

# **Livelihood And Employment Creation**

**Start and improve your business**

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ILO

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“ILO Guides on Livelihood and Employment Creation ILO's recommended management and policy options for employment friendly reconstruction in Sri Lanka”

Start and improve your business

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# PREFACE

## Proposal of short Operational Guidelines<sup>1</sup>

*This collection of short guides describes a number of activities (based upon labour, enterprise and business development, training and local area development) that will contribute to the promotion of both social and economic recovery and livelihoods. Each activity is explained, and 'why', 'how', and 'when' (or when not) to implement them is outlined in a brief guide.*

### A. Why these guides

These guides provide a practical introduction to employment and business-related interventions. They are written for humanitarian and development field workers working on the promotion of self-reliance and livelihoods of displaced populations and other conflict-affected communities. They highlight opportunities and limitations of different relevant ILO approaches and methodologies for socio-economic empowerment through employment-oriented strategies. They should help field staff decide the suitability and feasibility of adopting these approaches in their particular operations; and will also help identify any need for specific ILO expertise to support relevant UNHCR operations.

These guides will not substitute technical expertise in the field; rather they are programming and decision-making guidelines that will help programme and technical staff oversee the design and implementation of relevant activities. Further technical training or partnerships should be developed as appropriate.

The subjects can be divided into three major categories:

'Cash for work', 'Food for work', 'Labour-based infrastructure reconstruction' and 'Community contracting' belong to the first. These three areas concentrate on the creation of temporary jobs that can inject cash into a community rapidly. These jobs are not meant to provide sustainable livelihoods, but are designed to revive the local economy, provide a boost to household economies, either in refugee hosting areas or in the reconstruction phase of a post-conflict situation, in order to create the means for further development.

<sup>1</sup> These short guides were elaborated by Maria Lazarte G. to be included in the UNHCR Self reliance Manual and have been derived from consultations with ILO technical departments and based on their relevant publications.

The second category includes micro- and small-enterprise development and its subsections: 'Microfinance', 'Business development services', 'Start and improve your business' and 'Women entrepreneurship development'. This group concentrates on building sustainable self-employment, and on micro- and small-enterprise support and development.

The last group contains general strategies that can be used in combination with strategies above in order to promote individual and communal economic development. These include 'Emergency public employment services', 'Skills-training', and 'Local economic development'.

## **A. Who should use them**

These guides are written for middle managers, national and international field experts and associated partners.

## **B. How should they be used**

The guides comprise of a combination of briefings and a compilation of major relevant ILO tools on each subject.

The guides provide decision-oriented information on each area, and expansive methodological guidelines as well as a reference to an additional online bibliography and contact information for further resources and technical help.

The guides are divided into the following sections:

- A brief summary of each strategy ('what is').

- Its main advantages ('why implement')

- Information on when to implement each strategy ('when to')

- Warnings ('when not to implement').

- Problems and challenges to consider before and during implementation ('problems/challenges').

- Basic steps or different forms of each particular strategy, and some recommendations to consider during the implementation of each strategy ('how to').

## **C. Contents**

There are twelve guides

Building a basis for employment and enterprise development

1. Vocational and skills-training
2. Local economic development
3. Public employment services

Short-term employment options

4. Cash-for-work
5. Food-for-work
6. Labour-based infrastructure projects
7. Community contracting

Business development options

8. Micro and small enterprise promotion
9. Microfinance
10. Business development services
11. Start and improve your own business
12. Women entrepreneurship development

# Start and improve your business

## A. What is Start and Improve Your Business (SIYB)

Start and Improve Your Business (SIYB) is a training programme developed by ILO for women and men desiring to start or improve their business. SIYB includes self-help/training manuals to be used by potential or current micro and small entrepreneurs with some formal education (reading and writing) to guide them through the process of starting or improving a business. SIYB can be implemented as weekly training courses or as self-help tool.

SIYB Manuals include:

Get Local details from SIYB

## B. Why promote SIYB

SIYB is a viable self-help strategy to generate self-employment rapidly, and can be used to address those groups most excluded from the labour market provided they fulfill the necessary criteria (basic education and interest). Vulnerable targets such as refugees and IDPs will attain the dignity of employment and self-reliance, and this will contribute to the social and economic development of the area and to their (re)integration in society.

Successful SIYB cases will contribute to local economic development while restoring infrastructure or producing basic goods and services that are crucial for reconstruction. The ILO SIYB guides are simple to use both as part of a training programme or as a self-help tool. However starting a business might not always be the right solution if the environment is not conducive, or the individual does not have an adequate profile (basic education, numeracy and motivation). Careful market assessment is necessary to identify opportunities available in the area.

## C. When to promote SIYB

Assess possibilities and the scale of market opportunities (e.g. security, available resources, policies, number of interested parties) and evaluate the skills, education, experience, motivation and interest of potential entrepreneurs

(both female and male) in all community groups (e.g. refugees, returnees, IDPs, locals) in order to ensure that they are prepared to engage in this venture. On that basis identify the best approach and form of assistance.

Complete a list of selected candidates with basic education and an interest in starting a business that have a viable business idea. GYBI can be used to help interested women and men generate a business idea.

#### **D. When not to promote SIYB**

When market assessment shows that there are no market opportunities in the area.

When there is insufficient infrastructure or inadequate facilities (e.g. electricity, water) necessary for the successful development of a business.

SIYB has a long-term outlook for economic growth and stability. For immediate and rapid impact consider other options such as labour-based infrastructure reconstruction and/or other cash for work activities etc.

The failure rates of new businesses can be particularly high in unstable environments (which is often the case in post-conflict situations). Careful market assessment is crucial, as well as the simultaneous application of other strategies such as skills training, capacity building and microfinance, in order to enhance impact and probability of success.

#### **E. Problems/Challenges**

In the volatile market environment of post-conflict situations (suffering from lack of trust and poor security, destroyed infrastructure and inadequate communications) market demand and investment opportunities might be limited, with a reduced capacity in communities to pay for services and products.


The basic criteria used for selection of candidates might actually exclude the most vulnerable (e.g. due to lack of education or guarantors). Think of flexible ways to address these groups. For example: conduct basic literacy and numeracy training for women and men interested in starting a business; and outreach programmes to women, advertising through women groups and areas frequented by women (e.g. local clinics).

Trainers might be hard to find. They might not be motivated or suitable, may possess inadequate expertise or have little capacity to assist trainees. Finding adequate quality trainers is essential.

Loans might be difficult to obtain in an environment of distrust, or as a result of interrupted communication. Cooperation and competition among enterprises might be affected by a damaged physical/human environment. Reconstruction, and a degree of market stability, is therefore essential.

SIYB training is considered a business development service, and is therefore subject to the issues concerning cost-recovery in current thinking of BDS provision (see the ILO/UNHCR BDS short guide).

For Training Materials for Women's Entrepreneurship:

 *GET Ahead for Women in Enterprise Training Package and Resource Kit*, Susanne Bauer, Gerry Finnegan and Nelien Haspels. ILO InFocus Programme on Boosting Employment through Small Enterprise Development. International Labour Office. Job Creation and Enterprise Department. Bangkok: ILO, 2004

## **F. Partners & Targets**

### *Targets*

These include: Potential entrepreneurs (both female and male) with basic education (including reading and writing) who are interested and have the capacity to start a business.

### *Partners*

ILO and other relevant UN organisations, private sector training providers, NGOs and other international and national organisations.

## **G. How to promote SIYB The steps**

SIYB is a service provided by specialized SIYB master trainers (see [ILO contacts](#)). SIYB should normally be provided by these trainers ([forms](#) to apply for trainers). Master trainers can also contribute to capacity building of BDS organisations by training SIYB trainers. Below you will find a description of the different stages covered by the SIYB training.

## *Developing a business Plan*

Every business needs to follow a business plan to guide the potential entrepreneur through every step of starting a business. A completed business plan has to be presented to donor agencies or banks to obtain loans and/or grants.

A business plan helps a person decide, organize and present business ideas. It contains the sections shown in Figure 13.4:

Figure 13.4: Components of a business plan

<i>Step in business start-up</i>
<b>Section of business plan:</b>
1. Executive summary
<i>Step 1: Generate your business idea</i>
2. Business idea
<i>Step 2: Marketing</i>
3. Market research
4. Marketing plan
<i>Step 3: Form of business</i>
5. Form of business
<i>Step 4: Staff</i>
6. Staff
<i>Step 5: Legal responsibilities and insurance</i>
7. Legal responsibilities and insurance
<i>Step 6: Costing</i>
8. Costs forms
<i>Step 7: Financial planning</i>
9. Sales and costs plan
10. Cash flow plan
<i>Step 8: Required start-up capital</i>
11. Required start-up capital
<i>Step 9: Sources of start-up capital</i>
12. Sources of start-up capital
13. Action plan

For an example of a business plan see the ILO

 (Give Local examples - SIYB)

### *Step 1: Generate Your Business Idea*

Create a short-list of potential business ideas to be refined, tested and developed further through market research. There are four different types of business:

**Retailing.** Purchasing goods from wholesalers or suppliers and reselling them for a profit e.g. grocery store.

**Wholesaling.** Purchasing goods in large amounts directly from producers, to package and resell to retailers.

**Manufacturing.** Making new products using raw materials e.g. shoe maker.

**Service providing.** Offering a service e.g. painter.

A SWOT Analysis (looking at Strengths, Weaknesses, Opportunities and Threats) is an assessment technique usually used to evaluate business ideas.

For a guide to generating a business idea, see;

 ILO GYBI *Generate Your Business Idea, a workbook for potential entrepreneurs.*

(Local details from SIYB)

### *Step 2: Marketing*


Think about the business and how it should be promoted. Identify potential customers and find out their needs and wants. Undertake market research in order to understand the business environment and its potential customers and competitors. This information will be used to formulate a marketing plan.

**Marketing** helps you offer the right product or service, set an affordable price and ensure adequate delivery and promotion of the product or service.

**Market research** involves talking and questioning customers, suppliers and friends running businesses; studying competitors; and reading relevant newspapers and other sources to get ideas and information about the business. Market research should be done in all community groups (refugees, returnees, IDPs and locals).

A **marketing plan** consider the 4Ps: Product (kind, quality, colour, size, range, packaging, etc.); Price; Place (location, distribution); and Promotion (advertising, sales promotion).

A guide to marketing:

 *Rapid market appraisal: a manual for entrepreneurs / Rapid market appraisal: a manual for trainers.* ILO InFocus Programme on Boosting Employment through Small Enterprise Development. International Labor Organisation, FIT Programme. Geneva: ILO, 2000..

### *Step 3: Form of business*

Decide what form of business to adopt. Each form has different advantages and weaknesses:

**Sole proprietorship** - self ownership of business.

**Partnership** a business run by two or more partners.

**Limited company** a business owned by one or more shareholder that works with or have invested capital on the business.

**Cooperative** - a number of individuals working together for a common goal.

### *Step 4: Staff*

Consider whether the business will need any staff and what qualifications and skills they should possess by thinking of the tasks that will be required.

### *Step 5: Legal responsibilities and insurance*

Find out what are the legal requirements of the business (taxes, license, staff benefits etc.) and consider acquiring insurance. (Insurance can protect against the losses incurred through accidents and theft, and contribute towards health and life costs due to business related accidents.)

### *Step 6: Costing*

Calculate the total costs of manufacturing and/or selling a product, or offering a service. This allows you to set prices, minimise and manage costs, improve decisions and plan ahead.

### *Step 7: Financial planning*

Ensure that the business will have enough cash to operate by preparing a sales and costs plan, and a cash flow plan. This is particularly important at the start when the business is most vulnerable.

### *Step 8: Required start-up capital*

Calculate how much capital will be needed to start the business. This includes capital for high value investment on business premises or equipment, and working capital to run the business before the business can sustain itself.

### *Step 9: Sources of start-up capital*

Find out how to obtain the start-up capital. Start-up capital can take the following forms:

**Owner's equity:** personal capital invested in the business. Advantages: less pressure; demonstrates commitment to an idea, and therefore a favourable impression on lending institutions.

**Loans:** Disadvantages: more pressure (repayments, interests, etc.). Main requirements: a clear and detailed business plan and collateral of some form.

**Collateral** is a guarantee that can be appropriated and sold by the lending institution in case of failure to repay the loan (e.g. the business premises, the home or some equipment owned by the borrower).

In conflict-affected communities there may be few tangible assets, no methods to assess asset values, no legal frameworks to help with confiscation, and no markets to sell assets. For these reasons programmes working in conflict-affected communities usually use the collateral substitute guarantees (for groups) as well as the individual guarantors i.e. they take on the risk. This requires intimate knowledge of the social and emotional value of the client community.

Types of lending institutions:

**Banks.** It might be hard for refugees/returnees to obtain loans from a bank due to their strict requirements (including business plans, collateral and an ID cards which are particularly problematic for refugees) and unlikely access in areas affected by conflict and other crises.

**Government credit schemes.** These are typically loans provided by the government and run by government organisations for small entrepreneurs. They may have fewer requirements, and might not ask for collateral. They can often give further assistance e.g. for training.

**Non-government credit schemes.** These are similar to government schemes but run by non-governmental organisations and microfinance institutions. They may concentrate on particular groups like women, disabled people, refugees etc.

**Other sources.** These may include family or friends, village banks and traditional lending systems.

Links:

[www.ilosiyb.co.zw](http://www.ilosiyb.co.zw)

[www.ilo.org/seed](http://www.ilo.org/seed)

[www.ilo.org/dyn/empent/empent.portal?p\\_docid=SIYBHEAD&p\\_prog=S&p\\_subprog=BD](http://www.ilo.org/dyn/empent/empent.portal?p_docid=SIYBHEAD&p_prog=S&p_subprog=BD)

Forms to request trainers: [www.ilosiyb.co.zw/siyb\\_forms.html](http://www.ilosiyb.co.zw/siyb_forms.html)

**ILO contacts:**

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