

QUT Digital Repository:
<http://eprints.qut.edu.au/>



Dalglish, Carol L. and Matthews, Judy H. (2009) *Designing self sustaining support for micro-enterprises in sub-Saharan Africa : a pilot*. In: Global Forum 2009 : Business as an Agent of World Benefit : Managing as Designing in an Era of Massive Innovation, 2-5 June 2009, Case Western Reserve University, Cleveland, Ohio.

© Copyright 2009 [please consult the authors]

Designing self sustaining support for micro-enterprises in sub-Saharan Africa – a pilot

Abstract

Small and micro-enterprises play a significant part in most economies. However, in developing countries these enterprises have often been planned and implemented from a poverty alleviation perspective, rather than as entrepreneurial activities and growing businesses (Mead & Liedholm 1998, Toye 1993). This paper explores a model for sustainable support to micro-enterprises in a developing country context.

Sustainability is critical if micro-enterprises are to grow. The traditional philanthropic model for funding micro-enterprises leaves local communities dependent on the priorities of donors which may not always be consistent with those of the community. Long term sustainability requires a move to a model that broadens the base of both economic and intellectual resources, that builds capacity as well as providing 'start-up' funding through mechanism such as micro-credit (Elkington & Hartigan 2008).

Designing for sustainable enterprise development includes responding to the community's priorities, investigating individual problems and solutions, encouraging agency and active involvement in goal setting, with on-going consultation and co-development of solutions. Recognising the importance of experimentation we have moved beyond existing forms to prototype new ways of working which provide continuity of financial and intellectual support for local initiatives.

The paper reviews existing micro finance and microcredit practices and suggests a new approach to establish and support enterprises with financial and knowledge resources for sustainable business practices. Principles underlying such a program and the initial steps are described.

Assoc. Prof. Carol Dalglish
School of Management, Faculty of Business,
Queensland University of Technology
c.dalglish@qut.edu.au

Dr Judy Matthews
School of Management, Faculty of Business,
Queensland University of Technology
jh.matthews@qut.edu.au

Track for Submission: Management-As-Designing: What Can Management Learn from the Field of Design and How Might the Design Attitude Help Us Turn Social and Global Issues into Bona-fide Business Opportunities?

Designing self sustaining support for micro-enterprises in sub-Saharan Africa – a pilot

Background

Micro-entrepreneurship and micro-financing offer possibilities not only for poverty alleviation but for the encouragement of economic growth in developing economies in Africa. Access to financial resources is not the only issue faced by micro-entrepreneurs. They often lack education, training, support and links to national and international intellectual networks.

Sustainability of support mechanisms is essential and the balance between philanthropy and self determination are critical issues. The purpose of this paper is to develop a model for responsible and sustainable support for enterprise development in developing economies. This paper explores a model that attempts to address the multiple issues involved and offers the hope for more sustainable practices, not only in Mozambique where the model has been developed, but in other parts of the developing world.

Developing these new alternatives began with a group of local people in Mozambique who were committed to providing assistance to each other. With outside assistance this commitment has grown into a clearly defined organisation that with external funding, local initiative and capacity building, will develop into a stable ongoing process to fund and develop the capacity of the local organisation to plan, establish and support local enterprises.

To generate an operational design for the support of enterprise development in developing countries, an analysis of the literature related to the challenges facing those who encourage and support micro entrepreneurship was undertaken. This literature, plus the field research, was used to design a model of support for micro-entrepreneurs that would lead to local strategies for enterprise sustainability.

First we review literature on micro-finance and micro credit identifying the strengths and weaknesses of current approaches. Second we describe the methods used in the research project and the designing and development for sustainability. Finally we provide background information about the context of this research project, the current status of the pilot project being implemented and suggestions for further research.

The key components for sustainable support developed from this research include:

- Through the formation of a community association, the local community sets the agenda and takes responsibility for the allocation of financial resources to local entrepreneurs
- Ongoing capacity building of individual entrepreneurs, the support staff and of the broader community network
- Linking of local business networks with international networks
- Linking to internal and external financial and intellectual resources

Micro-credit and micro-enterprises

Micro-enterprise development programmes have been a popular poverty alleviation strategy in developing nations for many years, starting as early as 1947 (McPherson 1996). Micro-credit institutions, following the example of the Grameen bank in Bangladesh, attempt to overcome some of the hurdles faced by the micro-entrepreneur in these countries (Rutherford 2000, Mwenda & Muuka 2004).

Micro-enterprises have been identified as playing a significant role, with other strategies, in poverty alleviation (Rugimbana & Spring 2009, Cuong 2008 Quadir 2003 and Weber 2002). Hudon (2009) reflecting the work of the Grameen Bank explores access to credit as a human right.

There is little in the literature to suggest that as a strategy in its own right, micro-finance assists entrepreneurs. Vast sums of money are now made available through a variety of micro-credit schemes, yet there appears to be little empirical evidence of the impact of this financing for business growth, or the factors that might influence the growth and sustainability of those enterprises that start life as 'survival' enterprises (Sievers & Vandenberg 2007; Brett 2006; Mayouz 1999). In fact research based on GEM data suggests an inverse relationship between micro-entrepreneurship and economic development in developing countries. (van Stel, Carre & Thurik 2005; Naude, Gries, Wood & Meintjies 2008; Wennekers, van Stel, Thurik & Reynolds 2005).

This being the case, micro credit needs to be examined as to what it can and cannot do; how to improve the process of support for micro-entrepreneurs and how to avoid the unanticipated consequences of the current models.

Micro credit was developed as a tool for poverty alleviation, alongside a range of other tools used largely by the NGO sector. The role of NGOs with the poor does not occur in a vacuum. It occurs most frequently where the state has failed or withdrawn from the welfare of its citizens shifting responsibility increasingly to private charities or the private sector (Karim 2008). The work of Yunus and the Grameen bank in Bangladesh provided a model which caught the imagination of the time. As Karim states

“the Grameen bank has made significant contribution to the practice of commercial banking. It has made credit available to the poor who were denied commercial loans due to lack of physical collateral. It has demonstrated through its 98% rate of recovery that the poor are not defaulters....It has taught women the importance of managing money and keeping account of expenditure.” (2008)

Models similar to Grameen are used in developing countries around the world and they share a range of characteristics.

Micro credit differs significantly from other targeted poverty reduction strategies in that it is embedded in a commercial framework. (Weber 2002) Because micro-credit institutions seek long term viability as commercial organisations, interest rates are often very high by Western

standards – even those applied to unsecured loans. In different location across the world, organisations that have as their objective poverty alleviation, charge the poor anything between 20% and 60% interest per annum (Maimbo 2002, Yunus 2007, Brett 2006, Rugimbana & Spring 2009, Byiers, Rand, Tarp & Bentsen 2009). The justifications for this are that this is less than traditional money lenders, where those exist, and because of the cost of servicing small loans across large distances. A manager from the Grameen bank stated:

Grameen bank is a business not a charity (Karim 2008).

The literature raises the cost of micro-credit and the related risk of over-indebtedness as a potential danger (Hudon 2009, Hulme & Mosley 1996, Servet 2006, Chamlee-Wright 2005). The very poor have limited ability to assume risk and very poor borrowers may become worse off as a result of business failure. Micro-finance should not lead to the situation being made worse. If the poor are not to be excluded from the opportunity to improve their own situation, the key challenge appears to be to design efficient mechanisms to bring financial resources within the reach of the very poor (Hudon 2009). Micro-credit alone may not be the way for the very poor.

So how do these micro credit institutions show such good results? Firstly they measure two things: number of people served and the repayment rate (Buckley 1997, Karim 2008, Weber 2002). On both counts the results are impressive. What they don't measure is outcomes – growth of businesses or removal from poverty of borrowers.

In addition to high interest rates, money is usually lent on a group basis. That is the group is liable for the debts of other members of the group (Cuong 2008, Brett 2006, Karim 2008, Weber 2002). Other members cannot access credit if a member of their group defaults. As Karim (2008) puts it 'shame' is the collateral. There is some evidence that the interest on the loans can become a significant burden to the borrower, and often others in the family are called upon to assist with repayments. This is a result of high interest rates, short repayment times and the fact that other assistance, such as business planning and training, to ensure that the micro-credit is being used effectively to increase income generation are not undertaken.

These demanding conditions have a negative impact on another outcome that many micro-credit lenders aspire to, the empowerment of women (Rugimbana & Spring 2009, Brett 2006, Mayoux 1999, Qudir 2003). Many micro credit services are directed specifically at women, with a view to improving their status within their communities and in recognition of the fact that they will use increased resources to assist their families. Brett (2006) uses the voices of the women in the title of his paper drawn from research in South America. "*We sacrifice and eat less*".

Brett is unfortunately not the only researcher to have identified this issue. Cuong (2008) Wilburn (2008) Buckley (1997) and Orlando and Pollack (2000) all identify these consequences as a significant issue in developing countries across the world. There is another unfortunate impact. NGOs, the providers themselves, become sources of employment in countries that have few opportunities. This puts pressure on the staff to deliver against the criteria that will secure their jobs: large numbers of borrowers and high repayment rates. Delays with repayments have led in some circumstances to ill treatment of borrowers and high levels of competition between the

organisations that are supposedly there to help the poor. The issue becomes the sustainability of the NGO rather than the micro-enterprises.

Much less has been written about micro-credit as a tool of enterprise development for assisting poor entrepreneurs to make the transition from hand to mouth economic activities to a sustainable business, (Chamlee-Wright 2005, Cross 1998, K'obon Yo 1999). However, access to financial resources may not in itself address the challenges facing the very poor entrepreneur any more than it does in the developed world. The challenges of an often hostile environment, limited access to education and training, continuous health challenges and poor support and infrastructure, make the success and growth of enterprises in developing economies difficult (van Stel, Carree & Thurik 2005; DANIDA 2002; Naude, Gries, Wood & Meintjies 2008, Sachs 2004).

Two areas documented as important in the literature are the issues of human capital development; capacity building and training (Rugimbana & Spring 2009, Sievers & Vandenberg 2007, Halder 2003, Cross 1998) and the importance of the local voice. Any project needs to align with local needs and cultural traditions as well as reflect respect for local participants by encouraging their ownership. (Chamlee-Wright 2005, Pless & Maak 2009, Wilburn 2008, Hudon 2009)

The design of any project to encourage entrepreneurship should be culturally appropriate and encompass local support and expertise. Understanding the particular cultural context is critically important. (IFC 2008) Chamlee-Wright (2005) recognises that tapping into the knowledge embedded within local social institutions lowers transaction costs, saves time, and helps anticipate and avoid pitfalls. Embedded within local system is a wealth of local knowledge regarding an individual's savings capacity, credit worthiness, business history and insurability (Yunus, 1994). Sorros (2007) has identified this as a key factor in the success of his foundations around the world.

'Civil society adopted the foundation as its own and took good care of it. We did not have to exercise controls, civil society did it for us. (p 55)

It is likely that the networks of local expertise among the poor are insufficient initially to support entrepreneurs. Building capacity becomes important so that responsibilities are clearly outlined and individuals provided with the skills they require to be effective. It is critically important that local people are involved in the decision making and that a problem solving attitude is built (Yunus, 1994). This may require tapping into extended, even international knowledge networks to work with local people to adapt best practice (Chamlee-Wright 2005).

The measurements identified in much of the literature are of inputs and outputs – not outcomes. This indicates a gap in the literature. What exactly do micro-entrepreneurs need if they are to transition out of poverty and develop sustainable businesses? Do support groups help in this process? In countries with very low literacy levels, what role does education play? How best can the local community be brought together to identify their immediate needs in their journey to economic sustainability? Little appears known about the outcomes of combining financial and

peer support with capacity building and how these might interact to develop a sustainable enterprises or how such support can be itself sustainable.

'Entrepreneurship in developing countries is arguably the least studied economic and social phenomenon in the world today' (Naude, Gries Wood & Meintjies 2008)

Micro credit alone has become a global strategy despite warnings from the World Bank (Pless & Maak 2009) that micro credit alone may not result in poverty reduction. And there appears no evidence that it promotes entrepreneurship. The skeptics might suggest that the reason micro finance has become so successful at the institutional level is because it fits within an internationally adopted economic philosophy and transfers most of the risk and transaction costs to the borrowers and away from the institution (Brett 2006, Karim 2008).

The issue of operational sustainability, profitability and the use of donor funds are particularly challenging and influence directly to the issue of design. Setting up an effective operation takes time (Yunus 2004). It requires commitment, expertise and the support of the local community. Without these elements any organisation may fail to reach its target borrowers, find the money is misspent or that there is no local interest in using the service at all.

Generally the literature does not relate to the borrowers as entrepreneurs with business ideas, but poor people who need to survive. Yet even in this context research into the impact of micro credit is lacking (Sievers & Vandenberg 2007, Mayoux 1999, Wilburn 2008, Buckley 1997). It is unclear how the injection of funds encourages the start-up or growth of a business and what the actual business and social outcomes are. Without this understanding it is difficult to evaluate whether micro-finance and the support mechanisms around it have a significant role to play in economic development.

Designing Enterprise Resources for Sustainability

The design of any project to encourage entrepreneurship should be culturally appropriate and encompass local support and expertise. Understanding the particular cultural context is critically important (IFC 2008). The inclusion of local knowledge and support allows individuals to make productive use of the private and local knowledge to which they have access, valuing their perspective and creating ownership. Recognising and valuing local expertise is critical for access to those networks and to local participation and ownership. Chamlee-Wright (2005) recognises that tapping into the knowledge embedded within local social institutions lowers transaction costs, saves time, and helps anticipate and avoid pitfalls. It is likely that the local expertise is insufficient initially to support entrepreneurs. Building capacity becomes important so that responsibilities are clearly outlined and individuals provided with the skills they require to be effective. It is critically important that local people are involved in the decision making and that a problem solving attitude is built (Yunus, 1994). This may require tapping into the extended knowledge network to work with local people to adapt best practice to ensure that the local administrators are competent and are also able to access not only their local networks but those of the wider community to help solve their problems.

One of the critical issues in work in developing economies is that of transparency (IFC, 2008). If concerns about corruption are to be overcome, it must be clear what the lending policies are, the criteria for lending and how the monitoring of loans is undertaken. This is as important for credibility at the local level as it is for donors.

Sustainability is critical if micro-enterprises are to grow. The traditional philanthropic model for funding micro-enterprises leaves local communities dependent on the priorities of donors which may not always be consistent with those of the community. Long term sustainability requires a move to a model that broadens the base of both economic and intellectual resources, that builds capacity as well as providing 'start-up' funding through mechanism such as micro-credit (Elkington & Hartigan 2008).

Designing for sustainable enterprise development includes responding to the community's priorities, investigating individual problems and solutions, encouraging agency and active involvement in goal setting, with on-going consultation and co-development of solutions. (Matthews 2008). Recognising the importance of experimentation we have moved beyond existing forms to prototype new ways of working which provide continuity of financial and intellectual support for local initiatives. A summary of the principles used in this approach is found in Figure 1.

Research Design and Methods

A number of qualitative methods were used to address the research questions. Much of the literature dealing with micro entrepreneurship and micro credit comes from the international development agencies and agencies reviewing the work of micro-finance institutions. Their perspective is generally one of poverty alleviation, rather than entrepreneurship.

Semi-structured interviews and participant observation were used in Beira, Mozambique, to provide an insight into the difficulties for micro-entrepreneurs, as seen by them. This brings together the specific insights of local people with the more generalised conclusions of international agencies from a range of countries. This is important as often there is limited awareness of the reality of the local culture and environment. The circumstances under which entrepreneurs in developing economies operate can appear impossible to those who have very different experiences of business (Van Donge 2008).

These participative methods involving the entrepreneurs, shift the focus from a deficit approach that focuses on survival, to one that acknowledges people's resources and agency in the pursuit of business success and the wellbeing of their families and community. This qualitative research provides contextual information to explain particular outcomes and ensure that the metrics used in international reports such as the 'dollar a day' metric have some meaning (Camfield, Crivello, Woodhead 2008). They also offer the opportunity of generating new information about the way in which people see the world (Hammersley and Atkinson 1995) and enable models for delivery of services to be developed in ways that meet the specific needs of the local community.

A longitudinal study, based on semi-structured interviews, was undertaken with micro-entrepreneurs in Beira in 2004, 2006 and 2007. Each entrepreneur had received micro-credit to start or grow what would be considered a 'survival' enterprise in the informal sector. The research was conducted using informal individual and small group interviews, through a local interpreter. Three waves of interviews were carried out to provide insights into what had changed, in the business and the mind of the entrepreneur (Dalglish 2008). This approach provided an ongoing picture of a group of entrepreneurs who were successfully growing their enterprises, were extending their view of what it was to be successful and beginning to access technology and services. These entrepreneurs were also using their increased resources to improve their living conditions, access education and plan for the future. The qualitative nature of the research has the strength of providing rich data, directly from the micro-entrepreneurs. It provided an opportunity to explore with the entrepreneurs changes to their businesses, their attitudes and aspirations, and whether motivation had moved beyond 'survival'.

There were a number of significant constraints in the data collection. Interviewing through an interpreter raises a range of issues, no matter how good the interpreter. The interviewer was a stranger, with extremely limited cultural knowledge. The interviewees are unlikely to have shared all of their views. The negative impact of these factors was not apparent. The interviewees were friendly and welcoming, though not used to talking about themselves and their ventures. The third round of interviews led to much more open discussion. There is an indication that it took this long for the entrepreneurs and the interpreter to believe sufficiently in the interest of the interviewer. This has interesting implications for research in developing countries that is undertaken by strangers.

To improve cultural understanding and to develop trust, one of the authors engaged in participant observation, spending four separate weeks with the community under study. This included the semi-structured interviews but also involved presenting seminars, dining with a number of different families, attending church, meeting with local groups of small entrepreneurs to discuss their aspirations and the constraints they faced. Again one of the most significant constraints was the author's lack of Portuguese and the dependence on an interpreter. However after the first two visits, the author was welcomed as one of the family and conversations became less formal and more general issues were discussed. This added a depth of insight into the reality of the lives of these entrepreneurs and their families.

Participating in this way adds credibility to the observations in a way that describing cultural phenomenon on the basis of documents can't. It is a way of 'doing justice to the voice of the people' (Knibbe & Versteeg, 2008). This voice is often lacking in the large studies done on micro-finance as a way of poverty alleviation, which reflect the cultural norms of an often alien culture. It is important to recognise that this type of fieldwork cannot be entirely objective and the presence of the researcher is changing and adding to what is actually happening. Desjalais (1997) advocates that human experience should be central to the research agenda and the participative methods used allow that while the international reports provide the international frame within which that experience sits.

It is apparent from the nature of the businesses and their response to some of the questions that the entrepreneurs interviewed are survival entrepreneurs. What is also apparent though is that

many of them had plans to move beyond this stage and had acted on these plans. (Grosh & Somolekae 1996) They already believe themselves to be successful – but still have aspirations to grow further. One of the respondents identified the need for more knowledge to be able to grow and the lack of external stimulus may well slow down the rate of innovation, as the lack of good infrastructure and access to finance may slow down and restrict their growth potential (Haynes, Seawright & Giaque 2000).

Mozambique: Country of Research

Mozambique lies along the Indian Ocean sea border of Southern Africa and is characterised by mountainous inland zones with a coastal plain. Mozambique is among the poorest countries in the world with a per capita GDP of US\$210 in 2002 (World Bank 2006). This is largely attributable to a history of both human and natural destruction.

The Portuguese ‘colonised’ Mozambique in the 15th century. The independence movement that began in the 1960s, led to independence in 1975. The Portuguese pulled out virtually overnight leaving the country lacking skilled professionals and infrastructure. Frelimo (the Mozambique Liberation Front) turned to the governments of the Soviet Union and East Germany for help as by the early 1980s the country was nearly bankrupt and the shops were empty. This instability was compounded by the disapproval of (then) Rhodesia and South Africa who supported and trained rebels in Mozambique (Renamo) leading to civil war. Renamo’s aim was the wholesale destruction of Mozambique’s communication infrastructure and the eventual overthrow of the government. Whilst they did not succeed with the second aim – they did destroy most of Mozambique’s infrastructure, including roads and railways (Dana 1996).

In 1983 drought and famine struck the country and Frelimo opened up Mozambique to the West to receive food aid. In 1992 a peace treaty was signed and official elections were held in 1994. The civil war had lasted for over 15 years. Mozambique now has an elected government for the first time in its history and has since conducted two general elections. There are still power struggles between the two main political parties that are based on the opposing factions during the war (THSRC, 2002).

The Mozambiquan Government has fulfilled most of the promises on economic reform made to the multilaterals in order to qualify for debt relief. This included ‘demobbing’ a large part of the armed forces, releasing largely unskilled young men into an almost non-existent employment market. A reduction in the debt burden, donor support and rising government revenues are helping to pay for the infrastructure investment that could enable the country to experience a high level of growth for a long time to come (Ford, 2004)

Most local Mozambiquans equated democracy with an improvement in material conditions. Instead, the economic gains thus far seem to benefit a relatively small middle class concentrated in Maputo, while the rest of the population has had to adjust to increases in the cost of living and little change in the rudimentary public and social infrastructure (THSRC 2002). By the late 1990s the economy began sustained growth but social inequality has grown as well (Pfeiffer 2004).

The country had an estimated population of just over 19 million in 2006 (www.ine.gov.mz) with an estimated population growth of only 1.4% in 2005 (cia.gov/cia/publications/factbook) as a result of high infant mortality rates and a life expectancy of around 40 years. Illiteracy rate in the adult population is high as only 60% of children attended primary school, 8% attended secondary school and 2% attended higher education. This is changing. Agriculture is still the basis of living for the majority (80%) who live on livestock farming production. Good road and rail services are almost non-existent, as are power, communication and sanitation infrastructure. (Dalglish 2007)

Some of the challenges facing the people, the government and the entrepreneurs of Mozambique include overcoming: low educational standards, high levels of unemployment, low productivity of household farming, weak development of infrastructure, bureaucratized government, corruption and a very high mortality rate from curable diseases. Death is through diseases such as malaria, tuberculosis, cholera, leprosy and more recently HIV aids. Over the first 4 years of the new century annual average growth of GDP was about 8%, and the absolute poverty level has dropped from 69% in 1997 to 54.5% in 2002, however the positive results of this are not yet reflected in the actual life of much of the population. (worldbank.org/wbsite/external/countries/africa/mozambique)

Beira, where the qualitative research was undertaken, and where the proposed model will be implemented, in the province of Sofala, suffered greatly during the civil war. Today, it has the dubious reputation of being Mozambique's poorest province (RoZ, 2003). As an economy, Beira is struggling, physical infrastructure is broken and its people appear to have few opportunities to progress. Commercial districts have shut down, as traders shift business to the smaller scale appropriate to a poor nation.

Apart from Government there appear to be two movements to help the poor of Mozambique. By 2001 there were 145 foreign NGOs and 465 national NGOs operating in the country. At the same time Pentecostals and the Pentecostal influenced Zionist and Apostolic African Independent Churches moved in to offer social support. Pentecostal influenced, independent churches, have seen a growth in membership from around 10% to nearly 50% of the poor peri-urban populations, which is the population within which the model will be implemented. The popularity of the church movements and their nearly complete dissociation from the world of foreign aid, suggests shortcomings in NGO models in gaining the trust and confidence of poor communities (Pfeiffer 2004). It would appear that despite the presence of NGOs many of the poor are alienated from the world of commerce and foreign aid. Participant observation in numerous church activities has revealed a profound and sustained commitment to collective well being (Pfeiffer 2004, Dalglish 2007).

In Beira, the thriving informal sector is based rather narrowly on retail trade in consumption goods, agro-processing and services like repairs and hairdressing (THSRC 2002). Whilst economic performance has improved across the country, the benefits are confined to a relatively small number. Interventions, such as improving access to financial services to lower income people in a manner acceptable to them, are extremely important.

Awaken Mozambique – the Pilot.

The program has been designed to build on initial early funding to make the program sustainable in the long term. Donor money will be used to employ local people to manage the project and to provide micro loans. The repayment of micro loans will go into an investment fund. The fund will be used for loans to new borrowers and the interest from the investment fund can be used to support the on-going management of the project. Over a period of 5 years the capital in this investment fund will grow and the interest can be used to support the local employees making the project much more sustainable. This fund may also provide the basis for ongoing micro-loans. The local management committee is already seeking ways of the program generating money to support the micro-loan process and as their capacity grows this element of the program is likely to become viable.

In 2007 a meeting was convened in Beira supported by a number of pastors of local Pentecostal churches which provided credibility to which around 40 local business people and community and church leaders attended. They expressed a willingness to work toward the establishment of a NGO that would provide micro-loans to small businesses who did not have access to other sources of funding. This group elected a management committee, nominated the people they wished to run the organisation once it was established and voted on an appropriate name (Desperta Mocambique).

In Brisbane, Australia, a similar management committee was established to raise the necessary resources for the Mozambiquan organisation to succeed. These resources include not only direct funding of the organisation but the loan financing for the entrepreneurs, the sharing of intellectual resources through training and the visit of ‘experts’ from outside of the local area. See Figure 1.

To assist with capacity building, processes and policies have been written in Australia and then modified in Beira. The local management committee is well aware of the issue of perceived corruption and the importance of transparency and equity in the allocation of loans. Once funding is made available they have to report monthly to the Australian committee with their decisions and the reasons for these decisions. The in-country committee will make decisions about loans and debt collection. They have as one of their loan criteria the ability and willingness to repay. The presence on the committee of community leaders will act as an incentive for repayment though some default must be expected in extreme circumstances. The fact that recipients may also know the donor in Australia who has provided the loan may also reduce the risk of default.

The process is transparent and decision making is open to members of both committees in Australia and Mozambique. The in-country management committee will employ three people who will identify potential borrowers, provide the necessary training, collect repayments and ensure that all necessary reporting, financial and other is done. The management committee will make the decisions about who receives funding and recommend these people to the Australian committee for funding.

Training is an integral part of the development process. This training will include mandatory training for recipients of loans during the period of their repayment and will relate to the specific needs of those involved and be conducted by the in-country staff. Regular training will be provided to the co-ordinating staff by volunteers from relevant institutions overseas. These visiting staff have a significant role in broadening networks and will also be encouraged to provide more general training to heighten awareness in Beira of new ideas and opportunities available. Links have already been made with a number of local education and training providers and these services will be accessed as appropriate.

Internet technology makes international communication much easier and inexpensive. Using it is hoped to link Mozambiquan entrepreneurs to their Australian sponsors, thereby directly connecting the local network to a larger network. Awaken Mozambique already has a website which is being developed to allow interactivity.

With so little known about the process of enterprise growth in developing economies, both committees are committed to undertake research using the data collected as part of the loan and support process. They are also willing to consider collecting other data should international researchers be interested. The dissemination of findings and an enhanced understanding of the role of entrepreneurship in poverty alleviation and community development will be of interest to many. This paper is an early illustration of this commitment.

One of the contributions of this research is that it investigates a situation of dire need in developing country and proposes a new model for enterprise development.

Conclusions and Future Research

This research project is seeking to develop responsible and sustainable support for micro-entrepreneurs in developing countries. The need for enterprise development and its contribution to societal and economic outcomes has been clearly identified and the benefits and limitations of existing programs of financial support have been elaborated. Through interviews, observation and participatory action research this research project has articulated a new approach supportive of enterprise development. Designed as a process of co-creation with local people and based on sustainability principles, ongoing research is being carried out as a pilot study with a local association in one city in Mozambique. As with many design processes, the implementation of these ideas will indicate which processes meet the expectations of the local people and which aspects may continue to evolve over time as more enterprises are funded, business owners develop more confidence and networks of enterprises develop.

References

Boland, R. Jr. Collopy, F., Lytinen, K. & Yoo, Y. (2008) Managing as Designing: Lessons for Organization Leaders from the Design Practice of Frank O. Gehry, *Design Issues*, 24, 1, 10-25.

Boland, R.J. Jr. & Collopy, F. (Eds.) (2004). *Managing as designing*. Stanford Business Books, Stanford, Ca.

Buckley, Graeme (1997) 'Microfinance in Africa: Is it Either the Problem or the Solution'. *World Development*, Vol.25, No.7.

Brett, John (2006) "We Sacrifice and Eat Less": The Structural Complexities of Microfinance Participation.' *Human Organisation*, Vol 65, No.1.

Byiers, Bruce, Rand, John, Tarp, Finn & Bentzen, Jeanet (2009) 'Credit Demand in Mozambican Manufacturing'. *Journal of International Development*.

Camfield, L., Crivello, G., & Woodhead, M (2009) 'Wellbeing research in developing countries: reviewing the role of qualitative methods. *Soc. Ind. Res.* 90:5-31' Published on line September 2008.

Chamlee-Wright, Emily (2005) 'Fostering Sustainable Complexity in the Microfinance Industry: Which Way Forward?' *Institute of Economic Affairs*. Blackwell Publishing, Oxford.

CIA www.gov/cia/publicaitons/factbook (accessed 4.4.06)

Cross, John. (1998) 'The Informal Sector' in *Encyclopedia of Political Economy*; Philip O'Hara (ed) Routledge, London & New York

Cuong, Nguyen Viet (2008) 'Is a government Micro-credit Program for the Poor Really Pro-poor? Evidence from Vietnam'. *The Developing Economies*.XLVI-2 151-87.

Dalglish, C. (2008) 'From abject poverty to aspiring middleclass – micro-entrepreneurship in urban Mozambique' *Journal of Asian Entrepreneurship and Sustainability*.

Dalglish, C. (2007) 'From the Informal to the Formal Sector: Micro-enterprises in a developing economy – research in progress.' *AGSE Conference*. Melbourne 2007.

Dana, Leo Paul (1996) *Journal of Small Business Management*. Vol 34. Issue 4. p67.

DANIDA (2002) *Report to the World Summit for Sustainable Development*.

Desjarlais, R. (1997) *Shelter Blues: Sanity and Selfhood among the Homeless*. Philadelphia: University of Pennsylvania Press.

Elkington, J. and Hartigan, P. (2008). *The Power of Unreasonable People: How Social Entrepreneurs Create Markets that change the world*. Harvard Business Press, Boston, Mass.

Ford, N. (2004) 'Mozambique: Recovery based on solid foundations', *African Business*. Nov. 2004. Iss303; pg.54.

Grosh, B. and G. Somolekae (1996), 'Mighty Oaks from Little Acorns: Can Microenterprise Serve as the Seedbed of Industrialization?' *World Development*, vol.24, no.12, p.1879-1890.

Haynes, C.B., K.K. Seawright and W.C. Giauque (2000), 'Moving Microenterprises Beyond a Subsistence Plateau', *Journal of Microfinance*, vol.2, no.2, p.135-151.

- Hammersley, M & Atkinson, P. (1995) *Ethnography : Principles in Practice*. NY. Routledge.
- Harrison, Graham (2000) 'Sustainable Development in Mozambique.' *Review of African Political Economy*. Vol. 27, Iss. 85.
- Hudon, Mark (2008) 'Should Access to Credit be a Right?' *Journal of Business Ethics* (2009) 84:17-28.
- Independent Evaluation Group. (2008) *Financing Micro, Small, and Medium Enterprises*. International Finance Corporation. Washington DC.
- Karim, Lamia (2008) 'Demystifying Micro-credit: the Grameen Bank, NGOs and Neoliberalism in Bangladesh' *Cultural Dynamics* 2008;20;5.
- Knibbe, K & Versteeg, P. (2008) 'Assessing phenomenology in anthropology: lessons from the study of religion and experience.' *Critique of Anthropology* 2008, 28; 47.
- Lawson, B. 1997 *How Designers Think: The Design Process Demystified*. Third Edition. Architectural Press. Reed Elsevier, Oxford.
- Maimbo, S.M. 'Regulation and Supervision of Micro-finance Institutions in Zambia'. in Mwenda,K.(ed) (2002) *Banking and Micro-finance Regulation and supervision: Lessons from Zambia*. Brown Walker Press, Parkland. U.S.A.
- Matthews, J. H. (2009) 'What are the Lessons for Entrepreneurship from Creativity and Design?' Academy of Management Meeting, Chicago, USA.
- Mayoux, Linda (1999) ' Questioning Virtuous spirals: Micro-finance and Women's Empowerment in Africa.' *Journal of International Development*. 11. 957-984.
- McPherson, M.A. (1996), 'Growth of micro and small enterprises in southern Africa', *Journal of Development Economics*, vol.48, p.253-277.
- Mead, D.C. & Liedholm, C. (1998) 'The dynamics of micro and small enterprises in developing countries.' *World Development*. Vol26, No.1.
- Mozambiquean government. www.ine.gov.mz (accessed 4/4/2006)
- Mwenda, Kenneth Kaoma & Muuka, Gerry Knombo (2004) 'Towards best practice for micro finance institutional engagement in African rural areas: Selected cases and agenda for action.' *International Journal of Social Economics*. Bradford: 2004. vol 31, Iss.1/2 pg.143.
- Naude, W., Gries, T., Wood, E. & Meintjies (2008) 'Regional determinants of enterprise start-ups in a developing country.' *Entrepreneurship and Regional Development*. 20:2, 111-124.
- Orlando, M.B. & Pollack, M (2000) 'Micro-enterprise and poverty: evidence from Latin America.' *Inter-American Development Bank*.

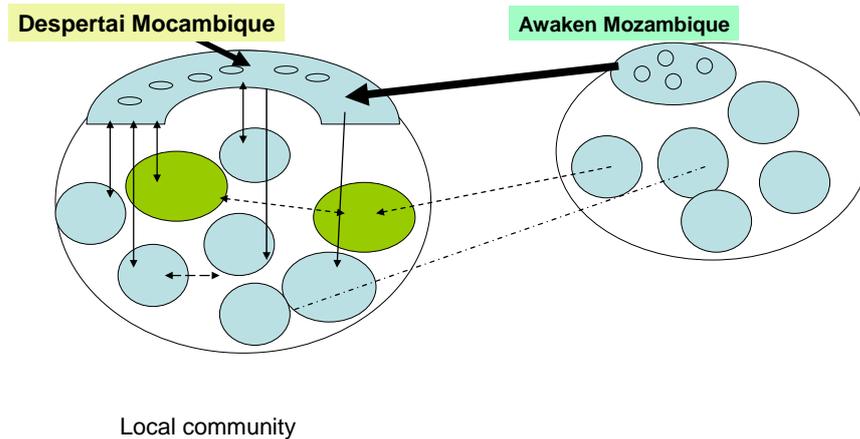
- Pfeiffer, J. (2004) 'Civil Society, NGOs, and the Holy Spirit in Mozambique'. *Human Organisation*. Washington, Fall Vol.63, Iss.3: pg359.
- Pless, Nicola & Maak, Thomas (2009) 'Responsible Leaders as Agents of World Benefit: Learnings from "Project Ulysses"', *Journal of Business Ethics* 85:59-71.
- Quadir, Jqbal (2003) 'Bottom up Economics', *Harvard Business Review*. August 2003.
- Republic of Mozambique (RoZ, 2003), *Action Plan for the Reduction of Absolute Poverty*, Maputo: Republic of Mozambique.
- Rugimbana, Robert & Spring, Anita (2009) 'Marketing Micro-finance to Women: Integrating Global with Local', *International Journal of Non Profit and Voluntary Sector Marketing* 14: 149-154.
- Rutherford, S. (2000), 'Raising the Curtain on the "Microfinancial Services Era"', *Focus Notes*, No.15, Consultative Group to Assist the Poorest, World Bank, Washington.
- Sachs, J. (2004) *The End of Poverty*.
- Sievers, Martin & Vandenberg, Paul (2007) 'Synergies through Linkages: Who Benefits from Linking Micro-finance and Business Development Services?' *World Development* Vol.35 No. 8 1341-1358.
- Sorros, G. (2007) *The Age of Fallibility*. Phoenix Paperback, London.
- The Human Sciences Research Council (2002) *Micro-finance in Rural Communities in Southern Africa*. The Human Sciences Research Council, Pretoria.
- Toye, J. (1993), *Dilemmas of Development*, Blackwell Press, Oxford.
- Van Stel, A., Carree, M. & Thurik, R. (2005) 'The effect of entrepreneurial activity on national economic growth.' *Small Business Economics* 24.
- Van Donge, JK (2008) 'The EU observer mission to the Zambian Election 2001: the politics of election monitoring as the construction of narratives.' *Commonwealth & Comparative Politics*, 46:3.296 -317.
- Weber, H. (2002) 'The imposition of a global development architecture: the example of micro-credit. *Review of International Studies*, 28.
- Wilburn, Kathleen (2009) 'A Model for Partnering with Not-for-Profits to Develop Socially Responsible Businesses in a Global Environment. *Journal of Business Ethics*.85:111-120.
- World Bank www.org/wbsite/external/countries/africa/mozambique (accessed 4.4.06)
- World Bank (2003), *World Development Indicators*, online, available at: www.worldbank.org/data/dataquery
- Yunus, M. (1994) *Grameen Bank As I see It*. Grameen Bank, Dhaka.

Figure 1. Collaboration between Organizations

Desperta Mocambique - Local Association –
 People working together; Potential for ongoing support,
 encouragement, skills, training for local people
 Uses external funds to set up micro-loans for members
 and to pay wages of Administrator; no interest loans

Awaken Mozambique - Western association
 Focus – Encourage enterprise initiatives;
 Resource organizational component of program

Resource flows
 Provide initial financial resources for
 funding enterprise projects
 Provide or resource training, education, networks



Collaborative Plan for Sustainability

Goals

- Setting up and development of individual or joint enterprises
- Sustainable financial support mechanism for economic development
- Linking of networks
- Base for ongoing research

Activities

- Increase access to information and ongoing social support
- Provide resources: financial, social, training; planning
- Share resources; generate resources: money, ideas, networks
- Recycle financial resources for loans; resources are used for other purposes, reinvestment of funds and commitment

Outcomes

- Functioning small businesses
- Increased economic activity
- Sustainable support mechanism locally
- Increased understanding of enterprise development locally.

APPENDIX A

The aims of the Pilot project (Awaken Mozambique) are to:

- Encourage and support initiatives by individuals and groups to develop enterprises
- Provide financial and training support to micro-entrepreneurs in Mozambique.
- Develop international linkages, partnering and mentorship opportunities between entrepreneurs in Mozambique and the developed world.
- Facilitate research into the process of enterprise start-up and growth in a developing economy.

This pilot has a number of unique characteristics that will promote culturally appropriate sustainable local community and economic development by:

Phase 1

- Providing financial support to potential and growing entrepreneurs through micro-credit. This will start with those who have never run a business through to those who are growing their business and will employ others. This will provide a ladder for entrepreneurs into the 'mainstream' banking system.
- Supporting a local voluntary association of business people and community leaders (Desperatai Mocambique) who have oversight of the development of their community and will manage the process of funding allocation and repayments. This draws on the commitment and skills of local people to promote the development of their community.

Phase 2

- Reinvesting repaid loans into an investment fund for further lending for enterprise development. The interest from this fund will be used to support the running costs of the organization. Over a number of years this will grow into a local investment fund run by the community for the local community.
- Providing training and development to members of the Association, the borrowers and the wider community. This will include linking local networks to broader networks that can provide access to different intellectual resources.
- Fostering financial sponsorship from entrepreneurs, business people and communities in the developed world to be directly linked with the entrepreneurs/borrowers they sponsor
- Undertaking research that will enhance our ability to understand the progress of such enterprises in developing economies.

Phase 3

- Ongoing adaptation of model as required