

A Resource Guide for the Development of Cost-effective Microenterprises for Poor People

Minority Organization for Development of Economy



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I. INTRODUCTION

This resource guide contains information for organizations, government, associations and other development actors that want to support poor households in setting up small-scale enterprises in rural areas. It contains a collection of resources and examples of success cases of small entrepreneurs supported by MODE- Louvain Cooperation Food and Economic Security Project. It aims to help organizations or institutions to learn more about development of cost-effective support of microenterprises for the poor.

This resource guide includes the following information:

- Context of the project
- What is success case replication methodology?
- Income generation/microenterprise development
- Practical implementation of the project
- Results of project intervention
- Lessons learned
- Recommendations
- Conclusion

We hope that this resource guide for the development of cost-effective microenterprises is useful for your organization/association in helping the vulnerable groups to learn innovative strategies for economic development to alleviate rural poverty.

1.1 Context of the project

1.1.1 Brief background of MODE

Founded in January 1994, Minority Organization for Development of Economy (MODE) is one of the leading local non-governmental organizations in Cambodia working at grassroots level and providing sustainable self-help and development support by empowering people through education, strengthening democracy, promoting participation and ownership of the development process, promoting good health, implementing sustainable socio-economic and environmental development projects.

MODE central office is located in the town of Kampong Thom. MODE provides support to vulnerable children, youth, women, people with disability, poor farmers, indigenous groups and people living with HIV/AIDS.

Currently, MODE is working in 282 villages of nine (9) districts in the provinces of Kampong Thom, Preah Vihear and Siem Reap. MODE has extensive experience with these communities working on a range of subjects such as food security, health strengthening system, local good governance, HIV/AIDS prevention and home-based care, water and sanitation, livelihood development, poverty alleviation project, etc.

“MODE envision that all Cambodian people, especially women and children, have the right to live with peace, justice, health and environmental sustainability”.

MODE is committed to serve vulnerable people and help them improve their living conditions or decrease poverty. Through projects/programs in partnerships with different development actors and the generous supports of the donors, MODE has been able to significantly increase the number of people served through its work, and increase the quality of the services they receive.

1.1.2 Brief background of Louvain Coopération

Louvain Coopération au Développement is an international university NGO created and based in Belgium and implementing an international development program, including Health Care, Access to Health and Food and Economic Security, in 9 countries, including Cambodia. In Belgium there is an additional program in development education.

As a university NGO Louvain Coopération has strong historic links with the Université Catholique de Louvain (UCL) and this partnership between academic knowledge, research and field practice is the core of the Louvain Coopération interventions. Louvain Coopération, who started working in Cambodia in 2004, doesn't intervene as an implementer but develops partnerships with local organizations who are implementing these –often innovative- projects at field level.

Mission statement: *“to increase the more defavorized population's capacity to improve their basic needs in collaboration with our local partners whom we are trying to make them independent thanks to the knowledge exchanges linked to the University community's opening to the south problems”.*

As of today, Louvain Coopération manages 3 projects in partnership with local NGOs in Cambodia; namely a project in mental health with Transcultural Psychosocial Organization

(TPO), one in chronic non-communicable diseases such as diabetes and hypertension with the Center for Patient Information (MoPoTsy), and a project in food and economic security with MODE.

For more information about Louvain Coopération visit their website: <http://www.louvaincooperation.org/>

1.1.3 MODE Partnership with Louvain Coopération

The Food and Economic Security and Nutrition (FESN) Project is one of the interventions of the Minority Organization for Development of Economy (MODE) program. MODE has been working in partnership with Louvain Coopération au Développement in Cambodia with a memorandum of agreement for three years (since July 2011 until December 2013) in Baray and Santuk districts of Kampong Thom province, with the technical and financial support of Louvain Coopération, through a financial support from the Belgian Directorate-General for Development Cooperation (DGD). The partnership between Louvain Coopération and MODE will hopefully benefit of an extension for another three-year (2014-2016) for this project¹.

The FESN project is designed to support food production through integrated farming system (IFS), income generating activities (IGA) and improve nutritional status of vulnerable groups (i.e. poor farmers, people with disability, women-headed households, persons suffering from chronic non-communicable diseases and mental health problems, people living with HIV/AIDS, old aged people) and by putting emphasis on women. A third part of the project promotes capitalization and sharing of its –innovative- experiences, while there is another part with an emphasis on capacity reinforcement of MODE's staff and the beneficiaries.

Through this project, MODE selects its beneficiaries based on set criteria by the committee (committee means, a team of selected people who have ability to assess and decide on who can be the eligible beneficiaries of the project), including capacity to management and commitment to engage in an enterprise development. Please refer to 4.3.2 selection of beneficiaries and composition of committee.

1.2 Context of economic security in Cambodia

Cambodia population is 14.31 million and 92% live in rural areas (WB, 2011). GDP per capita stands at 739 USD, and the country is ranked 124th out of 175 countries on the 2011 Human Development Index. Despite the fact that poverty has been reduced from 47% in 1994 to

¹ At the time of this writing it is not certain yet if there will be an extension, though we expect it to take place.

30.1% in 2007, a third of Cambodians still live below the national poverty line (US\$0.61/day in urban areas and US\$0.44/day in rural areas) while 12% of the households (1.7 millions of individuals) were food insecure (UNDP, 2012). About 36% of its population has a daily income of less than 1 dollar, while 40% of the rural population lives below the national poverty line (with 0.5 dollar per day). Several factors, including malnutrition, illiteracy, gender inequality, limited access to social services and low social capital are aggravating the situation.

The social and economic inequality levels have risen dramatically in the country. As a recent trend, inequality has increased not only between rural and urban areas, but also within rural areas. The Cambodian people rely heavily on aid relief from international donors and local organizations, such as MODE. With the lack of social welfare safety nets and few resources available from government bodies especially in remote rural areas of the country, the poor and other vulnerable groups of people are particularly exposed to endemic poverty and hunger.

II. What is success case replication methodology?

The Success Case Replication (SCR) offers a cost-effective way of providing additional capacity to help serve vulnerable people to establish small-scale enterprises. The SCR approach is different from typical enterprise training because it mobilizes successful micro-entrepreneurs, or farmers, to train other vulnerable people. It does not depend upon professional trainers to conduct this training. It motivates the poor to have the effort and energy required to replicate the success. The SCR methodology can be used to many activities such as microenterprises, agriculture production, cooperatives, and farmers associations to replicate such groups' performance through mobilizing the successful beneficiaries as trainers.

SCR training situations are informal apprenticeships, where a skilled villager trains another person. The training addresses both the technical and business aspects of operating a microenterprise and is supervised by trained Field Facilitators/staff. The number of people trained in a specific field is determined according to the number that the marketplace will tolerate and the interests of the participants themselves. As the trainees become successful small entrepreneurs, they are encouraged to train others, thus creating a multiplier effect.

The SCR methodology was originally developed by ESCAP and FAO² and was field-tested in several Asian countries. The methodology was first brought to Cambodia by ILO (United Nations International Labour Organization), which was the first organization to test SCR with

² In 1994-1999 FAO and ESCAP executed a programme called "Poverty Alleviation through Market Generated Rural Employment" where they field tested the SCR methodology in eight countries throughout the Asia Pacific Region, thus demonstrating its effectiveness. For more information, see ESCAP, *Cost-Effective Employment Promotion for the Rural Poor*, New York, 2000 and ESCAP/FAO, *Success Case Replication*, Bangkok, July 2000.

people living with disabilities. In 2006, MODE and ILO implemented project “Alleviating Poverty through Peer Training (APPT)” where they field tested the SCR methodology in Kampong Thom Province.

MODE project adapted the SCR steps from those used originally by the FAO and ESCAP with additional steps by ILO in the APPT project emphasizing on business development.

The SCR steps are as follows:

1. Locate successful village level entrepreneurs;
2. Identify, screen and select trainees;
3. Evaluate profitability and market viability (e.g. net return, market capacity, etc);
4. Assess entrepreneur’s willingness to train and the market’s ability to sustain a similar business;
5. Match trainer to trainees;
6. Establish practical hands-on training program;
7. Supervise and monitor training, providing support including allowances as necessary;
8. Plan the business with the trainee (before or during training);
9. Provide small grant for business start-up or arrange for access to credit;
10. Arrange follow up with business development support;
11. Arrange secondary multiplication of the first level success (that is, trainees who successfully start businesses in turn become trainers.

The SCR steps and MODE project adaptation process is explain more detailed in Section IV.

III. Income generation/microenterprise development

3.1 A tool to support IGA or microenterprise

Income generating activities or microenterprises development plays an important role in creation of livelihoods for the vulnerable groups in Cambodia.

Identification of income generating activities in a systematic way is the basis of successful and sustainable microenterprises. Support types of income generating activities include (1) ***new activities to be introduced*** and ***existing activities which need to be supported***. To support existing activities which an individual lack of skills and has limited capital, the project can provide “*business enhancement*”. This enhancement helps to strengthen the entrepreneur’s

capacity to manage through business management training or other innovative training and provide additional capital. And these can be done by using Success Case Replication methodology.

Main constraints of IGA or microenterprises development among poor people are:

- Limited capital or no money to start a business;
- Low education or illiteracy (cannot read and write);
- Lack of self-confidence and initiative to develop business;
- No technical support about business initiative (e.g. family members are not supporting the ideas/initiatives)
- Lack of skills or advanced technology (internet for advertisement/marketing); and
- The ability to assess the market or to influence buying patterns of consumers.

3.2 Why the choice of SCR for this project?

From the past experiences, MODE has found the SCR method as an efficient and suitable tool to overcome poverty and empower members of communities. The SCR methodology has been successfully implemented in previous MODE-ILO APPT and PPA (Project for Poverty Alleviation) projects in Kampong Thom in 2006 - 2010. It is a low-cost, accessible and efficient intervention, allowing MODE to work with vulnerable groups which have special needs and are located in rural areas in Cambodia.

The SCR method is also in line with MODE's development ethics, vision and mission statement. By creating strong and sustainable local networks, where capacity building and skills transferring are the norm, an entire community may benefit not only economically but also socially.

MODE project utilizes local people with successful microenterprises as peer trainers. This approach is community based which teaches vulnerable groups in the rural areas how to replicate a successful business from their peer trainer. The SCR method is cost-effective and appropriate for the Cambodian setting where many people lack access to training and jobs, where illiteracy is high, and where there is a high poverty rate. The MODE-Louvain Coopération FESN project establishes sustainable community peer to peer business training and training networks, where beneficiaries can receive basic and practical training from successful cases within their own community.

IV. Practical implementation of the project

4.1 Role of Field Facilitators

The field facilitator locate and assess success cases, select trainees who are prospective beneficiaries, help to design the training program applied by the success case and ensure that the trainees receive appropriate follow-up assistance from the peer trainers whenever problem arise. The field facilitator must find out how profitable the enterprise is before he/she plans the training program. It is important to determine which success cases can be replicated and which are not replicable. Monitoring how the fees, allowances, grants or loans are used by the beneficiaries.



The picture shows MODE and LD team monitoring the project in the field every quarter which is headed by Dr. Peeters - Louvain Coopération consultant. The mission includes field visits and interviews of some beneficiaries to assess their progress in their individual enterprises.

4.2 Peer trainers role (success cases)

The role of peer trainer is to design the training program with the support of the Field Facilitators, conduct training, and follow-up after the training to provide them an advice in dealing with problems or difficulties in their new microenterprises. The field facilitators will provide guidance, support and supervision to the peer trainer throughout the training.

4.3 Methodology

The income generating activities supported by MODE has adapted the following SCR steps:

4.3.1 Locate successful village level entrepreneurs

The SCR methodology identifies and mobilizes successful entrepreneurs, farmers, or groups in the community who are willing to share their skills and experience by training other villagers. The technique in locating prospective beneficiaries and success cases includes the following activities which are to be done by the project staff (managers/coordinators, field facilitators):

- Contacts with local authorities, village chiefs, focal people in the village to explain the purpose of their future interventions;
- Conduct a baseline research to gather information about successful entrepreneurs and their business;
- Hold a community meeting to explain the aim of project interventions and to encourage participation;
- Then interviews will be conducted among the potential successful entrepreneurs in order to assess their possibility to be good peer trainers (to transfer their knowledge and skills and to assess their motivation).

The selection of good peer trainers who have profitable enterprises that can be replicated is very important to the project delivery process, the beneficiaries' ability to duplicate the business and the success of the SCR methodology. Some additional training can be provided by other experts such as government staff, private entities and NGO staff. It depends on the needs of individuals or groups

“The successful person should be informed that being recruited to train the poor will not happen if there is any possibility that such training would lead to too much competition in the market, which would cause falling profit margins. The field facilitators have to explain and agree with the peer trainer (success case person) that SCR training will only be conducted for persons who will market their product outside the market area of the peer trainer”, according to Jan B. Orsini.

4.3.2 Identify, screen and select (trainees) beneficiaries

The assessment and selection of trainees/beneficiaries include simple methodology.

1. The field facilitators identify prospective beneficiaries through meeting with the community people, village chiefs and local authority to gather information about vulnerable people in target area.
2. After identifying prospective beneficiaries, the field facilitators conduct house to house interviews with them by using a semi-structured questionnaire to gather thorough

information about them. The needs of individual prospective beneficiaries should be identified before the training in order to ensure the usefulness and success of the training.

3. Then the project forms a committee comprised of at least 3 people (a village chief, a focal person in the village and a field facilitator of the project) to conduct the selection process of target beneficiaries.
4. After that, if the individual cases are fit to the criteria for the project, the field facilitators will work with them to develop plan of action and business plan.

The following information will help you to design the questionnaire on how to assess and select beneficiaries:

- Demographic data: name of prospective beneficiary, age, marital status, family members, type of vulnerability (e.g. disability, poor...) income, etcetera.
- Abilities and skills: education, experience, training background, etcetera.
- Interests, future plans/aspiration: types of businesses and skills of beneficiaries that are interested in.
- Motivation and capacities + resources (material and human) to sustain the activity. Family support and possibility of family members to be involved as well.
- Risk analysis (plan to move to another province? Looking for bigger or stable earnings in factory, impact of flooding, illness, ...?)
- And other necessary information (e.g. how do they live in that particular village? check for background/character reference, etc.)

In selection of prospective beneficiaries, it is important to explain the reasons for the decision taken to the beneficiaries, their family, and community people. Explain about the project goal and selection criteria how the trainee or a beneficiary fits into that. In some cases like people with disability, especially for those who are unable to perform activities, the field facilitators need to discuss with the family members who will be the responsible person to engage in an income generating activities. People who are identify as not capable to implement such an activity or who emerge as such after the training should not be selected.

After the identification and the house to house interview the following criteria should be considered:

- the person is fit with the project's target group (e.g. people with non-communicable chronic disease such as diabetes/hypertension, people with disability, women head of households, orphan and vulnerable children);
- live in poor household;
- willingness and interest to participate in the project and want to increase their income;

- the person has money or some resources for investment (e.g. land, draft animals, equipment and tools) to use as counterpart for their activities to make them successful;

For those selected beneficiaries that do not need training they could start their business directly. Beneficiaries who already have skills or have received training in other institutions and ready to start a business can proceed to the business start-up phase. Other selected beneficiaries are already engaged in IGA or business but they need help to improve their business. For example, some selected beneficiaries had an existing income generating activities that was not going well or that was not profitable. These beneficiaries were accepted for business enhancement to help improve their income generating activities with provisions of small grant and technical support for their enterprises.

4.3.3 Evaluate profitability and market viability

Steps:

1. Assess the market together with the trainee. the field facilitators can help to interview sellers in the local market about products availability, prices, suppliers, and consumers
2. Field facilitators determine which success cases can be replicated.
3. Ask the successful entrepreneurs about market information. If the entrepreneur has been successful in the enterprise, several seasons of marketing experience usually enable reliable market evaluations to be made of the immediate market.

To evaluate the profitability involves calculation of all the costs of doing business.

The steps in calculation include: add the prices of equipment, raw materials, rental, labor, transportation, taxes, marketing, production and other associated costs, and other service and deduct them from the income generated by the sale of goods or **gross market income** to determine the **net profit** to the business.

NET PROFIT =

Income generated by the sale of goods - **Cost** of (Equipment + raw materials + rental + labor + transportation + taxes + marketing + production + other associated costs + and other service)

For accurate analysis you need to include the **depreciation costs** when you calculate the net income. The depreciation means that all building, equipment/tools used in the production or deliver the service will need replacing.

How to calculate the depreciation costs? For example the useful life of equipment/tools is 1 to 2 years; and a concrete building is estimated to be 20 to 50 years while a wooden shop is about 10 to 15 years. So divide the purchase price of equipment or cost of building/shop by

the number of days, months or years depends on which denominator you use. This will determine how much you need to save every day, month or year to replace the equipment/building at the end of its useful life.

After assessing the profitability of the business, you need to define how much the business has to make per month to be successful and replicable by other people. For MODE project, if the business could generate a net profit of at least US\$40 per month (this amount is for the rural poor in Cambodia), it will consider being replicable.

A successful enterprise should produce a good net return after deducting all cash costs, including wage labor and depreciation. Family labor, not paid a cash wage, is usually not deducted.

Please refer to the first case study below that simply illustrates to do economic analysis which includes costs of building (barbershop), equipment/tools, depreciation, and service (hair cut fee). The case study below shows the economic evaluation of a barbershop which is a successful enterprise that generated good net return after deducting all cash costs including depreciation.

Case study 1: Economic evaluation of barbershop

Analysis of Mr. Ry enterprise in Santuk district of Kampong Thom

Simple calculation for barbershop revenues in one month

Overall costs in Cambodian riel (1USD = 4,000riels)

Building & equipment/tools

- Cost of hair cutting tools: 1 set 9,000riel/month (US\$2.25) x 12 months (108,000riels) = US\$27/year
- Cost of barbershop building: 4,000riel/month x 12 months (48,000riels) = US\$12/year
- Other equipment (*existing tools owned by the entrepreneur*): 5,000riel x 12 months (60,000riels) = US\$15/year

Depreciation costs per month (useful life is estimated only for 3 years)

- Tools: 53,000riel/month = US\$13.25
- Building: 4,000riel/month = US\$1.00

Hair cut fee

2,500riels/client x 8 clients per day = 20,000riel (US\$5/day): 26 days x 20,000riel = (520,000riel)
US\$130 in a month

Subtotal: barbershop building, equipment/tools & depreciation = (75,000riels) US\$18.75

Gross market income (cash received without deducting production costs)

208 clients at 2,500 riel each (US\$0.63) = (520,000riels) US\$131.04

To calculate the net income, first get the total of gross market income then deduct the total costs of barbershop building, equipment/tools including depreciation.

Gross market income = US\$131.04

Less total costs of barbershop building, equipment/tools & depreciation = US\$18.75

Net income (one month) "called profit which less all production costs" = (449,160riel) US\$112.29

To determine if the enterprise regenerates appropriate revenues, divide net income of (449,160riel) US\$112.29 by the number of days per month spent in haircutting or in doing the enterprise. There are an average of 20 working days in rural Cambodia, earning an average daily labor wage of 15,000 riels multiplied by 20 days = (300,000riels) US\$75, a suitable wage. Despite his disability, Mr. Ry's income was more than the net earnings of most poor people in his village.

4.3.4 Assess entrepreneur's willingness to train and the market's ability to sustain a similar business

It is necessary to assess the prospective trainer's attitude if they are willing to train others and what are their expectations from the training. Here are some questions for the success cases:

- Are they willing or confident to train other people?
- What types of person are they interested with (e.g. disabled, widow, etc.?)
- What are the training fee and other costs (e.g. training materials)?
- How long will the training be?
- Are they willing to share all the business concepts (including 'secrets')?
- Are they willing to provide follow-up support to the trainee after the training is completed?

Prior to the commencement of training, a **formal training agreement** will be signed between the field facilitator and the successful entrepreneur who will train the proposed trainee.

If a beneficiary asks to be trained on a particular topic for which the successful entrepreneur worries that market oversupply will result when SCR training is conducted for others, the field facilitators should not encourage such training. For example in a small village if two people are already engaged in grocery stores, a training program on grocery selling is not advisable even if a trainee wanted to. This could have a severe negative impact on the entrepreneur's income and lead to failure of the new enterprises. The field facilitator can recommend other activities that are suited to the market place.

The case study presented here is tested to be easily replicated as many people had ventures in such enterprises in nearby localities and no reported failures of the business.

Case study 3: Recyclable items making good revenues for the poor in Santuk district

Mr. Chhoeun, 53 years of age, lives with his wife who has mental problem in a poor village of Prasath in Santuk district. Being the breadwinner of the family, he struggled to raise their 5 children and to pay for his wife's treatment. Prior to his participation with the MODE-Louvain Coopération project his monthly income for 9 years was 100,000riels (US\$25) from buying and selling recycled items.



MODE field facilitator identified Chhoeun through community meeting in April 2012. He talked with the staff that he wants to learn more about recycling enterprise to increase his income. The staff coordinated peer training and Chhoeun received two days training from Mrs. Phin who is a successful entrepreneur of recyclable items living in a different commune. Chhoeun learned about classifying and buying good recyclable items, pricing, marketing and communicating with clientele. The project supported training fee of US\$10 for the peer trainer and US\$80 grant for Chhoeun's business enhancement. During follow-up visits, the field facilitator helped Chhoeun to learn about simple recording and on how to calculate the net profit of his enterprise.

Chhoeun buys recyclable items at low cost and resells them in larger quantities to recyclers. For his resale business, he is now able to have a regular monthly profit between 200,000 riels and 240,000 riels, or equivalent to 55 and 60 US dollars. From the profit, he managed to pay off a debt completely to the bank, use for family daily expenses, medicine for his wife, and use for children's education. He also purchased another second-hand motorbike with trailer for his son to help him hauling the recyclable items.

Now, his family is happy with their business and claimed that their living conditions have improved since their participation in MODE-Louvain Coopération project. He said that his training helped him be more effective in business and reaching clientele. When asked if he is willing to train others, he replied that he is willing to replicate his business with the poor household living in a different place.

When other people noticed that the new income generating activities of successful beneficiaries are operating well and profitable, it is difficult to prevent over-replication in the community. A replication occurs very quickly and market can easily become saturated when many similar business ventures in the same area.

The case study below illustrates the market viability of tailoring skills and benefits to Malin as a result of MODE's business enhancement.

Case study 2: Tailoring: a business enhancement

Mrs. Malin learned very hard on tailoring particularly the design of traditional Khmer women's clothes in Phnom Penh for a year. Then she returned home to start her business in tailoring which she set-up in a remote village where she lived with her family. For several months of operation, she had few customers and only earned 60,000 riels (US\$15) a month. Then she realized that being in a remote area is not a good location for her tailor shop. Besides, she also cannot respond to the demand of sewing men clothes among villagers because she doesn't have much skill doing it and she is not well-known among community people.



Seeking to increase her income to support her old parents, Malin decided to join in MODE IGA project in August 2012 wherein she met the MODE field facilitator in a community meeting. After learning about MODE activities, she expressed her desire in upgrading skills in tailoring and discussed her plan with the MODE staff. After the project committee's approval with Malin participation, the field facilitator found a good peer trainer Mrs. Roeun who lives in the same district but different commune. She trained Malin free of charge. As Malin already has skilled in sewing, she easily mastered the designs on men clothes for one and half months. Right after the training, the project provided a business enhancement grant of US\$80 to help Malin relocate her business in a new site which is now located along the national road # 6, a busy road suitable for enterprise.

Now she has many clientele and she is sewing different style of clothes, and some are new fashion. Since then, she able to earn an average income of US\$50 a month that she works for 25 days. From her profit, she bought new sewing machine, saved money and able to expand her business.

With the case of tailoring, the problem presented here is about market access and product demand. Trainees or beneficiaries should determine the market access and be able to have good understanding of the prospective consumers.

4.3.5 Match trainer to trainee

Factors that you need to consider in matching between a trainer and a trainee are the following:

- a) *Have similar interests.* The target trainee/beneficiary should be interested or motivated to learn technical skills from their peer trainers. Make sure that the trainee commits his/her time to complete the training program. Ensure that the trainer is willing to train the proposed trainee.
- b) *Training fees and other costs.* The cost related to the training should be realistic. Include costs for transportation, meals or accommodation if the training place is far away from the trainee's home, a training fee for peer trainer, materials and equipment needed for the training. Based on MODE experience, some peer trainers are providing services free of charge. The training fee depends on the type of skills, duration and location of the training. For example in MODE target area, peer trainers usually charged fees between US\$5 and US\$10 for two days training (e.g. recycling, food selling, broom making, and grocery selling) and the project paid for training fees. While skills training on tailoring and beautician that lasted for a month or one and half months, the peer trainer's fee is between US\$20 and US\$35. However in tailoring, most of the participants had already skills in sewing so they only need to upgrade into a new design or make more fashionable style.
- c) *Skills and ability.* Determine if the trainee has the ability to do the work and learn the skills from the trainer. For example, if the activities requires some level of literacy, the field facilitator together with the trainer need to design a simple test such as writing the food recipe/ingredients, recording system, making patterns, and so on. Also consider specific needs for those who have disability. For example, people with disability may have to rearrange the workplace for their convenience or the trainer will train them at trainee's place.
- d) *Location and place of training.* Through SCR the aspiration to replicate local successes can encourage them to learn more from successful micro entrepreneurs in their community. If possible conduct training at the trainer's place of business so that the trainee can better understand all concepts of the business and observe the operation.

4.3.6 Establish practical hands-on training program

After matching the trainer and the trainee, the field facilitator needs to organize the training program and arrange for training. Based on the SCR method, the peer trainer designs the practical training program and the field facilitator will help in developing the training. Actually the peer trainers from the community do not have prior experience in training so the field

facilitator will support or coach them throughout the training phase. It is important that the field facilitator arrange the training fee, materials, location before the training start.

The trainees/beneficiaries will learn skills through hands-on or they called it technical job training which is relevant in the rural areas, especially for those vulnerable people who have low education. Hands-on training is the easiest and most practical way of learning, whether for handicraft production, mat weaving, barbershop, cosmetology, scarf weaving, motorcycle/bicycle repair, recyclable items, sell grocery, blacksmith, food processing and many more.

Normally, trainings last a maximum of 180 days (6 months) and a minimum of 2 days but it depends on the type of skills. Some courses need only few days to complete but others need 3 months or 6 months in order to allow the beneficiary to practice and master the correct technique. For example, for a tailoring course a skilled trainee in sewing will need only about 2 to 3 months to upgrade her/his skills.



Peer- training on recycling

4.3.7 Supervise and monitor training

Throughout the training phase, the field facilitator needs to supervise and monitor the training. It is essential to assess the progress of training during and at the end to ensure the training reach its objectives. During follow-up or supervision, the field facilitator needs to check whether the training plan is follow through the needs of the trainee/beneficiary. Ask the beneficiary if he/she is satisfied with the training. Identify any concerns or problems that arise

and address them immediately. And find out any necessary adjustments to the training agreement program and ensure that the quality of the training is acceptable.

See the *Business Follow-up Form* in Appendix II on how to follow-up the beneficiary's business.

4.3.8 Plan the business with the trainee

a. Why business plan is important?

The business plan will give you (the reader) clear pictures of what are you going to do and how it will help to manage the business of the beneficiary. This is a management tool that will guide the beneficiary throughout engaging in business. Also, it provides a mechanism to monitor and evaluate the beneficiary progress.

For the SCR approach, business plan is developed between the beneficiaries or the person with skills who wants to start or develop business, and the field facilitators. If the beneficiaries do not have literacy skills, the field facilitators should assist them to develop their business plans.

b. Important factors to consider in developing a business plan

The following list provides a guideline for the field facilitators to develop the business plan with the beneficiaries:

- The kind of business that the beneficiary wants to establish or start.
- the goal of business or income-generating activity;
- how do they want to run the business (run and operated by himself/herself, partnership, other) and what are the possibilities and flexibilities for him/her and family;
- location of business (at home, local market, or another location);
- Source of capital (do you have money to start up the business or access grants/loans?);
- Experiences, skills, and training on developing or managing a business;
- Identify prospective customers and competitors in the area (who are your customers? how big is the market?);
- Assess profitability (how much profit can you make in one year?);
- marketing capabilities (promote or advertise your business);
- the availability, cost and source of raw materials, tools, and equipment;
- Management of money (ability to do simple recording or bookkeeping system).

For MODE project, the business planning is conducted individually throughout the training phase and finalized them at the completion of the training.

c. What kind of business you want to do?

- Grocery selling
- Soybean milk production
- palm sugar production
- food stall or mobile food selling
- buy and sell recycled items
- barbershop
- Cosmetology
- roof making (palm leaves/cogon)
- mat weaving
- bicycle repair
- basket making/chicken bamboo cloche making
- blacksmith/locksmith
- tailoring
- food processing/selling
- selling vegetable, meat/fish
- scarf weaving
- electronics repair
- handicrafts production
- carpentry
- broom making
- animal husbandry



4.3.9 Provide small grant for business start-up

After completion of training, the trainees/beneficiaries proceed to the business start-up and development phase. The field facilitators provide small grants or other forms of financial support directly to beneficiaries, and help them whenever necessary in purchasing the needed equipment and products. It is good to have agreement with the beneficiaries on what equipment, materials and other costs are needed and secure receipts from trainers, vendors and beneficiaries who receive the funds.

Another possibility might be to provide a loan instead of grant for business enhancement to those beneficiaries whose businesses are operating well but needs an additional capital to expand their activities. The loan is only for the beneficiaries who have capacity to pay back. Loan is provided for a year with a minimal interest rate of one percent in a month. When the beneficiaries pay back, the money can be provided to other beneficiaries in need.

4.3.10 Arrange follow up with business development support

The follow-up phase begins once the beneficiaries have started their business. The field facilitators will check and assess the status of the business, link the new business owner to other services, help to solve business problems and make suggestions to improve the business.

During follow-up with individual beneficiaries, the field facilitators provide guidance and coaching related to business skills such as marketing, record keeping (book keeping), and good services to customers.

4.3.11 Arrange secondary multiplication of the first level success

After one year of operation, if the business is well established, profitable, and no any problems, the project need to close the case for project purposes. During the closure phase, the field facilitators have to assess the impact and evaluate for secondary replication. That means replication of the business by another MODE beneficiary with the former beneficiary as a trainer. The performance of the beneficiary's business is evaluated during 5 times follow-up carried out by the field facilitators.

That is SCR methodology. After a year of successful business operation you need to do the closure so that the beneficiaries can manage independently without supervision or assistance from the project. And the field facilitators can work with other or new beneficiaries.

V. Results of project intervention

The strategy used for measuring the results of income generating activities to the target households include baseline data collected during assessment phase, individual interviews with beneficiaries related to their income, field observation during follow-up by the field facilitators. By not only asking questions to the beneficiaries but also to observe the changes in their living conditions. Through observation you can notice changes, whether they could expand their activities or repairing their house, or acquisition of assets (e.g. motorbike, bicycle, animals, etc.)

As results of this project, the vulnerable beneficiaries pursue self-employment and microenterprise creation to improve their livelihoods and that of their families. The most important point is that:

Low incomes are not barriers to the generation of income and jobs by beneficiaries participating in microenterprise programs.

The income generating activities of the MODE-Louvain Coopération project created jobs and provided income for vulnerable households in the target area. Thus the income gained is an important component of household income and can lift families out of poverty.

5.1 Cost and benefit analysis

To achieve an overall project Cost/Benefit analysis, basically take all net income achieved by all the SCR training programs and divide them by all the costs incurred for these training programs. Net income means the profit gained from the services/sales of product with all expenses deducted.

How to calculate the net profit? First, calculate the annual net profit for all beneficiaries then divide it by the total agency costs that give you the Cost/Benefit. Refer to the example below.

The analysis was done on data provided by 70 micro entrepreneurs supported by MODE-Louvain Coopération Food Economic Security and Nutrition project during the first year. The field facilitators collect net income data from successful beneficiaries for the first year of sales of their new product or services. Then calculate the total net income data from the successful beneficiaries, and divide this figure by all the cost data, including the cost of the field facilitator and the training costs. The ration of these two figures is the Cost/Benefit ratio.

Below is an example from the MODE-Louvain Coopération project. It shows the beneficiaries' net income for the first year from December 2011 to November 2012:

Total number of trained household using SCR:	= 70
Number successful and average success rate:	= 51 (73%)
Average income gain in first year for each family:	= US\$565
Annual net profit for all beneficiaries (trainees):	= US\$28,800
Total agency cost (including staff time, grants & training cost):	= US\$8,556
Overall ration of costs to benefits (C/B ratio):	= 1:3

Of the 70 trained households by MODE project 51 of them achieved success in new enterprises as a result of SCR training with 73% success rate. It was found that the project generated an average profit of US\$565 per annum for each of the 51 successful beneficiaries. The

methodology has gained an average of US\$3 of net income for each dollar of agency costs. It achieved a Cost/Benefit ratio equals: $US\$8,556/US\$28,800 = 1$ to 3.

The case study reported here examined the result of income generating activities through SCR method provided by MODE to determine the impact of training and assistance on vulnerable households after at least one year of training and business establishment.

Case study 4: Poor farmer become a successful entrepreneur of bamboo chicken cloches

Mr. Sam Aun, 49 years of age was among the poor farmer in the community of Triel in Baray district barely earned 1.2 million riels (US\$300) a year from one hectare of non-irrigated rice fields and a small vegetable farm. Though he received training in agriculture technique from the agriculture officer in the district, his yield was only 0.75 ton a hectare per cycle. According to him, the harvest was not sufficient to feed his family throughout the whole year. So to increase his income, and to support his wife and daughter, he produced chicken cloches made of bamboo. However he only made small profit due to the low quality of his product, there were not many customers.

He met MODE field facilitators in a community meeting at Pnov village in May 2012. He expressed his frustration and difficulties in life and declared that he wanted to improve the



quality of his product to attract more customers. Following this the project committee assessed his suitability based on the selection criteria for project participation with MODE. The screening committee found that Mr. Sam Aun had a low income and has been suffering from high blood pressure for a year. After the project committee's approval with Sam Aun participation, the field facilitator discussed with him about plans.

The field facilitator identified a good peer trainer Mr. Soeun who is well-experienced in bamboo chicken cloche making. Mr. Sam Aun completed the training in bamboo chicken cloche making for 7 days including hands-on practice. The topic includes (i) steps on how to make a good quality cloche; (ii) how to select raw materials with minimal cost; (iii) how to communicate with the customers; and (iv) on how to do marketing. He also received training in development of business plan and management from the field facilitator. After mastering the good technique, he was able to produce between 70 and 80 bamboo chicken cloches in a month compared to 30 cloches before joining in the project. He sold the chicken cloche in a retail price of 18,000riels (\$4.5) each. Apart from chicken cloche, he also makes baskets, fish traps and other bamboo crafts which he learnt from his peer trainer. He

now earns a net profit of 11.14 million riels or equivalent to 2,784 US dollars a year. He saved money from his profit and bought one hectare of rice field (US\$1,500), paid for the installation of their house electricity, purchased for a gas stove (US\$250), and has repaid the loan in the bank (US\$450).

When asked him about changes he has experienced as a result of the project, he replied through project support he is happy that his family increase their income, have enough food to eat, and can buy medicine for his high blood pressure.

The project provided technical and financial support of US\$80 grant and US\$10 training fee for Sam Aun's enterprise. He thanked MODE and Louvain Coopération for the support to his family.

This case study was chosen because it shows a replication which is more successful than the average earning beneficiaries who are doing similar small scale enterprises. It illustrates numerous benefits to Mr. Sam Aun's family which has increased their yearly income from US\$300 to US\$2,784 and the family's asset acquisition.

Lesson: The SCR methodology helped the vulnerable groups to build up their entrepreneurial skills at low cost which have the potential to generate good household revenues. Also the development of an individual business plan with the guidance of field facilitator is crucial for their success.

VI. Lessons learned

- 1) It is important to study the market demand and the capacity to produce in a certain localities before starting a new enterprise. By doing a market assessment, entrepreneurs will have a clear picture about the market situation and this helps them to decide for their ventures.
- 2) For some business operations location is absolutely critical and for others it may be less important.
- 3) To avoid the market saturation before training, all trainees or beneficiaries should agree with the field facilitator that after setting up their individual enterprise no training will be given to people with the same enterprises within the same area. In this way, replication of the project is continuous, while protecting the business of each entrepreneur.

- 4) The SCR methodology helped the vulnerable groups to build up their entrepreneurial skills at low cost which have the potential to generate good household revenues.
 - 5) The development of an individual business plan with the guidance of project staff is crucial for their success.
-

VII. Recommendations

- The success of project beneficiaries' enterprises lies on their commitment, capability to manage and financial resources. Providing even the basic level of financial management requires significant resource and expertise. However for the SCR, simple financial strategies are involved that does not need to be complicated which is easy for the beneficiaries to follow especially for those who have low education.
 - Consider the individual's capacity to manage enterprises. If a person cannot manage a business independently the field facilitators should not do the screening or assessment. In special cases like people with disabilities or chronic non-communicable disease (e.g. diabetes & high blood pressure) have certainly physical or mental limitations, their family members will be invited to participate or join in the IGA.
 - Beneficiaries must be able to have simple records of purchases, sales or fees of their labor, rentals, freight or other costs incurred in operating their business. Separate record book of credit to control customer creditworthiness and tracking payments is essential.
-

VIII. Conclusion

Through success case replication methodology the MODE-Louvain Coopération FESN project has a positive impact on the lives of vulnerable people. The interviewed beneficiaries reported a set of impact related to changes in the household and personal finances, which includes (1) an apparent increase in net income (23%), (2) an increase in household assets, (3) a rise in financial savings (*ranging between 5% and 10%*), and (4) relief with children's tuition fees.

As results of this project, the methodology has generated an average income gain of US\$565 per annum for each successful beneficiary of 51 households using SCR. It enhances the self-confidence of the poor people and reduces their dependency on government. Therefore, it is proven to be cost-effective method to alleviate rural poverty in Cambodia.

Annex I: References and Abbreviation

References

Replicating success: a manual to alleviate poverty through peer training; ILO Subregional Office for East Asia, 2009 http://www.ilo.org/skills/pubs/WCMS_120312/lang--en/index.htm

J.B. Orsini; (2000), *Success Case Replication: a manual for increasing farmer household income*. ESCAP/FAO, Bangkok <http://www.fao.org/docrep/004/ad453e/ad453e07.htm>

UNDP, 2012, "Cambodia human development index 2011 report"

Abbreviation

APPT	Alleviating Poverty through Peer Training
ESCAP	United Nations Economic and Social Commission for Asia and Pacific
FAO	United Nations Food Agriculture Organization
FESN	Food Economic Security and Nutrition
IGA	Income Generating Activities
ILO	United Nations International Labour Organization
Louvain Coopération	Louvain Coopération au Développement
MODE	Minority Organization Development Economy
NGO	Non-governmental Organization
SCR	Success Case Replication

Appendix II: Business Follow-up Form

Note: this form was developed by the ILO APPT project which MODE was one of their partners in 2006 and it is also being used by MODE in its current project.

Instruction: field facilitator completes this form when he/she visits beneficiary who has started a business or who has received business enhancement services. The form is filled out every three months for at least one year when the beneficiary is evaluated for closure. The same form is use during all the follow-ups, and upon completion. This form will be filed by the field facilitator in the office and a copy will be provided with the beneficiary.

Code No. _____

1. Name: _____

2. Business situation and income

Monthly income	Current business situation*	Reason for negative or stopped business (2.1)	Field facilitator action (2.2)	For business enhancement: has there been any expansion of the business? (2.3)	Field facilitator	Date

* **Current business situation** (choose one): Positive / Negative / Stopped

2.1 Reason for negative or stopped business (circle one):

- Ill health
- Death
- Family problem
- Moved out of area
- Got a better job
- Competition
- Decreased demand
- Seasonality
- Supply problem
- Animal sickness/death
- Natural disaster
- Client unmotivated
- Service didn't meet expectation
- Other _____

2.2 What action is the field facilitator taking if there is a problem with the business? e.g. provide financial assistance from the project, provide more training, assist with accessing market, ask trainer to provide input, etc.

2.3 Choose the type and/ or purpose of business enhancement (Choose all that apply):

- add new product or service
- add staff
- invest in equipment
- increase stock
- increase working capital
- improve location
- invest in premises
- other explain

3. Other services

3.1 Self help group (name): _____

3.1.1 Type of the group (circle one): Business Production/ Finance/ networking/ Marketing/
Other

3.2 Linkage to referral

3.2.1 Name of the referral agency: 3.2.2 Reason for referral**
(Specify one from the list):

_____	_____
_____	_____
_____	_____

** **Reason for referral:** Academic Education / Literacy Training / Health or Medical / Medical Rehabilitation (P/O) / Financial or Emergency Service / housing / Social Work or Counseling / Family Planning / Other

3.3 Assistive devices provision (circle all that apply):

Wheelchair / Tricycle / Prosthetics / Orthotics / Hearing Aid / Sign Language Instruction / Mobility Training / Braille Training / Braille Device / Other _____

3.4 Other services

3.4.1 Reason for other service***
(Specify one from the list):

5.4.2 details

_____	_____
_____	_____
_____	_____

*****Reason for other service:** Entrepreneurship training / Peer training / Health or Rehabilitation / Disability awareness / Gender awareness / English Language Instruction / Other

Notes:

Need to include illustration/drawings/ pictures on some sections related to the topic that convey idea/messages in order to provide visual information more quickly and hold it longer in the memory and for better understanding of this document guide.