



“We may not be big, but we’re small.” (McLean, 2003)

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In the context of the *SED* journal, the question “Is small still relevant?” implies that a focus on small enterprises may no longer be significant because something else is more germane to pro-poor economic development. That ‘something’, it would appear, is the adoption of a systems perspective embodied in such strategies as value chain analysis and industry competitiveness. While it is absolutely essential to take a holistic approach in a globalizing economy, the small enterprise development (SED) industry must begin and end with a focus on its target clients – the world’s disadvantaged producers.

So then, why would the idea get around that a ‘big picture’ viewpoint obviates the relevance of small enterprise development? Simply put, it opens the door for practices that are all too reminiscent of ‘trickle down’ as a panacea for poverty. As so aptly described by John Kenneth Galbraith “If you feed enough oats to a horse some will pass through to feed the sparrows.” (Parker, 2005) You get the picture.

While systemic approaches might be construed as a ‘kinder, gentler’ trickle down approach, they are in fact quite different. If not trickle down, you may well ask how a systems perspective fits with small enterprise development. In a nutshell – *in order to enable marginalized households to participate in, contribute to, and benefit from a globalizing economic system, we need to understand its composition and functioning.* Before I elaborate on this statement, let me respond to the questions that it begs: 1) who are we? 2) who aren’t we? 3) why do marginalized producers

need to participate in the larger economy and 4) why don’t they just get a job?

“We” are the people who read this journal, run microfinance programs, develop business support services, identify effective markets, promote enterprise development, and facilitate the leveraging of economic opportunities to the benefit of our clients. We are SED practitioners who have chosen to partner with the ‘poor’ – fifty percent of the earth’s inhabitants living on less than two dollars a day – and to make their economic plight axiomatic in our daily work. We know that the building of livelihoods can be complex, risky, frustrating, and unpredictable. This is our history; this is our collective expertise and experience; this is where we have the hope to offer hope.

“We” are not policy makers, trade analysts, marketing mavens, or macro-economists. We are not industrialists, multi-national executives, diplomats or generals. And, most of all, we are not experts on how to actually make trickle down schemes benefit the bottom of the pyramid (as we have already established – no-one is, no matter what they tell you). Let’s not be well-intentioned but naïve, let’s not take the road more travelled, let’s not pretend we can do the impossible.

For good or for evil, we live in a globalizing economy. Some of us may be able to opt out, live in a Thoreauvian Utopia, and separate ourselves from this growing reality. But only if you are one of the privileged few. Unfortunately, a huge percentage of the world’s inhabitants do not have this option.

Simplified living depends on having something to simplify. So, we could decide to work against globalization, and have a viable alternative to offer our partners – say in twenty years time (of course, many of them will be gone by then). Or, we can get real.

And the final question, why don't "they" take jobs? Surely that's where a well-intentioned trickle down approach can have measurable benefits for the poor, right? Wrong! The majority of the world's underprivileged have limited access to employment and this will not change for the foreseeable future. Communities are isolated by poverty, geography and capacity – lacking in infrastructure, with little spending power, and often suffering from depleted natural resources. There are no McDonalds offering youth their first jobs, no Walmarts hiring seniors and part-timers, and no large auto manufacturers getting lucrative tax breaks to set up shop in the back of beyond. Smallholder agriculture, handicrafts, petty trading and small-scale manufacturing are often the only option for these workers.

Back to the main statement: *in order to enable marginalized households to participate in, contribute to, and benefit from a globalizing economic system, we need to understand its composition and functioning.* This is the reason that SED practitioners put on a systems lens in program analysis and design. And, this is why we sometimes work higher up in a value chain – and here the caution: "we' must adopt this tactic, if, and only if, we are clear on the benefits that will accrue to our target clients.

Let's look at MEDA's work in Tajikistan as an example. MEDA is implementing a horticulture development project in the Sogd oblast of Northern Tajikistan – the famed Ferghana Valley: birthplace of Babur the Tiger, a hub of the silk road, and from where, folklore tells us, a pear could sell for its weight in gold in the Agra courts of Shah Jehan.

During its fifty-three year history, MEDA has focused on disadvantaged producers. In

Tajikistan, we partner with smallholder farmers, often with just one or two hectares, who are struggling in the face of new land tenure systems, transition from a centralized to a market economy, depleted resources, and outmoded techniques and technologies. Value chain analysis determined that historical and growing markets for the fruit and vegetables of the Sogd oblast exist in Kazakhstan, Siberia, and other areas of Russia, and that much of the product is fully or partially processed in Tajikistan prior to export. In order to maintain competitive advantage in these evolving markets, our research revealed that processed products would have to be improved in a number of ways, particularly adherence to quality standards and packaging. Even a cursory examination of the processing sector made it obvious that extensive upgrades were needed in equipment, operations, business management and market orientation.

In addition to activities at the farm level – including microloans, agricultural extension, and improved support services – MEDA's horticulture subsector project in Tajikistan works with small to medium processors in Khujand, Isfara, Istaravshan and Babajan Gufarov – cities of the Sogd oblast. The program offers sizeable loans to processors (up to \$50,000), a matching grant fund, support for business and market development, and technology transfer. Does this mean that we have shifted our focus away from the small farmer. In terms of certain program activities – absolutely! In terms of target clients - absolutely not! We are working with processors for the benefit of the subsector, and because *we have a clear understanding of how this will profit rural households.*

If we had not decided to work with processors, we would have still seen improvements in yields, reduced spoilage, and increased incomes for the farm families that we serve. However, to sustainably expand market opportunities for smallholder clients over the long term, it is critical to advance fruit and vegetable processing firms along with the small producer.

What if MEDA had chosen only to intervene at the processing level in Northern Tajikistan, and assumed that trickle down economics would lead to benefits for farm families? Would the same benefits accrue? No way! Farmers would not have received the loans they needed to purchase inputs, adopt improved techniques (e.g., microirrigation technologies), upgrade storage and raise supplementary incomes. Neither would smallholder clients have formed into groups and learned about crop-rotation, intercropping, water-saving techniques, and the appropriate use of agro-chemicals and organic alternatives.

Trickle downians might argue that if large processors are strengthened, they will naturally reach out to producers, to ensure improved quality and increased yields. In the case of Tajikistan, along with numerous other situations around the world, larger firms often do not have the capacity or motivation to do this. The number one concern we heard over and over from processors was the need for more raw materials to respond to unmet market demand, and yet processors and farmers were not cooperating for the growth of the entire subsector.

Certainly, larger firms can drive innovation, and there may be instances where industry competitiveness strategies have advanced a subsector, accounting for overall growth. But beware the minefields – all growth is not equitable growth. Taking an approach that enhances an industry’s viability – with the vision that small producers will benefit since they are integral to that industry – is not enough. There is no guarantee that as the industry evolves, and presents interesting business opportunities, that small producers will not be edged out or become subject to unfair imbalances. Anyone in the SED field who is concentrating on systemic growth strategies must ensure that there is a well-defined plan for how target clients can become active and valued contributors – even the drivers of industry change. In this way, the actions of practitioners will support the intent of programs, resulting in more sustainable and

positive market outcomes for disadvantaged producers (Bear, 2005).

Holistic programs can be designed for success, and research can provide answers to a range of implementation questions, such as: Will the formation of producer groups enhance negotiating power as the industry grows? Will small producers need better access to higher quality or different inputs, and new techniques and technologies? Are there competitive advantages to being small that can be leveraged for the benefit of producer clients? Are there win-win horizontal or vertical linkages that can be encouraged through specific interventions? Can producers lead innovation in the system, based on their knowledge of production and their ability to be flexible and dynamic (Kula et al, 2006)? With such issues in mind, industry competitiveness can most definitely be a valid focus for an SED practitioner.

Given who we are – our history, our stated missions, and our collective expertise – we must continue to centre efforts on the small producer. We can, and indeed should, assume a systems perspective (Jones and Shaikh, 2005). In the face of globalization, we will have to understand and perhaps intervene in areas related to industry growth, enabling environment and stakeholders higher up in the value chain. But none of this diminishes the diligence that is necessary to ensure that our partners – the underserved producers at the bottom of the socio-economic heap – are actively integrated as value-adding participants into markets through *our* programs. Equating a systems approach with pro-poor trickle down is tempting; it would make *my* life easier. But, it just doesn’t work, no matter what name we give it.

So, is small relevant? No, small is not ‘relevant’ – small is fundamental, small is pivotal, small is indeed beautiful (Schumacker, 1973)!

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