



# Opportunities and Challenges to SME Development in Conflict Affected States

Findings from SPARK's  
Tracer Survey



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SPARK develops higher education and entrepreneurship to empower young, ambitious people to lead their conflict affected societies into prosperity.

Ayah Mlatat  
Alokhwah Sheep Farm, Occupied Palestinian Territories

# About SPARK

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**Founded in 1994 at the University of Amsterdam, SPARK is an independent international development organisation. SPARK develops higher education and entrepreneurship to empower young, ambitious people to lead their conflict-affected societies into prosperity.**

SPARK believes that sustainable economic growth is essential for poverty alleviation. Creating jobs for youth and women in conflict affected societies and enabling a climate for youth and women to improve their socioeconomic position, are central to this vision.

Through job creation, entrepreneurship promotion and the advocacy for an enabling business environment, SPARK aims to diminish the potential for conflict. We give special attention to marginalised groups, including women, returning refugees and internally displaced people (IDPs).

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## About the authors

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## Acknowledgements

This publication is based on almost 900 survey interviews with SPARK assisted entrepreneurs in nine project countries. This publication would not have been possible without the support of SPARK's country offices, the local partners, the data collectors in the field, and of course all the entrepreneurs that were willing to participate.

SPARK also likes to thank Rosa Kuiper for her design and layout of the publication.

*SPARK takes full responsibility for all omissions and errors*

# Glossary

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BBIN	Burundi Business Incubator Network
BID	Business in Development Network
BSC	Business Start-up Centre
EDP	Enterprise Development Programme
EURED	European Union support for Regional Economic Development
MRBD	Mitrovica Regional Business Development
MFS	Mede-Financierings Stelsel (Co-Financing System)
MSME	Micro, Small, and Medium sized Enterprises
OPT	Occupied Palestinian Territories
UNDP	United Nations Development Programme
YES	Youth, Employment Skills Programme

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# Executive Summary

This publication contains survey results implemented by SPARK in the summer of 2013. The rationale behind this survey was to learn more about the effectiveness of SPARK's Small and Medium Enterprise interventions. The survey interviews were conducted with almost 900 business owners that have been assisted through one of many SPARK programmes in 9 project countries since 2006.

The survey proved that businesses that receive SPARK support, generally do well in terms of profitability and job creation. These businesses also reported positive change in sales after involvement with SPARK. It turns out that existing businesses are better at creating jobs than start-ups; however start-ups do show growth over time. Businesses led by young people create less jobs on average than other businesses.

Recent SPARK programmes have been doing better at reaching youth and women, two important vulnerable groups in the labour market in conflict affected states; however, more should and could be done to serve those groups. For instance, female led businesses create more jobs for women, a lesson that is important to note when developing private sector interventions that provide jobs to women.

Information on the most important business obstacles informs SPARK's lobby and advocacy agenda. Almost all of the top 5 business barriers, access electricity, access to credit, lack adequate tools and machinery, and attracting investors, could be removed with better access to finance. The skills and investment needs indicate that a technology upgrade is needed by business owners in order to become more resilient and competitive.

Even though political instability at a macro level is not marked as a top 5 barrier, entrepreneurs do see themselves as actors in a conflict affected environment. They identify themselves with conflict mostly on community

and household level however, confirming the relevance of SPARK's strategic orientation towards conflict affected states. The survey yielded useful market and business information that in fact will reduce risks in future interventions, such as accessing finance, research into what is needed and what works at business level needs to be continued.

The survey results provide baseline information that can grow into a longitudinal data set that enables tracking and analysis of businesses over time. The personalised dataset also allows SPARK to maintain close relations with the entrepreneurs and get instant up-to-date information through panels of entrepreneurs. Moreover it provides pointers for future interventions, such as trainings, business services, as well as for the lobby and advocacy agenda.



Egzon Agushi  
Bletaria Egzoni, Kosovo

# 1. Introduction

SPARK develops higher education and entrepreneurship to empower young, ambitious people to lead their conflict-affected societies into prosperity. Those societies grapple with the complex effects of recent conflicts, including high levels of unemployment and limited educational opportunities for their people. Through entrepreneurship promotion and advocacy for an enabling business environment, SPARK aims to increase the number of sustainable jobs and economic prospects.

SPARK offers solutions and services to businesses and higher education institutions in 15 countries. Over the last couple of years SPARK has supported thousands of entrepreneurs to assist to start or to expand their businesses through business plan competitions, tailor-made business skill training, and financial services such as loan guarantee funds and grants.

This publication contains the results of a survey implemented by SPARK in the summer of 2013. The rationale behind this survey was to learn more about the effectiveness of SPARK's small and medium enterprise interventions. The survey interviews were conducted with almost 900 business owners that have been assisted through one of many SPARK programmes implemented as of 2006.

The survey was carried out in 9 SPARK project countries; Occupied Palestinian Territories (OPT), Bosnia and Herzegovina (Bosnia), North and South Kosovo (Kosovo), Macedonia, Montenegro, Serbia, Burundi, Rwanda, and Liberia. Interviews were held with entrepreneurs that have businesses ranging from developing environmentally friendly high-combustion cooking stoves in rural Rwanda, to designing new media applications to enhance education in Gaza city.

The resulting SME database turns out to be a rich source of business and market information for SPARK. Currently it is being used to facilitate matchmaking with potential

investors for instance. It also yields many insights into the needs and obstacles at business level that informs future interventions and the lobby & advocacy agenda of SPARK. Moreover the data is transferred to an innovative cloud-based business monitoring and tracking system that allows for building a longitudinal dataset.

This publication is a demonstration of how a survey can be an important tool to learn more about the effectiveness of SPARK programmes and to inform future programmes and advocacy. The next section describes objectives and methodology of the survey project in more detail. Section 3 describes the profiles of the business owners. Sections 4 and 5 highlight findings of the business performance, training and financing needs, business obstacles. Section 6 describes the multi-faceted linkages between entrepreneurship and stabilisation. Section 7 discusses the conclusions.

# 2. About the survey project

The objectives of the survey project were;

- a) To track and trace businesses
- b) To profile businesses
- c) To assess business performance
- d) To identify training and financing needs and business obstacles
- e) To compile a database for future monitoring (panel, client relation management, longitudinal data collection)

The objectives were met through a survey instrument with closed and open-ended questions. The survey questionnaire contains modules on the business and business owner profile, the effects of SPARK intervention, business performance, training and financing needs, and business obstacles. The survey questions were complemented with open-ended questions about the ambitions and hopes for the future of the owners and how they see their business contributing to stability and change in their communities.

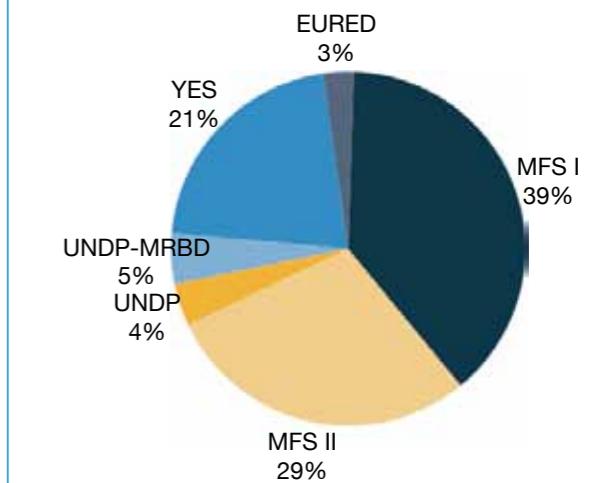
SPARK recruited independent surveyors and provided intensive training to the survey teams consisting of 3-8 persons in each project country. The lists of past beneficiaries came from the 20 local partners that SPARK has worked with. These lists were then divided into beneficiaries whose businesses:

- a) Never became operational;
- b) Ceased operations in the meantime;
- c) Ended up on the list, but never actually received assistance;
- d) Could not be traced back;
- e) Is still operational (the survey population)

The business owners have been beneficiaries of programmes funded by the Netherlands Ministry of Foreign Affairs (MFS I & MFS II), European Union (EURED), the United Nations (UNDP project in Burundi and UNDP-MRBD in Northern Kosovo), and the World Bank (YES in Liberia) (see Box). In countries where business plan

competitions were part of the programme, only the winners who have actually started a business were included. All beneficiaries whose businesses are still operational were contacted for a survey interview.

Figure 1 Distribution of sample over programmes



In total 1395 beneficiaries have been listed by SPARK's local partner organisations (See Table 1). Of those 1395 businesses 332 can be considered as failed. The majority of those 332 businesses were found not operational (anymore); a few could not be traced back. The percentage of operational businesses in the older MFS I programme is much lower than the newer programmes, therefore time seems an important variable in measuring success rates.

The survey population, the number of businesses supported by SPARK that were found operational, was calculated at 1063. The survey was held with as many businesses owners as possible and the eventual number of surveys conducted is 868. With a response rate of 81.5% the sample is representative of SPARK's supported businesses, by all standards. Moreover, considering the large and diverse sample, the findings are indicative of the businesses in each country at large.

#### BOX 1: SPARK PROGRAMMES

**MFS I** (2006-2010): In collaboration with local civil society stakeholders such as municipalities, universities, chambers of commerce, business associations and other relevant parties, SPARK set up Business Start-up Centres (BSC) in the new Western Balkan states of **Macedonia, Bosnia-Herzegovina, Montenegro and Serbia**. The BSCs develop courses on entrepreneurship and provide a diverse array of integrated services for aspiring and existing entrepreneurs, such as business plan competitions, business skill training, expert consulting, provision of workspace at strongly reduced costs and access to loans (through a revolving fund) at favourable conditions.

SPARK is the lead organisation of **MFS II** (2011- 2015), in partnership with BiD Network, running the Enterprise Development Programme. MFS II aims to contribute to sustainable economic development in five post-conflict countries: **Kosovo, Liberia, the Occupied Palestinian Territories, Burundi and Rwanda**. The programme focuses on three pillars; support of SMEs, development of partner capacity and lobby & advocacy for an improved business environment.

The Mitrovica Regional Business Development (**MRBD**) Project was designed to support enterprise development programmes in **Mitrovica (Northern Kosovo)**. The prime target groups being potential and existing entrepreneurs from the Mitrovica area with at least 20% of total planned micro-credits delivered amongst women. The micro-credits were supplemented with skill trainings.

Youth, Employment Skill programme (**YES**) organised business trainings for about 200 existing businesses in

5 counties in **Liberia**. The focus of these trainings was on their needs to manage and to stimulate the growth of their activities.

Together with the **Burundi** Business Incubator (BBIN), SPARK developed a Rural Entrepreneurship Project in Burundi's southern provinces Makamba, Rutana and Bururi. The project supports informal associations of returnees. Upon their return, **UNDP** has supported them to develop business activities and form associations or cooperatives. To this end, SPARK and BBIN developed training programmes that facilitate understanding of how businesses work even for illiterate and innumerate people.

In order to create favourable conditions for development and support of SME's in **Eastern Kosovo**, the Support to Economic Development of Minority Communities in Eastern Kosovo (**EUred**) develops municipal mechanisms for support of SMEs through sustainable Business Service Centres, technical and financial support outreach and empowerment through networking.

Table 1 Summary table of the Survey Project

	Reported Nr# Beneficiaries	Non-operational Businesses*	Operational Businesses	Survey Population**	Nr# of Survey Interviews
Bosnia	269	132	50.93%	137	124
Kosovo	217	63	70.96%	154	136
Macedonia	138	48	65.22%	90	30
Montenegro***	94	24	74.47%	70	66
Serbia	125	45	64%	80	73
Burundi	77	5	93.5%	72	58
Rwanda	70	4	94.29%	66	52
Liberia	311	6	98.07%	305	246
OPT	94	5	94.68%	89	83
<b>Totals</b>	<b>1395</b>	<b>332</b>	<b>76.43%</b>	<b>1063</b>	<b>868</b>

\* Non-operational businesses are considered: 1) BPC winners that didn't start, 2) Businesses that stopped operating, 3) Businesses that could not be traced back

\*\* Survey population is total reported population minus non-operational businesses

\*\*\* Not final count, there is still a number of businesses of which the status is unknown

### 3. What type of businesses has SPARK supported?

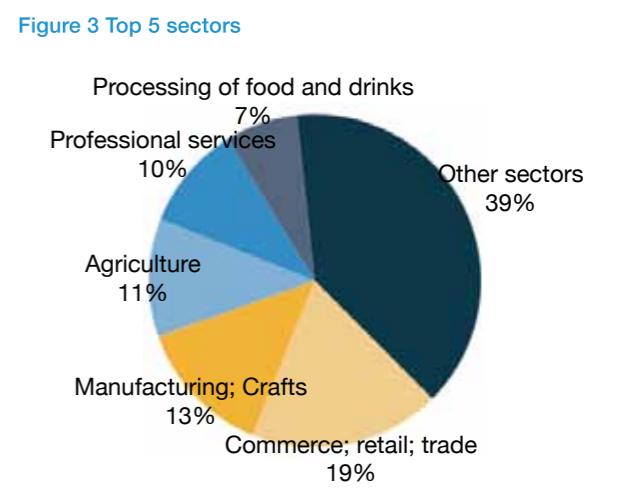
**This section describes the profile of the SPARK supported business. It is very important to have a breakdown of the businesses by gender, age, size, and sector, in order to learn how well the programmes are being targeted and what type of business is worth future support.**

#### 3.1 Start-ups versus existing businesses

All programmes of SPARK have been open to aspiring entrepreneurs and owners of existing businesses. With the exception of the YES programme in Liberia, which was only targeted at existing businesses. By and large the biggest group of beneficiaries are existing businesses (See Figure 2). There is something to say in favour of support to existing businesses as they have a proven business record and less likely to fail. Start-ups however are more likely to innovate and have the potential, once a market has been found, to rapidly grow and scale up.

#### 3.2 Sector and size

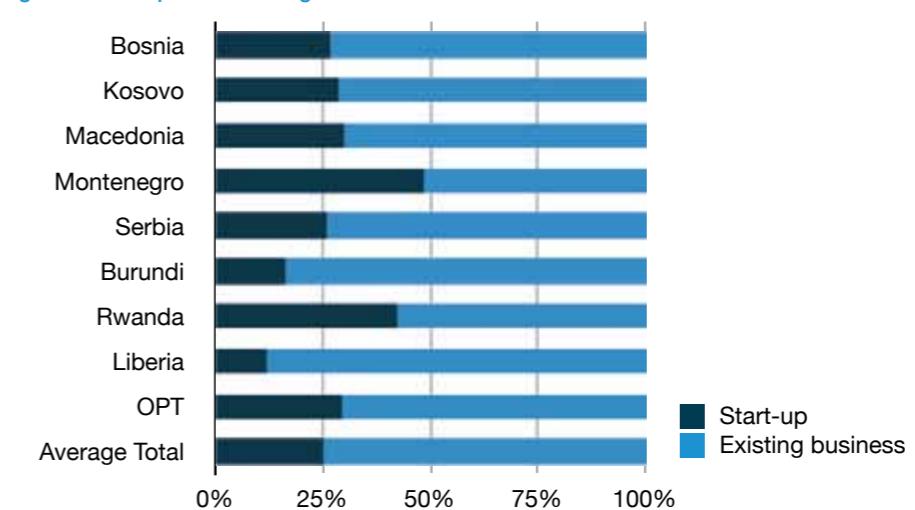
The top 5 sectors show that the largest group of SPARK beneficiaries work in commerce and retail, followed by small-scale manufacturing (e.g. carpentry and tailoring) and agri-businesses (See Figure 3). Almost 40% of beneficiaries work in other sectors, indicating that SPARK businesses operate in a wide array of sectors. The 'other sectors' cover lifestyle businesses (e.g. hair and beauty salons), creative industries (new and old media), community service businesses (e.g. child day-care), hospitality (e.g. hotels and restaurants), mining, transport, fisheries and more.



Female entrepreneurship yields different types of businesses. According to the survey female entrepreneurs are not overrepresented in sectors that are typically occupied by women such as lifestyle businesses or processing of food and drinks, while women are under represented in heavy sectors such as mining and basic metal production. Start-ups are generally associated with new media companies in the creative sector, according to the survey there is no bigger representation of start-ups in the creative sector however.

Each country and each agency yields another definition of firm size. Figure 4 shows the firm size according to the UNIDO definition of micro, small and medium enterprises

Figure 2 Start-ups and Existing Businesses



for developing countries. SPARK mostly supported and started micro and small sized businesses. The UNDP programme in Burundi also created cooperatives that are counted as 1 enterprise.

### 3.3 Gender

Gender mainstreaming and economic empowerment of women is high on the agendas of international donors. SPARK has also made it a top priority and has set an ambitious goal of supporting 50% female entrepreneurs in its recent programmes. In newer programmes such as MFS II, UNDP and YES programme SPARK gets close to that ambitious goal. With the older programmes included, women comprise on average 30% of SPARK's beneficiaries (See Figure 5).

The survey was conducted with individual business owners, while some businesses, however, are owned by multiple persons. Figure 6 shows that almost 35% is female owned, that is a little bit higher than just the owners that are beneficiaries of SPARK. Graph 7 also shows that SPARK has done significantly better in recent programmes such as UNDP and MFS II to be inclusive to women in comparison to MFS I for instance.

### 3.4 Age and Education

SPARK programmes are aimed at engaging youth between 18 and 35 in entrepreneurship, especially recent graduates from higher education, as there are usually very few opportunities for them. Figure 7 shows the minimum age, average age, and maximum age of the beneficiaries at the time they entered SPARK's programme. At the time of the interview MFS I (2006-2010) beneficiaries were many years older than when they entered the programme.

A little over 50% of the respondents were between 18-35 y (see also figure 26), indicating that the maximum ages in the figure below are rather outliers. The average age of the business owners per country is between 33 and

37, indicating that just out of education youth are still not being reached well enough.

SPARK cooperates closely with universities and offers business opportunities to students directly, so as to reach young ambitious entrepreneurs. This also means that entrepreneurs who received tertiary education are overrepresented compared to national statistics. This is most apparent in Occupied Palestinian Territories where SPARK engages with Bir Zeit University in East Jerusalem. There for instance over 80% have enjoyed undergraduate and graduate level education. On the other hand the UNDP project was targeted at returnees in rural Burundi, some beneficiaries have not received any formal education at all, and some vocational training or attended religious studies (Other).

Figure 4 Head Count Size Enterprise per Programme

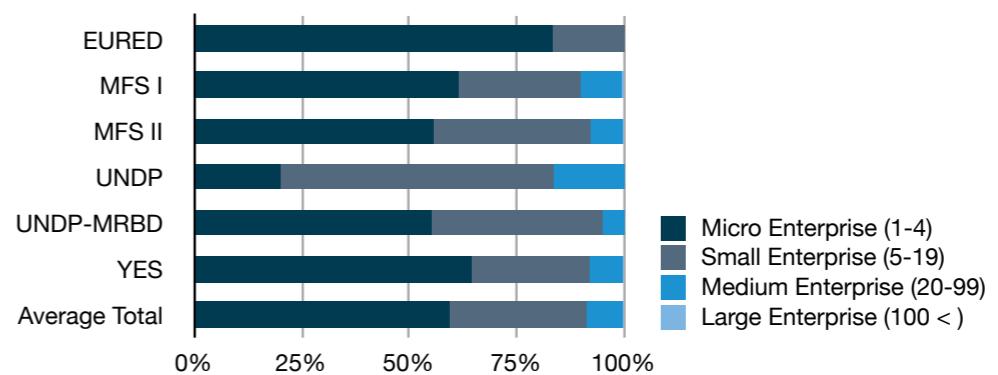


Figure 5 Gender Respondents

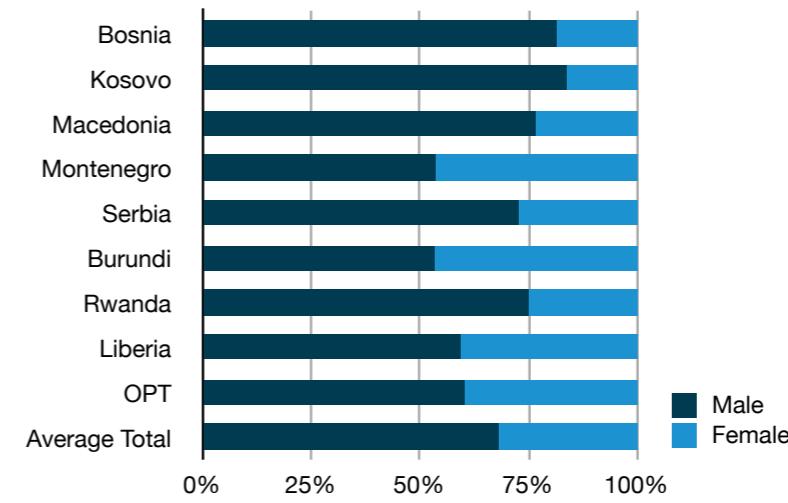


Figure 6 Percentage female ownership

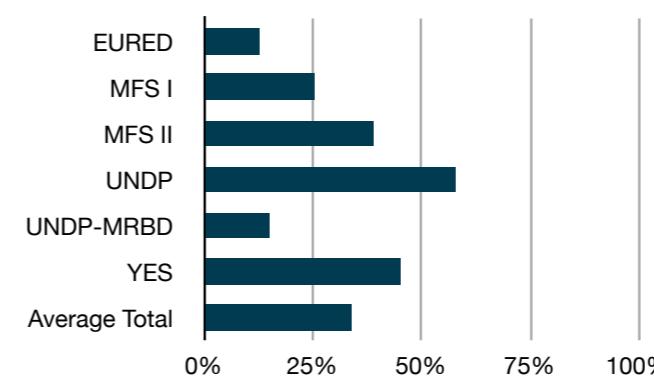


Figure 7 Minimum, Average and Maximum Age

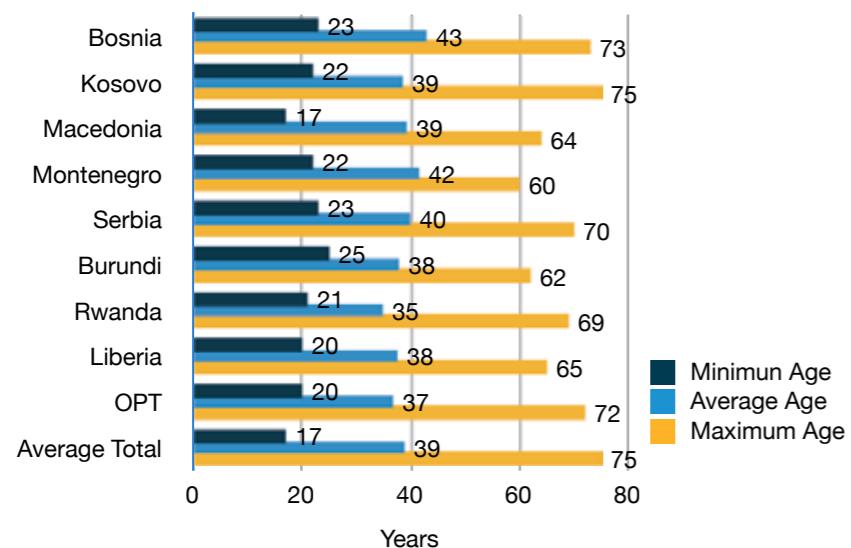
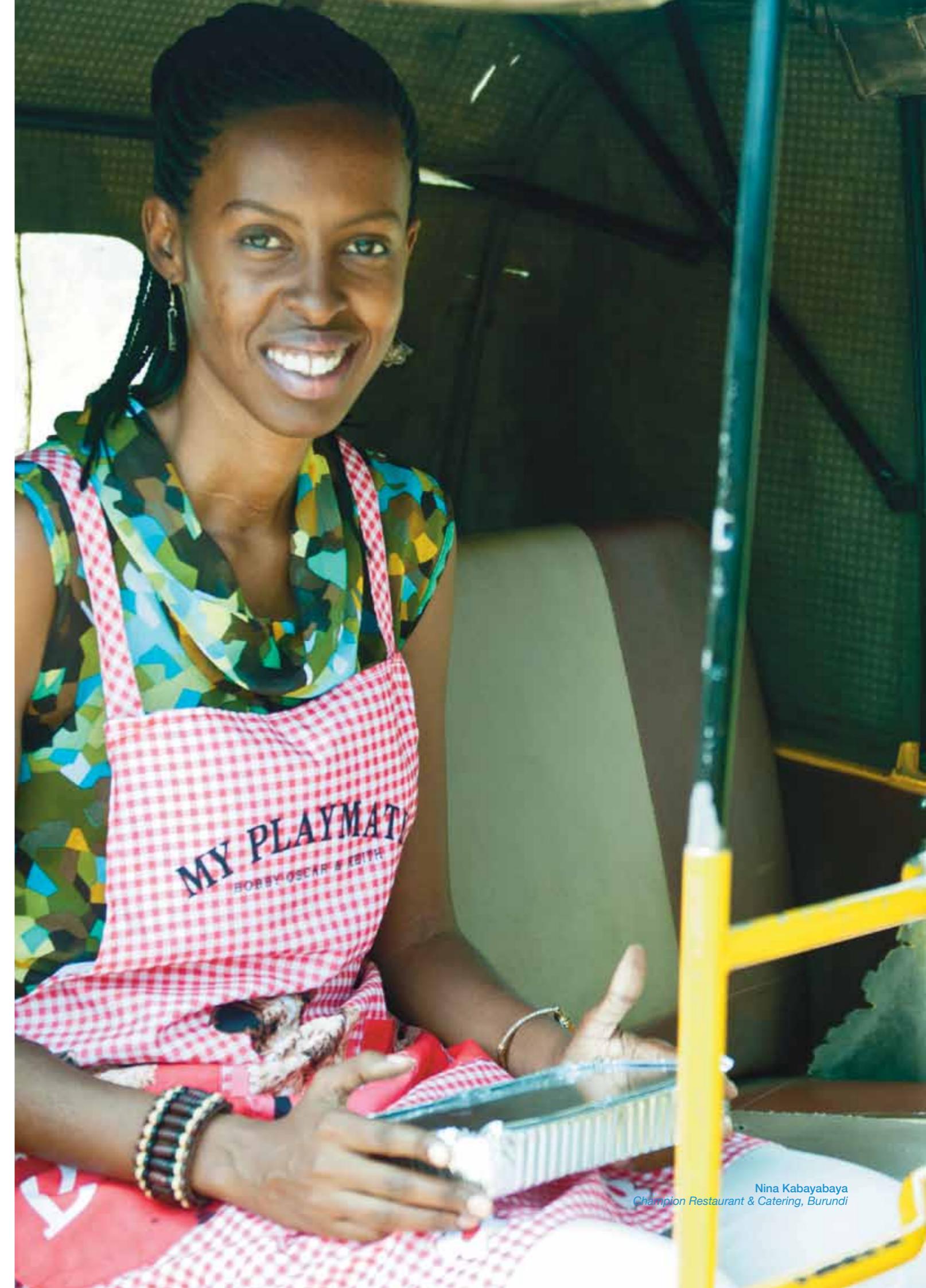
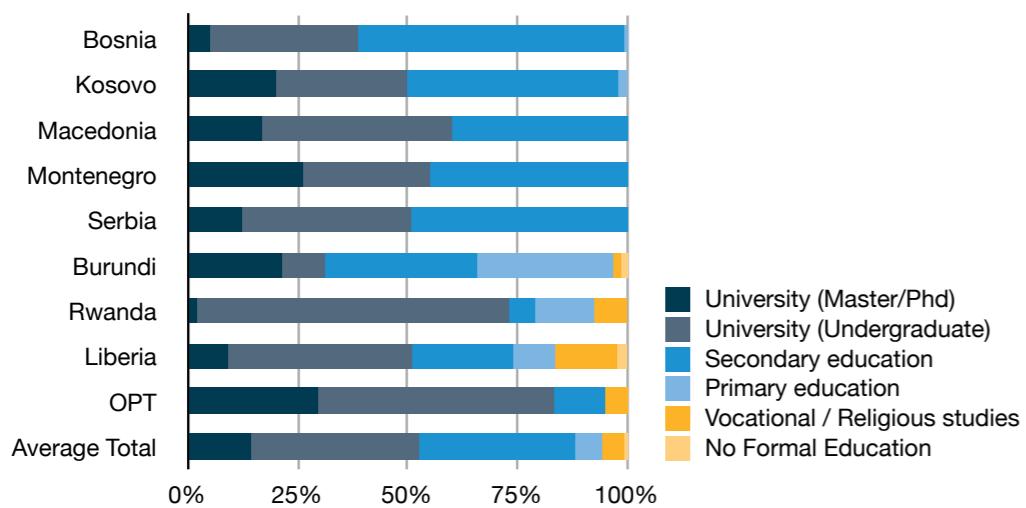


Figure 8 Highest Level Education Received



## 4. Are SPARK supported businesses successful?

All beneficiaries interviewed are running an operational business; that alone can already be considered a success. In order to keep providing relevant and targeted services and solutions it is indispensable to SPARK to know which businesses are profitable, which businesses create more jobs, and which businesses report positive change in sales.

This section explores qualitative performance indicators by country, programme, gender, age, and start-up. It is extremely hard to get reliable monetary data on sales and profits, business owners consider this as secretive business information and in some cases business owners simply do not have the right systems in place to record sales and profit. For instance:

- 8.5% do not have a bookkeeping system yet,
- 5.6% does bookkeeping by memory,
- 13.6% say their bookkeeping is not kept up-to-date,
- 19% does not have a bank account,
- 22% does not have a documented business plan, and
- 45.7% does not collect, document and analyse business data (MIS system).

### 4.1 Profitability and sales

By and large SPARK businesses are profitable (graph 9 and 10). There are no striking differences between businesses run by women or men and/or between businesses

run by youth and non-youth. Existing businesses are doing slightly better than start-ups, that is not surprising as the have a proven business record. About 30% of start-ups

Figure 9 Profitability by gender, start-up, and youth

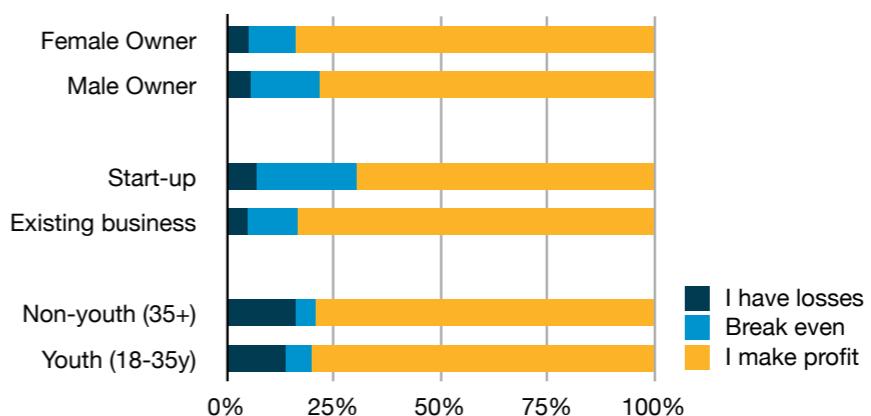


Figure 10 Profitability per country

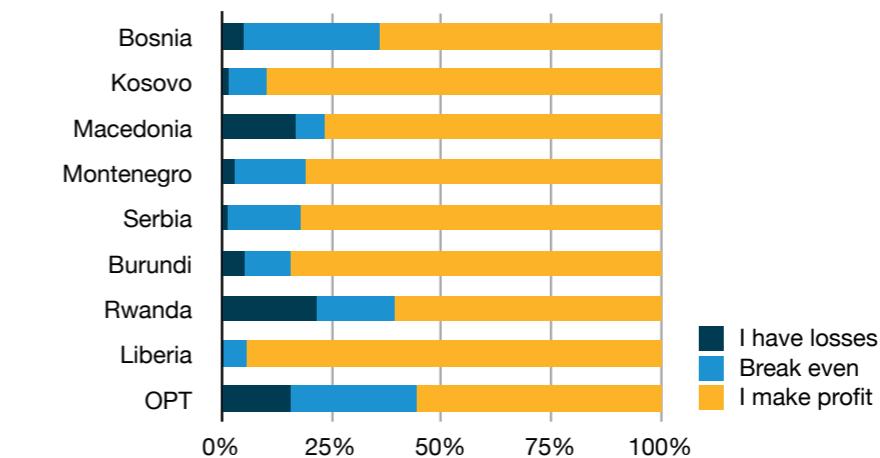
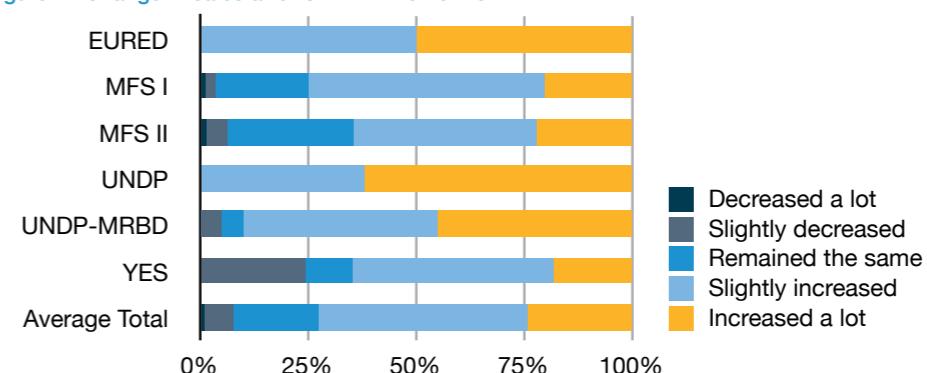


Figure 11 Change in sales after SPARK Intervention



are struggling to become profitable, while less than 20% of existing businesses are struggling.

There appears to be significant differences in percent age of profitable business between the countries. For instance in Occupied Palestinian Territories, Bosnia and Rwanda almost 35-45% of businesses are not yet profitable. Whereas in other countries there are very few businesses that reported breaking even or claiming losses.

The size of the businesses measured by sales of goods and services have increased for most entrepreneurs in all programmes. By and large they reported a positive change in sales after involvement with SPARK (See Figure 11).

There are no apparent differences in increase of sales

between male and female-headed businesses, start-up and existing businesses, or businesses run by youth.

#### 4.2 Job creation

Job creation is central to SPARK's mission and vision, as it diminishes the potential for conflict, increases self-reliance and economic development. Job creation is therefore considered one of the most important aspects of a business' success. Indicators on job creation are prominent in SPARK's reporting and monitoring and evaluation system. The data shows that on average female led businesses created more jobs than male led businesses. Reportedly existing businesses created more jobs after SPARK intervention than businesses that started from scratch. Also there is a significant difference between non-youth and youth.

Figure 12 Change in sales after SPARK intervention

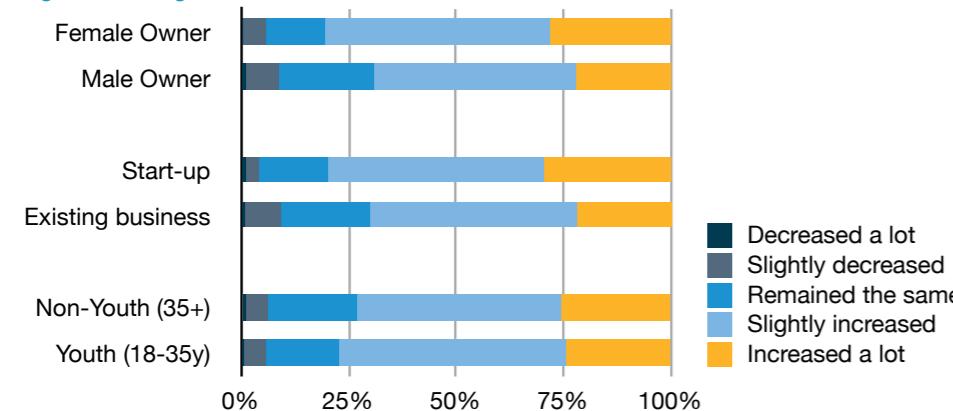
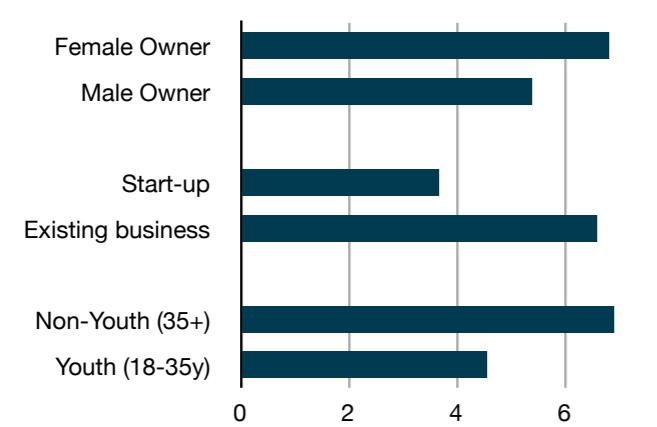


Figure 13 Average Number of Jobs Created per Business by Gender, Start-up, Youth



The differences between each programme are significant. The UNDP programme was aimed at creating cooperatives. MFS II is a lot more successful in terms of average created jobs than MFS I. Figure 15 shows the average number of jobs created since their start-up with assistance from SPARK.

Comparing businesses started in 2009 up to 2013 it appears that start-up businesses create more jobs over time. These are numbers aggregated from different companies in different countries, but once longitudinal data is collected this can be monitored on company level. In total 4905 jobs were created since SPARK's involvement (See Figure 16). In reality this number will be higher as some of the beneficiaries have not been interviewed.

Since female-headed businesses only comprise 30% of the total survey population they have created less jobs as a total. However on average they create more jobs (see figure 14). This suggests that there is much job growth potential by focusing more on female entrepreneurs.

There are also fewer start-ups included in the survey sample, therefore the aggregate number of created jobs is less than existing businesses. On average start-ups also create less jobs. Youth and non-youth are equally represented. Older entrepreneurs create more jobs in total and on average.

Figure 14 Average number of jobs created per business by programme

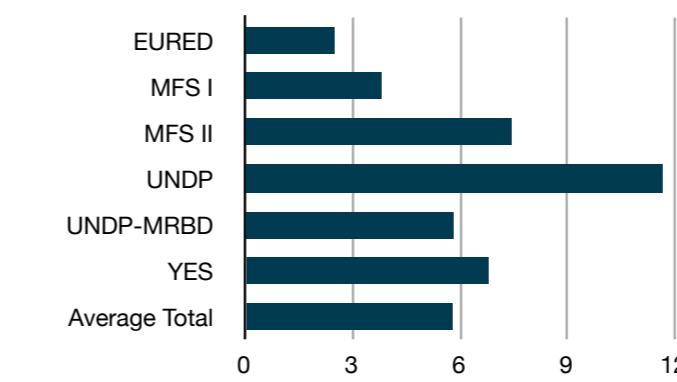
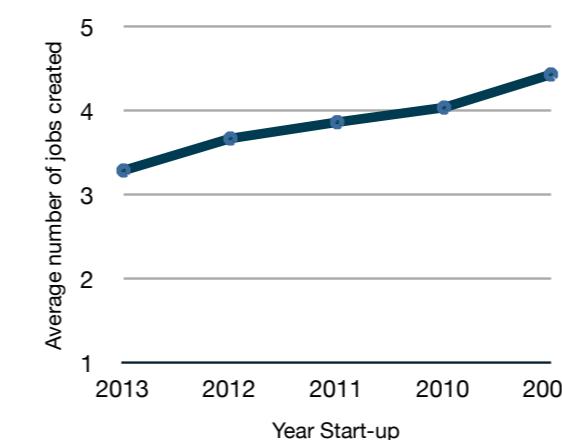
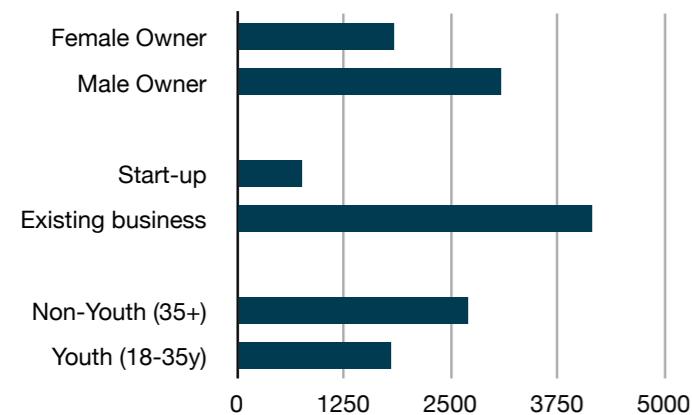


Figure 15 Average number of jobs created and year of start up



## 5. What are the obstacles for a business to become successful?

Figure 16 Sum total jobs created



In countries that grapple with the complex effects of recent conflicts numerous obstacles trouble the business environment. Removing business barriers in order to promote entrepreneurship, enhance trade, and stimulate economic growth, is high on the agenda of international organisations. Also SPARK has made business barrier removal central to its lobby and advocacy support to partners and intervention strategy in many programmes.



## 5.1 Business obstacles

Figure 17 shows the top 10 business obstacles, according to the severity of the business obstacle. The extent these obstacles are impeding factors in running a business was expressed as minor obstacle, moderate obstacle, major obstacle and severe obstacle. Figure 17 also shows the percentage of respondents for whom it is not an obstacle.

There are four obstacles in the top 5 that are directly related to access to credit or can be solved with credit.

Figure 17 Top 10 business obstacles

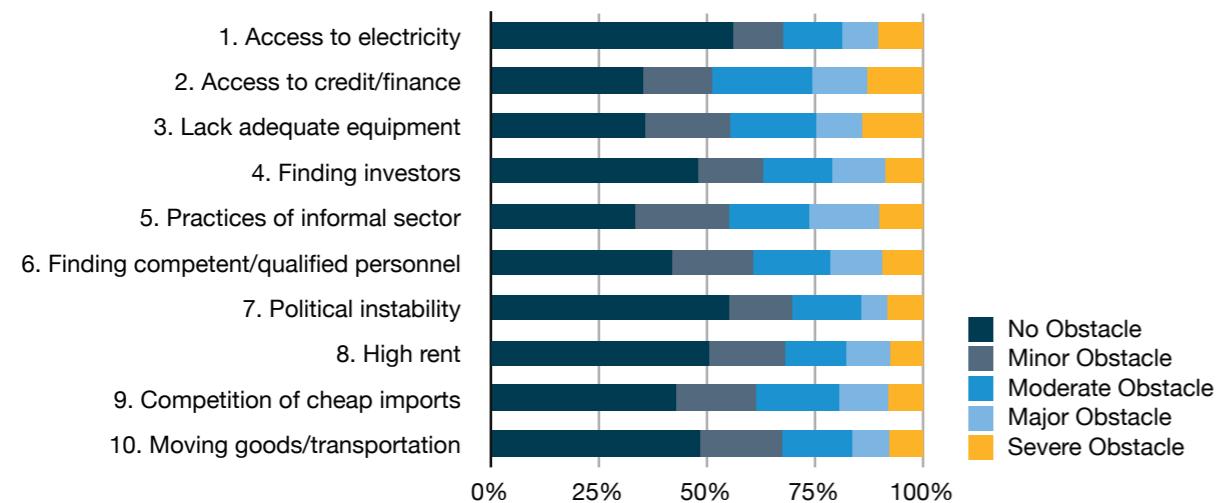
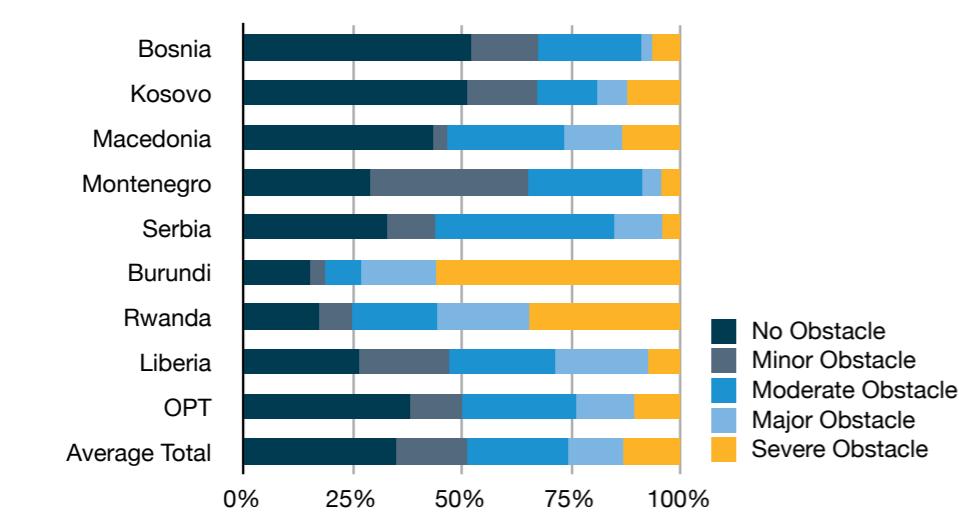


Figure 18 Access to credit/loan



There are two obstacles that derive from competition i.e. the informal sector and cheap imports. Lack of skilled labour is also a major obstacle. Political instability is the only obstacle in the top 10 that directly relates to conflict affected states, but is only for a small percentage an impeding factor to running their business.

## 5.2 Finance obstacles

Access to credit/loan is one of the most severe obstacles, for those who experience it as an obstacle. At the same time on average 30% doesn't experience it as

an obstacle at all, this either means they can satisfy their credit needs, or they are simply not in need of credit. The vast majority still has credit needs, especially in Rwanda and Burundi a high percentage experience access to finance as a severe obstacle.

Lack of adequate tools and machinery might be different per sector, but across the board this was mentioned as one of the biggest obstacles. This could be a computer or a machine to work the land. A technology upgrade could increase productivity, resilience and competitiveness. Especially in Rwanda and Burundi a lack of adequate tools and machinery is experienced as a severe obstacle. Figure 23 confirms that credit could be used for a technology upgrade.

Finding investors is for about half of the respondents not an obstacle. This either means that they have already found investors or they are not looking for any. There is still a vast group for whom finding investors is an obstacle. There are certainly opportunities to connect businesses to potential investors.

## 5.3 Financing and training needs

Access to finance is by everyone's admission a serious business barrier in low and middle-income countries.

This is confirmed by the survey (see graph 19). About 70% of the respondents consider taking (additional) loan (Figure 21), this is consistent with the percentage that experience access to finance as a business barrier. The amounts needed to satisfy credit needs vary between 100 to 500,000 Euros.

There is always a concern that credit may be used for non-income generating or consumptive uses. The reported intentions of how to use funds show little evidence of that however. Consistent with the business barriers there is a need for a technology upgrade of the businesses in order to become more resilient and competitive. Business infrastructure (workspace, electricity, et cetera) and market products and services are other primary uses. About 20% would use it to hire more people, indicating that for the vast majority providing (more) credit would not directly lead to more job creation.

The training needs are consistent with the business barriers and uses of credit. More than half of the respondents indicated that their technical skills are not meeting the requirements to run their business effectively. A quarter of beneficiaries have indicated that they still miss business skills that could be met with management, marketing and financial skills training.

Figure 19 Lack adequate tools and machinery

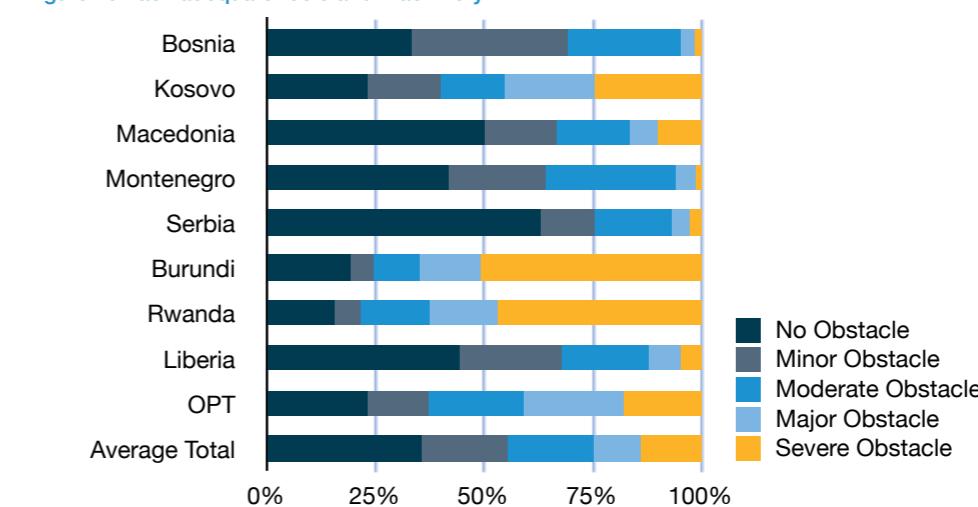


Figure 20 Finding investors

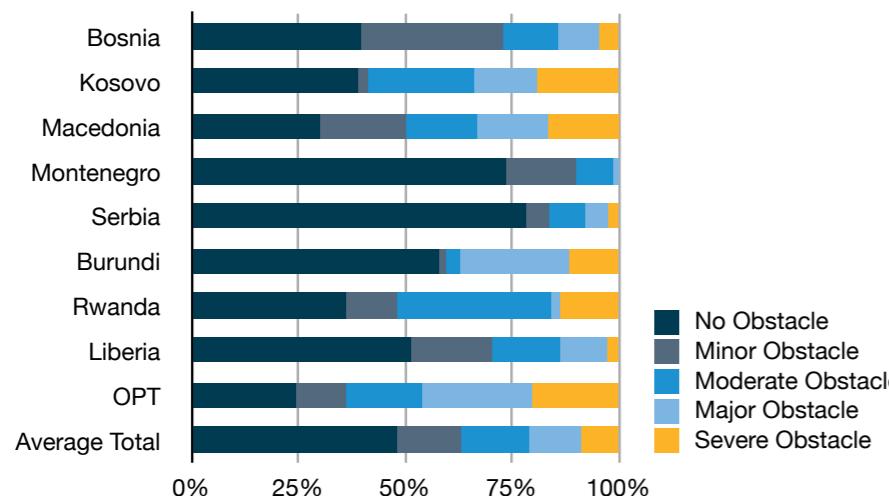


Figure 23 Training need

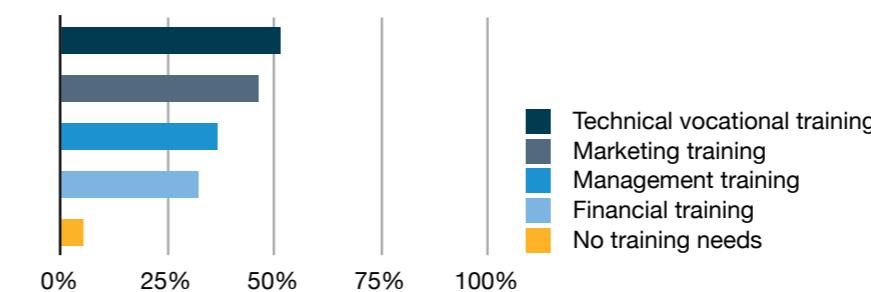


Figure 21 Considering taking additional loan

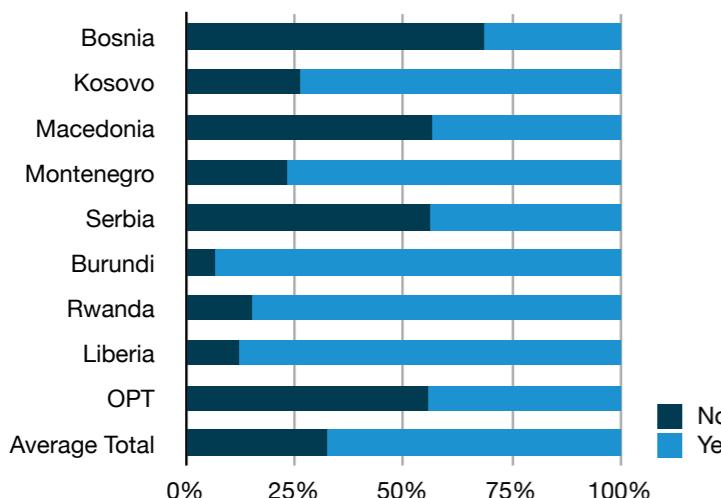
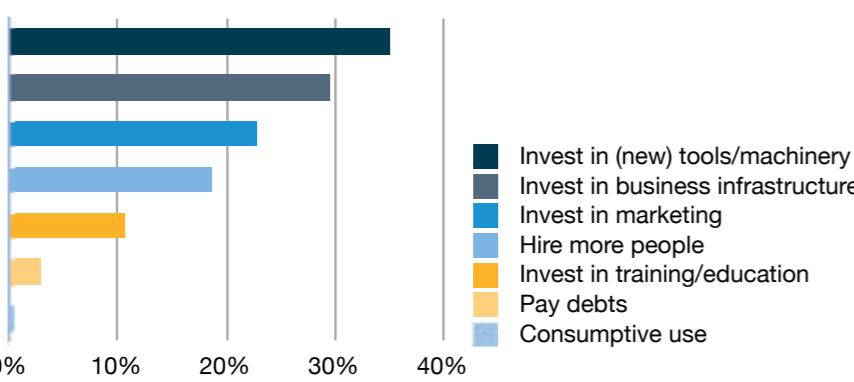


Figure 22 Uses of credit



## 6. Do businesses contribute to stability?

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**SPARK builds on the theory of change that entrepreneurship contributes to stability. Most entrepreneurs endorse this. There is no indication that business owners experience instability directly as a major impeding factor (See Section 5.1). However entrepreneurs are generally aware that their business activity can contribute to the prevention of violence and resolving conflicts, both directly and indirectly.**

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### 6.1 Inclusive economic activity

Economic development that is inclusive of groups that have otherwise difficulties finding work, such women and youth, is an important aspect of SPARK's idea of stabilisation. There are measurements of this, 1) jobs created for youth and women, 2) businesses run by youth and women. Out of all jobs created on average 72% is occupied by youth and 39% by women (see Figure 24). The percentage of created jobs occupied by women and youth differ from country to country.

Figure 25 shows that female business owners create more employment for women than male owners. In order to reach out to women you need female entrepreneurs. Figure 25 also confirms that some programmes have been more specifically targeted at women, such as the UNDP programme. Also in comparison MFS II has been more successful at targeting youth than MFS I.

Subsection 3.3 discussed the gender aspects of business ownership. Graph 6 shows the business ownership by youth and non-youth. This graph only includes those business owners who are beneficiaries of SPARK. About 50% of the business owners are youth. There is not much variation between countries, but in Rwanda and Macedonia SPARK has done considerably better to reach out to youth.

### 6.2 How do entrepreneurs see themselves contributing to stability?

There are different scales in which entrepreneurs see their business contributing, from the state and community to household level. These scales are interlinked. Conflicts are identified on the basis of ethnic affiliations, gender, political/rebel groups and marginalised groups. However business owners in Macedonia, Montenegro and to a lesser extent Serbia do not identify their countries with conflict or post-conflict at all, however they do recognise political instability as a barrier to doing business.

There are many different ways SPARK entrepreneurs see their business contributing to stability. Political instability is not mentioned as a top barrier, as most entrepreneurs identify their conflict and instability on community and household level. An exception is one entrepreneur who said, "we pay taxes, that helps the country to develop itself" (Male, 50, Burundi), and thereby identified his business with state building and state legitimization.

Youth unemployment is seen as a key problem. According to an entrepreneur in Liberia is "...an idle mind the devil's workshop. When they [youth] are busy, they wont have time for criminal activities." (Female, 32, Liberia). Also they may be prone to recruitment by armed groups, as an entrepreneur in Burundi explained; "by employment we avoid criminal behaviour and the recruitment by organized rebel groups." (Male, 33, Burundi)

Also inclusiveness of other vulnerable groups is mentioned as a way to contribute to the prevention of violence and resolution of conflict. One entrepreneur mentioned that "people living with HIV are often left outside the community, we help them to be independent" (Male, 26, Burundi). Another entrepreneur said, "I give jobs to ex combatants" (Male, 33, Burundi).

The inclusiveness also concerns women, providing work to them relieves domestic stress and conflict. An entrepreneur from Rwanda stated that, "conflicts start from within the family. When the family is poor, there is a risk of conflict. When people create jobs conflicts decrease. My business provides jobs to 13 people, among them are 7 women who all have families" (Male, 40, Rwanda). Another entrepreneur said, "by helping women finding job in which reducing the economic burden in the families so the family conflict will be reduced" (Male, 41, OPT).

Figure 24 Jobs created for youth and women as percentage total jobs

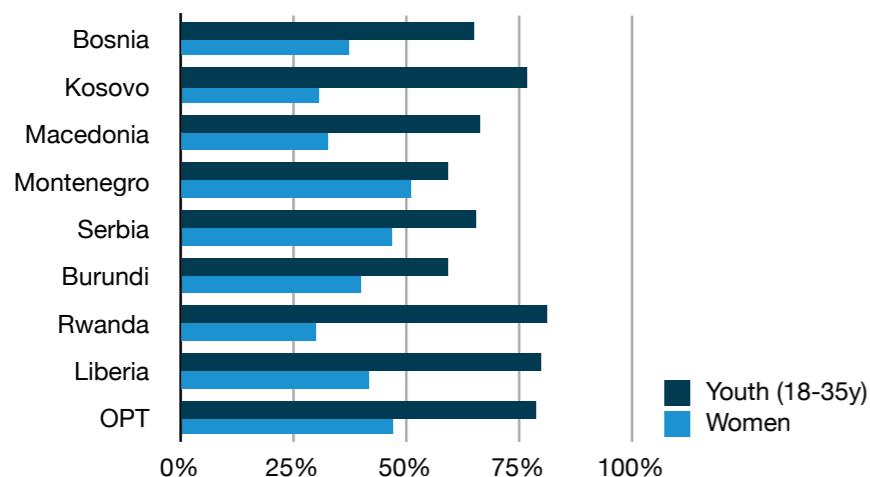


Figure 25 Jobs created for youth and women as a percentage of total jobs created

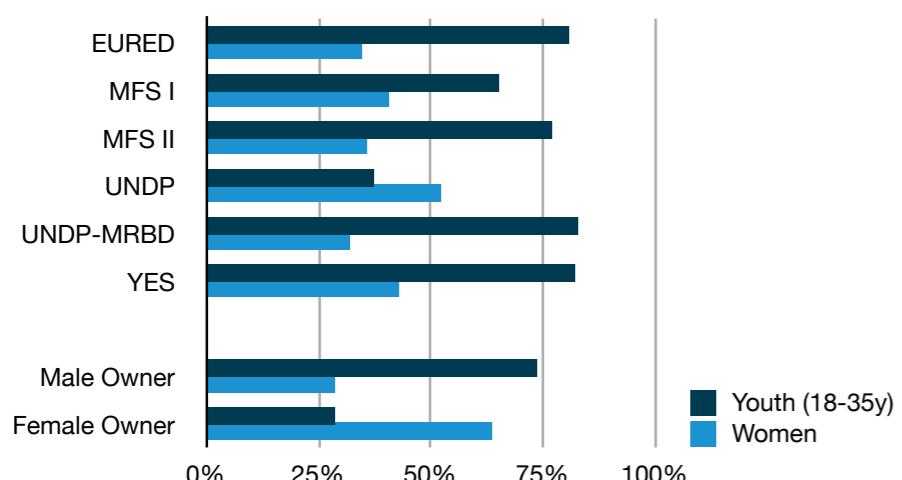
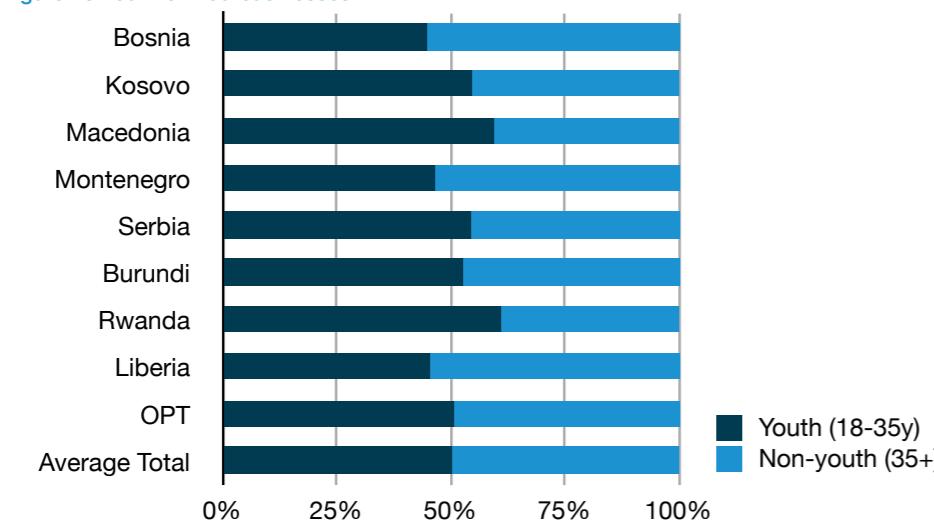


Figure 26 Youth owned businesses



A business is also a place to meet and to work with people from different backgrounds, as an entrepreneur from Burundi has put it: “our enterprise has gathered all the youth with multiple political visions. We work together even if we do not share the same political vision” (Male, 25, Burundi). Or, “my customers are Serbs, Albanians and Roma, and they are all equal to me” (Male, 35, Kosovo).

Entrepreneurs see themselves also as examples for their community members. For instance a female entrepreneur can inspire other girls to become like her. “A success story of a girl will help every girl to initiate a project to do a similar job, and a lot of these projects contribute to reducing family violence” (Female, 25, OPT)

There are also instances where (local) cultural practices are performed in businesses. For example one farmer in Rwanda said, “after we sell our crops, we make a small party to celebrate and then we take this opportunity to resolve different conflicts among us and in our family in general” (Female, Rwanda, 42)

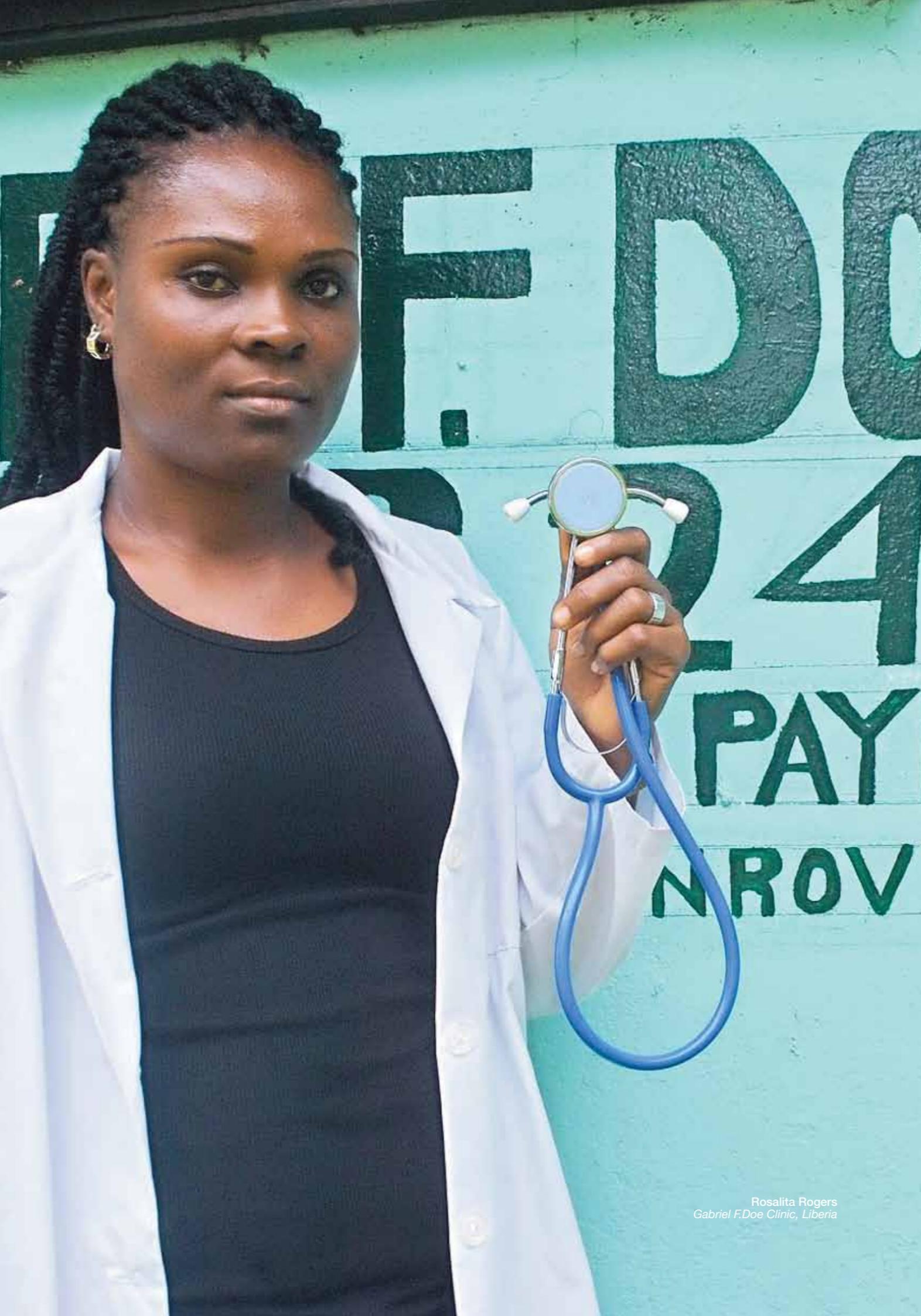
Other entrepreneurs see their business contributing through the products and services they sell. For instance, “entertainment of community helps lowering people’s stress rate and also offers attractive place to spend free time” (Male, 37, Kosovo). Another entrepreneur said, “by providing services that are desirable and wanted by all communities they are helping in overcoming the antagonism between South and North Mitrovica” (Male, 31, Kosovo)

Others provide services and goods that enhance learning and communication; essential tools to prevent conflicts. “[I] spread the culture of dialogue through smart phones programmes” (Female, 27, OPT) and “action billboards help mitigate the violence and conflicts between people” (Female entrepreneur, 30, OPT). Another entrepreneur emphasised education as a tool. “In my opinion, my

business is helping preventing violence and conflict in the community by building human capacity through the teaching of the kids and youth of the community” Male entrepreneur, 33, Liberia

Conflict sensitive business practices are also mentioned as a way entrepreneurs prevent conflict. One entrepreneur said, “continuous development of the business contacts is potential key for resolving conflicts and preventing violence” (Male, 61, Kosovo). Some business owners even see they have a social responsibility. One entrepreneur from Bosnia mentioned, “the development component of our business in rural areas allows members of all nationalities the right to lead a dignified life” (Male, 31, Bosnia)

Socially responsible business practices also hold for NGOs and international organisations. Despite the overall positive change associated with interventions in enterprise development, a very few also pointed out that intervening agencies can become an actor in a conflict or stir conflicts. This reminds us of the importance of conflict-sensitive and do-no-harm approaches in development. An entrepreneur in Kosovo revealed that “many of [his] neighbours want to get a greenhouse as a grant too, but at the moment they can’t, so they are not too happy about it.” (Male, 34, Kosovo).



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## 7. Conclusions

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**The SME survey has been an important learning exercise for SPARK and allows us to draw a number of relevant conclusions on both the utility of the SME survey, and from the findings.**

From the survey results, firstly, a number of valuable lessons can be drawn regarding the success of our programmes' targeting. We have a better answer to the question: whom do we actually reach with our interventions? Generally, we see that programmes are getting better at reaching women and youth. Youth now make up 50% of beneficiaries, and women 30%. However, the average age of the business owners per country is between 33 and 37, indicating that just out of education youth are still not being reached well enough, or that the surviving businesses are run by older persons.

And since SPARK programmes specifically aim to target youth, we need to further research why many of the supported businesses are actually run by people in their mid-thirties. There is not much variation between countries, but in Rwanda and Macedonia SPARK has done considerably better to reach out to youth. Also, we see more and more existing businesses receiving support, and that these existing businesses do better in job creation than start-ups. This means we need to better look at supporting those start-ups that will grow and create employment. And further investigate why youth-run businesses have difficulties in creating jobs and growing.

Furthermore, the survey shows that SPARK has mostly supported and helped start micro and small sized businesses. (1-4 and 5-19 employees). The UNDP programme in Burundi also created cooperative enterprises, which are counted as 1 enterprise, but which involve more employment. We will need to better track over time if and how the supported micro-enterprises are in fact able to grow and create employment, and provide tailored services to them to enable them to do so. Also, services, most likely in the financial realm, but also more advanced business coaching, needs to be provided to help small businesses grow into medium-sized ones.

On business performance, the survey shows that by and large businesses are doing well in terms of profitability and increase and sales. Start-ups are struggling more. Jobs created seem to reach youth and women quite well, at 72% and 39% as the share of all jobs created in supported businesses. Also, businesses report that they have experienced a positive change in sales after involvement with SPARK. However, with the level of aggregation of the data, and with so many different programmes and programme design, it remains very difficult to point to explanatory variables of performance. Further research into sub-sets of the surveyed businesses is needed to better understand what has caused financial growth and profitability increases, and in which sectors

and countries.

An interesting finding is that of the two major SPARK programmes (MFS I and MFS II), MFS II is a lot more successful in terms of average created jobs per business and total created jobs than MFS I. MFS II was also more successful at targeting youth and women than MFS I. MFS II created more jobs on average for youth, MFS I, however, created more jobs for women on average. Youth headed business create less jobs, focussing on youth started businesses may therefore be less effective. Comparing businesses started in 2009 up to 2013 it appears that start-up businesses do create jobs but more so over time.

A number of conclusions can be drawn regarding the obstacles businesses have said they face, and there are important implications for future programme interventions. Technology upgrades and technical vocational training were identified as biggest need. A technology upgrade could increase productivity, resilience and competitiveness. Especially in Rwanda and Burundi a lack of adequate tools and machinery is experienced as a severe obstacle. Furthermore, the need for credit was identified as big. Addressing this need could solve also many of the other obstacles prioritised. Only about 20% of the businesses which experienced a credit constraint, would use it to hire more people, indicating that for the vast majority providing (more) credit would not directly lead to more job creation. There is still a vast group for whom finding investors is an obstacle, and there are clear opportunities to connect businesses to potential investors. The market and business information the SME survey has yielded for SPARK can help reduce the risks for investors interested in new SME opportunities. A number of the business obstacles identified in the survey are in the area of business environment reform: legal barriers to accessing credit and investors; competition from informal sector businesses; and dumping of cheap imports. SPARK programmes should look more

closely at these often sector specific business barriers and support advocacy interventions that address them, including through strengthening business associations and business service providers to effectively lobby for their removal. We should particularly look at how this advocacy for improved business environment for youth entrepreneurship can act as a multiplier effect, and can increase the number of businesses that can more indirectly then be assisted to grow.

So, what has the survey shown us anything about the link between (youth) entrepreneurship development and increased stability? Unlike the image of entrepreneurs in pursuit of profit, the surveyed entrepreneurs see themselves as actors in the process of stabilisation, and contributing to resolution of conflict and prevention of violence but the ways they see themselves doing this is quite diverse.

Political instability is not mentioned as a top barrier, as most entrepreneurs identify their conflict and instability on community and household level. Many respondents from Montenegro, Macedonia and Serbia have indicated that they don't find the question to what extent there business contributes to stability relevant. This is probably testimony to the fact that political stability in their countries was high still at the time of the SPARK programme in the Balkans, but has improved since.

Finally, the survey has proven to be a useful programme monitoring tool. It provides baseline information now at the individual SME level that can grow into a longitudinal data set with which we can track business performance over time. Also, we obtain clear pointers for future interventions for specific businesses, and we have gathered market and business information that in fact will help us reduce the risk of future interventions, particularly in the area of accessing further finance by SMEs. We have now a way of seeing what business development services work and which may not for specific businesses, and

what barriers to growth they experience which allows SPARK to customise interventions but also to lobby and advocate for shared obstacles to be removed. Moreover, by having personal contact details of the SMEs, we can maintain a closer relationship, and obtain future information from panels of entrepreneurs on topical programme development or business environment issues.

In conclusion, we can summarise a number of issues identified in the SME survey that merit further research. Firstly, more analysis is needed to find out more precisely what works, which businesses are more successful or more likely to fail and why they fail (experience, networks, capital). Surveying the failed business in the sample frame would be a very important step to begin with. Secondly, more detailed and qualitative data is needed on the type of businesses that contribute to stability and what interventions can strengthen this effect of business development on stability, including probably interventions that directly help create a more enabling business environment. Finally, correlation computations, and longitudinal and follow-up surveys are required to determine just how sustainable the jobs are that SPARK supported businesses help create.

