

# **SEE HOW THEY GROW:**

**Business Development Services**

**for**

**Women's Business Growth**

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<sup>1</sup> The funding for this study was provided by Ford Foundation. This paper is based on an ICRW report that was published in June 2001. A printed copy of the report can be obtained from the author.

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# **1. A Review of the Literature on Business Development Services and Business Growth**

## **a. Introduction**

Many poor women around the world earn their livelihoods supporting themselves and their families through microenterprises in the informal economy. The participation rates of women in the informal economy are high--80 percent in Lima, Peru; 65 percent in Indonesia; 72 percent in Zambia; and 41 percent in the Republic of Korea (Lim 1996). Therefore, supporting women microentrepreneurs is important to the well being of poor households. Moreover, women microentrepreneurs make important contributions to the local and national economies through their products and services. Supporting their economic activities has benefits for the economies at large. And there are benefits at the individual level as well, as women entrepreneurs gain confidence, decision-making experience, and a greater sense of control over their lives through their businesses.

Women microentrepreneurs, however, often face numerous constraints to their economic activities, more so than do men. Women have less access to credit and other productive resources, less time and access to markets, education, and training (Mehra et al. 1995). It is all the more important, then, to look at how particular support services, such as business development services (BDS), address some of these particular constraints and best serve women microentrepreneurs.

This publication, based on studies conducted by ICRW and funded by the Ford Foundation, attempts to do just that. This first chapter is a review of the existing literature on the international experience in BDS and the lessons learned from research on BDS as they apply to women clientele and growth in their enterprises. The second and third chapters concentrate on deriving lessons from two BDS initiatives: the Independent Business Enrichment Center (IBEC) Enterprise Training Program in South Africa and the Bangladesh Rural Advancement Committee (BRAC) Sericulture Program.

## **b. History and Development of BDS**

Over the last decade, as the feminization of poverty has been recognized, microenterprise development services--especially financial services for women in the form of credit and savings--have gained prominence around the world. These services have increasingly been provided on a cost-effective basis by financially sustainable institutions. Yet, people working in the field of microenterprise development recognize that financial services have not resulted in business growth for microenterprises. A recent USAID review of 32 research and evaluation reports suggests that few enterprises experience sustained growth, while a majority grow a little and then even out (Sebstad and Chen 1996). In another cross-country study, Hulme and Mosley (1996a) report that credit did not trigger growth in terms of an increase in technical sophistication, output or employment. While some employment growth is observed among family members of borrowers, the employment impact outside the family has been small (Dawson and Jeans 1997). Within the same microfinance programs, women's businesses, on average, grow slower than men's businesses. In most cases, men outperform women in expanding their businesses

and generating employment (Downing and Daniels 1992; Guzman and Castro 1989; Holt 1991; Mehra et al. 1995).

In the continuing search for stimulating business growth among women's microenterprises, microenterprise development specialists increasingly turn to BDS. BDS consists of a wide range of non-financial services critical to the entry, survival, productivity, competitiveness, and growth of micro and small enterprises. Business development services can help microenterprises solve their problems by (<http://www.seepnetwork.org/bdsguide.html>):

- Facilitating access to markets
- Improving the availability of less expensive or higher quality inputs
- Introducing new or improved technologies and products
- Improving management and technical skills
- Ameliorating or eliminating policy constraints
- Helping enterprises access appropriate financing mechanisms

Donor agencies have been providing support for business development services such as training, technology transfer, marketing assistance, business advice, mentoring, and information for entrepreneurial activities since the mid-1970s. These services have traditionally been called non-financial services and have generally been provided in packages along with other financial and non-financial services (Goldmark 1996).

In the early attempts to provide training services for micro and small entrepreneurs, there were a number of failures due to the following factors (Nelson 1997):

- Generic and standardized content
- Supply-driven approach where training is determined by trainers rather than those being trained
- Too little attention paid to quality of trainers and training methods
- Insufficient investment in training follow-up, which reduced the potential benefit of training and limited proven impact

Most BDS programs for women entrepreneurs focused on skills training in traditional skills that are an extension of women's homemaking activities such as tailoring, handicrafts, and food processing and catering. Women were underrepresented in formal business training programs. Not only was there a lack of emphasis on business skills and entrepreneurship training for women, but the registration procedures, timing of courses, and particular skills emphasized added to the limitations of these programs in assisting business growth among women-owned businesses.

During the latter part of the 1980s and early 1990s the range of business development services expanded to include developing networks and clusters, and providing information in areas of equipment technology, markets, physical facilities, and shared services. In addition to the diversification of services, an emphasis on a more client-based approach began to evolve. In the mid- to late-1990s, there was a growing awareness that if programs are to be sustainable there must be a shift in BDS from supply-driven to

demand-driven and market-responsive programs.<sup>2</sup> *Sustainability, impact, outreach/scale,* and *cost-efficiency* began to emerge as performance indicators for BDS during this period.

### **c. Categories of BDS Programs**

A key challenge to drawing unified lessons for BDS is the multiplicity of services that are considered BDS (Committee of Donor Agencies for Small Enterprise Development 1998). BDS programs can vary a great deal depending on the size, the industry subsector in which they operate, the products and services produced, the processes and level of technology used, and the specific community and business environment where they are located. BDS can be categorized according to:

- Type of services (technology and product development, training, and technical assistance)
- Sector of services (subsector, sector, and multi-sector programs)
- Level of services (enterprise, meso, and macro level initiatives)
- Scope of services (minimalist vs. package programs)
- Strategic focus of services (income generation vs. entrepreneurship development)

#### *i. Type of Services*

Types of business development services have been categorized in a number of ways. The Guide to Business Development Services and Resources of SEEP network lists the type of services as market access, input supply, technology and product development, training and technical assistance, infrastructure, policy/advocacy, and alternative financing mechanisms (<http://www.seepnetwork.org/bdsguide.html>). The most common form of BDS interventions are training and technical assistance. These services develop the capacity of enterprises to better plan and manage their operations and to improve their technical expertise. Training in skills specific to a more value-added sector helps women microentrepreneurs move out of low quality, low price products and services to higher quality, higher priced ones. Business training addresses women entrepreneurs' constraints in operational areas such as marketing, bookkeeping, production techniques, and product development (Kantor 2000).

#### *ii. Sector*

In terms of sectoral concentration, BDS might be subsectoral, sectoral or multisectoral. While a skills training or marketing service could be sector-specific, a business training service is likely to be more multisectoral in nature. A sector-specific service is most relevant when constraints are also sector specific. Researchers and programmers observe that constraints that women entrepreneurs face are often specific to the particular subsector of the economy in which they are engaged. A *subsector* is defined by final product or commodity such as silk, bamboo, or maize. A subsector analysis examines the vertical supply chains within a subsector, diagnoses opportunities and constraints, and

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<sup>2</sup> This current trend bases services on needs and demands of clients.

prescribes interventions (Kantor 2000). SEWA and BRAC, among others, have utilized this approach with poor women clientele as target groups. The key components of this approach are (Chen 1996):

- Conducting subsector analysis (comprehensive or incremental)
- Promoting linkages within a subsector (producers with wholesalers)
- Networking of clients within a subsector for lobbying and information sharing
- Re-training of clients into more value-added sectors

### *iii. Level of Services*

There are at least three levels of BDS interventions: enterprise (micro), intermediate (meso), and macro. At the enterprise level marketing, technology access, accounting and legal services have proven to be viable services (Goldmark 1996). For example, the South African Independent Business Enhancement Center (IBEC) trains individual women and men microentrepreneurs for developing general business skills, identifying business opportunities, and marketing.

At the *intermediate (meso)* level BDS programs concentrate on building or strengthening capabilities of intermediary institutions. The Competency Based Economies for the Formation of Enterprises (CEFE) program of GTZ around the world focuses on the meso level, working toward strengthening local capacity for implementing a training methodology and framework for small and micro enterprises (SMEs).

A *macro* level intervention would concentrate on building an enabling policy framework, creating an environment conducive to business growth, and eliminating barriers and administrative burdens imposed by the legal and regulatory system. One example of such an intervention is the Silk Development Project, a World Bank initiative that began in Bangladesh in 1997. The Silk Development Project, which established the autonomous, non-profit Bangladesh Silk Foundation, was designed to support government decisions to deregulate silk production and revitalize silk production to the benefit of poor, rural women.

### *iv. Scope of Services*

In terms of scope, BDS can be *minimalist* with single interventions such as training-only, technology-only, or marketing-only services. For instance, the IBEC Training program<sup>3</sup> is an example of a minimalist program that offers business training services only. In other cases BDS can operate in the form of a *package* where a number of different services are combined or linked to microfinance programs. BRAC's Rural Development and Credit Program in Bangladesh is a clear example of a credit plus program. The minimalist strategy is perceived to be better in terms of sustainability and cost efficiency, while integrated strategies can be more effective and have more impact, although they cost more and need subsidies (Kantor 2000). In the case of BRAC's sericulture program there

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<sup>3</sup> IBEC is a financial and business training operation with four key divisions: IBEC Finance, IBEC Investments, IBEC Training, and Masimanyane Women's Support Center.

is a cost subsidy of up to 30 percent from RDP funds to break even (Islam 2001).

#### v. *Strategic Focus of Services*

If income generation is the focus of microenterprise development strategies in a given program, the rationale is mainly welfare and poverty alleviation. These programs promote the production of lower quality products using traditional skills and lack a focus on the market (Mayoux 1995). Such supply-driven programs are successful in increasing income for their clientele in the short-run. However, they do not focus on sustainability of the services provided nor the sustainability of the microenterprises. They also tend to be paternalistic toward women clientele regarding decisionmaking and participation. An enterprise development focus in BDS is based on demand-driven and market-responsive provision of services. Efficiency is a guiding principle in these programs. If they are designed and implemented with an approach that is responsive to women clientele's needs and constraints, they can have positive impacts beyond enterprise development.

#### d. **Women's Business Growth**

An important issue around women's business growth is the choice of measurements and indicators used for business growth. Also, constraints to business growth often affect women's businesses differently than they affect men's.

##### i. *Indicators*

Business growth can be measured with a number of direct and indirect indicators. There are a number of *direct business growth indicators* such as increase in net income, number of employees and quantities of inputs purchased, and products and services sold. There are gender specific and relevant direct business growth indicators such as control over income. Women's increased control over income is being used to assess the impact of many microfinance programs around the world.

*Indirect business growth indicators* relate to the alleviation of the constraints that limit growth in businesses of women microentrepreneurs. These indicators, such as increased access to formal sector services or access to information and extension services, are likely to capture a number of the constraints that women microentrepreneurs face in accessing many developing country circumstances (see table 1.1).

*Vertical growth indicators* are direct indicators widely used to measure growth of income, employment or assets specializing in one business. These are effective when measuring the change in one specific economic activity.

However, to better capture women's business growth, new indicators may be needed. The concept of horizontal growth takes into account part-time, seasonal activities as a response to high unemployment in rural areas (especially for women), and the tendency of women who own businesses to diversify in order to minimize risk and respond to shocks. To understand and follow these tendencies, *horizontal growth indicators* that can track the growth across a range of businesses undertaken by an individual or household

should be developed.

**TABLE 1.1. Business Growth Indicators for Women Entrepreneurs**

| <b>Business Growth Indicators</b>   | <b>Type and Level of Interventions</b>  |
|---|---|
| Increasing a woman client's net income (direct)                                   | <ul style="list-style-type: none"> <li>- Provide alternatives to traditional production, processing, and marketing activities</li> <li>- Increase security of supply of inputs (quantity, affordability)</li> <li>- Increase number of potential clients for women entrepreneurs</li> <li>- Increase access to sales points</li> <li>- Provide labor saving devices related to production</li> <li>- Provide quality control systems to increase value</li> <li>- Provide training, technical assistance related to horizontal or vertical integration</li> </ul> |
| Increasing a woman's control over income (direct)                                 | <ul style="list-style-type: none"> <li>- Support activities that result in increased control over income</li> <li>- Involve other members of the household in coming to terms with the issue</li> </ul>   |
| Increasing women's access to formal sector services (indirect)                    | <ul style="list-style-type: none"> <li>- Create links between women entrepreneurs and larger private sector institutions that offer markets and services.</li> </ul>  |
| Increasing management skills of women entrepreneurs (indirect)                    | <ul style="list-style-type: none"> <li>- Provide business skills training to help build entrepreneurial capabilities</li> </ul>   |
| Increasing women clients' access to information and extension services (indirect) | <ul style="list-style-type: none"> <li>- Design/change content of extension messages to match the time, location, and other needs of women clientele</li> <li>- Train existing staff to reach women more effectively</li> <li>- Link project activities to activities of existing women's groups</li> </ul>   |
| Increasing a woman's sense of empowerment (indirect)                              | <ul style="list-style-type: none"> <li>- Promote group formation with women as group leaders</li> <li>- Promote interactions between women and formal sector agents</li> </ul>  |

Adapted from Bennett and Goldberg. "Providing Enterprise Development and Financial Services to Women", World Bank, Technical Paper 236, Washington, DC, 1993.

### *ii. Constraints to Growth*

Microentrepreneurs are likely to face a number of constraints that limit their business growth. Among these are: marketing (identifying sources of demand, finding customers, developing business linkages, adapting products and services to meet buyer requirements); input supply, including access to raw materials, supplies, and equipment; technical/production; legal and regulatory compliance and harassment; affordable and accessible transportation; access to business facilities and infrastructure; and human resource development and management problems (Barton 1997). These constraints do not affect men's and women's businesses in the same way, since men-owned and women-owned businesses do not operate in the same sectors or locations, or have equal access, control, and use of the same resources and marketing outlets.

A number of constraints specific to women-owned businesses and business growth, such as their use of informal networks for lack of access to formal channels and the limitations of such networks in increasing production and market opportunities, are cited in the microenterprise literature. Other reasons given for slow or no business growth among women's businesses are the more risk averse nature of women entrepreneurs compared to men due to family welfare priorities as well as women's tendency to diversify rather than

specialize to minimize risk (Downing 1990). The main constraints women entrepreneurs face to their business growth continue to be limitations on their access to the public sphere, markets, information, and networks, and their concentration in lower value-added sectors such as food production and sewing. These constraints are linked to the policy, market, and cultural environment in which women microentrepreneurs navigate rather than some inherent characteristic of women. Table 1.2 lists constraints to business growth mainly faced by women microentrepreneurs.

**TABLE 1.2. Constraints Faced By Women Entrepreneurs**

| <b>Needs</b>  | <b>Nature of Constraints</b>  | <b>Level of Intervention</b>   |
|---|---|--|
| Enabling environment (right policy & legal framework)   | Socio-cultural barriers and discriminatory practices  | Macro: Equal property ownership and inheritance rights, equal rights to own and register businesses  |
| Proper raw materials  | Non-availability of good quality materials on a regular basis and at reasonable prices  | Meso and Micro: Bulk buying with appropriate scale economies<br>Macro: Easing of import duties on raw materials  |
| Know-how (technical and managerial skills) and training   | Limitations in admission to technical training institutions & management training programs (low educational level and lack of course flexibility for women's time constraints)  | Macro and Meso: Introducing stronger policies and campaigns for girls' education, and skills training in technical and non-traditional areas   |
| Information on: <ul style="list-style-type: none"> <li>• Technologies</li> <li>• Finance schemes</li> <li>• Markets</li> <li>• Raw materials</li> </ul> | Lack of: <ul style="list-style-type: none"> <li>- financial resources to establish and maintain information systems</li> <li>- special outreach strategies for women</li> <li>- networking with the business community among women</li> <li>- sufficient organization among women to gather information</li> <li>- decentralized information systems</li> </ul> | Macro and Meso: <ul style="list-style-type: none"> <li>- Women 's businesses and groups need to obtain, maintain and use the necessary information</li> <li>- Public policies for outreach for women</li> <li>- Such policies need to be supported by both financial and human resources</li> </ul>        |
| Appropriate technologies and equipment  | <ul style="list-style-type: none"> <li>- Technologies developed without women involved as end-users, so limited appropriate technologies for women</li> <li>- Difficult access to technology due to lack of information, finance or know-how.</li> </ul>  | Macro, meso, and micro levels: <ul style="list-style-type: none"> <li>- Training in cash and credit management</li> <li>- Technical skills to expand enterprises</li> <li>- Enterprise and business skills training for women's business growth as a national policy and institutional priority</li> </ul> |

Adapted from Tezer Ulusay de Groot's "Good Practices by UNIDO: Developing African Economies, The Role of Women in Facilitating Women's Access to Productive Assets and Markets," International Conference on African Women & Economic Development in Addis Ababa, April 28 – May 1, 1998.

### **e. Lessons Learned in BDS Literature on Women's Business Growth**

Guiding principles for microfinance intermediaries have been fine-tuned since the early 1990s. The widespread understanding on the principles of successful microfinance services has been toward minimalism because:

- Microentrepreneurs know better than anyone else what they want and need, which is primarily capital
- The nature of most enterprises does not warrant training
- Forcing clients to participate in training in order to get a loan undermines learning objectives and represents additional costs to the client and the program

Similar efforts in identifying principles for good practices in BDS have not yet resulted in comparable results since BDS is much more diversified than microfinance and more complex in terms of delivery and content. It is a great challenge to develop uniform principles of BDS, applicable across different sectors, scope, and levels.

Nonetheless, a number of recent efforts have focused on identifying the current state of practices in BDS. Several studies have been published on the changes in the field of BDS in the past few years (Chen 1996; Goldmark 1996; McVay 1996; Barton 1997; Nelson 1997; Overy 1997; Committee of Donor Agencies for Small Enterprise Development 1998). The Intermediate Technology Development Group (ITDG) recently undertook research on current trends in supporting small producers in developing countries. The study found that minimalist credit has only a limited impact on the efficiency, productivity, capacity and growth of borrowers' businesses. It also concluded that BDS permits an enhancement in the quality and efficiency of small producer activity, especially in light of recent innovations in design and delivery of BDS toward cost effectiveness.

The Inter-American Development Bank carried out a survey of BDS programs in the Latin American and Caribbean region in 1996. Their framework of analysis (Goldmark 1996) was followed by preliminary survey results and successful, innovative case studies on BDS (Goldmark et al. 1997) and a best practices paper on technology access services for microenterprises (Goldmark and Londono 1997). These categorizations of BDS programs are useful in understanding which types of programs can be compared; which services are most frequently aimed at microenterprises; and what recognizable patterns, issues, and lessons exist in the provision of BDS.

In 1998 Women's World Banking came up with their "Resource Guide to BDS" including profiles of 45 organizations from around the world (Women's World Banking 1998). The first issue of the Women and Microenterprise Series of the International Coalition on Women and Credit was also devoted to challenges for BDS programs (Budinich and Miehlsbradt 1998).

The report on "Preliminary Guidelines for Donor-Funded Interventions in BDS for SMEs" was presented to the Donor Committee for Small Enterprise Development (ILO 1998). The guidelines include an overview of SME needs, examples of good practice, and BDS principles and instruments. The report concludes that there is little more to be learned from further analysis of existing information and there is a need to expand the stock of innovative projects from which donors can learn. It also includes a survey of recent experiences from around the world on key principles of good practice that facilitate the transition to market-driven BDS. These are similar to the principles that

were developed around microfinance services (see table 1.3).

**Table 1.3. Principles of Good Practice in BDS for Business Growth**

|                         |  |
|-------------------------|--|
| <b>Demand Driven</b>    | Services must respond to client demand rather than demand by donors, NGOs or others who supply the services. Women clientele's demands can be different from men clientele's demands based on their gender-specific constraints to business growth (transport, marketing, information) |
| <b>Relevant</b>         | Services must be relevant and address women entrepreneurs' immediate needs for business growth   |
| <b>Participatory</b>    | Suppliers of the services must get to know their clientele and base their analysis on needs and subsequent product design on the realities of their clients' businesses  |
| <b>Cost Recoverable</b> | Programs should charge fees for their services. If they have been properly designed, clients will be willing to pay some fees  |

Source: "BDS for SMEs: Preliminary Guidelines for Donor-Funded Interventions: Summary of the Report to the Donor Committee for Small Enterprise Development," Committee of Donor Agencies for Small Enterprise Development, ILO. January 1998.

On many levels BDS programs are emerging as complements to microfinance (McVay 1999). However, in order to develop good practices, standard performance measures are needed. Some preliminary frameworks for measuring performance indicators have been developed in recent years (see table 1.4), but these indicators do not prioritize or indicate the level of performance appropriate for each type of BDS established, nor do they emphasize the impact indicator for measuring women's business growth.

**TABLE 1.4. Performance Indicators for BDS**

|                           |  |
|---------------------------|--|
| <b>Scale</b>              | Numbers of women, enterprises, organizations reached         |
| <b>Outreach</b>           | Reaching under-served markets, particularly the poor         |
| <b>Impact</b>             | Improving women's lives through enterprise growth            |
| <b>Cost-Effectiveness</b> | Achieving impact at the least cost possible                  |
| <b>Sustainability</b>     | Ensuring that services and benefits continue in the long run |

Source: Mary McVay "Measuring BDS performance—a summary framework," *Small Enterprise Development*, Vol. 10, # 2, pp. 18-21. 1999.

There has been significant progress in how BDS for microenterprise development is viewed beginning with the Donor Committee's Preliminary Guidelines for Donor-Funded Interventions and continuing with the Harare and Rio conferences. Yet, the evolving thinking on BDS needs to be better applied to women's microenterprise growth. Mayoux (1995) identifies two approaches to achieving women's business growth. One is a *market approach*, which aims to assist individual women entrepreneurs in increasing their incomes and expanding their businesses. The Committee of Donor Agencies for Small Enterprise Development bases its guiding principles of BDS on a private sector-led, market economy framework that reflects a fundamental belief in the principles of a market economy.<sup>4</sup> The other is an *empowerment approach* which aims not only to

<sup>4</sup> While a market focus in providing BDS is relevant and important, the accessibility of markets and the needs of specific target client groups, such as rural poor women, need to be taken into account.

increase the incomes, but also the bargaining power of producers (Mayoux 1995). The Self Employed Women's Association (SEWA) in India is an example of this approach as it focuses on non-economic outcomes as well as economic ones. This includes improvements in quality of work through lower workloads and greater social protection, in family well being and in women's self-esteem. At times this may mean non-business services, such as childcare, transport assistance, and personal development training (Kantor 2000).

Similarly, the authors of a recent volume on women's economic empowerment in South Asia refer to economic organizing among women small and microentrepreneurs as a must for business growth (Carr, Chen, and Jhabvala 1996). BDS and microfinance are discussed in the context of organizing. As women living in poverty have few financial resources and assets, the pooling of resources whether it is labor or savings can be crucial. The economic group/unit can also help with the collateral for women's loans in the form of mutual guarantee and through using the group savings at its disposal to offer collateral. In a way, the rotating saving groups have acted as a crucial unit of economic organizing on other issues among women entrepreneurs. Finally, by organizing economically women can gain increased access to markets, bypassing middlemen and accessing larger and more lucrative urban markets.

## **2. Independent Business Enrichment Center (IBEC)**

### **a. Background**

This case study examines the enterprise training programs of the Independent Business Enrichment Center (IBEC) in South Africa. Currently, this program focuses on micro level and single service programs. There is a high demand by micro and small entrepreneurs around the world for training in adequate and appropriate business skills.

IBEC was selected as a case study because it:

- Uses client-responsive and participatory training methodologies;
- Reaches women clientele (65 percent of its client base) without specific targeting;
- Targets rural women's self-help groups for women's business growth in its pilot business training programs as well as women entrepreneurs (start up or existing businesses) who face domestic violence.

### **b. South African Economic Context**

South Africa experienced 50 years of apartheid that disenfranchised the majority of the country's population. As a result, South Africa's economic inequalities are vast. Extreme inequality in the distribution of income exists among racial groups and households. The poorest 40 percent of households in South Africa earn less than 6 percent of total national income, while the richest ten percent earn more than half of the national income. Great poverty exists alongside extreme wealth. More than a third (35.2 percent) of all South African households, amounting to 18 million people, are living in poverty. Households in rural areas, especially those headed by women in rural areas, are the most affected.

Unequal income distribution has severely hampered development, particularly that of people in rural areas, who are generally poorer than their urban counterparts (South African Government 1997).

Poverty also has strong racial dimensions. Ninety-five percent of those living below the poverty line are black, colored or Indian. There are large numbers of unemployed people with limited education who have been socialized in a violent environment. High unemployment rates and lack of prospects add fuel to the violence in the communities.<sup>5</sup>

Only five percent of recent secondary school graduates can get formal sector jobs. The October 1998 Household Survey showed that official unemployment had increased from 22 percent in 1997 to 25.2 percent in October 1998. This figure increases to 37.5 percent if consideration is not given to whether people are actively looking for work. While some 400,000 new job seekers enter the labor market each year, only between 100,000 and 150,000 new jobs are being created annually (ILO 1999).

The South African government's poverty alleviation strategy is based on growth, increased investment, enhanced productivity, and expanded employment opportunities. While the large enterprises are likely to move on this path with limited support from government, the transformation of the small enterprise sector requires concerted policies and the creation of an enabling environment. In this transformation process the South African government sees its role as a facilitator and not an implementer. Microenterprises play a major role in the South African economy, responsible for employment creation, income generation, and output growth. Small and micro enterprises (SMEs) account for approximately 60 percent of all employment in the economy and 40 percent of output (SA Government 1995). Most South African microentrepreneurs run *spaza* shops (small roadside grocery stores), mini taxis, and household industries.

There are also about 3.5 million people involved in some type of survivalist enterprise activities. Survivalist enterprises are activities by people unable to find a paid job or get into an economic sector of their choice. Income generated from these activities usually falls far short of even a minimum income standard, with little capital invested, virtually no skills training in the particular field, and only limited opportunities for growth into a viable business. Poverty and the attempt to survive are the main characteristics of this category of enterprises, which are even smaller than most microenterprises as they have no paid employees and minimal asset value (South African Government 1997).

Most entrepreneurs in this category are women involved in such activities as hawking, vending, and subsistence farming. Survivalist enterprises have a great potential for absorption of unskilled labor, as has been confirmed by the correlation between the unemployment rate and the amount of self-employment in unregistered, mainly survivalist, enterprises that prevail in informal settlements and rural areas of the country (South African Government 1997)

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<sup>5</sup> UNFPA State of the World Population 2000 report estimates that less than 3 percent of rapes are reported to authorities in South Africa. The percentage of adult women reporting physical assault by a male partner in the Eastern Cape province is 20 percent.

Government statistics show that women comprise 28 percent of the overall SME sector. Most entrepreneurs in this category are involved in crafts, sewing, knitting, baking and other food preparation, petty trading and *spaza* shops. A concentration of women entrepreneurs in these traditional activities results in the production and sales of low quality, low priced products to an already saturated market.

### **Box. 2.1. IBEC Study on Women Entrepreneurs' Needs**

In a recent needs analysis conducted by IBEC Training among 50 women, more than half the women pointed to management training or how to run a business as their most important training need, followed by marketing. Specifically, they expressed a need for basic bookkeeping. Highest among the personal qualifications women said they wanted to have was confidence. When asked about other problems they face, women were concerned with security of business premises, theft and other crime, and overcoming the prejudices of the community (suppliers, buyers, competitors) against businesses run by women. Over half of the younger women preferred weekends for business training. Among the older women, three-fourths preferred that the training occur on weekdays due to housework and childcare as well as having husbands who are laborers elsewhere coming home on the weekends. More women preferred training in the morning due to the availability of transport compared with later hours of the day.

Source: Price 1997.

The SME sector was severely underdeveloped during apartheid and the promotion of this sector is a key element in the post-apartheid government's strategy for employment creation and income generation. The primary objective of the national policy framework is to create an enabling environment for small and micro enterprises. The target populations of the government initiative include: small-manufacturers with a focus on such things as clothing, furniture/carpentry, metal works, and arts and crafts; start-up and expanding enterprises owned by women and, in particular, women with children; and youth self-employment (with the focus on school dropouts and unemployed youth). With the rapid expansion in the range and number of small and micro enterprises all over the country, various government programs and institutions have been established to support the sector.<sup>6</sup>

### **c. History of IBEC**

IBEC has been a leading NGO in the field of entrepreneurship training in South Africa since 1991. It started off as a financial and business training service provider and soon expanded training services to include counseling, monitoring, and life skills techniques. At the time of its inception in Eastern Cape (then Transkei) Province, its mission was to bring self-employment and job creation opportunities to communities where apartheid and poverty had taken their toll (to blacks, colored, and Indians), and to women and the disabled. For those seeking to earn a living through elementary trading and

<sup>6</sup> Among the government agencies recently established are the Small Business Centre attached to the Department of Trade and Industry; Ntsika Enterprise Promotion Agency to provide non-financial assistance; Khula Enterprise Finance Limited for wholesale loans; Khula Credit Guarantee Limited for loan guarantees; a pre-shipment export finance guarantee facility to expand access to working capital; and the Competitiveness Fund for consultancy advice on technology and marketing.

manufacturing in these communities, there were no business training or financial services available.

The philosophy of IBEC is that small and micro enterprises require more than just finance. In most cases they require a range of services consisting of finance, training, counseling and monitoring, and, in some instances, life skills techniques. IBEC's goal is to create entrepreneurial capacity through the establishment and strengthening of micro and small businesses and support the growth and development of microenterprises.

#### **d. IBEC Training**

IBEC Training provides its services to potential and existing entrepreneurs of South Africa. Since 1991, it has serviced over 18,000 potential and existing entrepreneurs through its training and counseling activities. The main target groups for the training have been youth and women. It is estimated that across the years IBEC services have resulted in 35,000 employment opportunities created jointly with other financial institutions. Sixty-five percent of IBEC's clients are women. Sector-wise, sixty-four percent of their clients are in the manufacturing business.

IBEC uses a training methodology and framework developed by the German technical assistance corporation, GTZ, that it has adapted to the South African context. This methodology, Competency Based Economies for the Formation of Enterprises (CEFE), is based on experiential and action learning methodologies to develop and enhance key competencies in business management. The CEFE approach has been implemented in South Africa since 1994 with GTZ technical assistance. The purpose was to strengthen the network in implementing CEFE programs so that growth oriented SMEs can be promoted by offering a range of services appropriate to the needs of the target groups.<sup>7</sup> IBEC is a founding member of the CEFE network in South Africa that consists of six NGOs.<sup>8</sup> All of these agencies specialize either in training/mentoring, credit delivery or both of these services.

IBEC adjusted the CEFE products to the South African context and their own clientele including unemployed and other township dwellers who are interested in being self-employed; micro and small business entrepreneurs who are already in business but would need further support in growth and expansion; and entrepreneurs who have potential to survive and grow but currently are having major business problem. They adjusted the training modules to include case studies. They also adjusted the education level of clientele to accommodate women clientele with less than 8<sup>th</sup> grade education.

The training courses offered by IBEC include business start-up, business restructuring, business growth and expansion, basic business management, women's enterprise development and rural enterprise development. Women clientele, because they are mostly microentrepreneurs, are mainly concentrated in the last two courses. The clientele of

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<sup>7</sup> CEFE has been implemented for over 15 years in more than 50 countries (<http://www.gtz.de/cefe/>).

<sup>8</sup> The other NGOs are: The Get Ahead Development (GAD), Triple Trust Organization (TTO), Foundation for Economic and Business Development (FEBDEV), the Stutterheim Business Advice Centre (SBAC), and the Beehive Entrepreneurial Development Centre (Beehive EDC).

business growth and expansion courses are almost all men who are micro to small entrepreneurs. The course on business growth and expansion concentrates on transition businesses from micro to small and not from survivalist to micro or growth within the limits of microenterprise.

### e. Constraints Faced by Participants

Visits with ex-IBEC trainees revealed that many women entrepreneurs face such constraints as domestic and public violence that affect their financial, physical, and mental well-being; isolation (particularly women in rural areas); and the cost of training.

#### i. Domestic and Public Violence

Based on experience over the lifetime of the program, IBEC Training staff felt the need to explore the issues of public and domestic violence as they affect women entrepreneurs. They conducted an action-research project consisting of focus group interviews and in-depth interviews with women who were both potential and actual entrepreneurs. While IBEC has not produced quantitative data, the interviews revealed serious negative impacts on the person and the businesses of women who were faced with physical, sexual, psychological, and financial abuse. This initial research led to a framework which can be used to guide future research (see table 2.1).

**Table 2.1. Effects of Domestic and Public Violence on Women’s Enterprises**

| Form of Violence                            | Effect on Women   | Effect on Women’s Enterprises  |
|---|---|--|
| Physical & Sexual<br>D=Domestic<br>P=Public | <ul style="list-style-type: none"> <li>* Permanent or temporary physical disability (D/P)</li> <li>* Social embarrassment (D/P)</li> <li>* Incapacitation during recovery (D/P)</li> <li>* Costs for doctor fees (D/P)</li> </ul>                                       | <ul style="list-style-type: none"> <li>* Physical inability to invest time and resources into business (D)</li> <li>* Decreased time in enterprise and on entrepreneurial activities (D)</li> <li>* Increased costs for protection on business premises (P)</li> </ul>   |
| Psychological<br>D=Domestic<br>P=Public     | <ul style="list-style-type: none"> <li>* Fear of retribution resulting in limited or no mobility (D)</li> <li>* Loss of self-esteem (D)</li> <li>* Fear of retribution resulting in indecision and lack of initiative (D)</li> <li>* Fear of being alone (P)</li> </ul> | <ul style="list-style-type: none"> <li>* Indecision and lack of initiative resulting in delays, loss of business (D)</li> <li>* Limited mobility or immobility which causes loss of business opportunities (D)</li> <li>* Fear of recurrence resulting in ending business hours before dark (P)</li> </ul>                   |
| Financial<br>D=Domestic<br>P=Public         | <ul style="list-style-type: none"> <li>* Lack of control over financial decisions (consumption, saving, investment) (D)</li> <li>*Lack of control over resources (income, land, home, jewelry) (D)</li> <li>*Having money taken away</li> </ul>                         | <ul style="list-style-type: none"> <li>* Loss of profits that could have been used in restocking, investing in business (D)</li> <li>* Loss of financial resources (land, house, car, jewelry) on starting up or investing in business (D)</li> <li>* Loss of earnings and merchandise as a result of robbery (P)</li> </ul> |

*Framework developed by Vaneetha Moodley and Simel Esim based on the findings from the focus group interviews and in-depth interviews. IBEC, April 1999.*

Under the category of public violence, muggings and hold-ups on business premises resulted in decreased hours of operation, increased operating costs (for security), and loss of income. Women were also easier targets on their way to and from work, or when taking earnings to banks.

### **Box 2.2. Ndomboie's Spaza Shop**

Ndomboie's case is one example of public violence faced by women entrepreneurs in South Africa. Ndomboie is a *spaza* shop owner in the Umlazi township outside Durban. She grew up working in her father's *spaza* shop. She took the IBEC business start up course a few years ago. In addition to her *spaza* shop she has two public phone businesses in the Umlazi township. She has been held up at gunpoint in her shop twice this year. The first incident was during the day in her house where she ran her business at the time. The second time was in the evening shortly after she moved her *spaza* shop outside her house onto the main road. In both cases she was with one of her sisters. She says women are easier targets for such acts. The other *spaza* shop owners on the same road, who are men, have never been held up at gunpoint in their shops, she says. In both cases she did not hesitate to give all the money she had in the shop. Since the second incident, she has taken a number of measures to protect her business from major losses in case of recurrence of the incidents. She does not keep more than a few hundred rands in her cash box in the shop. She hides the rest of the money among the produce in a discrete location. She also tries to close her shop before it gets too dark. She says that the fear of attack is causing her to lose business by closing shop early. She hopes to hire an armed security guard especially for evening hours. Such services can cost as much as 2,000-3,000 rands a month, she says. "I cannot afford that now."

*Source: Interview with Ndomboie at her spaza shop in Umlazi on April 22, 1999.*

#### *ii. Relative Isolation of Rural Women*

The relative isolation of South African women in rural and township settings has been a constraint for women entrepreneurs, and, as a result, for decades women have set up self-help groups and become involved in joint economic activities. These groups might vary in membership from 5 to 30 people. The women's groups can pool their resources to raise greater amounts of start-up capital for brick making (blocks), horticulture (seeds) or sewing (machines). Moreover, working together on one activity means cooperation, access to larger markets, and coverage for each other's time in cases of emergencies. However, due to time, capital, and market constraints, the group-run businesses can be semi-dormant at times, and operated seasonally at other times.

Recent needs assessments conducted by IBEC staff show that the members of many of the women's groups in rural areas have a clear need for business training and extension services (IBEC 1999). While most of the groups have a satisfactory knowledge of their markets and pricing, and can do product planning, they have poor marketing skills. They also lag behind in organization and management tasks such as planning, coordination of activities, progress monitoring, and evaluation. Among the women's groups with which IBEC Training works, the Masilo Women's Brick-making Project in Thuenissen and the Thabong Women's Horticulture Project in Tarlton both face difficulties in transporting their products.

#### *iii. Cost Recovery*

Among the unresolved issues in provision of business training is the extent to which the costs of training should be recovered through fees charged to clients. All IBEC trainees pay fees for the training they receive. There are two cost issues here. From the client side, there are those who would like to participate in the courses, but cannot afford to pay the fees or allocate the time for the courses. Most clients pay 10-20 percent of total cost of the course. From the provider side, the remainder of the training cost needs to be raised from other sources, which can take time and result in delays in training.

#### **f. Responses from the IBEC Training Program**

IBEC's experience with women clientele (over 65 percent of its trainees are women) gives IBEC particular insight into the specific constraints women face for business growth. The training portfolio of the organization includes a number of courses that address these constraints. Two of IBEC enterprise training services are especially worth mentioning: the first because it addresses public and domestic violence in its training curriculum, and the second because it provides training services to women's self-help or income generating groups. The program that addresses public and domestic violence is most relevant in urban and semi-urban areas, while the group training approach is more relevant for women's self help groups in rural settings.

##### *i. Institute of Gender and Economic Development*

Following the findings on violence, pilot training sessions were initiated in May 1998 by IBEC Training staff, building on the business start up and business management courses. New case studies, examples, and materials on public and domestic violence were added to the courses. A five-week course was designed with life skills, crisis counseling (when needed), and enterprise development components.

Discussions around legal awareness and prevention of public violence were also included in the risk section of the business management course during the pilot training. Materials and references were provided on how to get help from public authorities and private NGOs and other institutions. The materials included violence pamphlets with suggestions on dos and don'ts and information on security companies, police station connections, armed security guards, and contact names for NGOs. The third stage of the initiative was the establishment of an Institute for Gender and Economic Development, *Vuka Uzithathe* (Zulu for Stand Up and Let's Do It), that would carry on these courses beyond the pilot training. The Institute, which has recently secured funding and begun activities, will:

- Develop and implement a new Women Enterprise Development course that would address issues of domestic violence with a one-week add on module to the existing four-week IBEC Training course on business start-up;
- Add information, materials, and references on awareness and prevention of public violence to the risk section of business management courses for women entrepreneurs; and
- Restructure the existing training modules to develop other examples, case studies, and materials on gender-based constraints that are faced by women entrepreneurs in starting, running, and growing their businesses.

## *ii. Training of Women's Groups*

IBEC has recently revised and adapted its training programs to reach women's groups. The main argument for the program is that individual women in rural areas and townships do not have the resources to get successful businesses going. Moreover, group training is a well-established strategy that has been effective in other places such as rural areas of Kenya. This type of training emphasizes cooperation among participants toward income generation and other objectives. Usually a few members of the group receive training as facilitators. They then pass on the business skills training to the other group members. One training program involves training in group management for the whole group and another involves training five to ten representatives in business management. These representatives train other members of the group. IBEC Training staff reach women's self-help groups in rural areas with the help of Local Business Service Centers, which are public institutions, in identifying, screening, and selecting target clients.

The women's groups being trained in rural areas are usually self-help groups who have some ongoing income-generating activities. However, they might be stagnant or not doing as well as they could. The group-based enterprise training helps them run their income-generating activities in a more business-like manner and think in terms of expanding their activities. The group training consists of four modules: problem analysis, strategic analysis, restructuring or reengineering plan formulation, and presentation and negotiation.<sup>9</sup>

## *iii. Cost Recovery*

IBEC is struggling with cost recovery issues. The end of apartheid in South Africa resulted in the shifting of funds from such organizations as IBEC Finance to the government, which redistributed the funds to new, smaller groups. The establishment of IBEC Investments and IBEC Consulting were efforts to respond to this shift in funding. Most of the IBEC Training staff work on a contract basis now. Programs charge fees for their services and receive funding from a number of government, donor, and private agencies. The two IBEC Training initiatives mentioned in this report, Institute of Gender and Economic Development and Training of Women's Groups for Women's Business Growth, are both initiatives that raise their own funds through grant proposals in order to undertake these activities. While IBEC leadership has rhetorically supported these initiatives, this has not translated into financial backing of the projects.

In recent years, IBEC Training has linked up with private sector firms in raising funds for their training programs. Congruent with the emphasis of the South African Government for corporate social responsibility and initiatives, a number of companies have funded IBEC Training programs (see table 2.2). Yet, among the IBEC programs, none of the women's training programs was supported by corporate initiatives. Furthermore, while

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<sup>9</sup> The group training covers the following areas: women and business environment; developing entrepreneurial competencies; identifying business opportunities; establishing an enterprise; marketing; and technology, production, and purchasing.

corporate sponsors have verbally supported such training programs, this has not translated into sufficient funding. Therefore, IBEC Training or other BDS providers cannot count on corporate sponsorship as their main funding venues for their services, but continue to depend on government donor and client funding of activities.

**Table 2.2 Main Funders of IBEC Training Services**

| <b>Project Name</b>                   | <b>Sponsor</b>                           | <b>Description</b>   |
|---------------------------------------|--|--|
| Kick-Start                            | South African Breweries (SAB)            | Youth entrepreneurship development and mentorship training           |
| Entrepreneurship Development Training | DANIDA                                   | Entrepreneurship program   |
| Capacity-Building                     | German Technical Cooperation (GTZ)       | Organizational capacity building and enterprise development training |
| Small Business Promotion (Mpumalanga) | Carl Duisberg Gesellschaft (CDG/Germany) | Capacity building of local business service centers in Mpumalanga    |
| SMME Development                      | Transitional National Development Trust  | Rural and women entrepreneurship development training                |

*Source: IBEC Training Brochure*

### **g. Conclusions**

IBEC Training programs have fared fairly well in terms of adhering to principles of good practice in BDS for business growth. The two IBEC programs reviewed in this chapter provide demand-driven and relevant services for urban and rural women clientele in South Africa. The services are quite interactive, and have built-in monitoring and evaluation mechanisms. Yet, they are also quite recent and would benefit from the application of an evaluation framework for more thorough analysis. On the cost recovery front IBEC Training has taken some innovative steps, such as reaching out for private sector funding, but the results are far from extensive or conclusive.

An assessment of IBEC Training programs for performance indicators of BDS services also shows mixed results. The scale of IBEC training activities continues to be small. On the outreach front, they have succeeded in reaching under-served markets, such as women street sellers and rural women’s self-help groups. Yet, the impact of the services on business growth are harder to assess. IBEC Training programs address gender-based constraints, such as domestic and public violence and isolation of individual women entrepreneurs in rural areas. Yet most of the women trainees in the IBEC Training programs do not participate in the specific business growth and expansion courses. Larger microentrepreneurs or small business owners rather than survivalist businesses frequent the business growth courses. While the training services are provided in a more or less cost-effective manner, the sustainability of the programs continues to depend on government, donor or private sector funds.

### **3. The BRAC Sericulture Program**

#### **a. Background**

The second BDS program examined is located in Bangladesh, which has a low per capita annual income of US \$220 and half of its people are trapped in poverty. In rural areas, poverty rates are even more severe; two-thirds of rural households are landless poor who own less than half an acre of land. In poor households, the income of women workers is 52 percent lower than the income of the male workers. One way to improve the economic condition of the landless and the marginal farmers and at the same time create a positive impact on the rural economy itself is to provide them with alternative sources of employment and income. Sericulture or silk production has captured the imagination of government and non-government development actors in Bangladesh as a likely alternative.

This case study focuses on the Bangladesh Rural Advancement Committee's (BRAC) sericulture program that creates seasonal self-employment for many poor rural women in Bangladesh. It is a multi-level (micro, meso, macro) program that uses a credit-plus and a subsector approach, as described in Chapter 1, page 11. The BRAC sericulture program was selected by ICRW for this study mainly for its subsector approach. A subsector is the network of workers and enterprises involved in the production and distribution of a given good or service, such as poultry, livestock, fisheries, and sericulture.

BRAC, a committee formed in 1972 to aid thousands of refugees who returned home after the Liberation War, has evolved into the largest NGO in the world. It now employs around 25,737 staff members and over 34,000 para-professional teachers and workers. The organization's objectives are now defined as Alleviation of Poverty and Empowerment of the Poor. To attain these objectives, BRAC runs a Rural Development Program (RDP), a BRAC Education Program (BEP), Health and Population Program (HPP), and an Urban Program together with supporting departments and revenue generating enterprises. The RDP, launched in 1986, promotes the development of the Village Organization (VO). This program provides credit, vocational training and income-generating services in subsectors such as vegetable gardening, poultry, livestock, sericulture, and fish culture to 3.32 million VO members. Today 93 percent of the VO groups are designed to mobilize women and offer a platform from which they can address their developmental needs. In addition, RDP has set up a Social Development Program working on Human Rights and Legal Services (HRLS), issue-based village meetings, health, environmental awareness, and popular theatre. VOs of three to four villages come together to form an association. Another essential component of RDP is savings and credit activities, including a self-supporting "banking institution." BRAC operates one of the world's largest non-governmental financial intermediation programs with the rural poor. So far, it has disbursed cumulative loans of US\$932 million (BRAC website 2000).

#### **b. Sericulture in Bangladesh**

Sericulture is a high labor- and low capital-intensive activity that is suited to labor-rich, agriculture-based economies, such as in Bangladesh. Sericulture generally engages more

than one member of a household. It consists of multiple levels of production that need to be vertically integrated from the caring of mulberry trees and silkworms to reeling cocoons for silk yarn and to weaving the fabrics.

### **Box 3.1. Silk Production in the World**

Silk accounts for one-fifth, by volume, of world fiber production. Its high value and the amount of labor required to produce it, make it a major industry, particularly in countries where labor costs are low. Currently there are some 58 countries around the world producing silk. However, among them only eight countries, namely China, India, Japan, Russia, South Korea, Brazil, Vietnam and Thailand are the main producers. China is the leading producer of silk, followed by India. China exported around 14,358 tons of silk in 1998, followed by India with 1,140 tons and Brazil with 780 tons. There is continued demand in international markets for silk yarn and silk fabric. The main silk consumer countries are the United States, France, Switzerland, Italy, Britain, Germany, South Korea, Japan, and India. The last three countries meet much of their demand from their indigenous production. But the other countries are mainly dependent on the import of silk from China and India. It is mainly China that exports raw silk abroad. India mainly exports silk cloth and imports substantial quantity of raw silk from China for producing high quality silk material. Even though a number of Asian and African countries introduced the production of silk for the economic development of their people, very few of them were able to make headway in the production of quality raw silk. Only a couple of countries, namely India and Thailand, have made some progress recently in the production of better quality silkworms and silk yarn.

*Source: FAO 2000. FAOSTAT Database. [www.fao.org](http://www.fao.org)*

For centuries, silk was the most important agro-industry in Bengal, an area that is now divided between India and Bangladesh. This region was the main exporter of silk yarn and locally woven silk to other parts of South Asia and Europe. The industry in Bengal has been declining since the mid-19<sup>th</sup> century. Despite the attempts to rehabilitate it in the post-Independence period of the late seventies, the silk sector in Bangladesh has not been able to recover.

Current world market prices for raw silk are determined mostly by China. The 100 percent price cuts in raw silk in 1994-5 by the Chinese have affected all world silk producers, including Bangladesh. The import of cheaper and better quality silk yarn from China has undercut the Bangladeshi market's demand for local yarn as well as its export opportunities (Morton 1995). Contributing factors include:

- Government policies, like lowering of tariffs, which resulted in lower production and market incentives;
- Government monopoly (in research, development and input marketing) over silkworm egg production and control over cocoon prices which stifles private sector and NGO initiatives;
- Undercapitalized producers who cannot generate the means for adopting productive technologies;
- Lack of marketing knowledge and expertise among silk producers;
- Severe competition with neighboring China and India in raw silk production, consumption, and exports;

- Low quality and productivity of mulberry leaves, silkworm eggs, and cocoons; and
- Lack of uniformity, neatness and cohesion, low strength and comparatively high price of locally produced silk yarn.

### **Box 3.2. Role of Women in Bangladeshi Silk Production**

A recent baseline survey on silk production in Bangladesh shows that around 80 percent of small-scale silk producers are women. While the range of activities undertaken by women and the involvement of other household members vary from region to region, sericulture tends to be viewed as an activity for and by women, with the exception of the weaving stage. Weaving is a mostly male activity while women of the household prepare the yarn for weaving (by washing, winding, and drying) and the woven fabric for sale. Sericulture households tend to be poorer than households in the general population, with different degrees of poverty among them. According to this study, women maintain a significantly higher proportion of sericulture households (25 percent) than in the general population. Demand for women's labor in raw silk production does not compete with farm labor demand, which suggests that the opportunity costs for sericulture labor are low. Most sericulture household members have more than one main occupation and silk is a secondary income in most of these households.

*Source: Bazalgette and Dechering, January 1998.*

#### **c. BRAC Sericulture Program**

Begun in 1978 as a small pilot program in the Manikgonj area, by the early 1980s, BRAC began spreading sericulture from the northern areas to other parts of the country. By the end of 1997, it had expanded to include over 25 million mulberry trees. In 1998, the sericulture program worked out of 224 BRAC area offices. There are about 8,000 hectares planted with mulberry trees in all of Bangladesh; BRAC controls 1,200 hectares. Sericulture has now developed into a program with many backward and forward linkages.

BRAC leadership's selection of sericulture as one of the RDP subsector activities was based on a number of factors. First, sericulture was a traditional yet underdeveloped sector that could provide employment for rural landless women. It also had low capital and high labor requirements that made it suitable for Bangladesh. The initial strategy was to plant mulberry trees along the roads to utilize marginal land for productive purposes, and to get landless women involved in caring for the trees. A year after caring for the trees, the women were encouraged to become silkworm rearers. To these and other landless women, BRAC offered training and loans to acquire rearing equipment and to construct rearing houses.

The BRAC sericulture program is based on rural poverty alleviation principles primarily emphasizing the rural employment and income-generating activities for the disadvantaged and poor and funded by donor resources.

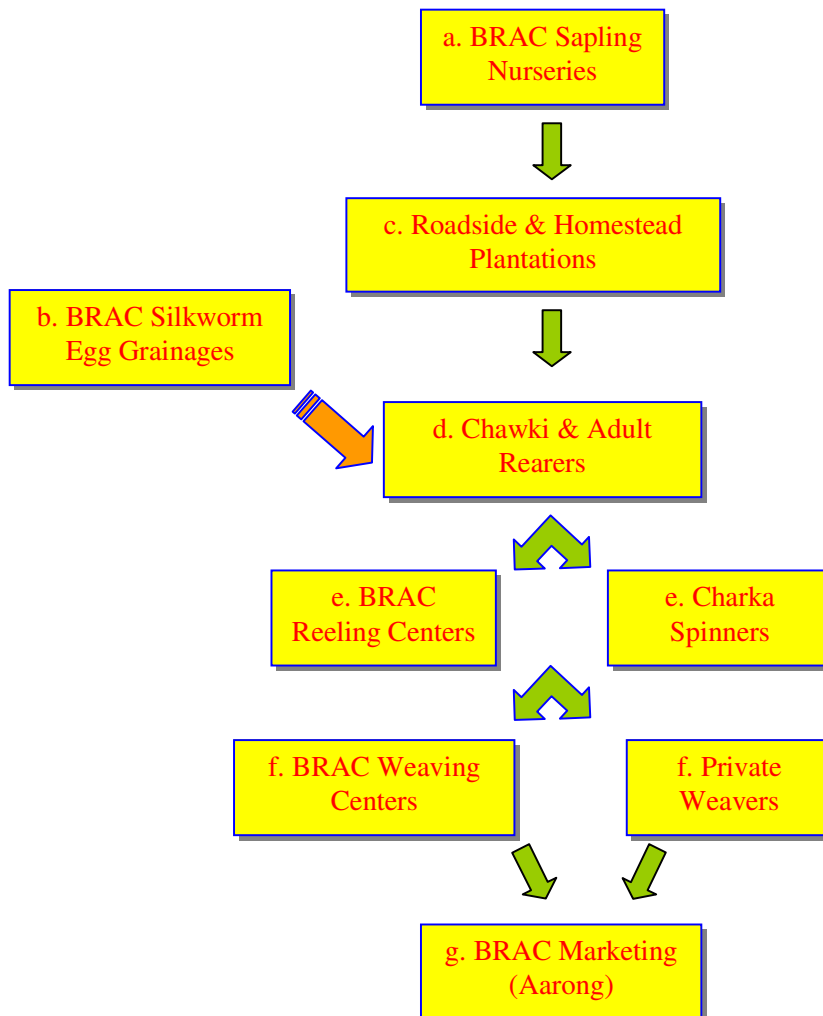
The objectives of the BRAC program include:

- Increasing income and employment opportunities for landless and low-income women through silk production;
- Building a national sericulture infrastructure;

- Promoting afforestation through mulberry trees and utilizing low quality lands that are not fit for traditional crops;
- Providing business development services to rural poor women in the silk subsector.

It is a multi-stage subsector program with sapling nurseries, silkworm egg grainages, mulberry cultivation, rearing (chawki or early and adult), reeling, weaving, and marketing stages. In addition to these multiple stages, multiple services are provided by the sericulture program. Microfinance services are available in the form of rearing house credit and mulberry cultivation credit. The women clientele receive a range of skills training services in mulberry cultivation and rearing, progressive silk farming and chawki rearing. BRAC sericulture program staff provides extension services on technical issues and logistics, and build infrastructure. Eggs and rearing equipment are the main raw materials provided by the program.

**Figure 3.1. Levels of BRAC Sericulture Program**



Women and the members of their households participate in all levels of the silk

production in the BRAC program. In some stages they participate as daily, part-time or seasonal laborers. In others, they work from home and with input from other family members. The employment opportunities created through grainages, sapling centers, reeling centers, and weaving centers are clearly daily wage employment. The mulberry cultivators/rearers, home-based charka spinners, and the home-based weavers are the self-employed. As many as 25,000 women who are mulberry cultivators/rearers in the BRAC sericulture program are self-employed. (for the main components of the BRAC sericulture program see figure 3.1).

#### **d. Constraints Faced by Participants**

The BRAC sericulture program provides wage employment and seasonal self-employment for a large number of poor rural women in Bangladesh where there are no jobs. There are a number of constraints faced by those participating in the BRAC sericulture program at each level of production. These constraints were identified as a result of interviews held by the ICRW team with participants and staff of the BRAC sericulture program. BRAC Research and Evaluation Department (RED) studies also provided insights into the micro level constraints in the sericulture program.

*Fixed Supply and Returns:* BRAC's sericulture program is a supply-driven initiative. BRAC is the main supplier of inputs, equipment and training, as well as the main buyer of the produce (cocoons, silk yarn, and fabric). BRAC is involved in each level of production (raw and intermediary inputs, technology, training, infrastructure and marketing), with the exception of the women who provide the actual labor in the sericulture program. The supply-driven nature of the sericulture program leaves little room for demand to be articulated by women clientele/beneficiaries within the program. While some women clientele want less trees and eggs to take care of, others are actually willing and able to take care of more. The program does not respond to these diverse demands and needs. This arrangement results in fixed returns for the participants, and no opportunities for business growth especially among mulberry tree cultivators and chawki and adult rearers.

*Crop Failure:* Crop failure is a key issue at the mulberry cultivation and rearing stages of silk production in the BRAC sericulture program. The low quality and productivity of mulberry leaves, silkworm eggs, and cocoons result in a lack of uniformity, neatness, and cohesion in the silk yarn, which then is weak and comparatively high priced.

The quality of the mulberry leaves is constrained by the low quality of roadside and homestead trees. While these trees do utilize unused land and provide an income earning opportunity for landless rural women, the high volume of vehicle and foot traffic damages the quality and productivity of mulberry leaves. Many trees were also lost during the floods of 1998.

Moreover, the quality and the productivity of the silkworm eggs are mainly dependent on what is supplied by BRAC. Diseased layings and bad weather conditions can wipe out more than half of a crop in one season. The 1998 flood that wiped out trees also caused heavy damage to the silkworms that were being reared. And the very conditions needed

for rearing—high humidity and high temperatures—are difficult to maintain in the household. A final reason for crop failure at the rearing level is based on the conditions of rearing (high humidity and high temperatures). The cramped living and rearing space within the household is an issue that affects the quality of life for the members of the household and the quality of cocoons.

Ironically, the appeal of silkworm rearing for many rural poor women is its mainly home-based nature, and yet the rearing of silkworms in living quarters results in lower quality and productivity of cocoons. While the BRAC sericulture program has emphasized rearing house loans, this has not been thoroughly successful as many of the interest-free loans are used for primary housing needs of the rearer families instead of building rearing houses.

In addition to the two major constraints—fixed supply and returns and crop failure--the participants in the BRAC sericulture program named a few other problems, including:

- **Mobility constraints faced by mulberry cultivators.** Women mulberry cultivators need to walk long distances a number of times a day for fresh leaves. They have also been exposed to violence and harassment while tending to roadside trees.
- **Time constraints faced by late age rearers.** A higher volume of leaves are needed in times of late age rearing of silkworms. This requires labor support from other adults in the mulberry cultivating households such as husbands and older children (mainly sons). During the most labor-intensive fifth stage of silkworm rearing, when the worms need a larger supply of leaves for feeding, women need to collect mulberry leaves 4-5 times a day. Even when other family members, such as older sons, help to gather leaves, the intensity of work during the late age rearing conflicts with women's other activities in the care economy resulting in intra-household conflict.
- **Working conditions in reeling.** The work environment for a number of activities such as boiling and degumming in the reeling stage are not very safe due to the long hours standing in water in wet clothes and inhaling smoke from the fire (Halder 1999).
- **Low returns for charka spinners.** In the BRAC sericulture program charka spinners--women who spin the non-continuous silk yarn--are the lowest income earners. A recent BRAC-sponsored study identified the returns to charka spinners' labor as negative (Halder 1999).

#### **e. Responses from the BRAC Sericulture Program**

BRAC sericulture program staff and RDP leadership recognize the low rate of cost-recovery as an important constraint. Cost-recovery is closely related to quality and productivity issues at a number of levels of the program (mulberry leaves, silkworm eggs, cocoons, and silk yarn). The BRAC sericulture program staff has responded to the quality and crop failure concerns by undertaking a series of quality improvement measures. Program staff has recognized that there are insufficient mulberry trees, a low productivity

of existing trees, low supply of silkworm eggs, low productivity of silkworm eggs (use of bi-voltine varieties rather than multi-voltine varieties), high rates of disease, undeveloped markets, and underdeveloped infrastructure. Since 1992, BRAC has gone through a large-scale expansion of the existing plantation and rearing activities of the program. The expansion of the activities took place both vertically--as the products from one level of activity become the inputs of another-- and horizontally.

*Establishing silkworm egg grainages:* The need for better quality and higher productivity silkworms resulted in a series of upstream activities by BRAC, including seed production and development initiatives (such as importing disease free layings [DFLs] of improved silkworm varieties from India and China), and maintaining parent lines and establishing grainage facilities in order to become self-sufficient in DFLs. Yet, the low quality and productivity of silkworm eggs are challenges that need to be addressed at a national level by establishing an effective, efficient national sericulture infrastructure in Bangladesh. BRAC sericulture program initiatives such as egg grainages can contribute to strengthening this infrastructure, but they alone cannot achieve large scale improvements.

*Establishing reeling centers:* Moving downstream to raw silk as an output of the sericulture project rather than just cocoons was a marketing initiative introduced by BRAC. Local reeling facilities for the production of raw silk, with multi-end basin reeling units, facilities operated entirely by women, were established in Manikganj, Jamalpur, Monirampur, Natore, Paba, Atghoria, and Taraganj.

*Establishing weaving centers:* BRAC's involvement in downstream activities included establishing weaving centers. The weaving centers are not intended to weave all the raw and spun silk produced by BRAC sericulture program participants. However, BRAC members who are cotton weavers were encouraged to get into silk weaving and experts from Rajshai silk-weaving families were brought in as trainers to BRAC weaving centers.

*Linking silk products to BRAC marketing outlets:* Outputs of BRAC sericulture program (woven silk fabrics and silk garments) have some marketing outlets through the well-established Ayesha Abid Foundation shops and Aarong (a handicrafts marketing project of BRAC) retail outlets.

*Increasing productivity of local varieties of silkworm eggs:* BRAC is working on developing a local variety of egg that is relatively more weather- and disease-resistant than the imported varieties and more productive than the local bi-voltine (only two generations per year) varieties. Even though the silk yarn from BRAC's multi-voltine variety is more productive than the local variety, the production of this variety is still in its early stages. Therefore, they are only available in smaller quantities at this time and cannot be used on a large scale.

Despite these efforts at increasing productivity and cost-recovery by BRAC RDP leadership and silk program staff, the program continues to run at a loss. Currently, the program is running at a loss of 30 percent and receiving subsidies from BRAC RDP to break even (Islam 2001). Recognizing the need for partnerships beyond program

improvements, BRAC has also been a key player in the nonprofit Bangladesh Silk Foundation, a national network working to revitalize silk production.

## **f. Conclusions**

Employment opportunities are very limited if not non-existent for poor rural Bangladeshi women, who are further constrained by their limited mobility. The BRAC Rural Development Program, with all its subsectors, is one of the only employment providers for poor rural women. The BRAC sericulture program provides wage employment and seasonal self-employment for a large number of poor rural women in Bangladesh. It has, therefore, fared well with respect to a number of performance indicators for BDS. It has achieved scale (numbers of women clientele) and outreach (reaching under-served markets, particularly the poor). However, the challenges to cost-effectiveness, and sustainability of the program remain.

For achieving business growth in a given subsector, there needs to be a macroeconomic policy environment that is conducive to the growth of the subsector, and relevant and focused policy and government support to help alleviate constraints. The macroeconomic policy environment around raw silk production in Bangladesh (competition from Chinese silk in local and export markets, unfavorable macroeconomic policies, and limitations of the national infrastructure for the production of quality raw silk) has deteriorated considerably in Bangladesh in the years since the BRAC sericulture program was launched. Silk yarn from China and other countries (Vietnam and recently Uzbekistan) is flooding the local market. The imported raw silk yarn is preferred because it enables a higher rate of productivity at the weaving stage and produces a more even fabric. This fabric has greater consumer demand than the fabrics made from local raw silk. Only 15 percent of the silk yarn consumed by the handloom sector in 1994 was produced in Bangladesh. Yet Bangladesh has a comparative advantage in ready-made garments (RMG) and weaving silk. The total production capacity of the private sector power looms is over 2 million meters where capacity utilization is less than 50 percent (Morton 1995). Experts in silk say the revitalization in the silk sector in Bangladesh could be achieved by focusing on woven silk apparel production rather than the production of raw silk. The RMG industry employs over one million mostly rural migrant women working in factories in Dhaka (Amin 1998). This is where the potential for silk lies in Bangladesh.

Despite the fact that a number of feasibility analysis and subsector assessments were carried out before the BRAC sericulture program was launched full scale (Rahman 1992; FAO/CP 1994), even the worst-case scenarios used turned out to be rather optimistic given the changes in the macroeconomic environment. While BRAC has contributed to developing a national infrastructure in sericulture through the silkworm egg grainages, reeling centers, and mulberry plantations, it is unlikely that BRAC can turn around the viability of silk production in Bangladesh on its own. The need for a better national sericulture infrastructure was recently recognized at the donor level and a national Silk Project was established in 1998 to assist in improving the quality and value of Bangladesh's raw silk production.

Proper raw materials, know-how and training, information on technologies, finance,

markets, and appropriate technologies are clearly key constraints faced by women entrepreneurs around the world. The BRAC sericulture program is the main supplier of inputs, equipment and training, as well as the main buyer of the produce, including cocoons, silk yarn and fabric. These services, while relevant, are applied across the board without flexibility for differences in capacities. The number of eggs and trees allocated are all fixed which does not necessarily correspond to effective demand. This approach clearly limits opportunities for vertical business growth (specializing and growing in one business) among mulberry tree cultivators and chawki and adult rearers. As a result, the program actually functions more like an employment program for rural poor women rather than a rural enterprise development program.

However, the BRAC sericulture program is not an isolated program standing on its own. It is actually a part of the larger BRAC Rural Development Program (RDP), which provides income-earning opportunities for rural poor women in a number of other subsectors (horticulture, poultry, agro-fishery). The multi-subsector nature of the BRAC RDP program provides an opportunity for horizontal business growth (diversifying the portfolio of the business rather than specializing or growing in one business) among rural women. In fact, most women's businesses do grow horizontally to diversify risk. So the same women clientele who are rearers in the sericulture program can raise poultry and be involved in other BRAC RDP activities. Many of them are already involved in other income-generating activities without any institutional support since sericulture continues to be a seasonal, part-time income generator. If the same women were to be involved in a range of RDP subsector activities, such as poultry, horticulture and sericulture throughout the year they could actually achieve income security and horizontal business growth. Through such cross program involvement, horizontal business growth indicators can become relevant indicators and appropriate tools when observing the success of the BRAC RDP program as a whole for women's business growth.

#### **4. Next Steps**

The literature review and the two case studies provide a number of lessons for development specialists in implementing business development services for women's business growth. Some of these inform next steps in measuring and enhancing women's business growth while others provide lessons for funders and policymakers on provision of BDS.

##### **a. Measuring Women's Business Growth**

- Measure women's increased control over income, using it as a direct performance indicator for BDS providers.
- Use indirect performance indicators such as increased access to formal sector services or access to information and extension services in order to better capture some of the constraints faced by women microentrepreneurs in developing countries.
- Develop horizontal growth indicators to better capture women microentrepreneurs' tendencies to diversify rather than specialize in one economic activity in their attempt to minimize risk.

##### **b. Enhancing Women's Business Growth**

- Complement the current market focus of many BDS programs by ensuring that markets are accessible to specific client groups such as rural women entrepreneurs.
- Support economic organizing among women microentrepreneurs as a means of overcoming the isolation of individual clientele, especially in rural areas, in accessing markets.
- Develop demand-driven BDS delivery methods that respond to the varying capacities of microentrepreneurs and address constraints faced specifically by women microentrepreneurs, such as domestic and public violence.
- Conduct a thorough assessment of macroeconomic policy environments prior to launching subsector-specific BDS programs.

### **c. Lessons for Funders and Policymakers**

- While corporate social initiatives are emerging as potential funding sources for development programs, they should be approached carefully as a funding source for BDS services for women microentrepreneurs. They continue to be few in number and small in terms of amount of funding with very little of the funds going to women, as witnessed in the South African context.
- When choosing organizations to provide BDS services, funders and policymakers should take into account the institutional capacities of the providers, particularly their ability to address gender concerns and respond in a creative manner.

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