 'policies institutions, regulations, support services, social norms' etc. This involves talking to business women and men which the ED programme is working with, as well as other stakeholders along the value chain, decision makers and other 'key experts' such as academics, trade unions and so on.
- **Power:** The BE is always political in nature. It is therefore important to understand who has the power and who doesn't and ensure that the voices, needs and priorities of the most marginalised are heard, and steps taken to build their confidence to engage.

With these three principles in mind there are a number of tools you could use. Practical Action's PMSD (**Tool 7**) encourages the mapping of the BE and how it impacts on the enterprise right across the value chain. This is a useful exercise as it is built on the principles of participation and consultation above. Depending on the power relations within the value chain, however, this format can sometimes benefit more powerful players and actors who are more confident to share their views. You will need to manage this to ensure that the voices, needs and preferences of the poor and marginalised (the small businesses that you will be working with) are heard. This may involve capacity development.

Case 5: COMAL Sugar, Honduras (Risks)

CAFOD, with our partner COMAL in Honduras was supporting sugar producers in the Atlantic municipality of Yoro to set up a sugar processing factory to add value to their cane production. They are part of a national fair trade organisation that sells the sugar directly to consumers. A military Coup in 2009 set back these efforts as COMAL became involved in resisting the dictatorship. Consequently COMAL shifted energy to the political arena that affected the relationship with its members and operational efficiency- exposing weaknesses in the original business plan. Key observations include: it is crucial that producers are involved in the development of the enterprise as owners or potential owners in order for them to feel ownership in a real and tangible way. Transparency in the value chain motivates producers to grow the project. Technical support is crucial to improve productivity.

Tool 10 builds on **Tool 6** and **7** and provides some specific questions that you could ask if you wish to understand the BE in more depth.

Once you have mapped the BE and identified if there are any key blockages or constraints, you need to decide what to do. Whilst not essential, linking complementing ED initiatives with policy and advocacy initiatives aimed at improving the enabling environment or systemic change can help to improve the sustainability of the initiative and also enhance the scale of impact. It also has other benefits such as building and mobilising local civil society organisations. CAFOD has some tools for doing this. Please contact the Governance & Programme Advocacy Team (GPAT).

Enabling environment

Foundational

BE scanned and risks assessed and mitigated.

Good Practice

ED initiative seeks to address challenges or blockages within the BE in their programme design.

Best Practice

ED initiative seeks to address challenges or blockages within the BE in programme design and links partners to other organisations advocating on these issues at a national or regional level.

3.6. BUSINESS RISKS AND ASSUMPTIONS ARE UNDERSTOOD AND MANAGED



Key questions to ask:

- Have risks to the business been adequately identified and assessed for possible impact and likelihood?
- Are risks prioritised/ranked?
- Are there clear strategies to reduce the likelihood of risks occurring?
- Are there strategies identified to mitigate the impact should the event occur?

(G) Are there particular gender risks which should be considered?

Inadequate understanding and assessment of business risks.

WHY?

Enterprises are extremely risky endeavours. Evidence suggests that the majority of new enterprises are likely to fail. Understanding the key risks that enterprises face, having clear plans to reduce these risks and manage them is vital to increase the chances of success.

At a very basic level risks should be assessed and prioritised. No critical risks should be evident. More aspirational ED initiatives should have clear strategies to reduce the chance of key risks occurring and to reduce their impact if they do occur. This might include evidence of collaboration with third parties to help manage these risks.

HOW?

CAFOD should reconsider supporting an ED initiatives unless there is an assessment of risks facing the enterprise and a clear sense of how these risks will be managed.

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

Internal	External
<ul style="list-style-type: none"> • Staff turnover • Business experience/ management capacity • Theft • Health and safety • Inability to source key inputs • Weak governance • Poor planning • Weak financial management capacity/ information • Equipment breakdown • Competition with other important household responsibilities • Sabotage from excluded community members / conflict • Lack of trust 	<ul style="list-style-type: none"> • Severe weather events and climate change • New entrants in the market place • Government policy moving the goalposts • Poor infrastructure impacting distribution and communications. • Lack of viable transport • Competition from cheaper imports • Global economic prospects; • External conflict /insecurity

Tool 11 introduces a simple process (and table) to list, assess and prioritise risks facing a business and encouraging the development of strategies to reduce and manage these risks.

Critical risks are those that have the potential to affect the viability of the enterprise. The presence of critical risks that have not been reduced or have inadequate mitigation strategies identified should be cause to delay support for the enterprise.

“Some of the biggest risks were outside of our control. The Zimbabwean economy did not flourish and this had a major impact on our poultry and agricultural activities.”



CAFOD Zimbabwe

Business Risks Understood and Managed
Foundational
Business risks assessed and mitigation strategies identified.
Good Practice
All risks are prioritised and have clear prevention and mitigation strategies identified.
Best Practice
Key partnerships formed to address key risks (perhaps outside project framework).

3.7. THERE IS A CLEAR 'PLAN' ON HOW THE ENTERPRISE WILL BE RUN



Key questions to ask:

- Is there a clear articulation of how the business will work?
- Are costs, revenues and cash flows adequately understood?
- Are the assumptions underpinning the plan clear and realistic (have they been challenged)?
- Is there a clear articulation of how the enterprise will become independent and viable?

(G) How will the enterprise ensure that women are able to play an active role within the enterprise and share from its benefits?

WHY?

All enterprises need to be able to articulate their purpose or vision, their strategy for achieving it and the operational steps/plan to get there.

The development of a business plan seeks to download all the assumptions and ideas from the head of the entrepreneur(s) onto paper. In doing so it will encourage constructive challenge of the 'business model'. Such an exchange of information is the essence of **RECIPROCITY**.

Writing a business plan is often seen as a chore but can be invaluable to increase the awareness of risks, inconsistencies or lack of clarity in the approach and therefore pre-empt potential future problems. A business plan can also provide a very useful tool or benchmark to review progress and support.

Business plans can be very basic but should all present accurate financial data including income and expenditure. More advanced plans should include greater market analysis and cash flow and sensitivity analysis.

HOW?

CAFOD should reconsider supporting ED initiatives unless it has a clear and articulated plan for how it will become viable and self-sustaining.

All Business Plans should include the following key elements:

- Developmental impact;
- Commercial Strength (market understanding, strong demand, consumer and competitor knowledge, good management, reliable supply of key inputs, understanding of risks and the enabling environment and financial information).

However, the depth and detail of these plans may vary depending on the nature or complexity of the enterprise and the size of the investment requested, e.g. an individual entrepreneur repairing clothes versus cooperatively-owned agri-business. Capacity support and development will be a critical aspect of this and will need to be considered.

No business plan in place.

“

The business plan! People shy away from it. It becomes a document on the shelf. But ...what are you going to sell? Where? How? At what price? This is so important to think through.

”

CAFOD Staff

Whilst a Basic Business Plan (**Tool 12**) might be suitable for a simple enterprise, a more detailed and thorough plan would be required where the scale and complexity is much greater (**Tool 13**). For example, for more significant investment you would expect to see a strong quantitative analysis of the market rather than an anecdotal assessment of demand.

Financial analysis is an important element of any Business Plan. For smaller ventures it may be adequate to carry out a basic projection of income and costs to ascertain the viability of the business.

For more complex enterprises a more detailed assessment of revenue, costs and profitability over time might be useful (**Tool 12**). Such an analysis would enable you to ascertain the time in which it takes for a business to reach profitability and 'payback' the original investment made.

In many enterprises one of the greatest risk factors is a lack of cash. It is quite possible to have a profitable and growing business but have insufficient cash (often referred to as the 'lifeblood of a business') to pay suppliers. To assess this risk a basic cash flow projection should be made (**Tool 12**).

Sensitivity Analysis (**Tool 14**) links some of the key risk assumptions contained within the Business Plan with the financial projections made. It seeks to assess the impact of a change in financial assumptions (costs or revenue) on projected profitability.

Strong business plan in place
Foundational
Basic business plan with income and expenditure projections.
Good Practice
Basic business plan with financial projections including cash flow.
Best Practice
Detailed business plan with cash flow and sensitivity analysis.

3.8. THE PROJECT DESIGN IS STRONG



Key questions to ask:

- Does the proposed support for the enterprise reflect the stage of its development?
- Are the identified risks adequately acknowledged and addressed in the 'project'?
- Have the target group been involved in the design of the enterprise and project? E.g. have women been involved?
- Are other agencies or commercial enterprises better placed to offer the support necessary/requested?

The poorest and most disadvantaged are excluded in the design of the ED initiative.

WHY?

Enterprise Development requires robust and commercially-minded support. The nature of support required is different from many other traditional approaches to aid. Failure to take a 'different' approach significantly reduces the chances of creating sustainable and viable enterprises and could create dependency, distort markets and discourage enterprising initiative.

Not only is commercially-minded support necessary it reflects the key principle of **DIGNITY** and a clear departure from charity or aid dependency.

Project design must, like any intervention, reflect the socio-cultural realities of the focus communities, e.g. Islamic attitudes to interest on loans.

HOW?

CAFOD should reconsider supporting ED initiatives unless the proposal demonstrates a real understanding of the nature of ED and the type of support required to achieve desired outcomes. If more conversations are needed with partners or capacity development support, programme staff should consider how to meet those additional support needs before embarking on the venture.

This support should: adapt to the commercial nature of the enterprise; demonstrate an appreciation of and respond in an integrated way to the risks facing the enterprise; outline a long-term and flexible commitment to create viable enterprises and include mechanisms for marginalised people to be directly involved in the design of the enterprise/ initiative.

Project design reflects the nature of the commercial enterprise

CAFOD will engage with enterprises of all shapes, sizes and different stages in their own development (Table 3). Support to ED will need to reflect this diversity. ED Project design and management needs to reflect commercial principals so they are economically viable. This requires an understanding by partners of the likely evolving stages of an enterprise.

Table 3 outlines these stages and maps indicatively how support might evolve from hands-on support and grant finance to facilitative support and cost sharing to arm's length and commercial finance. Grants are best offered with a contribution from the enterprise and its members/owners.

“

On reflection – loans and not grants were better as it meant that the individual had to show their commitment.

”

CAFOD Zimbabwe

Table 3: Stages of Enterprise Development, Key questions and support⁷

Stage	Step	Key Questions	Nature of Support
Idea	The Idea	How will the 'enterprise' contribute to CAFOD programmatic goals? Who? What? When? Where? Why? (Problem Statement).	Strong Partner Involvement. Grant Based but with contribution from Entrepreneurs.
	Market Research	Is there a proven demand and willingness to pay for the goods or service? Who are the competitors? Are there systemic market issues that might hinder your venture?	
	Initial Business Plan	Can we articulate the 'enterprise' activity in a clear and compelling way that summarises both the contribution to CAFOD objectives and also the commercial viability?	
Develop	First Trading Steps	Have you got the people, finance and systems in place to deliver the agreed business plan? Can you manage costs and revenue in accordance with the business plan?	Empowering- greater autonomy. Cost sharing: loan rather than grant.
	Review and Revise	What is performance against the business plan objectives? How could the model be improved?	
	Business Plan	Can you articulate clearly the developmental rationale and the commercial viability? Can you demonstrate that risks are understood and managed and that the model is robust?	
Establish	Transition	Are the human and financial resources in place and are the systems of the enterprise robust enough to cope with 'Start-Up'?	Commercial support. Independent. Loan Equity edging towards commercial terms.
	Start Up	Are all legal requirements fulfilled to establish the new enterprise? Are roles and responsibilities clear and understood by all?	

⁷ Adapted from CARE 2013.

Adequately Addresses Risks Identified

In 3.5 and 3.7 the ED initiative was encouraged to identify risks within the business and also risks presented by the dis-enabling environment. ED project design must respond to these. Failure to do so might be critical to the success of the venture. This does not mean that all risks need to be addressed by the project but that partnerships with, for example, aligned policy initiatives (internal or external) are developed to do so.

Support needs to respond to recognised weaknesses and provide technical and culturally appropriate assistance. For example, training should be appropriate for the recipients with particular care taken to use local languages, visual rather than text-based materials and minimise business jargon. Support should also be carefully sequenced to maximise the outcome. (Case 6).

Case 6: WISE and ED Training, Ethiopia (Capacity Development)

Our programme in Ethiopia are currently using the expertise of a partner, WISE, to support its ED work. WISE traditionally supports the establishment of women-only savings and credit associations helping them both financially and with other technical support too. Here basic business training (e.g. marketing, bookkeeping and business planning) is provided before loans are offered. Further training and mentoring is provided after the loan has been provided. If completed successfully further loans may be offered. The WISE network has grown rapidly and is internationally recognised. Success is based on providing appropriate support to the target audience, e.g. training is provided in 4 key languages, is jargon free and uses drama and role play, pictures and posters. WISE's expertise in training is being used to cascade ED knowledge to partners and their networks.

Long- term and Flexible (realistic commitment)

ED has occasionally been described as the “extreme sports of business”. To be successful requires bravery, commitment and persistence from partners. Do they have the commitment and resources to provide this?

Many businesses will not reach a stage of viability and sustainability for a number of years- often beyond project life cycles. ED requires long-term and flexible commitment.

Hopefully good design will improve the chances of an enterprise becoming viable and independent and contribute to strong developmental outcomes. However for ED it is important that the rationale for support is constantly challenged. The concept of ‘sunk costs’ implies that the decision to continue to fund should not be based on the size of the investment to date. It should only be based on future potential costs/benefits.

Partnership

The capacity of partners was touched on in Section 3.4. ED is a specialist area that will be new to many of CAFOD's existing partners. CAFOD might seek to encourage partners to work alongside those with expertise in this area (Case 6).

“In a number of locations, CAFOD and its partners have formed successful partnerships with other organisations that can provide specialised support either directly to local communities or to partner organisations.”

L Davis 2013.

Another role might be to use the facilitative and convening power of CAFOD and partners/friends to identify market-facing partners who can present ‘patient’ (willing to accommodate, e.g. fluctuations in quality and reliability) customers or partners to new and emerging enterprises.

“

(CAFOD should aim to)... reduce emphasis on subsidies and input-driven approaches.

”

Livelihoods framework 2013

Project Design Strong

Foundational

Participatory design. Support tailored to commercial reality of the enterprise.

Good Practice

Support reflects the stage of the ED and makes direct linkage to market players.

Best Practice

Transition from CAFOD support to commercial support.

3.9. PROGRESS IS MONITORED AND CONTRIBUTES TO LEARNING



Key questions to ask:

- How will enterprise performance be measured and how frequently?
Is there a MEL plan in place?
- Are livelihood outcomes clearly articulated?
- Are core indicators used in the measurement of process and impact?
- Are ambitions to influence systemic market change reflected in the MEL Plan?

(G) Is impact differentiated by men and women?

(G) Is power inequality between men and women captured?

There is no clear framework to monitor the performance of the enterprise.

WHY?

Like any development initiative it will be important to monitor and review progress of ED initiatives to 'improve' CAFOD's practice and 'prove' its impact. At the most basic level it will be crucial to monitor the performance of the enterprise using basic commercial indicators. A more progressive MEL Plan will also seek reassurance that the enterprise is contributing to positive developmental outcomes and also, where appropriate, wider systemic market change.

HOW?

CAFOD should reconsider supporting ED initiatives unless they have a clear and simple articulation of the 'results chain' and a commitment to monitor the enterprise's performance (the Intermediate Outcome).

The minimum MEL requirement for an ED initiative should be the collection of impact data on the performance of the enterprise supplemented by qualitative data of impact at the LT outcome level. Data should be disaggregated by gender whenever possible.

Articulate the results chain

A basic articulation of the link between the enterprise and development outcomes will be important to monitor progress. Table 4 presents an example of a basic results chain, where the Intermediate Outcomes are likely to focus on the development of a sustainable and viable enterprise and, where appropriate, links to systemic market challenges. These reflect 2 of the 4 Aims articulated in J1W. Case 7 highlights how fit and performance are assessed in a Central American initiative.

Intermediate Outcome: Enterprise Performance

Key suggested indicators are:

- *Enterprise Turnover* (versus Budget)
- *Enterprise Gross Profit* (versus Budget and previous period)
- *Gross Profit margin* (versus Budget)
- *Enterprise Net profit*
- *Jobs created*

A number of new ED MEL initiatives have sprung up in recent years. These include: Improve It!⁸, DEDN⁹ and the Market Facilitation Initiative¹⁰. **Tool 15** is drawn from DEDN and suggests a number of indicators that CAFOD partners could consider. Care should be taken not to burden the enterprise with reporting requirements that are not useful for its business.

⁸<http://www.bond.org.uk/pages/improveit.html>

⁹<http://www.enterprise-development.org/page/measuring-and-reporting-results>

¹⁰<http://www.slideshare.net/marketfacil/systemic-mand-e-paper-3oct12>

Table 4: ED Logic Framework/ Results Chain

SPHERE OF CHANGE VISION	SUSTAINABLE ENTERPRISES SUPPORTED	ENABLING ENVIRONMENT ENHANCED
	Just One World	
LONG-TERM OUTCOMES	<ul style="list-style-type: none"> • Marginalised men and women see improvements in their livelihoods and opportunities for advancement through enterprise • Assets enhanced • Resilience enhanced (vulnerability reduced) • Power (voice and influence) enhanced • Gender relationships more equitable 	
	DIRECT	INDIRECT
J1W Aims	Promoting sustainable development	Increasing power and influence
INTERMEDIATE OUTCOMES	<ul style="list-style-type: none"> • Sustainable enterprises are established and making progress towards their goals 	<ul style="list-style-type: none"> • Specific market system failures/blockages are addressed • Increased awareness
OUTPUT	<ul style="list-style-type: none"> • Strong demand for goods and services • Secure supply base • Adequate capital • Strong management • Good governance • Clear plans 	<ul style="list-style-type: none"> • Policy briefs • Position papers • Briefing papers • Facilitated dialogue • Advocacy strategy developed • Networks joined
INTERVENTION STRATEGIES	<p>Pre-support Advice and support to partners eg. in developing a business plan</p> <p>Support</p> <ul style="list-style-type: none"> • Capacity development • Business literacy/ numeracy • Technical assistance • Grants and loans • Mentoring • Monitoring, evaluation and learning (MEL) 	<ul style="list-style-type: none"> • Market analysis and identification of key systemic constraints (business environment) • Technical assistance to address specific market constraints • Advocacy support • Facilitation of engagement and exchange between key stakeholders (networks)

Case 7: Honey Production, ASOMUPRO, Nicaragua

CAFOD Nicaragua has worked successfully with the Women's Farmers Association to encourage the production and marketing of honey. The Association has grown rapidly supported by the success of the venture with over 2000 members organised in 120 groups. Success factors include: very stable demand and prices for the honey; strong management capacity and leadership in place; the availability of technical expertise to support the partners; women members feel responsible to take advantage of the opportunity (not previously enjoyed) to contribute to the family economy and young women attracted to participate. Partners are using eight variables to monitor progress of ED: risk, commercial potential, systemic impact, gender equity impact, impact on the poor, partnerships, fit with CAFOD's mission and values and fit with Country Strategy Paper objectives.

Long-Term Outcome: Enhanced Livelihoods

The desired long-term outcome for ED work will be similar to any CAFOD intervention, e.g. improved livelihoods, enhanced resilience, and more equitable distribution of power. It is suggested that core practice might involve the collection of qualitative case studies, interviews, and focus group insights relating to long-term outcomes.

Good Practice might involve the additional collection of quantitative data and (whilst attribution will be a challenge) an assessment of impacts of systemic market impacts. Changes in the assets and resilience of the poor and marginalised can obviously be recorded in many ways. A recent CAFOD statement¹¹ on Resilience suggested the following indicators:

- Communities have increased their income by X% in Y years
- HH which have reported X% reduction in cases of diarrhoea within the last year? (Children attending school, food diversification).
- Child malnutrition has decreased by X% within target group over the past 2 years.
- Recorded decrease in the hunger period (rural)¹²
- HH report increased in children's school attendance.

Clear MEL System in Place

Foundational

A framework exists to monitor the performance of the enterprise.

Good Practice

Framework uses Core indicators, extends to qualitative analysis of long-term outcomes.

Best Practice

Learning and best practice recorded and used to influence programme cycle.

¹¹ CAFOD 2014b, Organizational statement for resilience and sustainability, Sustainability and Resilience Technical Cluster.

¹² See 'CAFOD Draft Livelihoods Indicators List' for more ideas.

Section 4: Frequently asked questions & References

4.1 FREQUENTLY ASKED QUESTIONS

Are there any enterprises that CAFOD should not work with?

CAFOD states that it will only work with enterprises where a strong social objective is evident.

Whilst there is a preference to work with organisations with a primary social objective (such as group-based enterprises, cooperatives or social enterprises) it will work with privately owned enterprises where there is a clear impact on poor and marginalised people (employees, suppliers and consumers).

CAFOD is also clear, however, that it wants to work only with enterprises that cannot gain support from commercial sources (e.g. banks). Social enterprises with low capital bases or collateral are more likely to find it hard to raise funds than privately owned enterprises.

The capacity of our existing partners in ED is relatively weak, does this mean we don't do ED?

CAFOD is a partnership organisation. We have incredibly strong relationships with a number of partners across countries and thematic areas. This will not change.

Where an existing partner wishes to work more extensively in ED, CAFOD will attempt to support them (within resource constraints). In some cases CAFOD may suggest that the partner organisation considers working with another agency with a strong focus on ED – as in Zimbabwe:

"As a result of our introduction SNV and Caritas Mutare have engaged directly. SNV values Caritas' community relationships and Caritas value SNV's enterprise development expertise."
CAFOD Zimbabwe.

In countries where other partners exhibit expertise in this area, CAFOD programme staff should consider linking partners so as to foster collaboration in capacity development. It may be that CAFOD develops new partnerships with agencies that are active in the ED space where a strong need for such a partnership is articulated.

CAFOD works with the poorest! ED is for wealthier sections of the community!

Poor and marginalised people engage in markets on a daily basis- as suppliers, consumers or perhaps workers. Some might even be enterprise owners either in the informal or formal sectors or participate in group-led enterprises such as cooperatives.

CAFOD partners should, however, be clear about how the enterprise impacts the most marginalised either directly or indirectly (see section 3.1 for more details). Of particular interest here is how the enterprise engages with women (and can contribute to a more equitable distribution of power between men and women and other marginalised groups). Programme staff may suggest to partners to mix participant groups when focusing on the poorest will jeopardise the viability of the enterprise.

What is unique about CAFOD's approach to ED?

CAFOD is clear about the basis for engaging with enterprises to further its vision (Just One World). Our approach to ED will focus on the poorest, seek to enhance their asset base and their ability to influence the world around them. We will focus on ED where we can add real value and where other agencies or commercial enterprises offer inadequate support.

CAFOD wants to support the work of partners where it can have the greatest value added. This means supporting the work that other donors or commercial enterprises do not want to support (perhaps the environment is particularly challenging, or risks too high to carry). Programing should complement existing CSP priorities and perhaps existing policy objectives. Ideally it will be innovative and contribute to learning.

It maybe that CAFOD seeks to partner with other agencies who complement CAFOD's approach. For example, CAFOD's explicit desire to work with the poorest and most disadvantaged communities will see it focus on weaker or 'early stage' enterprises requiring more intensive and direct support. We recognise that the return to these enterprises may take longer. As these enterprises become more established and the support required more 'commercial' CAFOD may see its role as facilitating linkages with other actors (including commercial actors) better able to provide appropriate support to the growing business.

We don't have the expertise for ED! So why are we getting involved?

Many of our existing livelihoods projects involve the poorest people in market-based initiatives. We need to improve and sharpen our work in this area to increase our impact.

Many poor countries are seeing opportunities for local economic development. How can we help people benefit from this opportunity? How can we help create local economic development that benefits those most in need while conserving the environment? ED plays an increasingly important role in finding answers to these questions.

CAFOD has a moral imperative through CST to work with partners who have a strong commitment to and capacity in ED to meet this challenge. For this we can join forces with others who have more expertise in the area and share our values.

"We acknowledged that our capacity in this area was not as strong as it needs to be and now work with partners like SNV. There is great value in their understanding of market-based approaches. We and partners are learning a lot."

CAFOD Zimbabwe

4.2 REFERENCES¹³

CAFOD (Undated) Business Management Training Handbook

CAFOD 2010. Just One World <http://www.cafod.org.uk/curation/search?SearchText=just+one+world&SearchButton=>

CAFOD 2011. Thinking Small 1: Why poor producers and small business owners may hold the key to a sustainable recovery. A CAFOD discussion paper. <http://www.cafod.org.uk/Media/Files/Resources/Policy/Thinking-small>

CAFOD 2013a. Thinking Small 2: Big ideas from small entrepreneurs. Understanding the needs and priorities of small-scale farmers and business owners. <http://www.cafod.org.uk/Media/Files/Resources/Policy/Thinking-small>

CAFOD 2013b, Promoting Gender Equality, CAFOD's Policy and strategy: Just one World.

CARE 2013c. Initial Learning and Guidance: Embarking on Social Enterprise Initiatives, CARE Enterprises.

CAFOD 2014a, Mango's Health Check. How healthy is financial management MANGO 2014.

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CRS, USAID and MEAS, 'Skills Farmers Need for Organizing and Managing groups' <http://www.crsprogramquality.org/storage/pubs/agenv/skills-farmers-need-for-organizing-andmanaging-groups.pdf>

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PhilSEN 2009. Social Enterprise Quality Index (SEQI)

Trocaire 2014, Gender and Livelihoods Analysis: A guidance note to assist programme staff in the appraisal and/ or review of new or existing livelihoods projects or PPDS from a gender perspective.

Trocaire 2014. 'How to' Guide to Managing Economic Empowerment Projects.

¹³These resources are available upon request and on the livelihoods COW.



Section 5: Enterprise Development Toolkit

INTRODUCTION

This section complements the [CAFOD Guide to Enterprise Development](#).

It seeks to provide a number of practical tools to assist CAFOD Programme Officers and their partners to design and implement good 'Enterprise Development' initiatives.

This section contains illustrations of excel spreadsheets which can be found in their working format in a separate excel file.



Tool 1: Stakeholder Analysis

"Stakeholder management is critical to the success of every project in every organisation I have ever worked with. By engaging the right people in the right way in your project, you can make a big difference to its success... and to your career."¹⁴

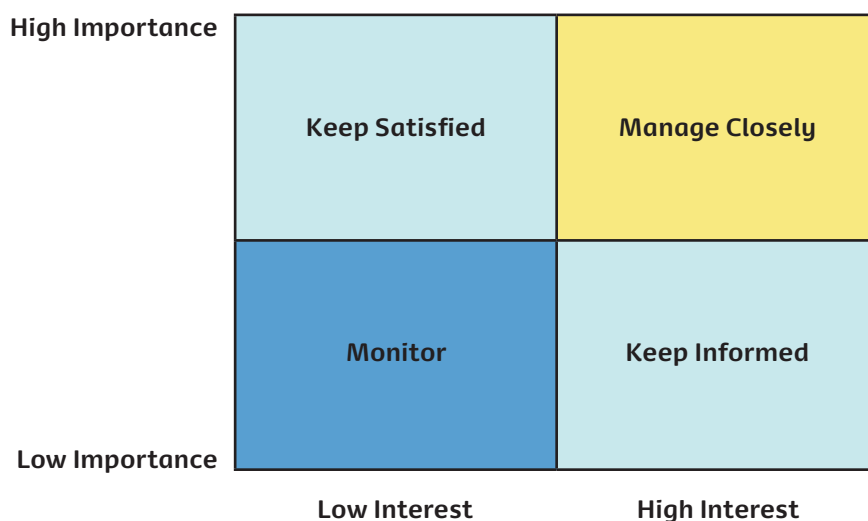
- List key stakeholders who will be affected or affect the outcome of the ED initiative;
- Assess their Interest and Importance in the outcome of the ED initiative;
- Use table below to assess and monitor stakeholders through the life cycle of the project;

What is the Project?

To launch a successful Enterprise that achieves XYZ.

Name and Contact	Organisation	What is their 'Interest' in the 'project'?	What are their expectations of involvement?	Interest in the 'project' (out of 10)	What do we need from them (for the 'project' to be successful)?	What are the risks (to the project) if they are not involved?	Importance to the 'project' (out of 10)	Analysis: Manage closely/ Keep satisfied/ Keep Informed / Monitor	Current Status: Advocate, Supporter , Neutral, Critic, Blocker:	Desired Status: Advocate, Supporter , Neutral, Critique, Blocker:	Strategy

- Map stakeholders using simple matrix below and prioritise;



- Define each stakeholders' current and desired status;
- Agree strategy to move from current to desired status.

¹⁴ http://www.mindtools.com/pages/article/newPPM_07.htm



Tool 2: CAFOD Simple Gender Checklist

The following table outlines a number of key gender dimensions and related questions to help prompt constructive discussions about the impact of an initiative on men and women and the nature of the relationship between them.

It has been prepared by the CAFOD's gender adviser.

Themes	Key Questions
Activities	1. Who does what?
Access to resources	2. How? With what?
Ownership of Assets	3. Who owns what?
Obligations	4. Who is responsible for what?
Claims/rights	5. Who is entitled to what?
Income/spending	6. Who controls what?
Power	7. Who decides what?
Distribution	8. Who gets what?
Redistribution	9. Who gains- who loses?
Rules/Norms/Customs	10. Why? What is the basis for this situation?



Tool 3: Brainstorming ED Impacts on Assets

The following list of questions is offered as a starting point for discussions between CAFOD and its partners on the impact of an ED initiative on the Livelihoods (particularly economic, social and environmental assets) of the target population.

It is by no means a complete list but might help to stimulate discussion and unearth areas in the proposal that could be strengthened.

Economic

- Are the positive economic /financial benefits to marginalised people articulated clearly?
- Does the enterprise distort the market- to the detriment of others (end up supporting one enterprise but damaging others)?
- Are short-term benefits achieved at the expense of higher medium term risk?

Social

- To what extent does the enterprise affect relations within the local community?
- If the enterprise is collectively owned- how democratic or inclusive and transparent is the group?
- Are there opportunities for women to benefit (materially or strategically)?

Environmental

- Does the enterprise require water? Is this supply reliable and secure? Does the use of water by the enterprise impact other people's access to water?
- Waste, what happens to it?
- Policy on use of toxic chemicals etc...?
- Has energy efficiency been considered?
- Minimisation and management of pollution/waste?
- Impacts on soil health (e.g. does the project jeopardize soil quality through the extensive use of chemicals?)
- What models of production (agricultural, fisheries and pastoral) are being employed and do they contribute to increasing resilience and sustainability?



Tool 4: Thinking about Vulnerabilities and Building Resilience into ED Design

The following tool has been taken from CAFOD's resilience and sustainability statement. This document outlines a basic tool that can help to identify how an ED initiative will affect¹⁵ CAFOD programmes and policy work should build resilience and sustainability by ensuring that vulnerability and hazard (risk) assessments are part of the project planning process; ensuring that projects evaluate the wider environmental, economic, social and political risks and the opportunities of their specific local context, and responding to them effectively, which requires the engagement of communities.

Principles for project design

To help us do this there is a simple checklist of guiding principles for projects and programmes that aims to build resilience. These principles are not necessarily new but specific processes should be developed to ensure they can be applied and monitored:

1. The programme design and interventions are socio-ecological systems-based, i.e. recognise the interdependence of human and ecological systems, and address both current and future needs.
2. Conducted in partnership with local institutions, civil society organisations and affected communities and networks, and where appropriate the private sector.
3. Strengthen the participation and agency of people at risk by being firmly anchored in local realities and perspectives, acknowledging the power relationships and vested interests which impact upon that local context. Enhance people's voice and ability to shape their own futures.
4. Increase understanding of the hazards, exposure, vulnerability and capacity, drawing and building on diverse sources of knowledge and information.
5. Conflict-sensitive through understanding the local power dynamics and the complex and interconnected nature of risk in socio-ecological systems. Understands and manages risks, mitigating unintended negative consequences, and trade-offs in a clear, conscious and fair way.
6. Invest in relationships with local actors, remaining engaged and collaborate with communities and other actors for the long-term.
7. Accountable to our partners and communities that are recipients of aid, as well as more broadly to all stakeholders impacted by the programmes (including future generations).
8. Connect with, support and influence relevant national, regional and international institutions, frameworks and agreements on policy development, technical support and financial aid mechanisms.

Context analysis and conceptual framing

Social Vulnerability

Resilience building is context-specific. People living in poverty have varied needs and wants, live in varied contexts and are faced by a varied range of threats. Put simply, the specific resources that enable a person or community to anticipate, absorb and recover from stresses will depend on their natural and socio-cultural context: this includes the formal enabling environment (e.g. laws, governance, policies and availability of services), but also socio-cultural elements (such as group and gender relationships, capacities and skills and preferences for particular products and services) and also context-specific environmental stresses and availability of natural resources.

Therefore a holistic analysis of the local context for any intervention is essential. This should examine the enabling environment, including the socio-cultural and the environmental context. The aim of an analysis is to answer the questions - resilience of what (who) and to what?

¹⁵ Adapted from CAFOD 2014b, Organisational statement for resilience and sustainability, Sustainability and Resilience Technical Cluster.

At CAFOD we already have a tool that has been designed to help us have this discussion with partners. It is called the **Vulnerability and Analysis tool**¹⁴.

It is a simple framework that prompts partners to analyse the social, environmental impacts now and in the future on 4 Ps:

- Participation
- Protection
- Power
- Priority Groups (a cross-cutting issue)

Once the main drivers of change or vulnerability have been identified, it may be possible to design an integrated and transformative approach. An integrated approach may be combining agricultural methods with ideas from DRR and peacebuilding. It is useful for us, and to communicate our ideas to others, to design a conceptual framework that visualises how core approaches (identified during the initial assessments) will link together for resilience building.

Figure 1 provides an example of a conceptual framing for resilience and sustainability.

Integrating Resilience and Sustainability

CAFOD's approach to resilience and sustainability builds on our global work in 4 closely related and integrated thematic areas – water, DRR, environment & Livelihoods. Resilience is context-specific and so each region should develop their own approach that enables the people we work with to be more resilient to shocks and stresses while ensuring our programmes are sustainable.

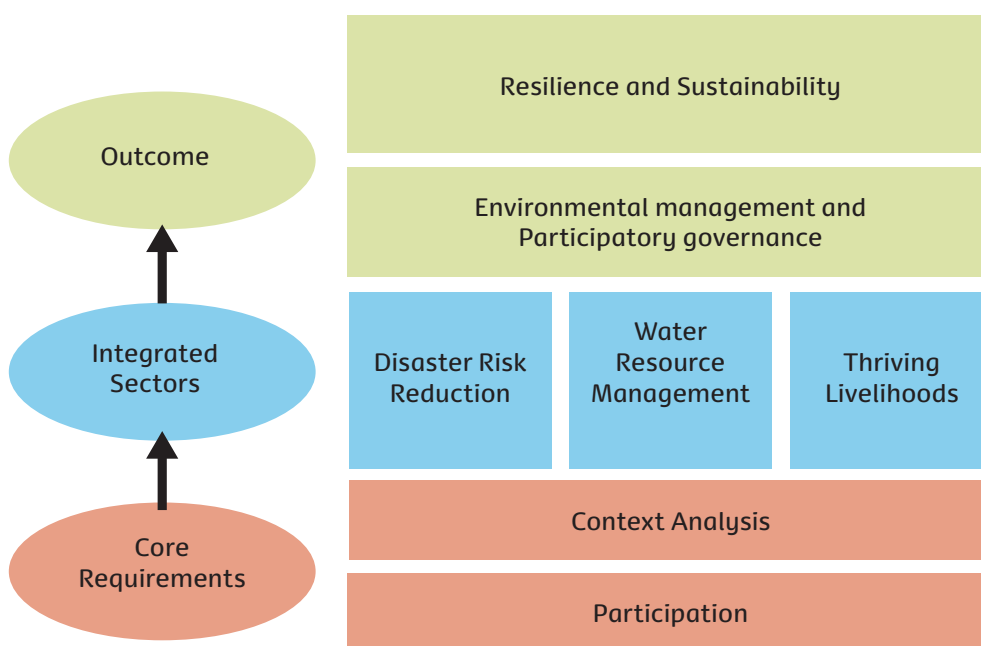
Understanding resilience and sustainability:

- Resilience is the ability to anticipate, absorb and recover from shocks and stresses.
- Resilience and sustainability for CAFOD is an analysis lens, not an outcome per se. Undertaking a resilience and sustainability analysis helps partners to both understand the drivers of poverty and disempowerment for communities and design a response that reflects interconnected nature of these challenges.
- A resilience and sustainability analysis should be integrated and interdisciplinary. For example a food security programme in the Sahel may need DRR, water management, agricultural and environmental management skills to address the core problem.
- Resilience and sustainability analysis can support climate change adaptation.
- Sustainability is the protection of community assets (human, social, physical, natural and financial) for future generations. This includes any assets that are gained by the community in development processes, CAFOD should ensure that all assets benefit current and future generations.

¹⁴ This tool is used widely at CAFOD and is available on sharepoint.

- Resilience must be understood in the context of wider economic, social and environmental externalities. These issues will impact on the sustainability of interventions.
- An integrated analysis at the programme design stage will help capture the multifaceted nature of the problems faced by communities which can then lead to integrated responses.

Figure 1: An example of a conceptual framing of resilience and sustainability.





Tool 5: Competitor Analysis

The following two tools seek to provide a simple framework in which the strength and nature of competition to the enterprise can be assessed. Understanding competition to an enterprise is clearly important in assessing its chances of success.

Simple

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

- List your major competitors;
- List what you believe to be the key competitive factors facing your enterprise (e.g. price, quality, location, service, reliability, packaging etc.);
- Assess how important each of these factors are to your existing and target consumers;
- Assess how you perform against each criteria (describe your product, highlight it as a 'strength' or 'weakness' (perhaps seek a third party input);
- Now analyze each major competitor. In a few words, state how you think they compare.
- In the final column, estimate the importance of each competitive factor to the customer: High, Medium or Low.

Table 1: Competitive Analysis

FACTOR	Your Enterprise			Your Competition		Importance to Customer (High/ Medium/ Low)
	Describe Factor	Strength	Weakness	Competitor A	Competitor B	
Products						
Price						
Quality						
Selection						
Service						
Reliability						
Stability						
Expertise						
Company Reputation						
Location						

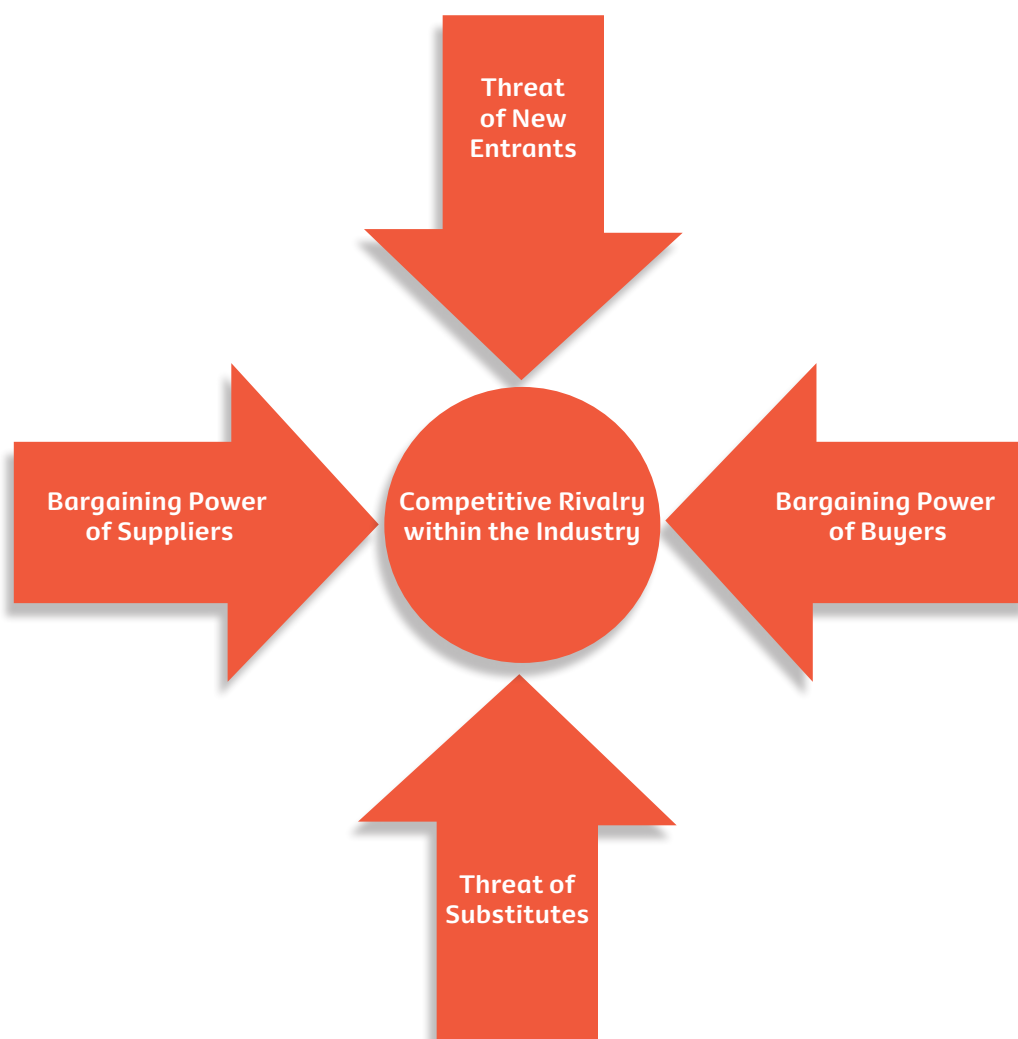
It is not necessary to plough through the whole process but it is possible to use the logic to have a conversation with the entrepreneur and raise awareness of the impact of the competition.

Advanced Tool:

For a more sophisticated competitor analysis you could consider **Porter's 5 Forces**. Porter was a Professor at Harvard Business school who produced a seminal paper entitled "The Five Forces that Shape Strategy"

His theory was broadly that there are a number of competitive forces that you need to consider:

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



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

- Positions the enterprise where the competitive forces are weakest;
- Exploit changes in the forces (e.g. acknowledge a significant trends and get ahead of the competition)
- Reshape the forces in your favour e.g.
 1. Neutralise supplier power by identifying other suppliers
 2. Offer added value to customers to make defection harder
 3. Enhance products to differentiate from existing competitors
 4. To scare off new entrants increase fixed costs of competing e.g. increase R&D
 5. To limit threat of substitutes and offer new mechanisms to buy products

Links:

Porter, M. 2008. The Five Competitive Forces That Shape Strategy, Harvard Business Review.
<http://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy/ar/1>



Tool 6: Context Analysis using the SWOT and PESTLER

The following two Tools (SWOT and PESTER analysis) are designed to help CAFOD and partners better understand the context in which they are situating an initiative and thereby enabling the design to respond to better reflect this context. The first is a simple SWOT analysis the second is an established CAFOD tool, the PESTLER.

SWOT

The SWOT analysis begins by conducting an inventory of *internal strengths and weaknesses in your organisation*. You will then note the external opportunities and threats that may affect the organisation, based on your market and the overall environment. Don't be concerned about elaborating on these topics at this stage; bullet points may be the best way to begin. The primary purpose of the SWOT analysis is to identify and assign each significant factor, positive and negative, to one of the four categories, allowing you to take an objective look at your enterprise.

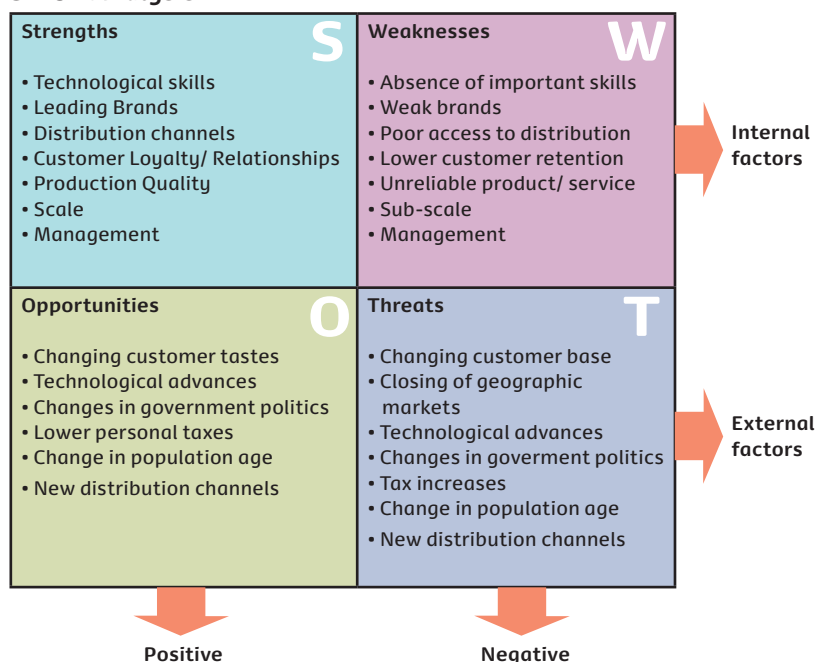
- **Strengths:** describe the positive attributes, tangible and intangible, internal to your organisation. They are within your control. What do you do well? What resources do you have? What advantages do you have over your competition?

- **Weaknesses:** are there factors that are within your control that detract from your ability to obtain or maintain a competitive edge? Which areas might you improve?

- **Opportunities:** assess the external attractive factors that represent the reason for your enterprise to exist and prosper. These are external to your enterprise. What opportunities exist in your market, or in the environment, from which you hope to benefit?

- **Threats:** include factors beyond your control that could place your marketing strategy, or the enterprise itself, at risk. These are also external – you have no control over them, but you may benefit by having contingency plans to address them if they should occur.

SWOT Analysis



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

PESTLER: SITUATION ANALYSIS

Situation analysis focuses on capturing information about local and national contexts, including the Government and donor policy environment, together with what local government, private sector, local civil society actors and sister organisations are doing.

PESTLER is an acronym for:

P	political
E	economic
S	social
T	technological
L	legal
Env	environmental
R	religious

These headings are simply prompts to frame the analysis.

When should a Situation Analysis be carried out?

An initial data gathering exercise is carried out in the analysis stage of developing any programme or project. When development moves into the designing exactly how the programme or project will be implemented then a more specific and in-depth analysis is needed with respect to the proposed programme goal and anticipated programme outcomes.

How to use this tool

Step 1: Before using this tool, the following must be considered:

- How to structure the analysis to give it focus and depth?
- Which “headings” are most relevant? This will depend on the nature of the problem / opportunity and the changes the programme is designed to bring about.
- What areas to focus on within one or two broad headings? *Examples: A Sustainable Livelihoods programme might want to look at the current situation and any anticipated changes in source and provision of agricultural extension information (technological changes).*
- Where information needed might be found?
- Who will inform the analysis?
- How information can be cross-checked or validated from less well know sources? *Examples: you may need information on particular laws, policies or regulations which you may not be familiar with. This may mean you may need to access a stakeholder or ‘expert’ that you don’t normally talk to such as a Chamber of Business, an academic or a legal adviser.*

Step 2: Obtain a clear understanding about the goal of the programme. It is important the goal is described in clear terms in view of target group, geographical location and content.

Step 3: For each of the PESTLER heading chosen ask, “What are the opportunities under this heading towards the programme goal”, rather than “What are the threats towards the programme goal”?

Step 4: Then bring the element of gender into the picture. Is there a fundamental difference for men and women?

Step 5: Draw conclusions e.g. how will this be incorporated into the design of the programme? How will this be put into action?

Tool 7: **Mapping the Market**

The following Tools draw directly on the Practical Action's¹⁷ Market Mapping Guide to help understand the nature of markets. The first introduces the Market Map concept and the second outlines how to conduct a workshop.

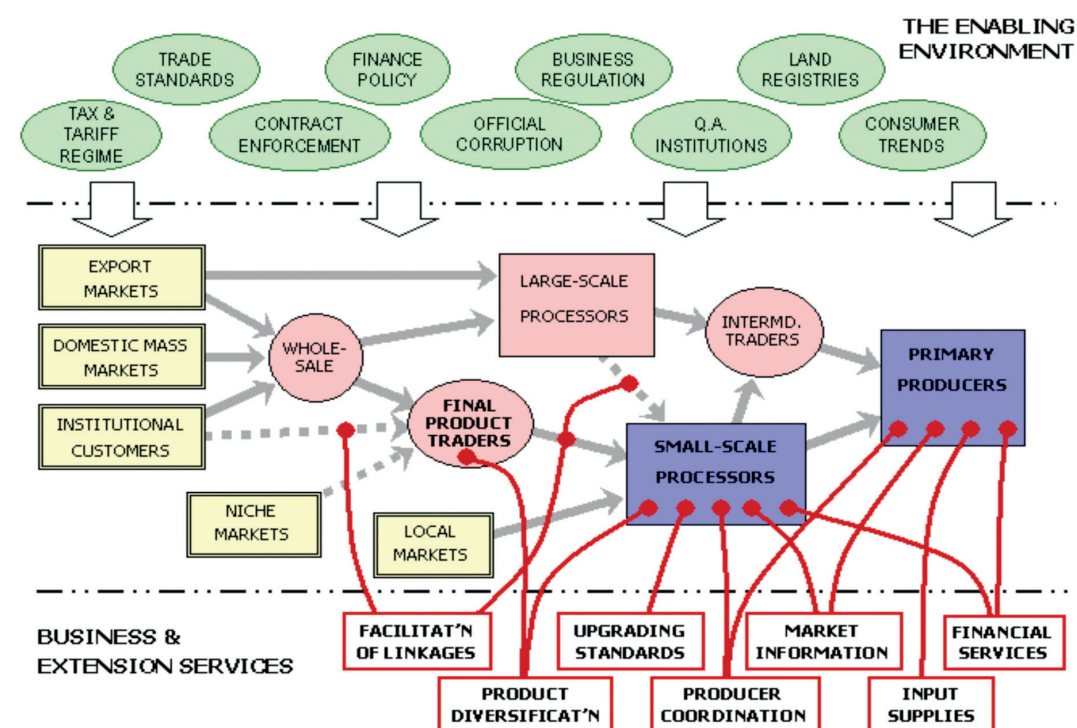
The Market Map

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

- **Market chain:** the chain of actors who own the product as it moves from primary producers to final consumers. For example, seeds, traders, processors, exporters, wholesalers and retailers.
- **Input/service providers:** the actors who provide inputs and services that support the market chain actors' operations. For example, fertiliser and tool distributors, microfinance institutions, banks, transporters, business advisors, agricultural research institutions, packaging designers and cooperatives providing health or education services.
- **Enabling environment:** the critical factors and trends that shape the operations, investments and decisions of market chain actors and input/service providers, and that are beyond the direct control of any given actor in the market system. For example, tax laws, attitudes towards gender, road conditions, soil quality, rain patterns, telecommunications, agricultural and extension policies, quality standards, business ethics, and government transparency and accountability."

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

The Market Map (a generic schematic)



¹⁷ <http://practicalaction.org/market-mapping>

Mapping the Market Workshop: A Roadmap

The following is a workshop outline developed for a particular CAFOD initiative. It draws on the Practical Action's framework:

Objective

To rapidly map the market in which the enterprise is situated. This map should cover the stages and actors in the value chain, the enabling environment and those business and extension service available to the actors in the value chain to provide context for the 'enterprise' assessment, guide and shape future thinking.

Who?

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

What?

Pre-Workshop Preparation: Whilst the workshop is designed to rapidly map and assess the market in which the enterprise sits and is designed to provide a space for key stakeholders to inform the discussion, preparatory reading of existing documentation is important to inform the workshop facilitator. Existing project reports, evaluations, value chain analysis, government policies and items of news relating to the market will all be of value.

Ask participants to describe the focus value chain. Start from each end (e.g. Farmer/poor to consumer) of the value chain and then work in;

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

Identify knowledge gaps (as you go along) and if possible, list on other sheet of flipchart paper.

When the initial map is complete review it to:

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

Thank participants for their time and confirm that you will send them a copy of the workshop's report.

How?

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

Open room circle of chairs or a couple of big tables (ensure stakeholders mix on tables).

State the objective.

Place 4 x flip chart sheets on the wall to form a large square.

Divide 'sheet' into 3 horizontal rows.

Use post-its to describe each stage in the value chain (or element of the enabling environment and supporting services).

Put other flipchart paper on a stand or on a wall to record knowledge gaps and key constraints.

When?

It is suggested that this session helps to set the context for the enterprise assessment and should therefore take place early in the process.

Time

Approximately 2 hours.

What you need?

- Pad of flipchart paper
- Masking tape
- Blue tack
- Post-its (3 colours if possible)
- Some sticky dots (optional)
- Beans (for basic ranking exercise)

Write Up

Write up or photo flipcharts to capture key data and share with participants. Include as an annex to the enterprise report. Then use this information to integrate into project design. Who are the stakeholders you need to engage with? Which are the weakest links in the market? What are the advocacy pinch points? What further information do we need to gather?



Tool 8: Who is an Entrepreneur?

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

Who Is An Entrepreneur?

A person who:-

- Identifies or perceives new business opportunities in the environment;
- Analyses how his proposed goods / services could best meet the unsatisfied market need;
- Sets-up a business enterprise or corporate vehicle to carry out the business;
- Mobilises the necessary resources (money, materials, machinery, labour management, technology etc.) to implement projects;
- Manages and converts these resources into goods / services for sale to customers / users for profit.

Qualities of entrepreneurs

- Self-confidence
- Goal setting
- Calculated risk-taking
- Ability to scan environment
- Feedback seeking
- Internal locus of control
- Tolerance for ambiguity
- Concern for excellence/perfection
- Long term involvement/ongoing concern
- Organised
- Capable of analysing the BEE, risks and opportunities.

The main defining qualities of entrepreneurs

There are four main defining qualities of entrepreneurs:

- Strong need to **compete** with others (want to do things better than others and is indicated by a strong sense of competition i.e. being the best in what they do).
- Need to meet self-imposed **standards** of excellence – they have their own standards of excellence.
- Need to seek **long-term** benefits (working hard to improve one's own skills or achieve career success. Desire for long-term involvement i.e. they look far into the future not just the short- term).



Tool 9: Group Maturity Index (GMI) Tool

TOOL 9: GROUP MATURITY INDEX (GMI) TOOL

This Tool is already used within CAFOD (e.g. Zimbabwe) and helps CAFOD programme staff and partners to assess the strength of groups. Group-led enterprises have a huge potential in so far as efficiency and scale. Groups help spread risk and pool resources and can be a vehicle for strengthening community ties, mitigating conflict and maximizing cooperation. The following tool helps you to understand and monitor group-led interventions.

Section A: Group Identification & Member Demographic Information									
Date:	A1 - NGO Name	A2 - District		A3 - Ward No.	A4 - Facilitators' Names				
A5 - Group's Name		A6 - Group Type (tick appropriate)		1 = ISAL	2 = ISAL/IGA	3 = IGA	4 = Garden		
				5 = Farmer	6 = Support Group	7 = Health Club	8 = Other - specify		
A7 - Year group was formed (state reason if group was dissolved at some point)									
A8 - Membership		Total		# Below 20 years		# 20 - 49 years		# 50 - 65 years & above	
				# Males	# Females	# Chronically Ill	# Disabled	# Widowed	

Section B: Group's Vision and Objectives

1. How was the group formed – Whose idea was it? What then happened to advance this idea up to today?

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

2. Why was the group formed?

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

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

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No objectives	Objectives not clear	Objectives not shared/common	Objectives clear and shared	Objectives very well defined and articulated and shared

4. Does the group have a plan to meet its objectives?

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No plan	Some kind of plan but very sketchy	A plan is in place but lacks clarity	Well defined plan in place	The group has a well-defined local plans in place and implementing accordingly

5. How aligned are the group's activities to the objectives. **(Facilitator's Judgement)**

0 = No alignment	1 = Low	2 = Average	3 = High	4 = Excellent
No direct relationship exists	Some few broad activities aligned	Most broad activities aligned	All broad activities aligned but some few new ones not	Activities are highly aligned to the group/s objectives

Section C: Governance Issues

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

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No constitution drafted nor discussion of rules	Unwritten or sketchily drafted constitution not very clear to members	Unwritten/draft constitution but clear to members	Well written, clear to members & certified by authorities	Well-crafted with technical support, clear to members and certified by authorities

2. Level of adherence to, and enforcement of constitution

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No adherence or enforcement at all. No constitution	Low adherence and enforcement	Selective adherence & enforcement	High levels of adherence and enforcement	Total adherence & enforcement

3. Does the group have a leadership structure?

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No leadership structure	Ad-hoc and individualistic leadership structure	Leadership structure in place but members not clear about roles	Leadership structure in place & members in the process of undergoing capacity building through some technical support	Clearly defined, agreed and functional leadership structure in place

4. Selection of leaders etc.

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
Dictatorship				Democracy/ transparency/ participation

How much training, capacity building and technical support were received by the group leadership since its formation? (Time line since group formation –

Group leaders only are asked this question)

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No training or capacity building was received by any of the group members	Very limited training or capacity building was received by the group members/by few members	Training and capacity building was received for some of the required skills and knowledge / for some members of the group	Group members received most of the relevant and necessary training and capacity building	All the required and relevant training or capacity building was received by any of the group members

5. Level of knowledge of leadership & management (Rated after reviewing records & systems of group – Leadership discussions)

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No knowledge of leadership & management as evidenced by records and systems that don't function	Poor level of knowledge on leadership & management as evidenced by records existing but not properly kept.	Good knowledge of leadership & management as evidenced by good records and systems existing though still needing improvement	High knowledge of leadership & management evidenced by good records and systems existing needing only minor improvements	Excellent knowledge of leadership & management

6. Level of consultation of members in decision making & planning (Asked to members only).

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No Participation at all	Low levels of participation and consultation	Average levels of participation and consultation	High levels of participation and consultation	Excellent levels of participation and consultation

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

0 = Poor	1 = Low	2 = Average	3 = High	4 = Excellent
Yes – all the time. Group cohesion & conflict management are still problems still a major problem	Group cohesion & conflict management are still problems most of the time.	At times - group cohesion & conflict management is sometimes an issue.	Rarely. group has high level of cohesion & good conflict management	Not at all and at no time. Excellent levels of cohesion and conflict management

7. Levels of transparency & accountability (Group members only)

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No transparency & accountability/ many cases of corruption	Low levels of transparency & accountability/ frequent cases of corruption	No transparency & accountability/ few cases corruption	There are rare cases of corruption i.e. high transparency & accountability	High levels of transparency & accountability/ no corruption at all

Section D: Resources and Resource Mobilisation

Resource mapping & weighting. Resource Sources & weighting. Conclude by "What if source dries up....?"

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
All resources weighted above 20% are still from outside the group and no alternatives exist to replace external support.				No resource weighted above 20% is from outside the group and external support is regarded as not necessary.

Asset and capital ownership (for assets & equipment relevant to the type of group) over time. (Time line since group formation)

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No assets	Group has/owns very few of the assets it requires	Group owns about half the assets it requires for its activities	Group owns most of the required assets	Group owns all required assets

Maintenance and stewardship of resources (**Ask & also find time to inspect the condition of the group's assets and if there is a plan for maintenance and sales of these**)

0 = None	1 = Poor	2 = Average	3 = Good	4 = Excellent
There is no maintenance & stewardship of resources by the group out of incompetence/ lack of organisation	There is poor maintenance & stewardship due to limited resources	There is improved maintenance & stewardship of resources by the group	Good maintenance & stewardship of resources by the group	Excellent maintenance & stewardship of resources by the group

Section E: Group Systems

1. The standard of the group's activity reports, minutes ...(**The documents are requested & asked from leaders only**)

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No records exist	Some kind of records but difficult to follow	Some minutes and records not complete	Minutes exist but some not up to date	Minutes of transactions (meetings etc.) exist and these are up to date.

2. The standard of the group's records – financial/asset inventory records, (**The documents are requested & asked from leaders**)

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No records exist			Minutes of transactions (financial) exist and these are supported by essential support documents (receipts) including asset inventories	

3. Who are the group's key stakeholders and how do they interact with them? (**Stakeholders include key market players.**) Give higher rating to groups that facilitate interaction with stakeholders on their own than with the aid of support organisations.

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No interaction exists between the group and its stakeholders				There is evidence of high and beneficial interaction with stakeholders and the group.

4. Does the group regularly monitor, evaluate, reflect, review progress and impact of its activities and use the results/information to refine the way they do things?

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No monitoring and no review and reflection in place				A detailed and regular monitoring & review and reflection process is in place and the group learns from it to refine their operations.

Section F: Intervention Impact

Level of achievement of group's objectives. (Pull out the group's Vision, goal and purpose once more and go through each)

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No objective has been met up to date and evidence suggest that meeting objectives will remain difficult				All objectives are being met and all members are satisfied with the benefits

What have been gained by the group as a result of the group's existence? (**Only group members answer this question**)

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No benefits up to date and evidence suggest no benefits in the near future				All members are getting expected benefits and additional benefits

What have been gained by the **Individual members** as a result of the group's existence? (**Ask Group members answer only**)

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No benefits up to date and evidence suggest no benefits in the near future				The group individual members are getting expected benefits and additional benefits

What has been gained by the **Community** as a result of the group's community responsibilities?

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No benefits up to date and evidence suggest no benefits in the near future				The community is getting expected benefits and additional benefits

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No link with wider community				Constantly engaged in events/activities that are beneficial to the wider community

Are you happy to be in this group? **(Asked only to group members)**

0 = Not at all	1 = Slightly	2 = Average	3 = Happy	4 = Very happy
No satisfaction.	Some satisfaction but mostly not satisfied	Mostly satisfied but substantial frustration still exist	Satisfied	Greatly satisfied.

How has the attendance rate turnover in membership been? **(This is asked only to leaders)**

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
Participation and attendance of group activities is very poor. Turnover is very high.				Participation and attendance of group activities is very high. Turnover is very low, minimal or only through death.

Group savings and investments

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No savings at all. No investments	Savings & investments exists but less than 25% of planned, targeted or budgeted	Between 25 & 50%	Between 50 & 75%	High savings & investments of above 75% of planned, targeted or budgeted.

Analysis of trends in crisis situations and how the group overcame shocks. Or do they have a plan & strategy to deal with shocks.

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
Group is not resilient and is incapable of adapting to changing situations.				Group is highly resilient and adapts very well to changing situations.

1. Do you see any positive differences in yourself and your peers who are **not** in the group

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No difference is seen at all				There is evidence members are far ahead of their peers.

2. Level of innovation and diversification of group's projects

0 = None	1 = Low	2 = Average	3 = High	4 = Excellent
No diversification & current activities are not being modified to adapt to changing times				More projects have been added on top of the original and the original project has also been greatly modified

Section G: Group's own rating & perception of its growth, maturity & sustainability

What's your perception on what stage of growth, maturity & sustainability the group is currently on? Give reasons why you think your group is at this stage

1 = Infancy/Formation	2 = Growth	3 = Mature	4 = Sustainable
Reasons			

How long did the group take to go through each of the stages it has passed through so far? (Record in months for consistency)

1 = Infancy/Formation	2 = Growth	3 = Mature	4 = Sustainable
Duration (Convert to months)			

THE FACILITATOR CAN REFLECT BACK ON THESE SCORES AND FEEDBACK TO THE GROUPS AS TO THEIR WEAKEST AREA



Tool 10: Analysing the Business Environment

The point of any Business Environment (BE) analysis /BE scan is to get a broad and strong understanding of the issues within the BE that may impact on small businesses in your ED project. There is no right or wrong way to do this though the tool below draws on the PESTLER analysis in tool 7 and provides one method that may be useful to you.

Remember:

The enabling environment: The set of policies, institutions, regulations, support services, social norms and other conditions that collectively improve or create a general business setting where enterprises and business activities can start, develop and thrive.

WHO SHOULD LEAD THE PROCESS?

Any BE scan should be done in close partnership with the businesses or market actors that you're working with. CAFOD can play a role in facilitating this process, but ideally should empower partners and programme participants to take the lead so that they own the process, the analysis and the next steps.

Who leads depends partly on an intervention. If for example you were supporting a partner who works with one cooperative, it would be valuable to capacitate cooperative leaders to play a lead role in this. If you are doing a value chain or PMSD project, the partner could play a key role in facilitating the process, linking various stakeholders and working with them to understand joint priorities issues and strategies for tackling constraints (and possibly a joint advocacy strategy where there is a common interest in changing a particular issue). The Livelihoods adviser, Economic Justice Policy Analyst could discuss these options further with you.

HOW TO ANALYSE THE BUSINESS ENVIRONMENT:

- Step 1: Preparation (decide on methodology and identify relevant stakeholders)
- Step 2: Gather information (PESTLER or situational analysis tool may be useful)
- Step 3: Decide course of action

STEP 1 - PREPARATION

In step one you need to prepare for your BE analysis. Here you need to decide on the methodology you'll use for your BE scan and identify stakeholders that you will include in the process.

Methodology / format

Within step 2 you will find a list of questions that will help you to analyse the BE. There are three methodologies that can work to help you find the answers to these questions and in this preparation phase you will need to choose which is the most suitable to your context.

PMSD workshop: PMSD (Participatory Market System Development) is a process designed by Practical Action and is outlined in tool 7. This is really useful methodology and process for looking at and understanding the system as a whole. The added benefit of this methodology is that it ensures participation and consultation in analysing the constraints / challenges and therefore buy-in about the analysis done. It can also be a very useful format for collaborative learning, awareness raising and building linkages / shared understanding (i.e. it has benefits outside of the information on the BE gathered in the workshop).

Focus group discussion: if there is a group of people with similar interests, you may decide to hold a focus group discussion (e.g. members of a cooperative / the smallholder food producers that you're working with in a project etc). This is useful if you think that a group may be disadvantaged or under-represented in a more general PMSD workshop (i.e. if you think micro-entrepreneurs didn't have a chance to fully express their views) or if you want to build understanding and consensus ahead of a PMSD workshop.

Key stakeholder interviews: will allow you to go into more detail than a workshop or group discussion could. While timing won't allow you to only do one-to-one interviews, you may decide you need to follow up in more detail with a few specific informants who may be able to provide you with specific information. You could for example follow up after the PMSD workshop with interviews with a few key people.

Stakeholders

To get a full picture of the BE it's important to talk to a full range of stakeholders who can share different perspectives. Part of the preparation phase is to identify who these stakeholders would be. It would be important to work closely with partners / communities to identify whom these stakeholders are. Consider:

- Players along the value chain
- Micro-enterprises themselves
- Local / national government officials
- Local / national traditional leaders / politicians / decision makers who may have a particular interest in your type of ED project
- Academics
- Representatives from trade unions / workers associations etc.
- Other CSOs / networks working in this area

STEP 2 - GATHER INFORMATION

The next step is to gather information about the business environment. Below are some useful questions to do this. You won't necessarily need to ask all of them – this depends largely on the nature of your ED project.

Are there any areas of the BE (policies, institutions, regulations, support services, social norms) which may impact on the small businesses ¹⁸ that you're working with?	
Focus area	Examples of questions to ask / issues to probe
P (political)	<ul style="list-style-type: none"> - What are the major political or power related challenges or blockages that affect small businesses? - What is the political appetite to support small businesses? How do decision makers view small businesses? - Does corruption affect small businesses? - What are the institutional arrangements to support small businesses? - Issues of power: <ul style="list-style-type: none"> - How much power do small businesses have in the value chain? - How much power do they have to influence decisions that affect them? Do they get an opportunity to go and talk to decision makers about the needs or challenges they face in their business? If yes: <ul style="list-style-type: none"> a. When & where do they get this opportunity? (I.e. you want to find out if this is official or unofficial – if government comes to them or if they have to go to government, if civil society is involved etc.) b. Does government listen to small businesses? (You want to find out if government act on what they're told – does it lead to any positive changes?) If no: <ul style="list-style-type: none"> a. Would you like to have more opportunity to talk to them? b. What forum would work best for this engagement? Do donors listen to their business needs?
E (economic)	<ul style="list-style-type: none"> - What are the major economic related challenges or blockages that affect small businesses? - Are there any regional / national / local economic development policies? - Is there national / local financial policy that may impact on the business? - What are financial services like? (access to affordable & appropriate credit, insurance, banks / places to store money safely) - Is insurance available? - What is pricing like? Who sets the price and could this impact on the business? - Is there a local economic development strategy that may impact on the business? - Is there demand in the local market? Does the community have cash in hand to pay for goods / services? - Are there any trade standards or policies which affect the business? - Is market instability an issue? - Are there local procurement policies in place? - Are there any macro-economic policies which may impact on the business? (price stability / inflation / economic growth policies) - Are there local government budget issues relevant to small businesses? - Are there social protection policies in place?

¹⁸ Please note that small businesses include farmer's cooperatives or groups, food producers or processors, service providers, trade or crafts people or groups

S (social /society)	<ul style="list-style-type: none"> - What are the major social or societal challenges or blockages that affect small businesses? - What are any relevant consumer trends?(Preferences, ability to purchase). - Are there any traditional practices that may affect the business? - How will gender norms affect the business? - Do small businesses have accessibility to skills training and support? - Are there any practices / norms which may impact on health and safety? - Are there enough skilled workers? - Are there labour policies in place and do these protect labour sufficiently? - How are informal enterprises viewed by the community? - Are there any informal gate keepers that we should be aware of? - Do traditional leaders play a role in the success of small businesses?
T (technological & transport)	<ul style="list-style-type: none"> - What are the major technological or transport related challenges or blockages that affect small businesses? - What is the infrastructure like? - Do small businesses have access to transport services? Is this affordable? - What is the energy provision like? (Is it affordable and appropriate?) - What are IT / telecoms services like? - Is there an appropriate physical market to sell from? - Are there appropriate storage facilities?
L (legal)	<ul style="list-style-type: none"> - What are the major legal challenges or blockages that affect small businesses? - Are there any business regulations which may impact on the business? - What is the tax and tariff regime like? - Contract enforcement - What is the status of informal workers (is informality viewed as a crime that is penalised or is there a supportive environment for this sector)?
E (environmental)	<ul style="list-style-type: none"> - What are the major environmental challenges or blockages that affect small businesses? - What are the land regulations like? - Is climate change an issue and are there any policies / practices in place around this? - Are there environmental services or training available? What are the extension services like for agricultural related businesses? - Are there any environmental policies which impact on the business? - What are water services / access like?
R (religious)	<ul style="list-style-type: none"> - Are there any religious practices which impact on the business? - What are the views of faith leaders towards this business?

You may find it useful to get participants to work in groups and brainstorm ideas onto small cards and then stick these up under the various themes.

STEP 3 – DECIDE COURSE OF ACTION

Once you have mapped the BE and identified if there are any key blockages or constraints, you need to decide what to do. If there are issues which need to be addressed you may decide that you need to work together to influence them for better local economic development outcomes. Whilst not essential, linking complementing enterprise development initiatives with policy and advocacy initiatives aimed at improving the enabling environment or local economic development can help to improve the sustainability of the initiative and also enhance the scale of impact.

There are a few steps you can follow to help you decide your course of action.

3.1 – Classifying issues

It is likely that you will have identified a range of different issues through your BE analysis. The first step in deciding a course of action is to briefly classify issues as:

- **Challenges** or blockages that could hinder the success of your business
- **Potentially positive** issues which could be positive but which aren't currently being implemented or operationalised effectively
- **Hooks** within the political or contextual situation. These issues are not necessary challenges / potentially positive things, but they are useful for you to be aware of and which, if you're trying to advocate for policies or practices to support small businesses, could provide a useful framing for you to 'hang' your messages around¹⁹
- **Gaps** where more information or analysis is needed

You could use coloured dots as one method for helping you to classify issues.

3.2 – Identifying the most pressing issues

The next step in deciding a course of action is to look at the issues you have identified as 'challenges' or 'potentially positive' issues in a bit more detail and to identify what the 5-10 most pressing issues are which **most** constrain the success of the small businesses you're working with. This should take the form of a participatory discussion with key members of your project and the community involved.

If many issues have been identified within the BE scan, a simple 'voting' process may be useful to identify the top challenges. Here, key stakeholders are asked what they think the top 3 most critical issues to the success of the project / the enterprises are. If the group is literate and you've written your PESTLER analysis up on the wall/flipchart, voting with 'sticky dots' may work. This will help to identify 5-10 specific issues which you can explore a bit further. Importantly this voting method doesn't prioritise issues, it merely identifies if there is consensus that a certain issue is a constraint (i.e. the issue with the top number of votes doesn't mean that this is the most pressing issue, there is however a large amount of consensus that this is an issue).

¹⁹ For example, you may know that (a) there is a particular local politician who really thinks small businesses are valuable to local economic development and (b) that there is a national or regional policy which is in favour of smallholder food producers. These could be 'hooks' that you use to pin your messages around. Say for example, through your BE scan and analysis, you identify that local business regulations are too onerous and you decide to tackle these. When talking to local decision makers you could use the two hooks identified above to try and convince them. For example your message could be that simple and more streamlined regulations would (a) help small-scale food producers' businesses and therefore help local economic development and (b) would help them (the local decision maker) to operationalise the national/regional policy which is in favour of smallholder food producers. As this example shows, identifying 'hooks' is therefore an important part of developing your strategy for tackling the blockages in the BE.

3.3 – Initial analysis

Once you've identified the top set of issues you can then probe them a little further through participatory discussion or group work. The following questions are useful to aid this discussion:

- **WHAT** is the issue and what does it do? (Discussion prompt: This policy / issue / constraint harms the success of my ED project in the following way... This policy / issue, if developed and implemented, could benefit the success of my ED project if it deals with the following issues...)
- **WHY** is it an issue and **HOW** does it impact on the enterprise you're working with?
- **WHO** is responsible for it? (I.e. which government department / decision maker etc.)

3.4 – Identifying criteria

Now that you have a better idea of what the major issues are facing small businesses, and you have started to analyse and understand the nature of these issues a bit more you need to identify which one or two issues you want to tackle within your particular project.

To help you make this decision you need to identify a set of criteria to guide you. Criteria are a principle or standard by which something can be judged or decided. The criteria you will choose will help you select which issue is most appropriate for you to tackle in this project. You can decide criteria in a participatory discussion format, but some possible criteria could include:

- **Project fit** (does this issue fit with our project/programme objectives?)
- **Organisational fit** (does this issue fit within our organisational goals / objectives / mandate?)
- **Achievable** (would tackling this objective be achievable? Is it a 'low hanging fruit'? Could we achieve something within the time frames of this project?)

Using these criteria you can then assess whether tackling each issue fits the criteria. The issue which fits the most criteria could be the one that you choose to tackle in your project.

3.5 – Unpacking the selected issue

Once you have selected the 1 issue (or potentially more depending on the nature of your project) that you feel needs to be tackled, you need to unpack this issue further. Again, through a process of participatory discussion you now need to identify:

- What are the gaps in your knowledge around this issue?
- Who are potential partners or allies who are already working on this issue?
- What are the risks in tackling this issue and how do you mitigate these?
- What support would be needed to tackle this issue?
- What are some immediate next steps that can be taken (as in next 2 weeks)?
- What are some medium-term next steps (the next few months)
- Who will champion what?

Through this process you may identify that you need to develop an advocacy strategy or do further policy analysis. Whilst not essential, linking enterprise development or income generation initiatives with policy and advocacy initiatives aimed at improving the enabling environment can help to improve the sustainability of the initiative and also enhance the scale of impact. It also has other benefits such as building and mobilising local civil society organisations. Please contact us should you need further resources for this process.



Tool 11: Simple Risk Assessment Matrix

The following Tool is designed to help CAFOD staff and partners understand the key risks faced by the business.

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

1. List key events that have the potential to negatively affect the enterprise. These maybe internal to the business (e.g. new competitors enter the market, key staff leave, key suppliers unable to deliver) or external (e.g. inflation, weather events, government policy –Enabling Environment);
2. Assess severity of the event on the success of the enterprise (1 to 5);
3. Assess likelihood of the event occurring (1 to 5);
4. Prioritise (Multiply Severity Score by Likelihood Score and order);
5. Identify strategies to reduce severity/likelihood (PREVENTION);
6. Identify strategies to reduce impact of the event should it occur (MITIGATION);
7. Consider the need to revisit Business Plan if necessary.

Severity
1. Trivial
2. Frustrating
3. Disruptive
4. Significant
5. Critical to Enterprise
Likelihood
1. Highly Unlikely
2. Unlikely
3. Possible
4. Probable
5. Certain

Event	Severity Describe Score (1 to 5)	Likelihood Describe Score (1 to 5)	Prioritize Risk (SxL)	Strategies to Reduce Risk	Strategies to Manage Risk if Event Occurs
Extreme weather	crop damage could affect supply of key input.	3 extreme weather increasingly likely	3	9	Explore more resilient crop and alternative suppliers, build up stock.
Etc.				0	
Manager Leaves	We have no one who understand business.	4 Fully committed to org and area.	1	4	Succession Planning, Review remuneration package.
Etc.				0	



Tool 12: Basic Business Plan

An enterprise needs to be summarised into a brief (2 page) and accessible (keep the language simple/avoid jargon) narrative that attempts to capture the nature of the existing enterprise and its future. Potentially this document would be the supporting document for any future investment and should be drafted with this in mind. The summary should follow the following structure:

Name of the Enterprise	
Country: indicate the country or countries	
Sector: e.g. agriculture, water & sanitation, environment, health, etc.	
Stage: is the enterprise at an 'idea', 'development' or 'established' stage?	
Summary Description: what is the enterprise? Try to capture the essence of the enterprise and what is its mission? (50 words).	
Social Benefits: How does the enterprise positively impact poor people and build their assets? How will the enterprise enhance resilience? (Max 100 words).	
Gender To what extent will the enterprise contribute to practical (e.g. increased income) or strategic (e.g. more equitable distribution of power) gender objectives? To what extent have women been consulted in the 'design' process? How are women involved in the management of the enterprise? (Max 50 words).	
The enterprise and its 'Business Model': Summarise the enterprise and how it has the potential to be a viable business. Your description should consider: <ul style="list-style-type: none">• Describe your product• Describe the market (who are your customers and competitors?) Was a market analysis conducted? When? How? <ul style="list-style-type: none">• What is your marketing approach (product, price, promotion, place)• How long will it take for the enterprise to become viable?• How can the enterprise become viable? What is needed?	
Management: Effective management is such a crucial contributor to commercial viability. Please summarise your existing management structure and capacity. (Max 50 words).	

Systemic Impact?

To what extent does the enterprise have the potential to contribute to broader (systemic, e.g. policy environment, redistribution of power in a value chain) causes of poverty rather than the symptoms?

- What systemic factors constrain / limit the enterprise's development and success?
- Are there links to existing advocacy priorities? (Max 50 words).

Business Plan:

How was the enterprise's business plan developed, and how is it monitored?

Financial Projections

Please provide here any future sales projection and Profit and Loss sheet for the enterprise.

- Outline your revenue stream and cost structure.
- Basic Assumptions.
- Pro forma financials in attached excel template.
- Who will be the main investors and what kind of capital and investments are needed?

What are the key risks to the business and how will these be managed? (50 words). Use the risk analysis results.

What are the key factors that might negatively affect the viability of the business and possibly its continued fit with CAFOD MV&V and CST?

What are the enterprises' financial requirements?

(E.g. grant, working capital, term loans, equity) How much and what currency? Are these requirements able to be met locally? If not, why not? Is the enterprise currently receiving funding? What % of total income?

What Technical Assistance does the Enterprise Require?

- Describe what non-financial support is required, if any, for the enterprise to develop.

Consistency of enterprise with CAFOD's MV&V and CST

- How does the enterprise contribute to CAFOD CSP goals?

What is the potential of the enterprise to achieve scale and sustainability?

(E.g. this might link to the ability of the business to influence the causes and not just symptoms of poverty (systemic impact), the potential to replicate the model (in this country or more widely), the ability to expand the reach of the enterprise over time, the ability of the enterprise to influence wider business practice and policy debates).

BASIC FINANCIAL TOOLS

These are the financial tables from the business plan. Many of the boxes in these tables will calculate automatically. It is best if you can complete the tables in the order that they are shown, so that the numbers filter through correctly:

- 1) Costs and pricing strategy
- 2) Sales and costs forecast
- 3) Personal survival budget
- 4) Cash flow forecast
- 5) Costs table

To see the different tables click on the tabs below

There is currently protection on the worksheets to stop entry in the cells with formulas however there is no password so it can easily be turned off if that is preferred.

12.1 COST AND PRICES

	Product/service name	
A	Number of units in calculation	10
B	Product/service components	Component cost
	Diesel	£100.00
	Rent	£10.00
	Packaging	£30.00
	Materials	£50.00
C	Total product/service cost	£190.00
D	Cost per unit	£19.00
E	Profit margin (£)	£1.00
F	Price per unit	£20.00
G	Profit margin (%)	5%
H	Mark up (%)	5%

12.2 SALES AND COSTS FORECAST

A sales forecast shows how many sales you are aiming to achieve in your first year and how much money that would mean you receive. It's hard to know what a realistic number of sales might be so it's better to plan for the worst case.

For lots of businesses, the number of sales made is affected by external factors such as holidays, seasons, weather, etc. Think whether you expect your sales to be different in some months and show this in your sales predictions.

A cost forecast shows how much money you will spend on products/services if you achieve the number of sales in your sales forecast.

Complete the sales/costs forecast table provided, following the instructions shown below.

* If you are completing this form in MS Excel, these sections will calculate automatically.

Sales calculations

A. Write in the names of the months. Month one should be the month in which you plan to start trading.

B. Write down how many sales you plan to make in each month. To do this, work out how many products/services you think you can sell in a day. Multiply that number by the number of days in a week you plan to trade. Lastly, multiply that number by 4.3 (average number of weeks in a month) to give you the number of sales you plan to make in a month.

C. Work out how much money you will make each month. To do this, take the number of sales (B) and multiply it by its price (cost F in the cost/price table in section nine). The total income you receive from sales in a year is called your turnover.*

Costs calculations

D. Work out how much money you will spend each month if you make your predicted sales. To do this, take the number of sales (B) and multiply it by its cost.*

Assumptions

E. Describe any assumptions you made, for example, external factors affecting number of sales. For example, if you were selling umbrellas you would expect higher sales in winter because it rains more.

Month	1	2	3	4	5	6	7	8	9	10	11	12	Total
A Month name													
Sales forecast													
B Product/service													
	10	8	9	0		5	9	10	0	8	8	8	75
C Product/service													
	£200.00	£160.00	£180.00	£0.00	£0.00	£100.00	£180.00	£200.00	£0.00	£160.00	£160.00	£160.00	£1,500.00
Costs forecast													
D Product/service													
	£190.00	£152.00	£171.00	£0.00	£0.00	£95.00	£171.00	£190.00	£0.00	£152.00	£152.00	£152.00	£1,425.00
E Assumptions (e.g. Seasonal trends)													

12.3 PERSONAL SURVIVAL BUDGET

Purpose of this section

A survival budget shows the amount of money you need each month to live on. To work it out add up all the money you spend and take away any money you get as income from sources other than your business.

How to complete this section

Complete the personal survival budget table provided, following the instructions shown below.

* If you are completing this form in MS Excel, these sections will calculate automatically.

A. List all the different things you spend money on each month. Some of these will have predictable costs, for example, rent, and others will vary, for example, entertainment costs. For the items that vary, you should work out how much on average you spend a month. Do not include your business costs.

Things you might want to include are: mortgage, rent, water, gas and electricity, food, insurance, clothing, school fees, mobile phone, transport, existing loan repayments.

B. Add up all the different costs in part A to work out your total monthly costs.*

C. List income you receive every month; including income from a part-time job.

D. Add up all the different amounts in part C to work out your total monthly income.*

E. To work out the income you require from your business, take away your total income (D) from your total costs (B).*

A	Estimated costs	Monthly cost (£)
	Mortgage/rent	15
	Tax	
	Gas, electricity and oil	
	Water rates	
	All personal and property insurances	
	Clothing	10
	Food and housekeeping	
	Telephone	
	Diesil	20
	Entertainment (meals and drinks)	
	Car tax, insurance, service and maintenance	5
	Children's expenditure and presents	
	Loan and other personal debt repayments	
	National Insurance	
B	Total costs (£)	£50.00
C	Estimated income	Monthly income (£)
	Income from family/partner	
	Part time job	10
	Working tax credit	
	Child benefits	
	Other benefits	20
D	Total income (£)	£30.00
E	Total survival income required (£)	£20.00
Back up plan		

12.4 CASHFLOW FORECAST

Purpose of this section

A cashflow shows how much money is expected to come in and out of your business. It brings together all the work you have done in your plan. You must complete the forecast realistically. Make sure you:

- include seasonal changes in overhead costs such as increased heating and lighting bills in winter
- allow for delays between when you make a sale and when you receive payment
- do not over estimate how much stock you will need
- split costs that can be paid on a monthly or quarterly basis

Once you start your business you will have to keep a record of your actual income and expenditure and you should compare this to your plan to give you an idea of how well your business is doing.

	Month	Pre start	1	2	3	4	5	6	7	8	9	10	11	12	Total
A	Month name		0												
B	Money in (£)														
	Funding received														0.00
	Funding from other sources														0.00
	Own funds														0.00
	Income from sales		200.00	160.00	180.00	0.00	0.00	100.00	180.00	200.00	0.00	160.00	160.00	160.00	1,500.00
															0.00
C	Total money in (£)	0.00	200.00	160.00	180.00	0.00	0.00	100.00	180.00	200.00	0.00	160.00	160.00	160.00	1,500.00
D	Money out (£)														
	Repayments to Funder														0.00
	Survival Budget		20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	240.00
															0.00
															0.00
															0.00
E	Total money out (£)	0.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	240.00
F	Balance (£)	0.00	180.00	140.00	160.00	-20.00	-20.00	80.00	160.00	180.00	-20.00	140.00	140.00	140.00	1,260.00
	Opening balance	0.00	0.00	180.00	320.00	480.00	460.00	440.00	520.00	680.00	860.00	840.00	980.00	1,120.00	
	Closing balance	0.00	180.00	320.00	480.00	460.00	440.00	520.00	680.00	860.00	840.00	980.00	1,120.00	1,260.00	

How to complete this section

Complete the cashflow forecast table provided, following the instructions below.

*If you are completing this form in MS Excel, these sections will calculate automatically.

A. The columns show the months in your first year of trading. Write in the names of the months. They should be the same as in your sales/costs forecast.

B. The top rows show money coming into your business and when. You should list each type of income on a different line. Typical types of income you should include are:

- Income from sales (should be the same as in your sales/costs forecast in section 10.1)
- Loan funding
- Any of your own money that you are putting into the business.

C. For each month add up the total amount of money you have coming into your business.*

D. The middle rows show money going out of your business. List each cost on a different line. Include all the costs you have worked out in earlier sections of your business plan, for example, marketing costs, equipment costs, personal survival budget. Other costs to include are:

- Tools
- Materials/stock
- Rent
- Heat/light/water
- Phone
- Printing/stationary
- Tax
- Transport
- Loan repayments

You should explain what each cost relates to in your costs table in section 10.4 of your business plan.

E. For each month add up the total amount of money you have going out of your business.*

F. The bottom rows show how much money is in your business at the beginning and end of each month.

- Balance – take the money earned in that month (C) and subtract the money spent (E).*
- Opening balance – should be the same as the closing balance of the previous month.*
- Closing balance – the month's opening balance (B) plus the current month's balance (A).*

Breakeven

Your breakeven point is the number of sales you need to make to cover the costs of running your business. To calculate your breakeven:

G. Work out the annual cost of running your business (the total column in row E of your cash flow).

H. Divide cost G by your gross profit margin percentage (row G in the cost/price table in section nine).

I. To work out how many sales you need to make in a week, divide H by the number of weeks in a year you expect to work.

J. To work out how many sales you need to make in a day, divide J by the number of days in a week you expect to work.

12.5 COSTS TABLE

Purpose of this section

The costs table explains what is included in each cost in your cash flow. It also explains what assumptions you have used to work the cost out.

For example, you might have a cost line for travel to pay for the petrol you need. In the costs table you would explain how much petrol you have assumed you will use (for example, how many tanks) and how much you have assumed that will cost (for example, how much one tank costs).

How to complete this section

If you have explained your costs in your cash flow in a different section of your business plan, you should write in the costs table where the detailed breakdown of the costs can be found. For example, your marketing costs will be explained in section five.

For all other costs in your cash flow you should explain what they include and how you have worked them out.

Cost Item	What is included and how you worked it out	Total cost
Repayments to Funder	Money to repay the Funder their loan	0.00
Survival Budget	Money required to cover personal expenditure. See survival budget in business plan section 10 for further breakdown	240.00
		0.00
		0.00



Tool 13: Detailed Business Plan¹⁹

The Business Plan

There's a lot more to a good business than a good idea. You need to think things through to maximise your chances of success. A business plan will help you turn an idea into a business. It needs you to think through all the parts of your business to plan how everything will work. It will take a few weeks to write if you're going to do it properly. Some parts will be easier to complete than others.

Stick at it because it's not the final document that's important, it's the process. Although you want to have a good plan when you're done, an OK plan is better than no plan.

As programme staff accompanying partners it is important to emphasize that this process needs to be done with the enterprise participants, hopefully facilitated by group members or partners.

Business Plan Pack

The best business plans aren't long and complex; they explain only the most important information – what you want to achieve, how you will get there and the things you need to do along the way.

It's best to tackle a business plan in small chunks. The Business Plan is divided into sections to help you develop your business idea. Some of the sections of The Business Plan have tables to record the financial parts of your business. The tables are also available in MS Excel format and the sums in these are automatic.

¹⁹ Adapted from Prince's Trust materials. http://www.princes-trust.org.uk/need_help/enterprise_programme/explore_where_to_start/business_plans/business_plan_templates.aspx



Getting started

Whose plan is this?

Business and owner details:

Business name:

Owner(s) name:

Address and postcode:

Business telephone number:

Business email address:

Executive summary

Your Business Name (summarise your enterprise – how it will be viable and contribute to developmental aims- in no more than 100 words in such a way that the person who is reading the document is captivated and wants to know more).

Business summary:

Developmental / Social Aims:

Financial summary:

Key risks to the business and how these are/will be managed

Section One

Developmental proposition

1.1 How does the enterprise impact the most marginalised?

1.2 How does the enterprise impact men and women?

1.3 How will the enterprise impact poor people?

- Economic assets (e.g. increased income)?
- Social assets?
- Environmental Assets?

1.4 How will the enterprise affect the resilience (economic, social and environmental) of poor people and the communities in which they live?

Please make specific reference to the resilience of marginalised groups-including women.

Section Two

The market

It is important to conduct at least a basic market analysis to inform programme design and viability.

2.1 Are your customers/ buyer?

- ☐ Individuals
- ☐ Businesses
- ☐ Both

2.2 Describe your typical customer/ buyer:

2.3 Where are your customers/ buyer based?

2.4 What prompts your customers/ buyer to buy your product/service?

2.5 What factors help your customers/ buyer choose which business to buy from?

2.6 Have you sold products/services to customers already?

- ☐ Yes
- ☐ No

If you answered “yes”, give details:

2.7 Have you got customers/ a buyer waiting to buy your product/service?

☐ Yes

☐ No

If you answered “yes”, give details:

2.8 Have you conducted a market analysis? When/ how?

2.9 Additional information:

Section Three

Market research

3.1 Key findings from desk research:

3.2 Key findings from field research – customer/ buyer questionnaires: volume, quality standards, time of year product is sought, type of buyers, transport options (pick up v delivery).

3.3 Key findings from field research

3.4 Additional information:

Section Four

Competitors

4.1 Table of competitors

Table 1: Competitive Analysis

FACTOR	Your Enterprise			Your Competition		Importance to Customer (High/Medium/Low)
	Describe Factor	Strength	Weakness	Competitor A	Competitor B	
Products						
Price						
Quality						
Selection						
Service						
Reliability						
Stability						
Expertise						
Company Reputation						

4.2 SWOT analysis:

Strengths	Weaknesses
Opportunities	Threats

4.3 Unique Selling Point (USP): (what makes my product or service different from others?)

Unique Selling Point (USP):

Section Five

Creating Solid Foundations

5 Management structure (organigrams if available, constitution available? Mission).

5.1 Management Capacity

5.2 Management and staff:

5.3 Key Suppliers (who are your key suppliers? How reliable are they- quality/ quantity and price?)

5.4 If Enterprise is group-led...

- Describe group structure
- What was the driver for the group to form?
- Describe the nature of the relationship between the members and the enterprise?
- How many members attended the last AGM (annual general meeting)?

5.5 Additional information:

- Frequency of meetings
- Accountability systems
- Trainings provided ...



Section Six

The Business Environment (use a PESTLER or situation analysis for this)

6.1 Describe the key policies, processes and norms that affect the value chain in which the enterprise is situated?

6.2 What supporting services or inputs does the business need to access to be successful?

6.3 If the group has an advocacy strategy please describe it:

Section Seven

Risk Analysis – (use a risk analysis to develop this)

7.1 What are the key risks internal and external to the business?

7.2 How are these risks to be reduced and mitigated?

Section Eight

8.1 Please complete:

- a sales and costs forecast;
- a personal 'survival' budget?
- Cashflow forecast

See excel Spreadsheet (Tool 12)



Tool 14: 'Sensitivity Analysis'

Sensitivity analysis is a way to predict the outcome of a decision if a situation differs from the planning assumption made.

Sensitivity analysis is very useful when attempting to determine the impact that a particular variable will have if it differs from what was previously assumed.

By creating a given set of scenarios, the analyst can determine how changes in one variable(s) will impact the target variable.

For example: The enterprise is a transportation business in a country where fuel scarcity is a regular challenge. Whilst you are basing your enterprises profitability on a fuel price of \$2 per litre you would like to know what the impact would be on your enterprise's profitability if petrol prices increased by 10% and even 20% which is possible.

Process:

- Identify the key variable you would like to understand (this might, for example, be the price of the product you are selling, the biggest cost item or the cost most likely to change significantly in the time period under review, the impact of a particular policy).
- Create a copy of the current profit and loss (P&L).
- Add columns with different assumptions related to the key variable, for example, -5%, +10%, +20%.
- Apply these assumptions to your key variable.
- Assess the impact (or sensitivity of the bottom line or profit) to these changes.



Tool 15: Enterprise Development Impact Indicators

The table below shows the kind of generic indicators that might be relevant for different areas of measurement in results chains. Please note that as with all indicators baselines should be conducted so that we can capture change.

Table 1: Generic Indicators

Broad area of measurement	Indicators that would measure:	When appropriate
Poverty Reduction	Net Additional income for SME workers and owners	
	Changes in other poverty indicators (nutrition, empowerment, working conditions etc.)	
Enterprise Competitiveness	Change in enterprise productivity	All interventions will ideally have a measurable impact on many or all indicators from this "menu"
	Change in enterprise net income	
	Jobs created as a result of programme activities	
	Promising innovations/changes in business practices (e.g. sustainable eco-efficient products and processes)	
Changes in rules/framework conditions	Changes in policies or regulations as a result of programme activities	At the time of arrival of the services or deliverables that the target group expects from the government
	Documented changes modifying the way in which a policy or regulation, aimed at the target group, is implemented by a public agency (institutional)	
	Target group's opinions concerning how the change has impacted on their businesses.	
Changes in the demand for services	Target group's awareness of the service and the benefits it can deliver	At the time of measuring the impact of services which might impact on the target group only in the long run
	Willingness to pay for service	When fee-based or stand-alone services are on offer
	Level of satisfaction with service	When measuring changes in demand for embedded services
	Changes in business practices as a result of service	
	Number of new service providers entering the market	When observed in the market, or at point of service offers to clients
Changes in the supply of services	Changes in number of clients served	For all types of intervention - to measure change in service quantities
	Changes in volume of business	
	Changes in range of products offered	
	Changes in number of service providers	
	Target group's opinion of service provision	For measuring change
	Management capacity of service providers	In service quality
	Level of supplier satisfaction with success of service	When measuring changes in supply of embedded services
Immediate outputs in the business service markets	Number of service providers trained Management capacity of service providers	At completion of training courses



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