

# Enabling Environment of CYCI

The success of a micro-credit scheme under the CYCI model depends in part on the political, economic, social and cultural environment in which the programme is implemented. This section examines some of the key elements of an enabling environment for the CYCI.

## **Peace, Democracy and Political Stability**

Peace is the first and most basic element of the enabling environment. The CYCI cannot be implemented in a situation of war, dislocation and the threat of violence. Democracy and political stability contribute to peace and an environment that can enable successful CYCI implementation.

## **Political Will and Supportive Policy, Legal and Administrative Frameworks**

Full political support at the highest levels of government is an essential element of the enabling environment for the CYCI. If it is not already present, such political support may be gained through lobbying, advocacy, awareness raising and communications activities. A template for use in such advocacy work is provided in Appendix B.

Political will is also required on the part of district authorities as well as local traditional authorities, whose active support and approval is key to the successful implementation of a micro-credit scheme at the local level.

Political support at the national level is expressed through the importance placed on the programme by the political leadership, the presence of supportive policy, legal and administrative frameworks, and the provision

of financial and human resources that are sufficient to secure the loan fund and administer it.

The government should promote and support an integrated approach to micro-enterprise training and credit schemes: tying them into national and local development plans, and the activities of all relevant economic, agricultural and industrial ministries (Commonwealth Secretariat, 1998b). In other words, for maximum effectiveness, the CYCI should not be merely a small, isolated development programme that is 'added on' to other development plans, but should form part of the main thrust of these plans.

The CYCI is intended for implementation within the context of a market economy in which employment can be readily created and micro-enterprises can flourish. A regime of tax incentives can encourage banks and financial institutions, NGOs and private-sector partners to engage in activities that encourage micro-enterprises and micro-credit. Banking regulations should promote sound financial practices, ensure the security of depositors, and not present impediments to micro-lending.

## **Adequate Financial and Human Resources**

The first and most obvious financial resource is of course the loan fund itself. This may be provided by the national government, by regional or international donor agencies, or individual or corporate donors.

At the level of the lead agency, financial and human resources are needed to oversee the programme, co-ordinate the activities of the various stakeholders, and carry out monitoring and evaluation.

The day-to-day running of the fund and the delivery of loans to client micro-enterprises would normally be the responsibility of the implementing NGO, which will require funding for the start-up and operating costs of the programme.

### **Culture of Entrepreneurship and Co-operation**

At the local level, a CYCI is most likely to succeed in a relatively homogeneous community whose members are accustomed to working together in a spirit of co-operation. The presence of a well-established culture of trade and entrepreneurship is a further contributor to the enabling environment for the CYCI.

Where these elements are not present or are present only to a limited degree, greater emphasis should be placed on enterprise training, business counselling and marketing advice to emergent entrepreneurs, to ensure that they are able to make full use of loans

received. In the pilot projects of the CYCI, the length of training provided to client micro-entrepreneurs varied from a few weeks to several months, depending on the extent to which clients were accustomed to the business environment.

### **Supportive Infrastructure**

An environment where there are already functioning markets and the infrastructure to support them will help to enable the successful implementation of a CYCI. Emergent entrepreneurs benefit from the same infrastructural investments as other businesses. These include roads, communications, transport facilities and/or energy supplies.

Access to raw materials is another important element of the enabling environment. There is a large, untapped potential in the processing of primary commodities, which are currently produced by the rural poor in many areas. Access to the requisite raw materials should not be impeded.