



Investing in Micro and Small Enterprises in the South



Colophon

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Cordaid forms together with Kinderstem, Memisa, Mensen in Nood and Vastenactie one of the biggest international development organisations. Supported by half a million people in the Netherlands, Cordaid works with more than a thousand partners worldwide for an existence with dignity for poor people and those who are deprived of their rights.

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Ten years ago, Cordaid started experimenting with financial instruments as an appropriate means of supporting economic development by introducing a financial logic in its work, stimulating economic sustainability of economic development programmes. In a few years, these instruments grew into one of the basic components of Cordaid's package of instruments. The quality of the Loans and Guarantees programme, as it soon was called, was enhanced by organising it in a way similar to financial institutions: an external Credit Committee was installed, financial services experts were appointed to take care of the programme and from 2000 on, a separate unit, the Finance Business Unit, was responsible for it. Today, the total outstanding portfolio amounts to some € 40 million.

Cordaid has always operated its Loans & Guarantees programme in line with its general vision and mission of poverty reduction and support to those who are powerless and deprived of their basic rights. In its first years, its focus was on access of the poor to basic financial services, mainly through microfinance.

While microfinance can have a tremendous positive impact on the lives of their clients, mainly female informal sector workers, it does not cater for the 'engine of the economy', small and medium size enterprises (SMEs). It is generally accepted that only a strong development of the SME sector in developing countries can solve the immense problems of unemployment and underemployment of millions of people who are expelled from the agricultural sector every year. Also, SMEs in agribusiness can offer a valuable access to more lucrative markets for small agricultural producers.

It is, however, also generally recognised that in most countries there is no adequate infrastructure for providing funding and finance to SMEs. Where MFIs provide small loans in the range up to € 5,000, commercial banks are typically reluctant to offer finance at levels below € 500,000. Development of affordable and reliable financial services in the range in between, known as 'the missing middle', needs creativity and innovative ideas. Both risk capital and debt are needed to really give a boost to SME development.

Only recently, some experimental schemes, some specialised venture capitalists and investment funds, many of them private initiatives, have emerged who are trying to provide the type of financial services the SMEs need. Cordaid has stepped into this dynamism pretty early and has forged some interesting partnerships, playing its role as a development organisation with a view of creating an adequate infrastructure for financing SMEs, with the objective of fostering developments that will reduce poverty and empower people.

During our Congress on 27th October 2006, celebrating 10 years of Cordaid's Loans & Guarantees programme, some of these partnerships will be presented to the audience. We hope that the Congress will generate ideas for better vehicles for SME finance. We also hope that the Congress will inspire Dutch social investors to try and look for investment opportunities in the emerging markets that many African, Latin American and Asian countries are, either directly or through the different types of instruments that are developing right now. The time seems right for it! Finally, we hope that the congress will also contribute a little to the understanding in governments that a thriving SME sector needs a good business climate and that governments are crucial in creating such an environment.

I am convinced that, when Cordaid celebrates the 20th birthday of its Loans & Guarantees programme, many good practices will have developed in this field and that SMEs will play a central role in many developing economies, providing good products and services and a decent source of income for their employees, and spurring the dynamism in their local economies.

I hope to meet you again by then!

Jacob Winter

*Manager Finance Business Unit
Cordaid*

Growing Needs of Capital and Expertise of the Micro and Small Enterprises

Cordaid has been supporting some 30 plus micro and small enterprises in Latin America, Africa and Asia during the last 5 years. While doing this, it has realised that productive micro and small enterprises have significant potential for fostering efficient economic growth in developing countries. micro and small enterprises play a critical role in the development and growth of local and regional economies by creating employment.

It is very interesting to note that micro enterprises are germinating on a wide scale, to a large extent, as a result of micro credit lending done by Micro Finance Institutions the world over, be it that most of them are in the informal sector. Besides micro enterprises, a large number of small enterprises are coming up in developing countries. These come from a very different sector than the sector of the non-governmental organizations. These are often socially aware entrepreneurs who with their own capital and that of their families and friends set up small enterprises in the formal sector. In particular, it is interesting to note that they enter into fair and transparent relationships with the small producers, both in the rural and urban areas, providing access for their products in local and, at times, even in international markets. These small enterprises have proven to develop not only the capabilities to buy and store products; they are able to add value by processing and marketing products and developing distribution networks. This they do by entering into various types of alliances with intermediaries, traders, input suppliers, wholesalers and retailers. Many of these small enterprises are slowly able to access finance also from local banks, though most of their base for financial support comes from funding organisations, from government schemes in some countries and from bilateral and multilateral institutions.

Micro and small enterprises are also deeply aware of the demands made by social responsibility. A small enterprise makes it a point to get most of the products coming from the small producers certified as fair trade products and makes an effort to meet the requirements of corporate social responsibility in terms of using environmental friendly technologies and personnel policies that do not accept child labour and wish to abide by gender equality principles.

Cordaid makes a special plea in this publication to the small and medium enterprises sector in the Netherlands to consider linking themselves with the upcoming micro and small enterprises by offering their market networks, capital - either directly or indirectly through the small and medium enterprises Funds or through the Development Organisation Cordaid - and expertise in order to improve the quality of the products. The small and medium enterprises can also assist in the areas of governance, management and marketing that micro and small enterprises are looking out for in the developing countries. There is a great need for capital requirements (working capital and equity capital) in micro and small enterprises. Though investment funds are coming up in some countries, there is a concerted effort needed to link upcoming micro and small enterprises and through them the quality products and the products of hard work and joy of the small producers with the network of the small and medium enterprises in the developed countries, like the Netherlands.

Looking the other way round, the small and medium enterprises sector in the Netherlands can benefit from the upcoming small and micro enterprises in the developing countries by diversifying their products, extending their distribution networks and increasing their exposure in emerging markets. Linking with and investing in the upcoming micro and small enterprises needs to be seen from the perspective of investing in rapidly growing emerging markets. The small and medium enterprises Sector in the Netherlands can certainly seek profitable investments in these emerging markets while wanting to live up to the modern demands of Corporate Social Responsibility which are now incumbent on all entrepreneurs the world over.

The Beginnings of Micro and Small Enterprises 2

2.1 The Beginnings of Micro Enterprises

Quite a number of micro entrepreneurs are graduates of the Micro Finance Institutions. Both group lending and individual lending that one witnesses in the well-known Grameen and the ASA methods and their variants in different continents have been the training grounds for identifying and sounding out the viability and sustainability of economically-oriented initiatives. While it is true that the majority of the borrowers and savers, clients of the microfinance institutions, strive primarily for more security and for rather regular levels of minimum comfort in the area of basic needs of food, health, shelter, employment, income and basic education for their children, a small minority, on an average some 10 per cent, graduate to realise their entrepreneurial dreams.

A door-to-door visit to the clients of microfinance institutions worldwide reveals that a small but significant number begins to operate as micro entrepreneurs. With the round and levels of credits and their own meagre savings, clients with an initiative begin a small business that is able to generate added value, finding a niche in the local market, thereby inventively generating employment and income for themselves. These individuals seek like-minded individuals with initiatives, with certain specific skills and the willingness to work hard, forming small informal groups thereby creating employment for themselves and their peers. This is an enormous area of inventiveness and initiatives undertaken by micro entrepreneurs that needs to be explored and analysed.

To cite a few examples that often go unnoticed. In a small village of Andhra Pradesh in India, we came across a middle-aged lady who was engaged in gathering “fallen hair” in a very inventive manner. To make the gathering of fallen hair attractive, she went around the villages offering toys, balloons, pencils and slates for children who, in turn, handed over the fallen hair that is kept in their houses. Today, this lady who was living in a dilapidated little hut with mud floor that was wide open to the vagaries of the monsoon is now running a business that employs some 40 to 50 people, all collecting fallen hair. She sells this hair to wholesale depots from where the hair is exported to countries in Europe and the USA. It now generates a substantial monthly business in monetary terms. She has now moved out of her little hut, built a decent brick house for herself and her family and another brick house for one of her children. As client of a well-known microfinance institution in Andhra Pradesh, she has clearly graduated to become a micro entrepreneur, creating a thriving business, creating employment for her peers, all women, generating additional income for herself,

her family and her co-workers and their families and clearly improving her living conditions and those of her co-workers.

Waste gatherers who sort out various items of waste and then sell them is a business that is run by a number of micro entrepreneurs in different parts of the world. You find them in the “favelas” of Brazil, in the “tugurios” of many a city of Latin America, in the slums of the cities in Asia and Africa. One comes across micro entrepreneurs that build small wooden beds in use by the rural and the urban poor and sell them through small shops; entrepreneurs that build steel almirahs of good quality. This is a never ending story of numerous micro entrepreneurs who have put up “sari-sari” shops in Indonesia and the Philippines and a culinary market “Comida de sabor peruano” in one of the city squares of Lima, Peru where some 40 to 50 women prepare local food dishes at home and sell them under secure conditions through the stalls allotted to them by the Municipality of Lima abiding by all the norms of food hygiene and cleanliness.

2.2 The Beginnings of Small Enterprises

Another breed of small entrepreneurs, but this time in the formal sector, is also cropping up in various parts of the world. These are, most often, socially-oriented individuals, a group of friends, a husband and wife team or an entire family. A characteristic, special to these entrepreneurs, is the drive to combine business with social objectives of wanting to get the poor out of their poverty situations.

Such small business enterprises have the drive to reach out to small producers in the rural areas, even to isolated areas and conflict-affected areas. In meetings with these



NATURALEZA (Productos Ecológicos Naturaleza) S.A., Bolivia

NATURALEZA S.A. is a company founded in 1992 by husband and wife team Sandra Bayá and Adolfo Meir in Cochabamba, Bolivia with the aim to market agricultural produce that they were growing on their own farm. The company began with transforming “durazno” fruit into a product called “té de durazno” (durazno tea). They soon began transforming other fruits into tea products such as pineapple from the region of Chaparé and apple from the region of Vinto, both in the province of Cochabamba. They then moved out to obtain different fruits and started negotiating with small producers. The first contract was to buy 300 kgs. of pineapple from the Association of small fruit producers called Apami. Today the same Association of small fruit producers sells 400.000 kgs. of pineapple to the company NATURALEZA, S.A.

Given the determination and the vision of the company, it has introduced the consumption of fruit tea under the brand name FRUTTÉ at the national level. It now provides employment to 56 persons and provides sources of income to 1200 small producer families. Today, NATURALEZA with its trademark FRUTTÉ, is leader in the national market, thereby radically changing the tea industry which was rather conservative. Its domestic sales have reached the USD 700.000 mark while its export sales are to the tune of USD 350.000. NATURALEZA, S.A. now has opened up new markets beyond its national boundaries to the Fair Trade market in Europe, exporting its fruit tea to GEPA in Germany and CTM in Italy. It has also been able to penetrate the conventional markets in Costa Rica, Colombia and Chile.

entrepreneurs, especially the founding members, one notices the strong concern they have regarding the difficult situations small producers live, their situations of isolation, their lack of access to new technologies, to credits and inputs and the lack of outlets for their produce of hard work. In short, these entrepreneurs show strong concerns regarding the poverty situations of many small producers in developing countries.

The small enterprises primarily provide an outlet helping the small producers to reach out to a larger world beyond their daily insecure and uncomfortable world. By doing so, they contribute to introducing certain levels of comfort such as the perspective of regular income and gainful employment. In fact, it offers new perspectives of emancipation and liberation from isolation, drudgery and poverty.

To be able to get the produce on the market, the small producer needs to meet the demands of the consumers in the market. Small enterprises here play an important role in lending a helping hand to the small producers in improving productivity and the quality of their products, helping at times to diversify them. Small enterprises, as part of their business, offer technical assistance to small producers to make the transition, for example, from chem-based farming to organic farming and assist them in getting the certification. As a result, the produce of the small producers acquires a new valuation. The same produce now becomes produce that is good and of high quality and, as such, capable of getting a much better price that appeals to consumers the world over that are more and more aware of the healthy qualities of organically grown foods. A similar effect is obtained by Fair Trade certification.

Small enterprises also help the small producers to overcome the credit crunch since financial institutions routinely consider the small producers not to be credit worthy. Small enterprises, though they themselves face the financial crunch, have realised that good business with small producers, needs to have access to financial resources. Some small enterprises, therefore, offer pre-finance to small producers who are regularly in need of cash; they buy the produce at premium prices; a number provide seed and other inputs while others link the small producers, where possible, to micro finance institutions and to banks. Some small enterprises even encourage small producers to become shareholders in their enterprise.

In their drive to link the small producers to the markets, some small enterprises have entered the processing arena,



setting up processing mills that add value to the product as semi-processed or as finished products. Further, a number of them have been able to provide a rather extensive distribution network for the produce of small farmers. Some have set up their own outlets (shops) at the local and national levels; many have linked up with existing outlets such as supermarkets and quite a few have been able to link with the international distribution network, such as, the Fair Trade network, the organic products network and the buyers' network for specialty products.

Also special to the drive is the environmental awareness that small enterprises have contributed to, specially the sensitivity to the negative effects of some technologies such as soil erosion, water and air pollution and the depletion of scarce resources.

2.3 The Phases of Transformation

Micro and small enterprises go through several phases of transformation on their way to consolidation and maturity. To understand the transformation phases, it is important to look at the basic characteristics of the upcoming micro and small enterprises in the experiences of Cordaid. These are as follows:

- a) micro and small enterprises are essentially family-run enterprises at the beginning
- b) micro and small enterprises are run informally even when the small enterprises are legally registered as companies
- c) the management in micro and small enterprises is initially mainly concerned with the core business of production and
- d) micro and small enterprises have a lack of trained and professional personnel.

It is evident from these characteristics that these micro and small enterprises go through various phases of transformation. In most cases, they are faced with the same type of problems and similar patterns of growth. It becomes important to understand the phases of growth in order to determine the type of strategic decisions that need to be taken at each phase and to understand the problems that growth presents while engaging in increased business activities.

One can, probably, consider some 5 phases of growth that the micro and small enterprises go through:

1. The Start-Up Phase.

In this phase, the strategic concern of the enterprise is to keep going. Here the entrepreneur is at the centre of the business and is also the person who directly supervises his small band of co-workers. At this stage, the enterprise does not have any systems for administration, for financial accounting and for managing business information nor does it have the capacity to develop Business Plans. The capital at this stage comes from the entrepreneur's own resources and from his family, relatives and friends. This is a rather critical stage because, for whatever reason, the enterprise is unable to meet the demands of the consumers or if it is unable to mobilise new capital, it is faced with the dilemma of how to continue and even seriously consider closing the enterprise.

2. The Survival Phase

At this stage, the entrepreneur who has passed the start-up phase begins to develop simple organisational and planning systems in function of the income generated by the business. Now, the enterprise grows in terms of the size of its business and in terms of profitability, generating marginal returns on the capital and the time invested. In fact, many micro and small enterprises find themselves in this phase.

3. The Expansion Phase

The enterprise determines, at this stage, that it going to meet the increased demands of the market and go in for the expansion of the business. This implies that the initiating entrepreneur looks for professional and functional supports in terms of professional management. It also looks for more adequate systems of administration, financial and information management. If the micro and small enterprise is unable to provide the supports required for expansion, the company can slide back into the phase of survival. Operational self sustainability is crucial to this stage as also the need to mobilise additional capital from diversified sources such as private investors (local and international); social investors and social investment funds, local and international banks, multilateral and bilateral institutions.

4. The Take-Off Phase

In this phase, the entrepreneur and the business begin to operate reasonably separate. The company begins to build (divisional) professional structures needed for governance, management and control. It is also in this stage that the company has the ability to develop Business Plans and conduct the growth of its business in terms of the planned objectives, strategies, business targets, financial and business projections.

CORONILLA S.A., Bolivia

Another interesting example is the case of CORONILLA, a company run as a family business also from Cochabamba, Bolivia and founded in 1972. Soon after its beginnings, CORONILLA became a leader in the Bolivian pasta making business taking over an 18 per cent of the national market. In 1996, CORONILLA changed its management and began developing more top quality, organic, gluten-free products made of Andean cereals, namely quinoa, cañawa and rice. The snacks produced by CORONILLA were directed to consumers who were concerned with having a healthy, well-balanced varied and nutritious diet and more importantly, present an alternative to consumers with celiac disease.

In 1997, CORONILLA began exporting to the United States and a year later to Canada. Its products are now certified as organic by IMO control of Switzerland and, as a result, abide by the European and North American regulations for food processing. Today CORONILLA, with its 52 workers, has export sales to the tune of USD 525.000 to the United States, Canada, Switzerland, Germany, Italy, Spain, Australia, New Zealand, Brazil and Chile. Its domestic sales are small in comparison and only to the tune of USD 50.000. CORONILLA buys a large proportion of its prime ingredients (quinoa, cañawa) from the poor communities of the Bolivian Altiplano, thereby providing a source of income and a certain level of comfort to 1500 small producers' families.

5. The Mature Phase

In this phase, the enterprise has the advantages of size, financial resources and administrative and governing talent. If it is able to maintain its entrepreneurial spirit, the enterprise will gain a significant position and share of the market.

A mature enterprise is able to deal with diverse investors including having them on the board of the company, sharing with them the decision-making, the orientation, future growth, future perspectives and control. At this stage, the mature enterprise is able to offer investors a reasonable rate of return on their investments.

Supporting start-up micro and small enterprises and micro and small enterprises in their phases of transformation and growth is not just a matter of financial investment. Right from the phase of survival, there is need for tailor-made interventions and supports in terms of appropriate organisational structures such as the proper functioning of the Board, having a professional management at the higher and middle level; having proper checks and balances for decision-making and control. Besides support in the organisational area, there is professional support needed in the manner in which the business needs to be conducted. The enterprise needs instruments and talent to assess market opportunities, for product designing, quality control and marketing. There is also the need to comprehend the making of Business Plans in the enterprise as a process that is internalised by all co-workers.

Micro and small enterprises are also looking for these types of interventions and support from private and public investors and from business development service facilitators. In most developing countries, these supports are hard to come by because of the lack of conducive regulations in which micro and small enterprises can grow and thrive. International development organisations and private and public social investors have a role to play in providing these business development services. Private and public investors are called upon not only to come up with financial investments in the upcoming micro and small enterprises in developing countries in terms of working and risk capital but also seriously consider forms of technical assistance.

The present skewed situation where the micro and small enterprises form the broad base of the enterprises pyramid in most developing countries needs to shift to the middle level where micro and small enterprises need all the technical assistance they can get to form a sizeable middle sector and operate as a powerful motor of the economy contributing significantly to the creation of employment and



income. This is certainly one of the effective ways for the investors to contribute to the achievement of the Millennium Development Goals, particularly the Goal referring to the reduction of the poor populations by half in 2015 and one that refers to trade being fair.

2.4 Relationship with the Small Producers

A Micro and Small Enterprise (MSE), while having the important function of being a powerful motor of most of the economies in the developing world, survives, grows and consolidates by the grace of having good, fair and transparent relationships with its suppliers, the small producers and their organisations. It is an art dealing with the small producers, particularly those that are dispersed in the rural areas, having very low levels of education and little or no access to innovative technologies, market information and access to financial services from banks and financial institutions. It is well-known that small producers living in the rural areas have few or no chances for market linkages except for marketing their produce in the local market place. Small producers also have limited entrepreneurial and management skills and very often limited or no organisational structures. And what is singularly important is that small holder producers have little knowledge of market dynamics (market information)

The upcoming MSEs are confronted with all these aspects when dealing with the small producers. A major problem faced is one of being loyal to each other with regard to the offer of the produce on terms and conditions set by the market to the MSEs and the MSEs, in turn, agreeing to buy their produce on mutual agreed terms. MSEs, as a result, have developed a number of confidence building mechanisms. Almost all of the MSEs have a technical assistance programme that assists the small producers to manage their production in terms of the demands of the market where quality, volume and regular delivery become essential. MSEs also assist the small producers to get added-value for their produce by stimulating them and even financing them to get their farms certified as organic and Fair Trade and also to meet the standards of food safety required for exporting produce to Europe and the USA.

An interesting example is Highlow Supermarket BV in Uganda. Highlow has a training programme with some 2000 farmers (having between 0,25 and 1 acre of land) organised in seven to nine small holder farmers associations. It has trained, e.g., the Abasaija Kweyamba Cooperative Society to manage several business activities related to the export of

AGRICABV, Bolivia

AGRICABV began as a limited enterprise in 1985 with 6 individual partners who, in turn, transferred their company and their coffee farm in Buena Vista, Santa Cruz to 4 other partners with only one of them being one of the initial founders. Today AGRICABV is owned by the initial founders, Pedro Rodriguez and Ms. Ingrid Eulert de Rodriguez and three Foundations – Fundación Bolivia Exporta, Fundación Procrédito and Fundación Prodem. The main activity since the start has been coffee production. AGRICABV has a processing mill in Caranavi where it processes specialty coffees and one other mill processing conventional coffees at the Soinco Mill in La Paz.

AGRICABV S.A. exports conventional coffees and specialty coffees as well as sells roasted coffee in the internal market under the trade mark Café BuenaVista in the local supermarkets. Its principal international buyers are AMS Coffee Trading, Volcafé Specialty Coffee, Nitto Coffee Ltd. Orimi Trade JSC and Bernhard Rothfos in the Netherlands, USA and Japan. AGRICABV S.A. buys its coffee from the small coffee producers from the Yungas Colonies in La Paz and, as a result, provides regular sources of employment and income to some 2000 small coffee producers and their families. These farmer families are of Aymara origin. Besides providing income and employment, AGRICABV S.A. provides technical assistance, finance for organic certification (from Biolatina), and has a health programme and a scholarship programme for the children of the small holder farmers. AGRICABV has also designed a unique Eco-Tourism project run and managed by the “Comunidad Candelaria” and the coffee farm “El Cafetal” in Buena Vista, Santa Cruz. AGRICABV S.A. has a staff of 79 persons with export sales to the tune of USD 1.309.202 and domestic sales to the tune of USD 68.905.

PROASSA (Promotora de la Agricultura Sostenible) S.A., Peru

PROASSA was a unique result of the collaboration and partnership between CICAP, an NGO that right from its beginnings in 1992, made it a point to find direct access to the external markets for the produce of the Associations of small coffee producers and their “Central de Cafetaleros del Nororiente”, CECANOR. Today PROASSA works with 51 associations of small producers, with the Cooperativa Frontera San Ignacio and two “centrales”. Its initial capital was USD 3.000, being the contribution of the NGO CICAP, its staff and from the initial association of small coffee producers. Today the equity capital of PROASSA S.A. has grown to USD 540.249.

PROASSA works with and provides market access to 3800 small coffee producers, 2500 of them belong to the organisation “Central de Cafetaleros de Noriente”, CECANOR, 600 to the “Cooperativa Frontera de San Ignacio”, 400 belong to APROCASI and 300 to the “Central Cutervo”. PROASSA S.A. today exports 20.000 quintals of specialty and organic coffee to the USA through OPTCO, the Organic Products Trading Company which has a wide distribution network from its base in Seattle in western USA. OPTCO also has a distribution network in Canada and Australia. PROASSA has the organic certification of OCIA from the United States and the FLO certification for Fair Trade also from the United States. Further, it has the certification that the coffee is grown in an environment that is friendly to birds “Café Amigo de las Aves”. PROASSA sells it green coffee under the brand names, PENACHI, ANDES GOLD and CAFÉ FEMENINO.

hot pepper and vanilla. These activities include harvesting, sorting and grading, procurement of inputs, transportation and export of the products. Highlow has also guaranteed a loan facility to the farmers’ cooperative society to make bulk purchase of inputs, meet the finances for transportation and machines for cultivation such as buying a tractor. Highlow also provides training to the out-growers in production and organisational aspects.

Agreements providing technical assistance are done with individuals assigned by the producer communities or with organisations of small producers, mainly associations. MSEs have either directly promoted and supported groups and organisations of small producers or have entered into alliances with NGO’s and business development service organisations (BDS) in the surroundings that have done quite some work in this area of promoting small producers organisations. An interesting example is the role played by the NGO CICAP in the promotion of the small coffee growers and fruits growers associations in northern Peru that till today continues to guide the associations in their efforts to meet the demands of the market. While dealing with organised forms of small producers might seem to be the most legitimate manner for communication and negotiations, MSEs face contextual problems of rivalries between associations, cultural and language problems of communication, particularly with indigenous communities and, in some cases, face the contextual situations of violence such as the coca eradication and fumigation programmes in some countries of Latin America. In such situations, promoting organisations of small producers and negotiations with them becomes rather difficult.

Another example is Lima Ltd. in Tanzania. Lima Ltd. assists 50.000 small holder farmers (having 0,5 and 3 hectares of land) in the areas of production assisting in improving the quality of coffee, scaling up, providing a fair cash market at a time when farmers often face cash problems. Lima Ltd. gets down to the village level where the farmers select a village coordinator who acts as liaison between Lima and themselves. Supervising the village coordinators are the village supervisors and the field supervisors. Confidence is further strengthened by agreeing with each other that the basis of this relationship is a long-term relationship.

Business relationships with the small producers are most often sealed through “written agreements” that set down the mutually agreed terms and conditions such as price setting, pre-payments, premiums for organic and fair trade certified produce, minimum conditions of quality and the



delivery conditions. These agreements are done most often with small producer associations, with out-grower groups and there where it is not possible to deal with organised groups, with individual producers. In some places, as in the case of Proassa in Peru, negotiations and agreements have become an institution in itself. Twice a year delegates from the various small coffee growers' associations come together in a General Assembly to discuss the business operations of the following season and approve and review the annual production plan which then forms the basis of the agreement between themselves and Proassa. It is an interesting development of "institutionality" that is durable, locally rooted, equipped with planning and negotiating capacities and democratic thereby strengthening the fabric of civil society in Peru.

In their relationship with small producers, MSEs face business hurdles such as the high cost of inputs, the lack of finance to buy bulk purchases, lack of extension services, lack of storage facilities and processing facilities, lack of packaging materials, high transport costs and lack of post-harvest handling equipment. These are technical problems that most of the MSEs face. This is an area where much help and expertise is sought for from private and public investors and from the MSEs in the North. Financial needs for working capital to offer reasonable prices for the produce of the small farmers is a serious bottleneck that prevents many a MSE from graduating from the survival phase to the expansion phase. The examples cited in this section clearly indicate that private and public investors can certainly play their contributory role in overcoming these hurdles. Besides finances, it is important to facilitate linkages with the financial sector locally to microfinance institutions and to banks so that the small producers have access to credit needed during the production cycle. And finally there is the need for expertise handling the processing, packing, transportation and export activities.

2.5 Corporate Social Responsibility

Micro and Small Business Enterprises (MSEs) when carrying out their core tasks and operating within the network of chain actors, need to be conscious of the impact of their operations in social, economic and environmental terms. MSEs are, therefore, accountable both for the potential positive impact and the negative impact its operations can have. It is therefore incumbent that a) enterprises have fair and transparent practices with their clients, the small holder producers; b) have fair and transparent labour practices with their workers and c) have fair and transparent practices with

PROASSA S.A. is also the birthplace of CAFÉ FEMENINO. This is coffee that is grown on land cultivated and managed by women. Women, single heads of families, because of the death of their husbands or because of being abandoned, got together in the mountains of Penachi together with the inspirer Ms. Isabel Uriarte, founder of CICAP and PROASSA together with her husband Victor Rojas. Women in the Penachi Mountains were able to negotiate with their partners to share a part of the land to be fully run and managed by them. This resulted in agreements (convenios) where parts of the family own lands were handed over to the woman partner for cultivation of coffee. Here the women grow high quality coffee that when processed and sold, is not blended with other coffees and sold as such to distributors and coffee roasters in the USA. Women in the distribution networks and the coffee roasters in the United States, Canada and Australia are also involved in promoting this brand in the USA. Besides the premium price that the women get for their high quality coffee, a tiny portion of the selling price is used by the women for community purposes such as setting up communal banks (bancos comunales), family horticultural gardens (huertos familiares), small animal husbandry projects, improved kitchens, community centres, a crèche or a health post. This work is supported and further promoted to other countries by the Café Femenino Foundation set up in the United States. Café Femenino is much in demand in western USA and is expected to expand by 50% in 2007.

PROASSA S.A. provides a regular source of income to 3800 small producers and their families, exporting 20.000 quintals of organic and fair trade coffee to the United States, Canada and Australia. It has a staff of 15 persons and its export sales are to the tune of USD 3.797.375 while its domestic sales figures have reached USD 341.781.



LIMA LTD., Tanzania

The experiences of Cordaid in Africa are again different. The enterprises that have arisen are joint ventures between entrepreneurs in the Netherlands and entrepreneurs in the African countries who primarily engage in contract farming. Such is the case of LIMA Ltd in southern Tanzania where local investors own 10 per cent of the enterprise. Initial capital was provided by the founders, part funding came from EVD in the form of a grant through the Dutch PSOM Programme and part capital came from an enterprise G. Bijendijk B.V. from the Netherlands. LIMA Ltd. was founded in 2001. Its main activity is to buy cherry coffee from small holder farmers, process them in some 23 pulperies spread over the Mbeya region of southern Tanzania. The processing adds value to the quality of coffee which enables it to fetch higher prices on the world market.

LIMA Ltd. presently reaches out to and works directly with 50.000 small holder farmers who have 0,5 hectare to 3,0 hectares of land planted with coffee. In addition to the 23 pulperies, LIMA Ltd. has put up a modern coffee mill from where the coffee is exported to the Netherlands. Part of the coffee that is exported has IMO organic certification from Switzerland. All of the coffee bought and processed from the 50.000 small holders is exported. Export sales, including export auctions, have reached USD 4.230.000 mark in 2006. Besides providing a regular source of employment and income to the 50.000 small holder farmers and their families, the company provides sources of employment and income to village coordinators, village supervisors and field supervisors who liaise between LIMA and the small producers. The company also supports HIV/Aids education and it encourages the small holder farmers to participate in a cooperative health insurance scheme which it assists by securing funding for the same.

the consumers. Moreover, MSEs are also responsible for the practices underlying the “exploitation” of resources and the impact this has on the social, economic and environment spheres of society.

Looking at the enterprise itself, one needs to look at the practices of fairness and transparency in relation to the small producers and to the workers of the enterprise. Fairness and transparency needs to be sealed with objective and measurable instruments and codes of conduct that are mutually agreed upon by stakeholders in the relationship. In case of the small producers, there need to be objective instruments that spell out the setting of prices, standards of quality and standards for delivery of products. In the case of the workers of the enterprise, there needs to be fairness and transparency with regard to salary scales and related benefits. An essential element of this fairness is the gender equity principle; that men and women are paid the same wages for the same type of work done; that men and women have equal opportunities to be employed in the enterprise and that men and women have equal opportunities to hold responsible positions. With the consumers, fairness and transparency requires that the enterprise guarantees food safety indicating the composition of the ingredients and their origin and that the selling prices are fair.

The social surroundings in which the enterprise operates brings in the added responsibility of paying attention to the aspects of sustainability and durability when intervening in the production, processing and marketing processes and how essential these are to the social and economic fabric of civil society and the environment. Impact of the operations of the enterprise on the community too is very important. Enterprises need to consider their responsibility in terms of poverty alleviation and poverty reduction, that the communities of the poor have the opportunities to take part in entrepreneurial activities that will benefit them in terms of regular employment and income. They also need to consider their contribution to the basic needs of the communities of the poor in terms of education and health facilities where children have a right to education that is not to be substituted by labour.

The environmental dimension also needs to take a central place. It is important that enterprises pay attention to the manner in which production processes are carried out in terms of their impact on the environment, the impact its operations can have affecting the surroundings such as the soil, water, air and scarce resources. Enterprises need to be aware of the use and impact of technologies and positively



encourage environmentally-friendly technologies, among others, organic farming practices.

The above very much summarises the guiding principles that guide Cordaid in its engagement with the micro and small enterprises and with the private sector in general. Cordaid has been able to see these principles at work in the types of micro and small enterprises that it has come across. These principles are very much present also in the growth path from the phase of survival to the phase of expansion and the phases of take off and maturity.

There is a wide variety of innovative instruments that have been developed by the MSEs that we have cited earlier. Coronilla, Naturaleza and Agricabv in Bolivia and Proassa in Peru all have developed the objective and measurable instrument of the “letter of agreement” (convenios) or have institutionalised the negotiations through General Assemblies, Annual Plans and Contracts drawn after discussion and mutual agreement. Lima and Faída Mali Tanzania and Highlow in Uganda work on the basis of contract farming. These are clear agreements either between the individual small holder farmers and the company in the out growers schemes or between associations and groups of small producers on the other. These are legal and accountable documents agreed to by the parties concerned. Gender Equity is also a strong conviction with the MSEs. Some have laid down policies that 50 per cent of their workers should be men and 50 per cent women. There is a conscious policy in all of the MSEs in Africa, Asia and Latin America that men and women get paid the same salary for the same type of work done. MSEs like Proassa in Peru and Coronilla, Naturaleza and Agricabv in Bolivia strongly encourage the use of environmentally technologies and clearly encourage organic farming practices. These have trained small farmers to make the transition to organic farmers; they have promoted and financed organic and Fair Trade certification as well as certification meeting food safety standards. Some MSEs have introduced technologies for water purification such as Agricabv in Bolivia or technologies for minimising water consumption as in Lima Ltd. in Tanzania. Faída MaLi in Uganda promotes tree planting in the case of the AB Nuts, Jatropha planting in the drier areas for farm demarcation, hedges that helps to control soil erosion. Lima Ltd. as a land use programme to help prevent soil erosion.

Agricabv in Bolivia and Proassa with its new initiative CAFÉ FEMENINO clearly demonstrate the responsibility these MSEs assume in relation to their communities. Agricabv in Santa Cruz has a scholarship programme for the children of the small coffee growers. It also has a health programme.

CHEETAH MALAWI LTD., Malawi

Cheetah started in Zambia and Malawi in 1995 simultaneously in order to spread the financial and political risks and to attain a certain scale of operations. Initially CHEETAH managed to finance its operations with funding from FMO in the Netherlands and from individual entrepreneurs on a fifty-fifty basis. At the beginning, the company put in a lot of effort in research bettering the paprika production. By 1999, the company was able to raise the production of paprika from 350 tons to 1650 tons in 2002. Unfortunately, the company faced serious problems in 2003 but was able to recover its momentum and strength through a more adequate training programme for small producers. In 2006, CHEETAH Malawi Ltd. was able to upscale the paprika production to 1000 tons and now indicates an expected growth in volume of 30 per cent in 2007.

CHEETAH Malawi Ltd. works with and buys its paprika produce from small holder farmers having between 0,1 hectare to 0,4 hectare of land growing paprika. All production is under contract and the small farmers are aware from the start of the minimum USD prices before signing the contract and before sowing the seeds. Small paprika holders are further encouraged to form paprika clubs in order to facilitate the extension services from the company and for better communication.

CHEETAH Malawi exports the paprika produce bought under contract farming to the Netherlands. The company, with its 55 member staff, buys from small holder farmers varying from 10.000 to 15.000 in the central and northern region of Malawi. Prices for paprika are generally set in “buyer-seller” meetings organised by the Paprika Association. Besides providing sources of employment and income to the small holder farmers, it has generated income for field assistants engaged in extension services. Most of the paprika produce is exported and its exports sales in 2006 were USD 884.925. The sales in the domestic market are only to the tune of USD 9.000.



FAIDA MARKET LINK COMPANY LTD. (Faida MaLi), Tanzania

As the name indicates, FAIDA Market Link Company is a very different type of a small enterprise than the enterprises that buy produce from the small producers, process them and market the produce through distribution networks on the national and international markets. FAIDA MaLi position in the value chain is that of a market linkage facilitator. Born out of the SNV-FAIDA Small Enterprise Promotion Programme, the company was formed in 2003 wanting to link the small holder farmers to the market. The approach it promoted was contract farming. FAIDA MaLi first carries out sub-sector studies to identify buyers. FAIDA MaLi then negotiates with potential buyers a Memorandum of Understanding for the provision of services such as the mobilisation and registration of small holder farmers, extension services and the organisation and management of collection centres. Another approach followed by FAIDA MaLi is assist when the buyer comes to FAIDA MaLi with a specific request to organise farmers and help set up an out-growers scheme. This approach is the more common one since a number of local and international enterprises look for facilitator services to link the small holder farmers to the market. As a result, FAIDA MaLi has been able to help the small holder farmers to access local supermarkets, traders, wholesalers, especially for fresh produce such as mushrooms and tomatoes.

Since May 2003, FAIDA MaLi has made three successful market linkages: the first between 3600 small holder farmers in Amani, Tanga with Unilever for AB Nuts; the second with 480 small holder farmers in Babati, Manyara with Kibori Millers of Moshi for Sunflower and the third between 1727 small holder farmers in Hanang, Singida, Hai and Babi with Quality Food Products Ltd. Further, FAIDA MaLi now operates in northern Tanzania in 6 districts – Muheza, Same, Hai, Babati, Arumeru, Hanang and Singida. These 6 districts cover the four regions of Tanaga, Kilimanjaro, Arusha and Manyara. It facilitates market linkages for small producers who live in remote rural areas with few or no chances for market linkages to assured markets. Most of the small holders own between 3 to 10 acres of land. As a rule, FAIDA MaLi works with and through organised producer groups or associations where they exist and facilitates the formation of groups where they do not.

An impacting initiative is the launching of the Eco-Tourism Project between the indigenous community “Comunidad Candelaria” and Agricaby in the area of its farm El Cafetal outside Santa Cruz. The community youth and elders are trained to manage the eco-tourism routes in the coffee region

CAFÉ FEMENINO is a unique case that will have far reaching impact on the position and role of women in coffee growing areas. The start that has been made in the mountains of Penachi with women is being heard and emulated in other coffee growing areas in other countries. Proassa, OPTCO and the Café Femenino Foundation based in the USA are playing a major role in this. It is an initiative where high quality coffee is grown, processed and marketed by women (single heads of families or women who have negotiated with their partners to get a part of the family land to be managed by them). Such an initiative has the potential for a positive impact on the participation of women in their local communities and for assuming responsible positions in civil society.

Coronilla is another interesting case because of its policy to provide employment opportunities to the physically handicapped. What is significant is not just the fact of taking in some physically handicapped workers. It has trained the rest of the workers how to relate to and communicate with the physically handicapped co-workers.



Micro and Small Enterprises in the Network of other actors in the value chain 3

Micro and small enterprises operate and interact with a diverse network of actors in the value chain. A value chain, being defined here as a specific type of supply chain, one where the actors actively seek to support each other in order to increase their efficiency and effectiveness. They invest time, effort and money, and build relationships with other actors to reach a common goal of satisfying consumer needs, so that they can increase their profits. Actors being those involved in producing, processing, trading or consuming a particular (agricultural) product. They include direct actors which are commercially involved in the chain (producers, traders, retailers, consumers) and indirect actors which provide financial and non-financial services, such as banking and credit agencies, business service providers, researchers and extension workers.

It is interesting to map how the MSEs function in the economy as an important spin in the web of diverse actors in civil society. As such, they bring about causal linkages with other actors, pooling all sorts of resources (human, financial and non-financial resources), creating new dynamics and synergies between actors, leveraging and multiplying resources, creating new strengths and capacities to lobby and create more space for business activities and, in the bargain, all the time create added-value not only in the two poles of the business relation, namely in the MSEs and the small producers and their enterprising activities but also in the other actors with whom they seek to relate and cooperate.

It is fascinating to research this releasing of new energies and synergies in terms of added-value in the entire network of actors involved in the value chain. In this section, we shall limit ourselves to the factual side of the relationships between MSEs and the small producers and their organisations, their families and communities that stand behind these.

The actors that we have come across in our relationships with the MSEs that Cordaid has supported can be grouped in five sets as follows:

The first set of actors are the small holder farmers, their families and their diverse forms of organisations – groups, assemblies, cooperative societies, associations and the traditional organisations (e.g. of indigenous communities).

The second set of actors are the non-governmental organisations (NGOs) who make a substantial contribution

KASESE SMALL HOLDER INCOME AND INVESTMENT PARTNERSHIP (KSIIP), Uganda

KSIIP is a unique collaborative partnership initially involving nine farmer associations in Uganda, Highlow Supermarket B.V. in the Netherlands, Fintrac Inc., a development consulting firm in Washington D.C. and Agribusiness Management Associates Ltd., a development consulting firm in Kampala. Initial investments came from the Uganda Government under the Ugandan Development Cooperation Programme with the assistance of the Food and Agricultural Organisation in 1970. This scheme was identified as one of the areas with potential to grow export products such as hot pepper and vanilla given the continuous flow of water from the mountains. The market linkage with Highlow Supermarket was done by Fintrac Ltd. who managed the high value component of a USAID-funded Investment in Developing Export Agriculture (IDEA) project. The partnership was later extended in 2004 to include vanilla processing in the Kasese district, on the slopes of Mount Rwenzori in western Uganda, a plant that is intercropped with banana or coffee. Since then, KSIIP has been working with seven farmers' associations with a membership of more than 2000 farmers contributing to the increase in production, productivity and marketing.

The investment under the KSIIP partnership is a joint venture between Highlow Supermarket B.V. in the Netherlands and the farmers' associations. Hot pepper and vanilla is produced under an annual marketing contract between Highlow Supermarket B.V. and the associations. The household incomes generated for Kasese small holder farmers (0,25 acre to 1,0 acre) by participating in this Partnership totally amounts to USD 445,627 from Vanilla, Hot Pepper, Moringa and Vanilla Vines in the period 2003-2006).



FILIPINAS FAIR TRADE VENTURES CIRCLE (FFTV), Inc., Philippines

Filipinas Fair Trade Ventures Multi-Purpose Cooperative was set in 2002 and later changed its name to Filipinas Fair Trade Ventures Circle. It is now registered as a non-governmental organisation. The enterprise was initiated and set up by APFTI as the marketing arm of APFTI's Trade Marketing Facilitation Service. As the name suggests, FFTV is a Facilitation Service that it provides to small and medium enterprises in the areas of product development, product design and producers' capacity with the clear aim of linking the produce of the small enterprises to the external market.

Its initial funds to cover management and operating expenses came from the NGO APFTI while funds for product development from the start came from Asia Trade Forum, Cordaid and Tilingo-Neptra, one of FFTV's Fair Trade buyers

FTV today has provided its business services to 52 Small and Medium Enterprises (SMEs) reaching out to a total number of 500 workers. These SMEs are located all over the Philippines: in Metro Manila, Rizal, Batangas, Laguna, Bulacan, Marinduque, Baguio, Ilocos Sur, Sorsogon, Catanduanes, Daet, Albay, Quezon, Bohoi, Iloilo, Leyte, Negros Occidental, Misamis Oriental, Surigao del Sur and General Santos City.

FFTV's international buyers include importers and wholesalers from the USA, the Netherlands, United Kingdom, Spain, Italy, Taiwan, Thailand and Australia while the local buyers are primarily retailers from Metro Manila. Present FFTV's products fall within the general classification of home accessories such as decors and gifts. These include product lines such as vases, bowls, trays, candleholders, tea lights, lamps, table linen and cushion covers. The export sales are USD 44,000 while the sales in the domestic market are to the tune of USD 12,000.

in promoting and strengthening the organisations of small holder producers and their communities and very often, act as catalysts in bringing in diverse and new technologies and act as linkage facilitators with the private and public sector such as the banking sector and the government. They also play a role, to some extent, as market linkage facilitators.

A third set of actors are the business development services companies that primarily act as market linkage facilitators. They make a substantial contribution to the business side such as in the identification of markets, in improving product design, in assisting in business planning and in building market information systems. They also contribute to enhancing the negotiating capacities of the individual entrepreneurs and their organisations when it comes to entering into contracts and other types of business agreements. The organic and Fair Trade certifications can be considered as belonging to this set of actors as they help to add a premium price to the quality products of the small producers.

A fourth set of actors belong to the business and financial world at the local, regional, national and international levels. These are the traders, input suppliers, wholesalers, and retailers (supermarkets). From the financial side, these are the microfinance institutions, the banking sector and the financing companies. Internationally, these are the trading companies in the developed countries both in the private sector and the Fair Trade sector.

A fifth set of actors is the government at the local and national level and the civil society organisations such as trade unions and national organisations. Governments have an important role in creating a conducive atmosphere in which MSEs can survive, expand, take-off and mature. Governments also need to provide the extension services for improving production and productivity levels of small producers and provide investment funds for working capital and risk capital to MSEs.

See box on Naturaleza S.A. in Bolivia for a perspective of the interaction that takes place between the various actors in the value chain.



NATURALEZA:

- First set: Naturaleza works with the following associations of small producers: Asociación de Productores de manzanas de Vinto; Asociación de Productores de Manzana in Capinota; Asociación de Productores de Piña (APAMI); Asociación de Productores de Té (AGROTE) in Cochabamba-Chimoré and the Asociación de Productores de Hierbas in the Cochabamba Valley.
- Second set : There are no NGO's directly providing services and working in close cooperation with Naturaleza
- Third set: Naturaleza counts with the ISO 9001 Certification since 2001. It counts with the Organic Certification from 2006 from IMO Control in Switzerland. It has his business management based in Balance Score Card System. Further, its relationship with the small producers is regularly evaluated by CTM (Fair Trade, Italy)
- Fourth set: It received its finances from a National Bank with high rates of interest and with personal and company property as collateral; later on from local investors, among these the investment from the employees; a loan facility from Cordaid and since 2005, Naturaleza is the first MSE to be noted on the Bolivian Stock Exchange. Naturaleza works with external distributors and sellers of their various brands and tea products in Santa Cruz, La Paz, Oruro, Sucre, Tarija, Potosí and Trinidad.
- Fifth Set: Naturaleza works closely with the Municipality of Tarata, with the traditional organisations termed the “centrales campesinas”, with educational institutions and the transport trade union.

FARMCOOP (FOUNDATION FOR AGRARIAN REFORM COOPERATIVES), Philippines

FARMCOOP was established in 1975 as a non-governmental organisation. It was organised by leaders of agrarian reform cooperatives in the banana industry and socially-oriented individuals in response to the government's call for NGOs to assist in the implementation of the agrarian reform law.

From 1997-2000, FARMCOOP organised cooperatives of agrarian reform beneficiaries; developed their capability to operate and manage plantations; played a significant role in their struggle for the abrogation of onerous contracts with multi-national fruit companies and the negotiation for a fair marketing contract and organised the Federation of Agrarian Reform Beneficiaries banana-growing Cooperatives of Davao (FEDCO).

Since 2004, FARMCOOP has been working with the Bagobo Tagabawa Tribe in the uplands of Sibulan in southern Mindanao for the production of organic bananas. It has, as a result facilitated the setting up the Organic Producers and Exporters Corporation (OPEC) which exports organically grown and low-chem highland bananas to Japan using the “Ecofair” and “Calinan Crest” brands. FARMCOOP's core services are organisational development, technology transfer, credit access, market linkage and research and development.

FARMCOOP works with 16 Agrarian Reform Cooperatives with 3000 members; with 9 small banana growers Cooperatives with 400 members and two Agrarian Reform Beneficiaries Associations with 220 members. It has assisted the cooperatives in negotiating marketing contracts and in ensuring their proper implementation. Besides these services, FARMCOOP assists the cooperative to access credit from banks and the National Confederation of Cooperatives (NATCCO) and lobbies with the government for infrastructural services for the agrarian reform beneficiaries such as water systems, road improvement and building of bridges.



The Role of Social Investors 4

Social investors in the North have an important role to play in supporting the upcoming micro and small enterprises (MSEs) in developing countries. They need to realise that they are very much sought after by the MSEs to help them make the transition from the phase of pure survival to the phases of expansion, take-off and maturity.

There are **five ways** in which the local and international investors can make their valuable contribution:

1. Small and medium enterprises in the North can, first of all, provide the **much-needed market access** to MSEs in developing countries. They need to realise, that by doing so, they are engaging in good business in terms of both financial and social returns. SMEs in the North will, thereby, provide market access for the quality products of hard work of small producers in developing countries. They need to realise that they will be getting a foothold in the emerging markets. Above all, they need to realise that they would be making a singularly important contribution towards achieving a couple of the Millennium Goals concerning poverty reduction and fair trade.
2. Small and medium enterprises in the North can provide the **much-needed expertise** that MSE's in the South are looking for. This they can do through their many organisations, associations and networks. The type of expertise that MSEs are looking out for, are mainly in the areas of production, product diversification, product design, market information systems and marketing. SMEs in the North need to offer technical assistance programmes to provide this expertise to upcoming MSEs in the South.
3. Small and medium enterprises in the North can make the **much-needed financial investments** in MSEs in the South. MSEs in the South are looking for working capital and risk capital in order to expand their business activities. SMEs in the North can do this in various ways:
 - By investing directly in the MSEs in the South. Cordaid can facilitate this investment.
 - By investing in the micro and small enterprises Fund that Cordaid is facilitating in Bolivia (eventually for South America) ; in India (eventually for South Asian countries) and in the Philippines (eventually for South East Asian countries) and with Catalyst Fund and In Return Capital for Africa
 - By investing in MSEs through the Red de Microfinanzas de Peru and the Cajas Rurales of Peru that are working in close cooperation with the Rabo Development Programme and Cordaid to set up a second-tier rural finance institution.
 - By investing in the Public-Private Partnership Programme in Indonesia which is a tripartite collaboration between DGIS/ Dutch Embassy in Indonesia, Agriterre and Cordaid.
4. Small and medium enterprises in the North can collaborate with the new **world-wide Cordaid Microkrediet launched by Cordaid in collaboration with the Rabobank Nederland** to support micro entrepreneurs who need the next levels of credit, often called the missing middle, to expand their business activities and make the transition to becoming small enterprises. Cordaid Microkrediet will operate digitally and is intended to assist micro entrepreneurs to stand on their own feet.
5. Small and medium enterprises in the North need to **get to know the upcoming micro and small enterprises with special characteristics** as indicated earlier in section 2 of this publication. Cordaid is willing to facilitate the exchange visits, to meet the founders of the MSEs and the small producers in some 30 MSEs that it supports in Latin America, Africa and Asia.



Cordaid

Cordaid is one of the leading development organisations in the Netherlands with an annual budget of around 170 million euros, of which non-grants financing amounts to around 15 million euros a year.

Cordaid is committed to serving the poor and those that are deprived of their rights from a perspective of economic and social justice.

We support the poor and their organisations, regardless of age, sex, race, religion or political conviction.

Cordaid strongly believes that everyone has the right to a decent human life free from the shackles of poverty.

Cordaid is a non-governmental organisation with a Catholic tradition. Our inspiration is based on Catholic Social Teaching. For Cordaid, every single person counts. Cordaid's vision on development cooperation envisages building on the poor people's own strength to improve their livelihoods. Non-grant financing is an integral part of Cordaid's approach and strategy to development financing.

Cordaid Finance Business Unit

Cordaid Finance Business Unit is a specialised unit that offers financial services to the vulnerable poor engaged in economic activities in developing countries.

Finance Business Unit started in 2000 from a perspective that non-grants financing is a powerful tool in the support of programmes in developing countries that improve the economic livelihoods and perspectives of the poor.

Finance Business Unit has approved a total of 75 million euros in loans and guarantees in some 25 countries over the period 2000 - 2005. This portfolio is to a large extent financed from the "co-finance development programme" of the Government of the Netherlands.

Finance Business Unit is active in the following areas:

- emerging microfinance institutions
- trade finance
- cooperation with private companies
- innovative approaches



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