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Many economic development methods over the years have tried to solve the problem of poverty with varied success. Microenterprise development is a method that works with the poor to create small self-run businesses to increase their income, and therefore bring more freedom from disease illiteracy and discrimination. Within microenterprise development one element, called business development services, focuses on training and assisting the businesses with marketing, management, accounting or other business fundamentals. Business development services strive to teach good business practices to the poor, so they can then pull themselves out of poverty. The effectiveness of this method is extremely difficult to measure, but through a case study with Mercy Corps in Mongolia, one can see how the services have created jobs, businesses and organizations that will, prospectively, better the community and country as a whole.

Teaching Business to the Poor:

The Effectiveness of Business Development Services within Microenterprise Development

by

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Introduction

The appalling state of those living in third world poverty has shocked us for years. We have been saddened by the statistics and have become inoculated to the initial horror of the facts. Yet, today 1.2 billion people, one in every five, are living under the United Nations mandated poverty line of less than a dollar a day of consumption, meaning a constant battle with disease, discrimination and starvation (United Nations Development Programme (UNDP), 2003, p. 3). Monetary poverty has other consequences than a lower purchasing power; rather, poverty in its entirety puts people at a need for survival on all fronts. The greeting in some third world countries translates into “Have you eaten today?” “No, I haven’t. Have you?” demonstrating even the most basic social interactions are affected by poverty (Versluysen, 1999, p. 3).

If one in five living on a dollar a day does not have impact, one in four might sound more significant. One person in four goes hungry in 19 countries of the world. One in four is not able to drink safe water in 9 countries. One in four is not able to use adequate sanitation in 15 countries. One in four children will die before their fifth birthday in 7 nations (UNDP, 2003, pg. 3). But the real question is: what is can be done about the poverty?

It would be easy to assume the situation is getting better and that as technology increases and the world economy grows, things are improving. It is true that the world life expectancy has increased by eight years in the last thirty years, and the number of people living on less than $1 a day in East Asia, meaning mainly China and India, was halved in the 1990's. Still, in this last decade and a half, 54 countries are actually poorer than before. Twenty-one countries have a higher percentage of people going hungry. In fourteen countries, more children are now dying before the age of five (UNDP, 2003, pg. 2). The problem of poverty is not going away on its own, and the issue is not about numbers only, but about people, people who are not able to live healthy, long and knowledgeable lives.

Economic development has offered a myriad of solutions that focus on many different parts of poverty and income provision. As we talk about economic growth, it is important to realize that the search for higher incomes is not an end in and of itself, but a means to help poor people escape dire poverty, the kind that has just been described. Economic development works so that nations, peoples and individuals have raised income measured in many different ways, but the main purpose is to better the human living condition in a region. When it comes down to the clear purpose of the work for the poor, it is to give them freedom to choose food, safe water, adequate sanitation, knowledge and healthy children rather than living without that choice (Sen, 1999, p. 3).

One strategy working at a lower level to increase the income, and therefore freedom, for the poor is the implementation of microenterprise development. In this approach, non-governmental organizations have interacted directly with the poor to create income generating activities in the forms of small businesses and self employment. While this is clearly not another panacea for poverty, experience has shown that the private sector holds the power to provide employment and, therefore, income to the poor (UNDP, 2004, p.3). Other methods have failed because the benefits of the approach did not ultimately profit the poor or the method ran into other barriers that halted their work. The direct holistic work of microenterprise development is designed to provide revenue, education, and freedom delivered straight to the poor through different elements of the work (Kingsbury et al., 2004, p. 218). Specifically, business development services that train and serve the microentrepreneurs are crucial to the poor moving forward (Fisher and Sriram, 2002, p. 74-75).

This paper will explore the elements of microenterprise development, focusing on business development services, and subsequently review a case where a non-governmental organization is implementing these methods. While microenterprise development theoretically sounds promising for the poor, other promising "solutions" have not been successful. I want to investigate the effectiveness of microenterprise development when put into practice. The case study provides a good example of the development method and of what we can learn from the experience of the non-governmental organization with microenterprise development. This case shows clear positive impact in the lives of the poor, increasing incomes and employment for many workers, but it also demonstrates the weaknesses in microenterprise development like risk for the poor and reaching the very poorest. While microenterprise development is not the sole solution for poverty, it appears that with partnering methods and further improvement it can be a key tool in allowing the poor to pull themselves out of poverty.

Research Methods

Without the opportunity to conduct field work, I used information published by Mercy Corps to follow their work in the southern regions of Mongolia. Mongolia was chosen as the case study because of its in depth documentation and clear use of business development services. The presented case outlines with detail the purposes and functions of the work to allow for a deeper understanding of what was taking place in the target area. Mercy Corps Mongolia also provided demographic and economic data on each region, which assisted in the assessment of the project. The results of the case are obviously limited by using Mercy Corps as the primary source of information, but unfortunately there are not other sufficient sources about the work in Mongolia. The information from Mercy Corps, however, was supplemented with a great deal of secondary literature on development and microenterprise methods.

Background

It is beneficial to cover the history of economic development to review what has been done to alleviate poverty before microenterprise development. Action was taken just after World War II when there were many countries to be rebuilt from the effects of the war. Multiple countries had gained their independence and were in need of development; others had been destroyed and were in need of reconstruction. The acceptance of international groups had given power to organizations working on a global level, bringing more workers to the development field. The Allied Powers came together to rebuild the destroyed countries and the entire world economy in 1944. A new international monetary system was created at their meeting, the famous Bretton Woods Conference, which included the birth of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development, also known today as the World Bank (Moffett, Stonehill and Eiteman, 2006, p. 38-39). These two institutions and the

Allied Powers national governments began the reconstruction process, marking the beginning of international development. From there the poverty existent in third world motivated the launch of economic development movements across the globe.

Throughout these fifty plus years national governments, the IMF, the World Bank, the United Nations and the growing number of non-governmental organizations (NGOs) have worked to alleviate the hardships felt by the impoverished all through the world. National governments have created organizations like the United States Agency for International Development (USAID), the Canadian International Development Agency (CIDA), and the Swedish International Development Cooperation Agency (SIDA). NGOs have included the Red Cross, the Grameen Bank, World Vision, Mercy Corps, Opportunity International, Acción Internacional, and many others (Khandker, 1998, p. 4).

Their methods have ranged broadly as different philosophies have come in and out of popularity, and many have undergone rebuke from experts. On the macro level, some groups have wanted to boost the entire economy, holding to the theory that the poor would be pulled up to a higher standard of living with the rest of the population (Fields and Pfeffermann, 2003, p. 46; Black, 1999, p. 25). To help nations as a whole, the IMF and World Bank have given governmental loans and aid for investment in infrastructure and the payment of old debts. This has had mixed outcomes, resulting in debt forgiveness programs to deal with the countries left behind. To further build the economy, many governments have created trade agreements to encourage foreign investment and the presence of multinational enterprises, hoping that the infusion of capital and jobs would alleviate the poverty (Easterly, 2001, p. 23). Other approaches have included education advancement, family planning, and the provision of medical services. Education was supported as a way to reduce the unemployment, and family planning proposed a means to reduce the population and the expenses of the poorest of the poor. The provision of medicine and other services brought relief but high costs and issues with corruption within the powers of the government (Easterly, 2001, p. 241). Over the years many strategies have been tried and rejected as the poverty rates did not change as expected. The battle over which method is superior or effective continues as we have seen growth and change to some nations, while deeper poverty in others.

Microenterprise Development

Definition and History

Microenterprise development (MED) is one more strategy fighting against the rise and continuation of poverty. It is but a small subset of development and has its own benefits and drawbacks. Microenterprise development works directly with the poor to allow creation and growth of small and micro businesses (Fikkert, 2003, p. 6). It is a broad development strategy that uses different tools and methods to provide entrepreneurs with: the opportunities to succeed, the protection to compete, the capital to become sustainable and the necessary skills and knowledge to run the business. These points reflect the four elements of microenterprise development: market development, representation, microfinance, and business development services.

The premise behind microenterprise development is that the addition of income to a poor family will allow them to better their situation, providing for their needs and attaining the shelter and freedom that they desire (Commission on the Private Sector and Development, 2004, p. 1). Income earned is the most important way of reducing poverty and is best done by applying self employment says Jacob Levitsky of the World Bank (Levitsky, 1989, p. xix). The poor by definition have a low income in relation to the expense of their physical and other needs. Low income means little savings and low investment, resulting in low accumulation of capital. From low capital and few productive assets, the poor are faced with the progression of lower technology and productivity causing low income and the self perpetuating underdevelopment cycle (Versluysen, 1999, p. 5). While this cycle is only from the economic viewpoint of microenterprises, it is clearly entrapping the poor and their attempts to create income and leave poverty. Microenterprise development work does not rely on the abstract trickle down affect where other methods put money into governments or large organizations hoping that the benefits will reach the poor. It is rooted in producing livelihoods, as CIDA calls it, and focuses on creating income through productive micro-businesses (Canadian International Development Agency, 2003, p. 12).

Microenterprise development began in the 1980's as a new method for helping the impoverished create jobs and income for themselves. Early on enterprise promotion, the training in creating and growing of businesses, was the focus of the movement. This brought many poor microentrepreneurs from having no direction to having the basic knowledge of how to bring in profit and run an enterprise. It also linked people to growing market opportunities, giving the entrepreneurs control over their economic situation. In the early 1990's, micro-credit services took center stage as a successful method, reducing the focus on training (Fisher and Sriram, 2002, p. 17). Micro-credit gave small loans from special banks or NGOs to the people so that they could invest it in their income generating activities. The loans allowed simple purchases, like scissors for a barber or a rickshaw for runner, to change the circumstances of the people.

Years later the focus shifted again as some experts realized that financing is often not the primary constraint on the initiation or strengthening of a business. While it holds a crucial place in development, there are wider needs of enterprises related to the skill set of the entrepreneurs. Through the 1990's these other needs such as business training had not been addressed, and methods regarding training had not progressed towards advanced solutions. Recently the methods focusing on the training and consulting needs have been resurfacing using the name of business development services (Fisher and Sriram, 2002, p. 27).

Benefits and Weaknesses

Microenterprise development (MED) has its benefits and challenges, as with all development methods. It clearly creates jobs for entrepreneurs, giving them self employment options to use the innovation and skills that they already had to make income. It also opens doors for others to be hired by the microenterprises, multiplying the jobs and income, so the increased cash flow spreads through to other owners and the community when people buy other products that they can now afford (Commission on the Private Sector and Development, 2004, p. 8).

The process of MED infuses knowledge and skills into the community, because entrepreneurs are trained and coached to master certain tasks. This can increase corporate knowledge and general education of the entire community, for as workers are hired and trained to complete tasks, other businesses may spin off of the enterprise to create an entire sector within the area. The multiplication effect allows for small amounts of work within a microenterprise to show results throughout a community in both income and productive knowledge (Easterly, 2001, p. 147).

Besides receiving the jobs and knowledge, the community is also offered the opportunity to buy better and cheaper local products. Microentrepreneurs often provide services or products that locals would only be able to get from foreign firms or monopolistic local firms (Commission on Private Sector and Development, 2004, p. 8). The increased competition and local distribution from the new microenterprise can lower the prices and raise the quality of the products and services for everyone, as often occurs with increased competition in a market.

With so many benefits, the challenges of microenterprise development are many as well. First of all, self employment is not a panacea for the poor. Many do not want the responsibility or risk that comes with the ownership of a business (Fisher and Sriram, 2002, p. 88). While microenterprise development gives them the increased income for their families, it may not give them the freedom that they desire from a job in an established organization without the high risk and responsibility of entrepreneurship.

A second challenge involves the beneficiaries of microenterprise development. Many have asked if MED is stretching to reach the poorest of the poor or only the middle poor, those who are in need but not in the most dire situation (Johnson and Rogaly, 1997, p. 12). Although microenterprise development has been condemned by this accusation for years, it still struggles to include the very lowest on the economic ladder. Facing this weakness, MED workers are challenged to create businesses and jobs that not only elevate the middle poor but also the members of the poorest of the poor category by providing a diverse array of services.

Other challenges that microenterprise encounters include the struggle with the informality of the small business sector, a growth barrier, and sustainability in the undeveloped world. Micro and small enterprises can often exist in the informal sector, meaning that they are not registered with the local government (Commission on Private Sector and Development, 2004, p. 12). This can give the business more freedom from regulation and taxes, but also hurts the business in that it has little or no protection, no representation to policy makers, nor access to capital. Working in countries where it is difficult for small businesses to survive under the load of registration and taxes, it is very difficult to convince the local poor to move out of the informal sector. However, in the long run working in the formal sector can encourage the governments to better their environment for the microenterprises and ease their growth into a larger business. Microenterprise development workers have to deal with the advantages and disadvantages of both the informal and formal sectors, usually trying to move the enterprises into the legal formal sector but with some sort of advocacy.

The growth barrier challenge involves microenterprises encountering issues when trying to grow to certain sizes. Many studies say that moving from a micro or small business to a larger business is difficult in the atmosphere of the undeveloped world (Commission on Private Sector and Development, 2004, p. 14). This growth barrier is still one to be conquered in many places. Microenterprise development is beneficial at the smaller stages, but the challenge of growing businesses to a stable and larger state still faces many MED programs.

Sustainability of microenterprise development has been and continues to be a controversial issue. Many believe that microfinance, the financial part of microenterprise development including loans, savings and insurance to businesses or families, needs to be self-sustaining through the interest rates that it incurs (Dawson, 1997, p. 3). Some believe that the provision of business development services also needs to be managed from a free market point of view, allowing the businesses to pay for the services that they need (Hatch, 2001, p. 17). Others are afraid that this minimalist mindset will eliminate the essential training and other services that are necessary for the complete success of the enterprises (Bussau and Mask, 2003, p. 48). Either way, the issue of sustainability does not have an easy answer, and funding will continue to be a challenge for microenterprise development as with all other development programs.

Elements of Microenterprise Development

Microenterprise development is a process, and its different activities are woven together to meet the many different needs of the micro and small businesses. Even though the activities are intertwined, MED can be roughly broken down into four distinct elements. These four elements, as mentioned before, cover the basic need for an audience to buy the goods by market development, the need for a regulatory and political environment where they can succeed by representation to governments, the need for capital investment and protection by microfinance, and finally the need for enhanced skills and knowledge by business development services.

Market Development

The first element is market development. Market development involves the opening of opportunities for the entrepreneurs. Many times the poor have a skill-set to produce a product, but they are in need of a market to sell it to (Canadian International Development Agency, 2003, p 9). Through education, opening communication or putting on trade events, development workers can facilitate the sale of the goods, allowing the entrepreneurs to receive income. This may be as easy as telephoning the right people, teaching market research, or assisting in setting up an internet marketplace.

Representation

The second element involves representation to the policy makers that will positively affect the microentrepreneurs. Governments and other authoritative bodies have a large role in creating the environment where microenterprises can flourish (Commission on the Private Sector and Development, 2004, p. 22). Trade barriers, taxes, subsidies, and infrastructure all greatly affect the profitability of a small enterprise. Since the microentrepreneurs are often without a voice to these bodies, their needs are overlooked. An NGO often spends time and resources lobbying for and communicating the needs of the poor so that the benefits of the microenterprises can be truly realized for those in need. This element often puts the NGO in the position of an advocate for the poor and educator to the government. Yet, another piece of this element includes moving the microenterprises into the formal sector. As mentioned earlier, working in the informal sector drastically lowers the rights of the entrepreneurs, but when they are legally registered, the microenterprises have a much larger opportunity to grow, be protected and be heard by the governments (Reinecke and White, 2004, p. xiv).

Microfinance

The third element, microfinance, is probably the most well known element within MED, and often gets the most glory in development literature. This element undertakes the issue of capital, and the provision of capital in the creation and growth of the business is essential (Khandker, 1998, p.2). Businesses need initial investment as well as continuing loans for healthy growth. Because its importance, microenterprise development is often thought to be synonymous with its monetary side, microfinance, even though MED encompasses much more. To contrast the differences, "microenterprise development" refers to working with businesses and individual owners of businesses for the creation and growth of the enterprise. "Microfinance" is defined as financial services needed for business or personal reasons including credit (loans), savings, and insurance. A third term relating to the provision of capital is "micro-credit." It is distinguished by the offering of only loans to businesses and families; although there are some who would use the term interchangeably with microfinance. (Fikkert, 2003, p. 6)

Because of the historical focus on microfinance within the microenterprise development movement, an increasing amount of research and analysis has been done on its operations and results. Since there is an abundance of information covering microfinance and the knowledge of how it works is fundamental to microenterprise development, this thesis will include an adequate discussion of microfinance issues, but its focus will be on business development services.

The importance of microfinance can be witnessed by basic examples. A general store needs to borrow to pay its debt to its suppliers until the seasons change and its customers, mainly farmers waiting for crops, have the money to buy from the store. A young barber may need to borrow money to buy a pair of scissors to start his business, or a widow may need to have a place to save her money so she can buy another sewing machine (Opportunity International, "Transformational Stories," http://www.opportunity.org/site/pp.asp?c=7oIDLROyGqF&b=212967). There are hundreds of examples of microfinance for starting a business, growing a business or avoiding bankruptcy in hardship. What seems like small amounts of money, often less than $100, makes a large difference to the poor working in their microenterprise

(Opportunity International, “Microenterprise Development,” http://www.opportunity.org/site/pp.asp?c=7oIDLROyGqF&b=212832).

One of the most famous and first microcredit institutions is the Grameen Bank. The Grameen Bank, started by Muhammad Yunus in Bangladesh, was started in 1983 when Yunus was convinced that the rich were more likely to default on their loans than the poor. He convinced the government of Bangladesh to let him start a Grameen, or village, bank for the poor (Black, 1999, p. 184). The bank gives small loans mainly to women who are part of a self selected group that hold them accountable to repaying the loan (Khandker, 1998, p. 3). The program teaches other healthy and profitable habits like sanitation and not paying dowry for their daughters, but focuses on the loan provision to increase income for the women and their families. Today the bank has a repayment rate of 99% and has 2.4 million clients starting businesses (Ledgerwood, 1999, p. 2; Yunus, “Petersburg Prize Acceptance Speech”).

From the Grameen Bank’s successful example, many other microfinance institutions began all over the world. Though the situations were very different in each place, the basic need for capital was consistent. The poor did not have the resources to purchase their supplies when they needed them, even though the promise of economic return was present. Organizations such as the Foundation for International Community Assistance (FINCA), Acción International, Opportunity International and many others applied the microcredit idea across the world (Black, 1999, p. 185). With the micro-loans, the poor were no longer restricted by the timing of profit.

Before micro-loans came into being from microfinance institutions, the poor relied on money lenders that often required exorbitant fees, pawn brokers, family members or sometimes community groups to provide funds when needed (Versluysen, 1999, p. 46). The community groups, such as Rotating Savings and Credit Associations (ROSCAs) and Accumulating Savings and Credit Associations (ASCAs), were the only solution for capital that was sustaining, and they were not always available. Historically many cultures, including in Kenya, Cambodia, Indonesia, Peru, Japan, the Philippines and India, developed systems such as ROSCAs and ASCAs to provide an opportunity for capital for a community. ROSCAs usually contain members of 15 to 30 and sometimes more of neighbors, fellow workers or friends who come together in a group based on trust (Versluysen, 1999, p. 47). These members then contribute a specified amount to the “prize” at regular intervals, and one of the members wins the “prize” at a designated meeting. This continues until everyone has received the prize, and then the ROSCA usually dissolves. ASCAs are very similar to today’s credit unions, not necessarily requiring members to contribute a specified amount on a regular basis. These financial communities usually provide insurance services to their members, such as fire insurance ASCAs in the Bangladesh slums. The ASCAs may give loans as well, but inflation, interest rates, and transparency often becomes a problem. Many ASCAs today require accountability and skill training by development agencies as the funds grow (Bussau and Mask, 2003, p. 21-26). From the history of ROSCAs and ASCAs as well as large corporate banks, the small microfinance industry and methods have developed.

Just as with microenterprise development in general, micro-loans have helped the middle and upper poor to sustain and expand their businesses, but it is questionable if the poorest of the poor are assisted by the service (Johnson and Rogaly, 1997, p. 12). Those at the bottom of the economic structure, the very poorest, cannot afford the risk of a loan, because they do not have confidence in being able to pay it back (Fisher and Sriram, 2002, p. 52). The risk could very easily put them in a worse place than they were before, with additional debt. Since the goal of many development agencies is to help the most in need, this has not been acceptable and led to the expansion of microcredit into various microfinance methods, including the provision of savings accounts and insurance. Savings accounts do not have the risk for the entrepreneur that loans do, so the poorest of the poor can utilize them without fear. They may seem not a necessary or complex thing for NGOs to be focusing on, but many poor do not have a safe place to save their inventories or their money. Agricultural businesses cannot store up the grain needed for another season because of spoilage, and the microentrepreneurs creating high value products run the risk of theft when keeping inventory (Johnson and Rogaly, 1997, p. 44). For some, friends and family would constantly be asking for money if they kept it around; for others because of crime, it would be too much of a risk to store currency. These forces prohibit the poor from obtaining productive assets that cost more than a few days income, keeping them in the poverty cycle. Savings accounts can provide the means to purchase assets for their business or can be a buffer for lower income days.

Insurance services are the third major product within microfinance and have greatly benefited the poorest of the poor, similar to savings accounts. While a loan may be too much of a risk for a very poor entrepreneur who has recently been hit by some sort of financial disaster, the monthly small payment for insurance before a disaster is often feasible. This allows the poor who live in high risk areas for flooding, civil unrest or other situations to have some sort of security for the investment that they put into their businesses (Fisher and Sriram, 2002, p. 57-58).

The microfinance methods of loans, savings and insurance have evolved and transitioned through many different phases. Currently, microfinance has turned into a full-fledged industry, so that competition has broken out in multiple development areas. This has brought both advantages and disadvantages to the poor and the NGOs trying to help them. Competition has benefited the market, as it usually does, by lowering prices and perfecting services. Yet competition has also forced many firms to examine their sustainability through their interest rates and perhaps drop some of the non-financial services that are not bringing in profit. This dilemma has divided many development groups as some stress sustainability as microfinance banks, and other NGOs focus on helping as many people as possible with multiple services, financial and non-financial (Fisher and Sriram, 2002, p. 165).

While it has been difficult for many NGOs to consider sustainability while doing development work, the maturing microfinance markets have encouraged the idea of long term work in the local areas. This has helped both the poor and the NGOs to focus on the best long term solutions for the poor. It has caused microfinance providers to set interest rates for the long run, dealing with inflation and subsidy issues upfront. The many financial choices for the NGOs have allowed the providers to customize the service to the local area of the poor, serving them in the best way possible for the long term.

The microfinance revolution allows many poor people over the world to put their skills to use in their own business, now that the capital element is no longer holding them back. But microfinance has also come with its cautions, as studies have shown that micro-loans can harm people, letting them end up with less income than they started with (Daley-Harris, 2002, p. 17). It has the risk of leaving the poor with more liabilities than before and with little or no extra income. This realization has sobered workers in economic development and removed the hope that microfinance is the final answer to the poverty problem. Microfinance was and is necessary but not by itself sufficient for microenterprise promotion (Fisher and Sriram, 2002, p. 75).

Business Development Services

Our fourth element is business development services, which includes training, consulting, and other assistance given to microentrepreneurs. Providing business development services, the development of business skills and knowledge, is far more challenging than developing the efficient delivery of financial services according to *Beyond Micro-Credit* (Fisher and Sriram, 2002, p. 94). As the microenterprise development movement moves from a focus on microfinance and into business development services, this MED element is being defined, developed and applied in new ways.

Business development services (BDS) can be defined generally as any non-financial support that improves an enterprise's ability to compete in a market-based economy (Knopp, 2001, p. 1). Another definition for BDS is using managerial, operational, and technical skills for innovation to improve lives (Commission on the Private Sector and Development, 2004, p. 5). BDS can cover a wide area such as training, marketing, research, technical assistance, accounting or even product development (Knopp, 2001, p. 1). For example, the NGO Empretec offers two-tiered management training courses in Ghana, and Fundacion Carvajal in Columbia provides courses on accounting, marketing and management. Although services and training can also be provided by universities, private firms, producer groups or government agencies, this thesis will focus on the NGO providers (Ledgerwood, 1999, pg 78).

Within the business development services programs, there are levels that vary depending on with whom the NGO is working and the focus of the program. The levels, according the World Bank, are represented by four concentric circles. The center circle represents the business operator, where the needs of the business are intangible such as a lack of confidence, literacy, tenacity, resourcefulness or business skills like accounting, business planning or customer orientation in the entrepreneur. Work at this level is characterized by general teachings that can be done in group settings and may be as simple as teaching women in Peru how to keep an inventory worksheet. The second level is the business itself and resembles consulting. In this second level, the providers use less generic and more customized services to deal with external forces and the entrepreneur's knowledge. By asking questions and examining the business, the focus is on improving efficiency and lowering costs. This can be administered directly through on site visits or indirectly through printed materials for a focused market of entrepreneurs. For example, a BDS provider might publish a pamphlet on how to improve product marketing and brand recognition within the region and delivered them to microentrepreneurs in the area. The services are sometimes accused of not being specific enough to be applicable to the businesses, so the providers are constantly struggling at this level between highly specific training to individual businesses and high costs or general training and services that are not helpful to the entrepreneurs (Ledgerwood, 1999, pg 80)

The third level is for the subsector. A subsector includes all of the firms involved in the production channel from raw materials to the distribution of the final products

(Ledgerwood, 1999, p. 86). On this level, the services can cross with other elements of microenterprise development such as representation and market development. Providers focus on releasing constraints that are highly industry specific and missed by general development work. Issues can include lack of space for physical infrastructure, rising competition, input unavailability, lack of product diversity, limits on purchasing power, dominance by middle men, or excessive fees by authorities. An example could be a trucking company in Zaire that was started to provide transportation for the new industry. The last level is beyond the local marketplace and focused on the macro level of the economies. National, social and political forces need to be addressed so as to facilitate the continued business of investors and suppliers from abroad in the market. The focus at this level is often stability for the microentrepreneurs. Dynamism, the constant change of the system, is overwhelmingly deadly for microenterprises. Not many providers have entered into work at this level, but in theory the necessity of this work is great and the results community-changing (Ledgerwood, 1999, p. 87-89).

The methods used to teach business knowledge or offer services change with different organizations and locations. Some programs are completely indirect without contact with the entrepreneurs, such as setting up trade organizations that are doing publicity for an industry, or others are very direct with training sessions for the local management of the microenterprises (Ledgerwood, 1999, pg 76). Many organizations have tried to build networks to link businesses within the same industry to increase their power. Other networks form business incubators for new business in different fields to share the fixed costs among themselves, such as rental costs, so as to generate economy of scales (Winkler, 2001, p. 7-8). Classes and one-on-one training from NGOs continue to be used, but today more progressive organizations believe in training local trainers to fill the need in the local economy, allowing them to make a business out of it. This should build a market based model for the services, so that the community can be self sufficient.

Leaders of business development services have put emphasis on the market based model (Knopp, 2001, p. 3). That would require the entrepreneurs start with a “fee based model” and pay providers for the business services and training. In theory this weeds out the businesses that are not strong enough to be sustainable and raises the value of the services to the poor. The World Bank also makes the point that it is necessary to recover some of the costs of the services (Ledgerwood, 1999, pg 80). From a “fee based model” of the poor paying NGOs for their services, it is easy to change to the “market based model” where locals trained by the NGO provide the training to others within the community for revenue of their own. This NGO training of the trainers puts the focus on creating a market for the services, rather than being the sole provider of the services. While this may improve the reach of the NGOs by multiplying the local providers, it is still questionable if the poor will pay for the needed services from locals or even from the NGO itself.

It has been difficult to measure the impact of business development services, because they are often coupled with other programs. As mentioned before, the elements of microenterprise development are not mutually exclusive, but are used together to accomplish the same goal. The performance of the businesses receiving services are also very dependant on other factors, that do not allow for clear impact studies.

Some development organizations mix the elements to the point that they require participation in the business services programs in exchange for the microfinance services provided by the NGO while others, such as the World Bank, claim that business development services should never be a requirement for a loan (Ledgerwood, 1999, pg 80). Mohammed Yunus, the founder of the Grameen Bank, believes that the poor do not need training to start their own business; they already have skills that are marketable. He believes that the microfinance services will provide what they need. Yet in practice he strictly requires responsible education to the women borrowers on how to better their situation in Bangladesh (Yunus, 2000, p. 227). This reflects his belief in using business operator services for confidence and health purposes rather than business oriented training. The controversy of requiring BDS participation with microfinance services has not been resolved and often changes depending on the development situation.

Overall, business development services in conjunction with the other microenterprise development elements are fundamental to micro and small business growth. These methods together have the potential to change the lives of poor entrepreneurs throughout the world. A case study from Mercy Corps shows us how microenterprise development works in the real world.

Mercy Corps Case Study- Mongolia

Mercy Corps

Many NGOs work towards economic development and freedom for the poor in developing countries. One that stands out from among the rest is Mercy Corps. The organization prides itself on alleviating "suffering, poverty, and oppression by helping people build secure, productive, and just communities" and focuses on forming sustainable communities and civil societies (Mercy Corps, "At a Glance," http://www.mercycorps.org/about/). To do this, Mercy Corps uses microenterprise development to help the poor reach their own goals.

Mercy Corps was founded in 1979 and since then has provided over $850 million in assistance to people in 80 nations. Annually their staff of over 2000 distribute $132.5 million in assistance to over 40 countries. Forty countries may appear limited in comparison to the entire developing world, but Mercy Corps has decided to focus on countries in transition, often dealing with civil, religious or ethnic conflict (Paul Dudley Hart, lecture at Oregon State University, "Social Entrepreneurship," May 2005). That focus brings Mercy Corps to work in eight countries in Africa, three countries each in the Balkans and Central America, and throughout North America and Asia (Mercy Corps, "At a Glance," http://www.mercycorps.org/about/).

There are thousands of stories about the impact that Mercy Corps has had on communities. They help more than six million people each year. The staff of Mercy Corps was some of the first to respond to war in Afghanistan, food shortages in North Korea, ethnic conflict in the Balkans, and economic transitions in Central Asia and the

Caucasus (Mercy Corps, “Developmental Relief,” http://www.mercycorps.org/items/333). Mercy Corps believes that by working with the local entrepreneurs, value is created in projects that they could not identify without their local partnerships. By working with the locals, Mercy Corps has also earned a name for itself as an organization who listens to the people. This has allowed them to work in places where many other people and organizations cannot (Dudley Hart, “Social Entrepreneurship” lecture, 2005).

The NGO works hard to partner with local peoples, educating them and empowering them to build their communities and income. Mercy Corps uses many methods to accomplish this, but the elements of microenterprise development are central in their programs as you can see from their development philosophies (Mercy Corps, “Economic Development,” http://www.mercycorps.org/items/338/). They have strict processes for aid at a disaster site. First, you must work towards survival, second get businesses started, and finally facilitate cash flowing within the businesses. The second step relies purely on microenterprise development, and the last step often uses both MED elements and cash for work programs to get as much of the population working as possible. Once they are working, cash is available, and they can buy what is needed for their families and businesses, multiplying the enterprises in the community (Dudley Hart, “Social Entrepreneurship” lecture, 2005).

The examples of microenterprise development by Mercy Corps are many. Mercy Corps highlights the importance of microcredit, training and other “economic programs” for entrepreneurs and their impact on an entire community in their basic explanation of their economic development work (Mercy Corps, “Economic Development,” http://www.mercycorps.org/items/338). From their stories and case studies it is clear that they have used market development, representation, microfinance and business development services in a variety of places and in multiple combinations. For example, after the tsunami, many skilled workers in South East Asia were unemployed as entire towns and infrastructures had been destroyed. Mercy Corps used market development and microfinance methods to establish a chicken and fish market. With a little capital and a place of exchange, the economy had cash flowing once again. Similar projects occurred in Iraq when widows who made their living sewing shirts for the Iraqi army were suddenly out of work with a destroyed factory and machines. Mercy Corps provided new machines and pointed the workers towards making hospital gowns. The women, like most entrepreneurs, had skills to provide a product or service but were waiting for a new market and capital assets to continue their work (Dudley Hart, "Social Entrepreneurship" lecture, 2005).

Background on Mongolia

There are many other examples from the Balkans to Sub-Saharan Africa, but the work in Mongolia stands out from the rest. Mercy Corps Mongolia has documented in detail the work that they are doing in the southern regions of the country. Considering that one third of the population of Mongolia lives beneath the poverty line, there is a lot to be done in the country, and Mercy Corps has seen a great response to their work.

Mongolia has been formed by almost 70 years of Soviet rule and then a decade of democracy and market economics (Central Intelligence Agency (CIA), "Mongolia," http://www.cia.gov/cia/publications/factbook/geos/mg.html). The people are widespread in their land, leaving their under 3 million population spread to an average of 1.5 persons per square kilometer (Mercy Corps Mongolia, “Mongolia Profile,” http://www.mercycorps.org.mn/index.php?cid=3&PHPSESSID=2227f4b1ffdf6e6c626afbdc36d8557a). They survive mainly on herding and agriculture in villages in the rural areas of their country located between Russia and China. While agriculture still is the strength of the culture, the young people are increasingly urban (Asian Development Bank, 2002, p. 1-5). The currency is in togrogs (MNT), yet the annual gross national income per capita translated to only $480 in 2003 according to the World Bank (World Bank Group, “Mongolia Data Profile,” http://devdata.worldbank.org/external/CPProfile.asp?SelectedCountry=MNG&CCODE=MNG&CNAME=Mongolia&PTYPE=CP). This puts the country in the “low income” category, the lowest classification for developing countries (World Bank, “Country Groups,” http://www.worldbank.org/data/countryclass/classgroups.htm). Through their twenty-one provinces, the Mongolians export mainly minerals, cashmere, textiles, hides and meat, but their economy has been growing with GDP growth rates of 3.2% in 1999, 4.0% in 2002, and 5.6% in 2003 (World Bank Group, “Mongolia Data Profile,” http://devdata.worldbank.org/external/CPProfile.asp?SelectedCountry=MNG&CCODE=MNG&CNAME=Mongolia&PTYPE=CP).

Considering the low population density, the markets within Mongolia are noticeably “thin,” meaning that with so few people in a location the transaction and distributions costs to reach other buyers may exceed the profit margin, so an essential development of purchasing power is missing (Hamilton, 2003, sec. 1.1.5). This has stifled some business development and led to the generation of other income generating activities such as agro-processing and crafts rather than solely herding work.

The development environment in Mongolia has improved in recent years, most likely from the relative successes and the ability for the country to affect both the economic and political situation concurrently. Multiple governments, even “non-traditional” countries, have become donors for Mongolian development. Japan is the largest bilateral source of both loan and grant assistance. The United States comes in second as the United States Agency for International Development (USAID) has given in grants near $150 million from 1991 to 2004. The United States is followed by Germany, India, Australia, Canada, Russia, Luxemburg, and Korea in their giving. Multilateral donors in Mongolia include the Asian Development Bank as the largest, followed by the World Bank, the European Union and various United Nations agencies. At present, the total lending portfolio to Mongolia equals to $118.2 million for 7 projects from the World Bank, and $24 million planned for three new projects (World Bank Group, “The World Bank in Mongolia,” http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/MONGOLIAEXTN/0,,menuPK:327714~pagePK:141159~piPK:141110~theSitePK:327708,00.html). Related to the NGOs in the area, World Vision has become one of the largest donors to Mongolia with annual funding approaching $10 million. The Soros Foundation, Opportunity International, and other NGOs are also present in Mongolia working on different development projects (United States Agency for International Development, “Mongolia,” http://www.usaid.gov/policy/budget/cbj2005/ane/pdf/mongolia_cbj_fy05.pdf).

The Gobi Regional Economic Growth Initiative

Mercy Corps began the work in Mongolia with funding from USAID and other organizations. The funding allowed them to start multiple projects. One project focused on forming civil society for the people, another on agriculture business and lastly on market-led economic growth and development. The last project is called the Gobi Regional Economic Growth Initiative (Gobi Initiative) and began in 1999. The first phase of this project ended in January of 2004 (Mercy Corps Mongolia, “Gobi Economic Growth Initiative- Phase One,” http://www.mercycorps.org.mn/index.php?cid=125&). The work that they have done for the first five years has shown significant results, and Mercy Corps has already used multiple elements of microenterprise development to assist the Mongolians in building their local economies.

The Gobi Initiative is divided into two phases. As already mentioned, the first phase was from January of 1999 until January of 2004. On January 7th of 2004, the second phase began. Both of these sections of the program work to facilitate economic growth, but have slightly different focuses. The first phase is slightly more general in its work, trying to increase the operational productivity and profitability of businesses, providing support for the creation of new businesses, and improving the value of agricultural products and the sustainability of agricultural methods (Mercy Corps Mongolia, “Gobi Economic Growth Initiative- Phase One,” http://www.mercycorps.org.mn/index.php?cid=125&). The second phase narrows the work to developing and sustaining rural businesses through business plans and specific business development services and micro-credit (Mercy Corps Mongolia, “Gobi

Economic Growth Initiative- Phase Two,” http://www.mercycorps.org.mn/index.php?cid=52&). Now that the first phase has been completed, the publications of Mercy Corps Mongolia show the results of the work and where the funding was directed. With this information, I have attempted to get some idea of the effects of each program by examining the economic and demographic figures from each region and by evaluating the benefits and weaknesses of the microenterprise project by the impact on the people and businesses.

The two focuses of Phase One include the agricultural development and the non-agricultural businesses. Both of these offered business development services, but looking deeper into the services offered, we see that the Gobi Initiative focused on providing new business start-ups with broad based training, existing companies with personal management training, product diversification and marketing assistance, and new agricultural cooperatives with organizational, management, product, and market development training along with technical assistance (Mercy Corps Mongolia, “Gobi Economic Growth Initiative- Phase One,” http://www.mercycorps.org.mn/index.php?cid=125&). Wanting to help the entrepreneurs and would-be entrepreneurs of the communities, Mercy Corps worked with those who wanted to start a business, current businesses, and local governments. Their last category of clients was the local consultants who wanted to improve their training and technical assistance. Through training the local consultants, the initiative was facilitating the business development services market by helping the would-be providers to give quality services as a business while also providing for the immediate needs to the entrepreneurs during the program time. The organization of the cooperatives clearly benefited the businesses as well. As part of many BDS plans, the agricultural cooperatives acted as clusters, allowing the herding families to share resources and cut fixed costs, increasing profitability.

The Gobi Initiative Phase One worked in six regions, or aimags as they are called in Mongolia. The participating regions are highlighted in Figure 1, namely Bayanhongor, Govi-Sumber, Uvurhangai, Umnugovi, Dundgovi and Govi-Altai (Mercy Corps Mongolia, "Gobi Economic Growth Initiative- Phase One," http://www.mercycorps.org.mn/index.php?cid=125&). The last three regions are similar in a few characteristics allowing for a comparison of the work and results in each community. In population Umnugovi, Dundgovi and Govi-Altai were similar; in the year 2002 during Phase One their populations were 47,200, 51,200 and 62,700 respectively. Each region has between 68% and 73% of the population living in the rural areas, but the urbanization was increasing in each. The unemployment for each region also was near 3%. All three regions also had the similar

Figure 1
Map of Participating Mongolian Regions

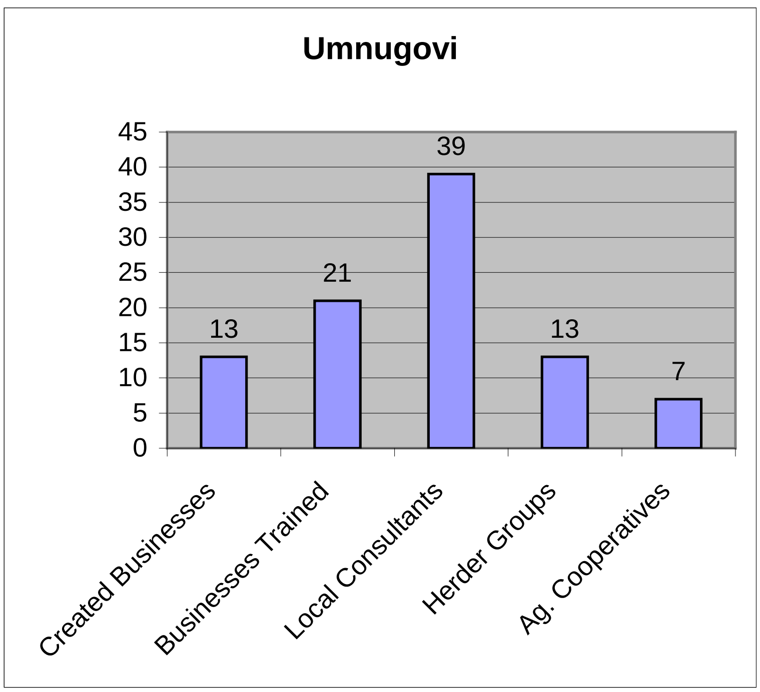
Table 1
Comparison of Participating Regions

Mongolian Regions	Umnugovi	Dundgovi	Govi-Altai
Population	47,200	51,200	62,700
Unemployment	2.0%	3.2%	3.5%
Pop. in rural areas	69.7%	72.5%	68.1%
Debt to local banks (million MNT)	1013.3	916.7	1455.3

amount of debt to local banks, between 2,385 and 1,759 million MNT at the end of Phase One (Mercy Corps Mongolia, "MC Mongolia Present Aimags," http://www.mercycorps.org.mn/index.php?cid=100&). A clear summary of the comparison is seen in Table 1.

The program in each region was similar but differed slightly in their focus. The Umnugovi region is the largest region in Mongolia and borders China, Mongolia's largest

Figure 2
Gobi Initiative Results in Umnugovi



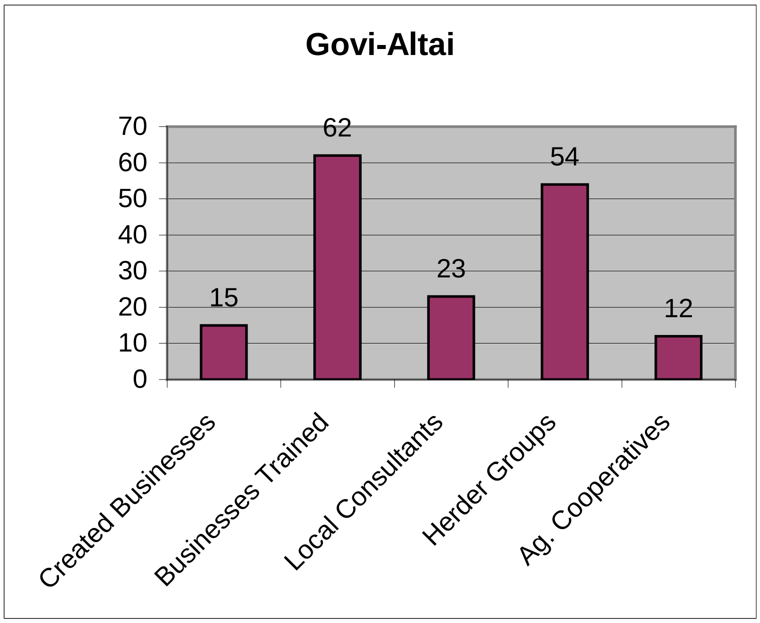
export partner. Here the Gobi Initiative trained 39 local trainers, providing regional business support. This is almost 2 times as many as were trained in the other two regions. Thirteen businesses were also created through training 12 "would-be entrepreneurs." Training was given to 21 current rural businesses to increase productivity. Thirteen herder groups and seven agricultural cooperatives with 573 and 85 members were created. Many workers focused on helping develop a breeding program for elite animals making the herders more productive. The organization of 6 trade fairs and exhibitions to help herders sell 62.4 tons of cashmere and obtain and exchange 236 high quality animals were some of the peak events, providing markets for the products of the entrepreneurs

(Mercy Corps Mongolia, "Umnugovi Aimag,"

http://www.mercycorps.org.mn/index.php?cid=12&).

The Govi-Altai region is the second largest region, but the Gobi Initiative Phase One was not started in this region until 2000, unlike the other regions which began in

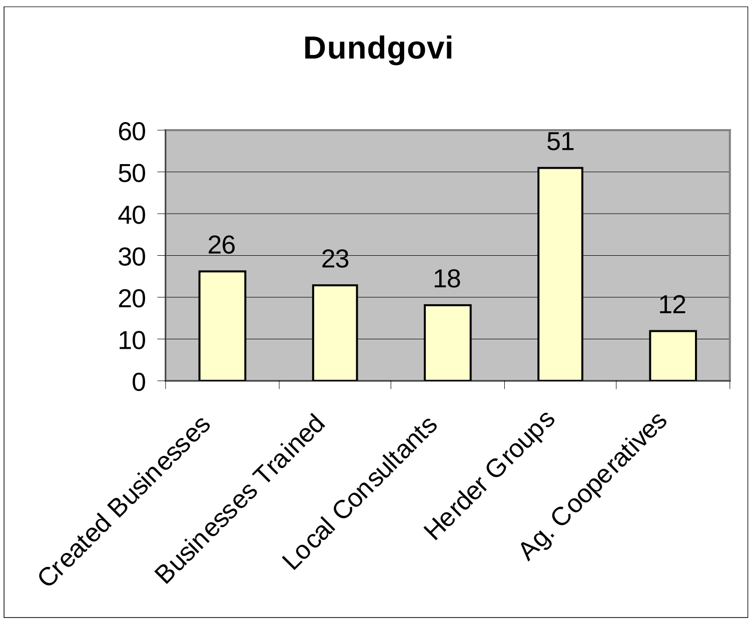
Figure 3
Gobi Initiative Results in Govi-Altai



1999. Yet, in 2003 the program had created 15 new businesses through training 114 "would-be entrepreneurs" and increased company productivity and profitability through consulting with 62 rural businesses. Consulting with existing businesses seemed to be the strength for this region as the number of businesses given consulting in this region was almost 3 times that of the other two regions. One of these businesses was an unsuccessful construction firm that was then able to develop a business plan with the trainers from the Gobi Initiative. From the plan, the owner realized the need for investment in equipment so that the company could bid more profitably on construction jobs. Since then the firm has won several construction contracts, hired 15 more employees and increased profits by 15%. Twenty-three local trainers were trained in Govi-Altai. Fifty-four herder groups and 12 agricultural cooperatives were formed with over 550 and 60 members. In this region, the elite breeding program was also an emphasis, and four large trade fairs and exhibitions allowed the herders to have a market to sell their cashmere and quality animals (Mercy Corps Mongolia, "Govi-Altai Aimag," http://www.mercycorps.org.mn/index.php?cid=9&).

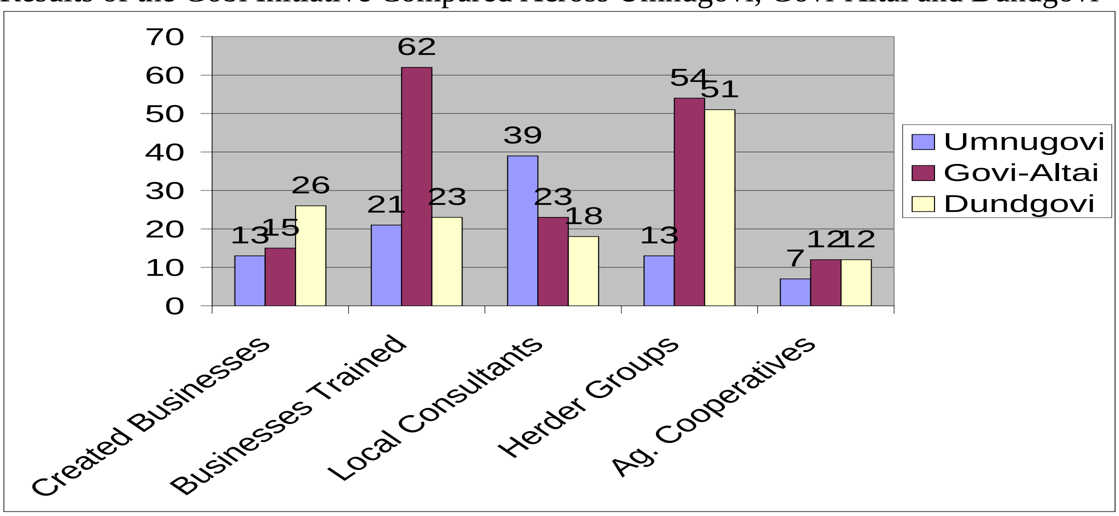
In Dundgovi, Phase One focused on creating new businesses as they created almost twice as many as the other two regions. Twenty-six new businesses were started by training 82 "would-be entrepreneurs." They also did consulting for 23 rural businesses and increased their profitability and productivity. As far as local trainers, 18 were trained to continue the provision of business development services. In agricultural organization 51 herder groups of more than 563 members and 12 cooperatives with more than 111 herding families were created. Lastly, the elite animal breeding was developed and multiple trade fairs and exhibitions for the agricultural products were organized (Mercy Corps Mongolia, "Dundgovi Aimag," http://www.mercycorps.org.mn/index.php?cid=11&).

Figure 4
Gobi Initiative Results in Dundgovi



The Gobi Initiative, knowing the struggles that many microentrepreneurs face, taught and required that the businesses it was working with become registered, pulling them into the formal sector. In Mongolia, the informal sector, or “grey” market, is estimated by the World Bank to be at least the size of the formal sector (CIA, “Mongolia,” http://www.cia.gov/cia/publications/factbook/geos/mg.html). Requiring the businesses to operate in the formal sector allowed them the rights mentioned earlier, but also required that their income increase be recorded in the official gross domestic product (GDP) figures for the regions. The programs of Dundgovi, Umnugovi, and Govi-Altai were clearly similar, but regions did receive different focuses from the program. Figure 5 illustrates the comparison effectively. Clearly Umnugovi trained more local trainers, or consultants. Govi-Altai focused on training the existing local businesses, and Dundgovi used more of their resources to help entrepreneurs start their own businesses.

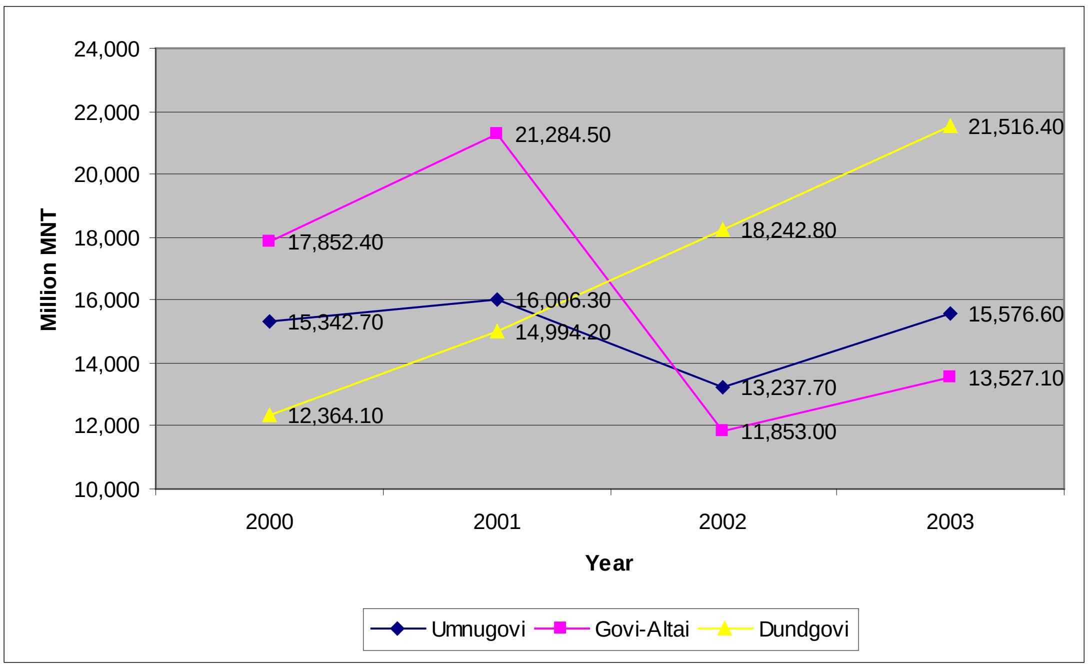
Figure 5
Results of the Gobi Initiative Compared Across Umnugovi, Govi-Altai and Dundgovi



Along with different focuses, one can see different GDP changes in the regions. As one analyzes the data from the years 2000-2003, Dundgovi shows the largest rise in GDP, growing in each of its sectors, industry, agriculture, services, and government. The region went from 12,364 million MNT to 21,516 million MNT in the four years. The Umnugovi region grew its GDP just slightly from 15,342 million MNT to 15,576 million

MNT. It grew quite a bit in its industry, government and service sectors (except for in the last year in the service sector), but lost enough output in their agricultural sector to balance the scales. The Govi-Altai region actually saw a lowered GDP from 17,852 million MNT to 13,527 million MNT, losing ground in each sector except for the governmental one (Mercy Corps Mongolia, "MC Mongolia Present Aimags," http://www.mercycorps.org.mn/index.php?cid=100&).

Figure 6
GDP Growth of Umnugovi, Govi-Altai and Dundgovi 2000-2003



There are multiple factors that attributed to the decline in the economy in Govi-Altai and Umnugovi, such as the loss of livestock in both regions and the lowered industrial performance in Govi-Altai. Unfortunately, during the years of 1999, 2000, 2001 and 2002 severe weather conditions killed large amounts of livestock. These harsh winters, called the Dzud in the native language, and extreme summers have affected over 20% of the herders and killed over 4 million cattle and other livestock (World Bank

Group, "Results: Ongoing Progress in Mongolia," http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/MONGOLIAEXTN/0,,contentMDK:20190294~menuPK:327714~pagePK:141137~piPK:217854~theSitePK:327708,00.html). These harsh conditions have been addressed by the Gobi Initiative, and in Umnugovi special training has been given on how to prepare for the deep snow and build structures for the livestock (Mercy Corps Mongolia, "Umnugovi Aimag," http://www.mercycorps.org.mn/index.php?cid=12&). These outside influences make it difficult to interpret the GDP changes through the years in relation to the Gobi Initiative.

I have reviewed the programs, specific cases and accomplishments in each region and have used the demographic, agricultural and economic data from the years that they have been working in Mongolia to attempt an evaluation of effectiveness. Measuring effectiveness is not an easy task for any development work, because of the many outside factors that affect the people and the data. As the GDP data and other data for each regions was not able to give a definite answer to the effectiveness, I have decided to focus on the benefits and weaknesses of the program in relation to the general goals of microenterprise development. By analyzing the effectiveness of the program by the benefits to the people and businesses, I am not able to measure it quantitatively, but I do believe that it shows the successes and weakness of the program with accuracy.

Discussion of the Impact and Conclusions

Since the GDP is not applicable to the effectiveness of the business development services used by Mercy Corps in Mongolia, other ways of measuring impact are necessary. The benefits and weaknesses of microenterprise development will be compared to the results of the Gobi Initiative to evaluate the project based on the direct impact on the poor and their businesses.

Relating to the benefits of MED, the Gobi Initiative is a good example of providing a consistent increase in income, jobs, knowledge and products from multiple businesses. Income and jobs came from the increased businesses and the business growth, and knowledge and products came to the community as a whole from the training and new product offerings. People were influenced and given freedom by each of these results. It was also shown how the program was able to work for increased productivity and profitability of both businesses and agricultural workers, reaching more people than those only in one sector.

Conquering a weakness of MED, the Gobi Initiative required all of their participants to enter the formal sector. The businesses involved were therefore registered with the government, given more rights, and recruited to be part of the long-term process of bringing the entire economy into the formal sector and influencing the government to encourage microenterprise financial growth. While this could not have been an easy process, it sets up the businesses for a better long term relationship within the community.

A second weakness that the Gobi Initiative turned into a strength was the growth barrier. While it is often significantly harder to grow a company to medium size, the Gobi Initiative worked with current businesses to assist in the growth transition. There were multiple success stories of businesses that grew to increase their size with the help of the Gobi Initiative.

The last strength was the potential that for future rewards that can come from the work of the Gobi Initiative. Phase One was just the half way point for this program. The development workers showed the people that they were running businesses rather than just family livelihoods, providing training and know-how for the entrepreneurs to work with confidence and higher profitability. This set up the regions for the implementation of Phase Two. Moving into Phase Two, the Gobi Initiative has employed more specific business services, like classes and mentoring training, and financial services, by working as an intermediary between the people and the Mongolian banks. Phase Two also includes meetings with local governments, using the representation element of microenterprise development to create a voice for the poor entrepreneurs (Mercy Corps Mongolia, “Gobi Economic Growth Initiative- Phase Two,” http://www.mercycorps.org.mn/index.php?cid=52&). The intensified execution of business development services, continued use of market development, and new implementation of financial services and representation brings a large potential for the work of the Gobi Initiative in Mongolia. This could not have been done without the preparing work of Phase One, and the first year of Phase Two has already seen large results in the growth of businesses and incomes.

The Gobi Initiative work has shown multiple strengths and benefits, but it still has weaknesses to manage. The first weakness attributed to microenterprise development and to the Gobi Initiative is not reaching the poorest of the poor. There is no evidence that the Gobi Initiative targeted the very poorest or that their services reached them. The second weakness of MED is the responsibility that it puts on the entrepreneurs who often do not want to be self-employed but would rather have job security with a company. The entire risk of an enterprise is still on the shoulders of the poor working with the Gobi Initiative. Lastly is the issue of sustainability. The program in the first phase did work on a "no-cost assistance" policy and with grants to the poor as opposed a fee-based service plan and loans to the poor. This is hard to be sustainable in the MED world. The shift from "free" assistance to a market solution charging for their services will not be easy, but it is an objective of phase two so that some of the costs can be borne by the businesses and not the business development services provider (Mercy Corps Mongolia, "Gobi Economic Growth Initiative- Phase One," http://www.mercycorps.org.mn/index.php?cid=125&). Moving to a fee based policy is crucial for the local trainers in the private sector as well, so that businesses will be accommodated to paying for business services when Mercy Corps leaves.

Final Conclusions

Conclusion 1: The effectiveness of microenterprise development is very difficult to evaluate. It was evidently difficult to measure the effectiveness of the Gobi Initiative, and this is not a rare case in analyzing development work as there are many uncontrolled variables to be considered. Measuring income and especially freedoms that increased in the lives of the poor is still a problem that development workers are trying to solve. We cannot manipulate the overall human situation to measure exactly what variable affected the people, but we have to work and evaluate in an uncontrolled environment.

Conclusion 2: One can see the short-term impact in the number of businesses worked with, but the long-term impact is unknown. For our case study, the GDP was hard to measure for a region such as southern Mongolia, where an estimated half of the entire economy is in the gray market and not measured by governmental means. However, the meaning of the GDP is even harder to interpret. With so many factors coming into play within the region, including severe storms, agricultural disasters, and industry swings, it is not plausible to relate all of the economic figures to the work of Mercy Corps. One way to examine the effectiveness of their work was to look at the businesses started, businesses advised, organizations arranged, and local consultants trained. Looking at these numbers, we see that in the three regions studied 54 businesses were started, 106 businesses were trained to increase productivity, 149 organizations were created and 80 local consultants were trained to continue the business development services. These numbers show the positive short-term impact in the lives of those in direct contact with Mercy Corps. As far as the larger long-term impact to the entire community, that is still extremely difficult to measure, but we can only estimate how the development work affected the people and their incomes.

Conclusion 3: Business development services have a positive impact on the poor, even without financial services. Business development services specifically has a very large role in the work of Mercy Corps in Mongolia to the point that it was the backbone of Phase One of the Gobi Initiative. The results show that business development services had an effect that encouraged the business growth needed. There has been a debate over the inclusion of business development services for the poor, and it has been suggested that they are not applicable without the financial services of microfinance. I believe that they are crucial, and the Gobi Initiative shows how the lack of business training and knowledge can be the difference between a failing business and a productive and profitable business.

Conclusion 4: Microenterprise development brings benefits to the poor, but has weaknesses that need to be attended to. Microenterprise development has shown to be effective in that it increases jobs and income of the poor, yet continued enhancing of the elements of MED is necessary. Its multiple strengths have changed lives, but its weaknesses need to be managed. This case study has been a perfect example of the strengths and the seriousness of the weaknesses that need to be addressed.

Even with further advancement of microenterprise development, it is not the "solution to poverty," but MED needs to be applied with other methods of development to give the poor increased income and freedom. It is crucial that we give the poor this opportunity to pull themselves out of poverty. It can only be done with the continued support, improvement and application of methods like microenterprise development, and these are dependent on people who see the need of the 1.2 billion people living under the poverty line and do something about it. Hopefully we will continue to implement strategies like MED and others and see change in the world where we need it most.

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