



International Link and Services for Local Economic Development Agencies
for a fair, human, sustainable and inclusive development

ILS LEDA NOTEBOOK N°2 LED AND FIGHT AGAINST POVERTY

Giancarlo Canzanelli

Description

1. The Approach
2. LED and fight against poverty
3. Best Practices
4. How to make it in practice

I. THE APPROACH

Amartya Sen, one of the most famous researchers on the topic, has given an appropriate definition of poverty that completes Adam Smith's approach. For him, poverty is the lack of what one needs to live within a society. In the broadest sense, it means survival but also contribution and participation to social daily activities.

You may have enough food or water but not the proper environment or education (hygiene) that will let you enjoy it. Diarrhoea for example is a major cause of child death: 1.5 million per year . You may have enough money to buy a computer but not the required infrastructure to have the Internet in your neighbourhood or even the electricity.

Luckily and because this definition of poverty is already a few decades old, the biggest international institutions started paying more attention to the varied nature of poverty.

The United Nation's **Human Development Index** is a good example since it's calculated with three values: income, life expectancy and literacy. Such answer to what is poverty helps us think about relative poverty, in opposition to **absolute poverty** , i.e. the total absence of the most basic needs (food, health care, shelter...).

Poverty has, therefore, to do with a context, within which the economic growth is accompanied by a relevant amount of social inclusion in the economy for providing enough income to the poor, and at the same time able to provide good services (mainly health and education), and infrastructure for social, economic, and communication fair and inclusive, and participatory development.

Many efforts have been attempted in a "traditional" way.

Traditional programs to combat social exclusion and poverty are characterized by their focus on facilitating access to basic services such as health and education (OECD 1998, UNDP 2004, World Bank 2004).

May be one of the most common mistakes is just in conceiving the fight against poverty a "special" program, separated by the mainstream policy of any government. In this case they kept considering the attention to poor's in a black box, impeding the link with local development, and they have contributed to "maintain" poor's in their status of exclusion.

Often the issue of income generation for poor families, is faced through micro- credit programs , which do not always mean a sustainable solution to the problem.

It is a fact the promotion of micro credit encourages people who never had the opportunity to approach and starting a business, learning how to produce and sell products in a market

However the problem is that these policies go generally not beyond the same micro -micro credit of \$ 50-100, which is not sufficient to permanently escape poverty by generating improving income opportunities, employment, and, above all, by creating the conditions of permanent self-development. M. Brown, UNDP Administrator (2003) notes that " when he toured Central Africa, will all presidents said they were getting a high level of donor support for social sector projects, but received almost no support for infrastructure projects and private sector development they consider necessary to become independent of donor and begin to pay for these services themselves. He, then, recommends that some of the resources go to help providing capital to small businesses, as done successfully in for microloans to poor individuals. This means implementing internal mechanisms to act as intermediaries between domestic savings and its transformation into affordable loans and capital to encourage local economic activity of small and medium enterprises and the poor, and focus on the challenge of overcoming barriers to credit - lack of financial capital intermediaries- and the information: how to compete and international suppliers, where to look for global opportunities , what are the required standards , and many others.

In order to analyze the conditions that enable the poor to improve access to economic cycles, we must take into consideration the elements of weakness in the poor-economy and develop a relationship that breaks this weakness and is oriented towards human development (Max Neef, 1986 and 1984).

These elements are of historical, social and psychological nature and can be summarized as it follows:

- a) weak productive tradition and entrepreneurship;
- b) lack of trust in collaborating with others and in sharing development strategies (individualism)
- c) strong resistance to changes

Low productive tradition and entrepreneurship

The survival economy that characterizes many marginal areas involves little experience in relation to markets and the need to use more efficiently the production factors and of quality in the products. Nevertheless, it is difficult to induce a sudden change in these conditions. This is often interpreted as a too high cost in relation to a possible future but still invisible gain.

A farmer in Manica Province in Mozambique sells his tropical fruit in the local street market. However, his products have a particular flavor and a wholesaler of the capital asked him for packaging and transporting the fruit to his store, guaranteeing a good weekly gain. This would have entailed too great a change to the farmer: change the traditional use of his time and staying away from the family for two days a week; investment in the means of transport, search for a packer. He did not.

Low trust in others and in collective competitiveness

It is easier a poor is afraid of poor neighbor than a rich people of his/her rich friend. The former have more concerns to share what little they have or to have relationship of mutual responsibility: if they lose, they lose everything they have and have no other resources to survive or start again.

Coffee is one of the typical and competitive products of many areas of Latin America, particularly in northern El Salvador. A major producer of coffee in Italy, according to the positive tests of samples received, decided to buy this coffee. The problem was that the requested amounts was twenty times the capacity of producers. They failed to group other producers in neighboring municipalities, or to organize a system of quality control for each one of them, and to select jointly the required of the product shipped to Italy. The business was lost.

A Nicaraguan businessman with a small toy company, among other things, imported dolls from Costa Rica. He did not produce them in the country, even the labor was much cheaper, because the dolls needed little dresses, buttons and a number of things that were not produced in Nicaragua but in Costa Rica. It is difficult to mount any business without suppliers of raw materials, ingredients, packaging, etc.. One can say these things could be imported, but the role of the supplier is not only to provide but also to share information and jointly solve processing problems. The entrepreneur did not want to share business nor believed Nicaraguans of his area would be able to set up small businesses to achieve manufacturing dolls!

Strong resistance to change

Can you imagine a farmer, since when yet boy he started his job with his parents, learned to work the land, to sell their few products in the local market and live on this, suddenly decides to increase production, to risk own resources for new technologies that he/she does not know, and sell in new markets that does not know?

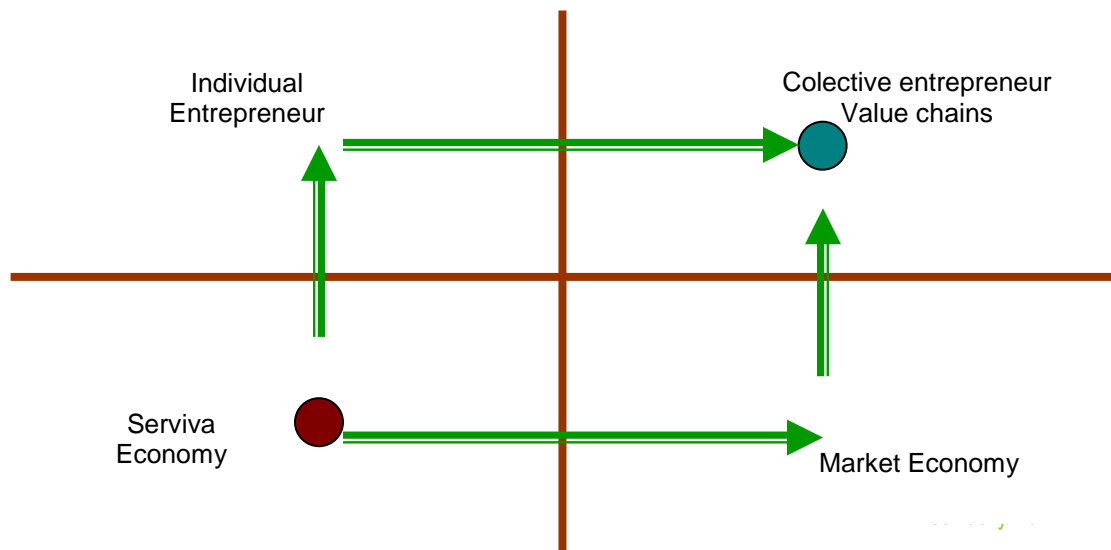
In the department of León -always considered the rice reserve of Nicaragua- people knew no other but planting and harvesting rice. When the Local Economic Development Agency sought to establish economic development strategies of the department, all actors decided that, as tradition taught, the priority was on the investment in this product. The majority of credit provided by the Agency went to the rice producers. In 1998, the Mitch hurricane destroyed almost all the land and all production was lost and the credit with it. The mono-cultivation area fell into a very dramatic crisis.

Cheese production of the Albanian region of Skodra is of particular value . There are many small producers engaged in this activity for centuries . One of them proposed adding olives in cheese to diversify the product and the market (especially in Europe these types of cheese are sold well) and also to gain more because here the olive cost less for the same weight. However, the farmers in the area would not, preferring the status-quo to a too strong change for them: plant or buy olive trees, changing the production process , do quality control of the new product , enter new markets , etc.

Changes always represent a not easy jump. In many cases the problem is to move from a survival economy to a corporate market economy, from an individualistic culture to collective entrepreneurship, from a static production to a dynamic innovation (see Figure 1).

Figure 1

THE PARADIGM OF CULTURAL CHANGE IN PRODUCTION



Change shall be gradual and involve a gradualism, that, in the passage from the individual pre-industry entrepreneur to collective market entrepreneur may follow one of two paths as described in the figure:

- a) cooperatives of farmers or craftsmen can be established, and they prepare themselves to face the market or
- b) some pioneers begin to become market entrepreneurs and then they involve others in the formation of value chains.

By the term "collective entrepreneur" is not intended necessarily as a collective enterprise (although the presence of cooperatives is not excluded): the *collective entrepreneur is the set of individual entrepreneurs or cooperatives that belong to the same value chain*. They share objectives and development strategy of the chain, and are linked together through formal and informal relationships for the management of the small companies.

This type of collective entrepreneur has the advantage, especially in areas with limited resources, to be more sustainable, because

- a) not only the cost of traditional transaction are reduced (of pre-contracts, contracts, transport, inputs, and procurements, legal, procedural simplification due to mutual trust, etc.), but also the costs of use of productive factors due to the resources pooling (human, technological, supplies, services, etc.);
- b) the purpose goes beyond the temporal company utility, trying to sustain economic development also for future generations;

II. LED AND FIGHT AGAINST POVERTY

To what extent, then, local economic development support to facilitate access of the poor in the mainstream economy?

As matter of fact, the local level is more appropriate context for fighting against poverty, because:

1. At the local level all the people and local actors are interested to a fair growth without exclusion: excluding people from growth could produce in the long terms serious social conflicts that will mine the realised growth (as the example in the Mediterranean area with the "green spring" have thought).
2. At local level the specific characteristic of poverty are known, as well as the specific needs for fighting it. It is therefore easier face it and find the appropriate solutions.

3. At local level it is possible using a multiform approach, harmonising the various state and non-state programme and initiatives for fighting against poverty, promoting micro businesses and cooperatives, rural plans, labour programs, etc., because it is easier the local actors (public and private) agree to a common strategies and behaviours.
4. At local level it is easier to create, establish, or reinforce mechanisms and /or structures able to promote and support socio-economic development, with specific high competence and territorial knowledge towards the socio-economic inclusion and the fight against poverty

Local economic development implies a bottom-up vision of development, based on the valorisation of the endogenous resources (economic, cultural social, environmental, institutional).

There are two aspects of this vision, that has to do with the fight against poverty:

1. Everyone is aware poverty is an obstacle to development, either for the social conflicts it could generate, or for the amount of finance is devoted to maintain poor's instead making investment, or for the lost of potential intelligence. Everyone is interested to not having poor in a wealth local economic environment, whereas at national level poverty is considered by a macro point of view, often ineffectively.
2. The valorization of the potential resources means organize value chain able to make added value to the competitive resources present in the territory. Within these value chain there are visible and invisible opportunities for involving also people that not have at the beginning all the experience and capacities, but can provide a valuable contribution.

Nevertheless it is important to establish appropriate strategies for taking full advantage from the abovementioned issues, and overcoming the difficulties: resistance to change, analphabetic, gradualism en results.

First concern: in rural areas the farmers are very conservative and can hardly be convinced to change their behavior. How you can push them towards a business aptitude?

This innovation (from a survival economy to a market economy) is a gradual process, where the first steps, however small, are important. The immediate goal is not to convince all farmers in the area, but a small part, which can then be an example for others. Experience has shown that a positive result would change about 10% of the farmers during the first two or three years. Through imitating successful examples always convince people and change curve will be exponential

Second concern : Can illiterate people start a business ?

There are specific teaching methods that can provide the same training to illiterate people than for others, using simple vocabulary and pictures to explain. People have to understand the basic principles of business and it is not necessary to know written and read language.

However, when a business is established, to administer and to have booking you need to read and write. Here are three alternatives: either learning or using someone who can, at least in the first period, keep the books , post cards, etc., or all the companies with this problem decided to use a common management service.

Furthermore there are value chains that include companies that do not involve a lot of specialized knowledge: laundry, transportation, cleaning , hotel services and restaurants etc. as in the case of tourism or agriculture, or crafts, and these businesses can be carried on without difficulties by people with no specific expertise.

Third concern : If the outcome of the animation is so low, what the other poor can do in the mean time?

The fight against poverty, through the permanent inclusion of the poor in economic circulation, is necessarily a gradual process that takes time. The problem is to choose between two strategies: one short-term "social payback" or measures that address the problem of a large number of people, some-ones for a short time (1-2 years), and other ones for social development, which provide a permanent solution but gradually in a long time (5-10 years).

These solutions include the option of self-employment (through entrepreneurship) for some people, and employment for other ones.

For a more robust and long-term strategy the mechanism includes a comprehensive support, including economic promotion, technical assistance, training and credit, with the main objective of improving the capacity of people in the area of generating companies, which permanently sustain development economic (business, income, employment is provided), social (living conditions, social services) and medium -environmental (resource conservation) . In other words working for sustainable development.

In this case the most effective initiative for fighting against poverty will target all these components, including the establishment of a revolving credit or better for a Guarantee Fund for promoting and supporting the creation or strengthening of companies, better if with an articulation of a micro and small loans with larger ones (for example 1 /3 and 2 /3).

However, other variables must be considered.

The sustainability of business. The average mortality rate of companies is about 50 % of businesses fail within the first three years in a traditional approach, but it lowers considerably through the above mentioned ones, because of the comprehensive support.

The growth potential . Companies in the second case not only are more likely to be maintained over time, but to grow at a rate of 3-5% per year.

The added value . With an investment above the traditional level of micro-credit we are talking of a business in the field of production process or modern agricultural enterprises. Both produce value, either in terms of income, by selling an extra-local market, or knowledge accumulation. If it belongs to a supply chain that produces complementary and supplementary relationships between several local companies, this value increases.

The generation of new demand. The company needs supplies and products that can be satisfied by other businesses in the area, while the increased territorial income enables employers and employees to consume more goods sold by other companies or local merchants.

III. BEST PRACTICES

The Local economic development agencies

Local Economic Development Agencies (LEDAs) are legal, no profit structures, owned by the public (local authorities, other public institutions) and private entities (associations of producers, women, Ngos', and other civil and community organisations) of the territory.

Through the LEDA the local actors plan and activate, in a shared way, initiatives for territorial economic development, identify the most convenient instruments for their realization and enhance a coherent system for their technical and financial support.

LEDAs have been created in the last 20 and more years in the framework of several United Nations programs, the last one of which is the UNDP ART GOLD Program. It assisted the local actors in establishing LEDAs or supporting them in Latin America, Middle East, Africa, Asia, and the Balkans.

Currently 60 LEDAs exist and they are gathered in the LEDA global network, ILS LEDA.

LEDA represents an effective answer for reducing poverty, because it provides the emarginated groups with the opportunity to participate actively in the process of territorial development, to take advantage from it, and get employment and income. In fact a LEDA:

- supports local government for designing territorial integrated development strategies and adopting strategic planning mechanisms, involving population in their actions, through information and training activities;
- connects entrepreneurial activities of vulnerable groups into the territorial value chains, improving economic network relationships within the productive system, and this increases the possibility of future business sustainability;
- provides technical and financial assistance either for the elaboration and the support of the business plans, or for the business operation.

The LEDAs are self-sustainable structures, as it happen in all the cases of the LEDAs promoted by UNDP ART and ILS LEDA. This sustainability is guaranteed by several types of income, such as membership fees, sale of services to public and private territorial bodies, management fees related to the execution of contracts with partners or donors, payments from intermediation services; but mainly interest rates from the guarantee fund deposited in a bank.

Through a LEDA many new business are created, involving marginal population. An average result of an average LEDA is the support in 1 year to about 100-150 enterprises, with an impact of about 250-300 jobs, the improvement of capacities of about 300 persons, and of many local institutions, which will be more effective in their territorial task, as indirect impact.

If you want to know more go to www.ilsleda.org

Grameen Bank

The Grameen Bank's Method of action can be illustrated by the following principles:

1. Start with the problem rather than the solution: a credit system must be based on a survey of the social background rather than on a pre-established banking technique.
2. Make sure that the credit system serves the poor, and not vice-versa: credit officers visit the villages, enabling them to get to know the borrowers
3. Establish priorities for action vis-a-vis to the the target population: serve the most poverty-stricken people needing investment resources, who have no access to credit
4. At the begining, restrict credit to income-generating production operations, freely selected by the borrower. Make it possible for the borrower to be able to repay the loan
5. Lean on solidarity groups: small informal groups consisting of co-opted members coming from the same background and trusting each other
6. Associate savings with credit without it being necessarily a prerequisite
7. Combine close monitoring of borrowers with procedures which are simple and standardised as possible.
8. Do everything possible to ensure the system's financial balance. Do everything possible to ensure the system's financial balance.

9. Invest in human resources: training leaders will provide them with real development ethics based on rigour, creativity, understanding and respect for the rural environment

To know more

<http://www.wacapnetwork.org/experiences/norwich-england>

Porto Alegre, Brazil: "Participatory Budgeting"

Orçamento Participativo or Participatory Budgeting is an innovative mechanism established in the city of Porto Alegre (Brazil), and aimed at enhancing the full participation of citizenship in the policy decision process.

Disadvantaged people are frequently underrepresented in the political process, unable to affect change and to ameliorate their own living conditions. On the other hand, without the full participation of its citizenry, a government is unable to fulfill its mandate as the people's elected representative.

Porto Alegre was a city characterized by high levels of income inequality, minimal transparency in government transactions, inefficient management of municipal resources, and low levels of electorate participation. In 1989 a tax reform and the driving was this program of Participatory Budgeting (OP for short). OP is a voluntary and universal mechanism whereby any resident of Porto Alegre, whether individually or part of an organization, can participate in the design and execution of the municipal budget.

The city is divided into 16 regions, each of which forms a "Popular Council," which in turn consists of is representatives from community associations and other local groups. Local councils convene to elect two regional delegates to the city-wide OP Council of Representatives. The elected municipal government assigns several city officials to act as liaisons to this council.

The OP Council of Representatives sets the agenda for municipal spending by compiling a list of priorities for public works, sitting down with elected officials to assign in ranking each of the proposals that have been put forward. The rankings are based on (i) what percentage of the population and area of the relevant district(s) lacks social services (ii) the total population of the district and (iii) the prioritizing by of the OP Councils of Representatives. The weighted system of project evaluation used in Porto Alegre is one solution to the conflict of interests that arises in a truly inclusive and participatory system of governance.

The annual spending was not the only participatory aspect of the Porto Alegre budgeting system: thematic councils were established in addition to regional ones, and charged with the creation of long-term strategic plans for the city. In addition, the OP process includes citizens' annual review of the preceding year's budget and the effectiveness of its implementation.

Porto Alegre is now the Brazilian State capital with the highest-ranked Human Development Index, the Participatory Budget System has been instituted in fifty other Brazilian cities and it will be implemented in other big cities in Latin America (Buenos Aires, Rosario, Montevideo, among others).

Ahmedabad, India: Borrowing from the International Credit Market

One of the most central problems faced by municipalities in the fight against poverty is the lack of financial resources to enact programs to improve poor people's living standards.

With a population of approximately 5 million people. In 1998 the Municipality decides to embark upon a programme for the expansion of water and sewerage systems to include the poorest areas of the city.

Two possibilities emerged:

- 1) to issue municipal bonds: private investors lending money to the municipality for a fixed period of time and at a predetermined interest rate.
- 2) Nevertheless the city, had no foundation upon which to build. To gain the trust of private investors, the most important measures taken by the Municipality were the reforms that reduced the city's budget deficit by improving tax collection, making the government more open and transparent, appointing a number of well-trained professionals to increase the technical capacity of the municipal government. In addition, municipality worked extensively with CRISIL, India's largest credit rating agency, and it has been highly rated. It issued the bonds in 1998 and raised Rs. 1050 Million (equivalent to US\$ 20.5 million).
- 3) The Municipal Corporation is committed to begin the repayment five years after the date at which the money was borrowed. In the meantime, investors receive biannual interest payments. Financing for repayment comes from: (i) the user fees charged for the expanded water and sewerage systems and (ii) the revenues obtained from commercial taxes levied on goods that enter the city.

A fifth of the funds needed has derived from loans disbursed under a joint program of USAID and India's premiere investment and construction agency, the Housing and Urban Development Corporation (HUDCO). USAID guaranteed US \$10 million in loans that HUDCO borrowed from US capital markets.

Recommendations for the implementation of municipal bonds:

- i. Municipal bonds require the existence of an accountable, transparent, and financially sound local government. In cities that consistently experience budget deficits, the decision to issue municipal bonds must be preceded by a profound reorganisation of city finances.
- ii. Speed in project implementation is essential because the project must be finished as soon as possible to generate the revenue and begin repayment of loans. Second, project



completion will prove to private investors that money is being appropriated efficiently and will thus make it easier to borrow again in the future.

- iii. An adequate legal and institutional framework shall be created

Mauá, Brazil: Human Development through Basic Literacy and Personalized Healthcare

Initiatives

The city of Mauá has a population of 375,000 inhabitants, approximately 8.6% of the population over 15 are completely illiterate and a large number of them are considered to be functionally illiterate. Similarly, and despite important progress in recent years, infant mortality rate remains high at 22 per 1000. Innovative policies have been introduced in the city aiming at improving the basic educational standards and health conditions of its poorest citizens. Both programmes have placed great emphasis on training local residents to play an active role in assessing local needs as well as in providing services. The **Literacy Program** - aimed at establishing a widespread literacy campaign and encouraging public and private social actors to cooperate in the implementation of the initiative - has relied almost exclusively on the support of *Social Educators* and *community organisations*.

Social Educators are, in most cases, residents of the poor neighbourhoods with at least a secondary education diploma. They are trained by the Municipality to participate in the programme both as teachers of basic literacy and as agents of communication with potential participants, directly contacting poor families and promoting the literacy campaign. The Municipality also funds a small grant of USD 75 a month for each educator. *Community organisations* - such as NGOs, churches and others - are also involved in promoting the campaign, providing information (64 information points are located within community organisations) and providing classrooms and teaching materials.

Since the program started in 1997, the campaign has expanded: there are currently 70 established literacy centres, approximately 2,500 students involved in the initiative - including classrooms within factories for illiterate workers – and 1,150 have registered for school after completing the literacy course.

The **Family Health Programme** provides personalised health assistance through door-to-door service in the poorest areas of Mauá. Each *Health Team* - which covers approximately 600 families - includes 1 doctor, 1 nurse, 2 nurse assistants, 4 to 6 community health assistants, 1 dentist, 1 dentist assistant. The process of identifying the needs of the local communities is carried out by the *Community Health Assistants* who are residents of the poor neighbourhoods and trained by the local professionals in basic healthcare. They regularly visit families in local neighbourhood to monitor the health conditions, spot local needs and carry out an important prevention campaign.

After the implementation in February 1998, the programme has rapidly expanded despite of its financial constraints. At the moment there are 16 established "health teams" with 72 community health assistants benefiting 10,082 families. The introduction of the community health assistants has been crucial in improving the capacity of health institutions to respond to local needs. The system of door-to-door health provision, especially in neighbourhoods lacking proper healthcare infrastructure, has become common practice in many Brazilian municipalities and has had positive results in reducing the infant mortality rate.

Lisbon, Portugal: Rehabilitation of Living Quarters, through Engaging Poor Residents in the Process

The experience of Lisbon demonstrates that it is possible to rehabilitate deteriorating living quarters in historical city centers without excluding poor populations in the process. The two methods most frequently used by municipalities to renovate a neighborhood are to demolish existing housing or to undertake expensive work to increase the tourist or commercial value of the area. Both methods neglect the interests of marginalized populations by pushing them to the periphery. That is why the municipality of Lisbon opted for a third way in not seeking a radical transformation, but instead by limiting its own intervention to the strict minimum necessary to render the decaying zones inhabitable.

It was necessary to combine the following elements:

- A strong political will
- The establishment, in accord with residents, of an intervention zone that is relatively homogenous and initially limited in size
- An inventory of available legal and financial tools
- A concern to advancing things, even with little available means, while assuming the risks inherent in these operations (particularly that plans are made with respect to new construction regulations and are inapplicable to old buildings)

An intervention reduced to its strict minimum for the reduction of rent increases and a response to the maximum number of cases: it consists of limiting rehabilitation operations to the work necessary to assure conditions of minimum comfort (non-leaking pipes, solid construction, sanitation, etc.), and to preserve as much as possible the existing building, using a method that is economic, authentic, and environmentally sound. This method of intervention thus prevented the excessive value-added increase of the existing housing stock that would have resulted in the eviction of residents by market forces.

Similarly, it permitted the municipality to save money by avoiding the costs that would have been generated by the construction of new housing (estimated at 200-300% greater).

Because the intervention was simply meant to resolve existing problems, bureaucracy was reduced and diagrams put to the side, and the renovation planning done with flexibility, taking into account the many obstacles that can arise at the start of the project.

In ten years, more than ½ of the first identified 26, 000 housing units were rehabilitated. Of the total cost of 110 million Euros (\$115 million), 42% was financed by the municipality (which redistributed its funding to avoid an increase in its budget), 40% by landowners and 18% by the national government. The average cost of rehabilitation per unit of housing was estimated at 17,375 Euros (\$18,000), less than half the cost of new housing on the periphery of town.

IV. HOW TO MAKE IT IN PRACTICE

First it is important to establish a strategy and a plan for a sustainable socio-economic inclusion of the poor people in the local economy. It would be recommended it is shared among the local actors, and among them representatives of the poor people are present (after of course stimulation and possibly training, and constituting their own associations).

Secondly, it would be recommendable analysing all the different initiatives, programs and projects for combating poverty, and harmonising them with initiatives, projects, and programs for economic and business development, vocational training, employment, job creation, attention to young and women.

Finally, it is mandatory to have a mechanism or better a structure, able to carry on in a comprehensive way, all the actions needed to implement those programs, and providing harmonised support, better if embedded into the territorial economic strategies and plans.

The socio-economic inclusion includes the following steps:

1. *Educational Campaigns*
2. *Information*
3. *Preliminary educations towards entrepreneurship*
4. *Support to the identification of business ideas*
5. *Entrepreneurial training*
6. *Pre-Start Up assistance (business plan)*
7. *Assistance to access to finance*
8. *Post Start-up Assistance*

1. Educational campaigns

The first action is a literacy program, aimed at establishing a widespread literacy campaign and encouraging public and private social actors to cooperate in the implementation of the initiative - has relied almost exclusively on the support of social educators and community organisations, in liaison with ministry of education and social affairs.

2. Information and stimulation

The first input that the poor need is information: information about the opportunities, information on policies in their favor and incentives. However, information alone is not enough, if they do not know how to use it , if the information is not accompanied by an explanation about how they will be assisted in the process of using the information.

3. Preliminary Basic Education towards entrepreneurship.

People who lived of subsistence never have been able to learn how to develop a real business. In generally in the area there are not examples of successful entrepreneurs who can encourage or teach others this way. Then it is necessary to begin an activity of basic education on the main principles of entrepreneurship, encouraging people to understand the meaning of the production-sales relationships, the difference between a family activity and a business, how to use available resources to start with a little company, etc. This is done through seminars and short courses of training, which is also analysed , with appropriate methods, business potential of participants, taking into account that not everyone has the initial capacity.

4. Support to start micro - businesses: the business idea

Who have shown interest and a low capacity to become entrepreneurs still do not know how. They need training to get a valid business idea and to start to bond with it, to start having confidence that this idea can provide solution to the problem of income and employment. Usually the idea comes from the crossing of two elements :

- the vocation or personal experience

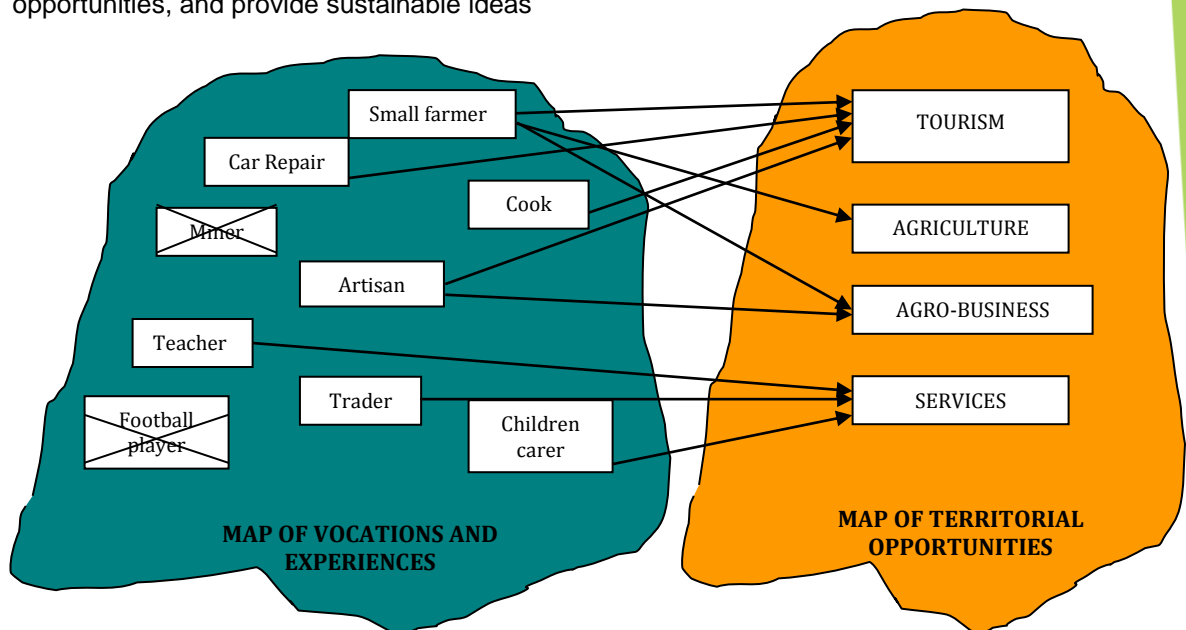
From what little is always a person has a certain work experience (a farmer with land, a craftsman with some products, a housewife with food, etc. In all cases, if there is no experience, there is a particular vocation, or desires for a job or another. From here begins to analyze the possibilities of transforming this experience in business or vocation

- enhancing the endogenous potential

Not all experiences or vocations mean sustainable businesses. These include a component that can determine the success of the business and it is the relevance of

territorial value chains. A business that belong to the chain has chances to network with other businesses, participate in all the advantages that a chain gives, such as common service, jointly marketing products, etc. A business that does not belong to the chain can also be successful, but with more difficulties, due to the marginality of the poor areas, which is amplified in the case of companies unrelated to the territorial development strategy.

The following picture shows how to match vocations and experiences with the territorial opportunities, and provide sustainable ideas



5. Business Training

Now that we have the idea, entrepreneurial skills in the administration, management, organization and management of markets, etc. shall be strengthen.

Specific course on business administrations shall be organised, where also people with more capabilities are selected for the following step.

The result of this training is to have a draft business plan, not yet complete (i.e. without market analysis or financial analysis), but which allows the participant to have a clearer idea of their business.

6. Pre – start up support

At this stage the business plans are elaborated, and the more valid one are selected.

During the previous five phases you have realised a selection accompanies each of them.

Many people participate in the first phase, in which the different communities of an area (can

be organized by neighborhoods, villages, homogeneous groups - women, youth, disabled - , sector - artisans, peasants , etc.) are involved. By 100 the number of people involved in this phase, experience teaches that only about twenty to thirty people arrive to the end of the cycle. This should not be considered negative.

7. Credit

There is no doubt that once the future employer has your business plan, he/she needs credit for their investment. This is not easy, almost impossible in poor areas and for people who have no collaterals. Then a specific schema must be mounted: often a Guarantee Fund is established to allow a revolving credit. The beneficiary participation in decisions on credit is essential to ensure a high rate of return, and to ensure fairness and transparency in its management.

8. Assistance after start-up

Nevertheless, credit by itself is not sufficient for the development of a business. There are many experiences where credit available was not used due to lack of technical assistance and other ones where, despite the employer received the loan, he/she was not able to go ahead against unforeseen market variables, or misuse of the technology, and business failed. In developed countries there is a mortality of 70% startups !

Only when the employer can rely on a tracking service that support post- start operations in solving the various problems that arise, the mortality rate decreases.

The post-start up services are, for example, marketing, management, technology management, networking, etc.