Social Economy-Based Microenterprise as an Alternative Community Development Model
A case study in rural Peru

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Abbreviations

ADB  Asian Development Bank
ANDES  Asociación para la Naturaleza y el Desarrollo Sostenible
(The Association for Nature and Sustainable Development in English)
APEC  Asia-Pacific Economic Commission
ASOMIF Peru  Asociación de Instituciones de Microfinanzas del Perú,
CBD  Community Based (and Driven) Development
ENAHNO  Encuesta Nacional de Hogares (National Household Survey)
EU  European Union
FTA  Free Trade Agreement
GDP  Gross Domestic Product
IDB  Inter-America Development Bank
IDRC  International Development Research Centre
IIED  International Institute for Environment and Development
ILO  International Labour Organization
LSMS  The Living Standard Measurement Surveys
MMPs  Microfinance and Microenterprise development Programmes
The SE  The Social Economy
The park  The Potato Park
USAID  United States Aid
Abstract

This thesis examines the potential of a social economy-based microenterprise model as a new community development tool in the special context of indigenous Quechua communities in rural Peru where their socio-economic realities are substantially different from the modern society. Although, the social economy-based development policies are widely discussed in many Latin American countries, only little attention has been paid to the role of the social economic model in the community development discourse. Based on qualitative methods including observations, interviews and questionnaire survey, this study tries to answer whether the new model can be an alternative to conventional microenterprise model by counterbalancing the perceived problems, what kind of social and economic impacts it has brought to the researched communities and critically views whether it achieved its goals within the social economy framework. The results show that the new model proved to bring significant impacts in economic development such as income increases and diversification of livelihood strategies, both at the individual and community level. Also, it has brought some positive changes in the community in capacity building, solidarity enhancement among different community members and establishment of democratic system within the business groups as well as within the communities. The findings demonstrate the new model can play a significant role to some extent, however it requires further development to bring more fundamental and sustainable impacts covering bigger populations.

Key words: Social Economy, Community Development, Microenterprise, Microfinance, Indigenous development, Cusco, Peru
CHAPTER 1. INTRODUCTION

1.1 Research Problem

The extraordinarily successful dissemination of Microfinance and Microenterprise programmes (MMP) of recent decades is undeniable. They have been seen as effective and innovative anti-poverty instruments in community development, aiming income generation and empowerment of the poor, particularly women. The two terms, microfinance and microenterprise, are used interchangeably. However, they refer to different activities. Microfinance is mainly about lending money to the poor who do not have an access to the financial services; however, it does not limit itself only to microloans. It also includes micro-savings, micro-insurance and many others, while the latter refers to small-scale business supported by sponsors, usually microcredit institutions. Nevertheless, the biggest part of microfinance (microcredit) is used primarily to assist microenterprise developments providing with small loans to the poor to establish very small scale businesses (Midgley 2008:468; Berger 2006:3). Thus, in this thesis, the terms “microenterprise” will be used interchangeably with “microfinance” or “microcredit”, in reflection of their widespread use to refer to the same phenomenon. In addition, many international development and assistant organizations such as the World Bank, Inter-American Development Bank and Asian Development Bank are all using the two terms “microenterprise” and “microcredit or microfinance” as synonyms. Therefore, literature review on microenterprises will also include those on “microcredit/micro-lending/microfinance” in this study. Furthermore, microenterprises that are supported by microcredit programmes based on individual business units are identified “conventional microenterprise”, to differentiate them from the new model that is examined in the present study.

Countless victorious MMP stories have been disseminated and programmes have been replicated around the world regardless of being a developed or developing nation. However, recent research suggests that its impacts on poverty reduction and empowerment have not been significant as it hoped for (Banerjee et al, 2009). Also, there have been a considerable number of criticisms against MMPs, claiming that they have not only failed to contribute to poverty reduction but also have pushed the poor into a deeper poverty trap by making them rely on the single-problem approach, microlending (Bateman, 2010). Critics of MMPs claim that most of
the success stories appeared on PR materials of involved organizations and the media coverage with anecdotal case studies, but not many by rigorous examinations. Only a few studies have revealed success within MMPs and show that there have been positive impacts, such as income increases, supported by empirical data, but their methodological weakness have been pointed out (Chowdhury, 2009; Strier, 2010:197). Criticisms on microenterprises vary including insignificant contribution to macro-economic growth (Bateman and Chang, 2009), shifting state’s welfare responsibilities to the poor in the name of ‘self-help’, homogenising all of the marginalised population as potential entrepreneurs (Eversole, 2005), multiple burden for the poorest women (Maclsaac, 1997; Mayoux,1995:2) entrapping the poor within the informal economy\(^1\), not benefiting the poorest of the poor, destroying traditional socio-economic values by ignoring the local contexts, and limiting potential opportunity of employment in the formal system (Ahlin and Lin, 2006; Banerjee et al, 2009; Maclsaac, 1997; Mishara and Nayak, 2005).

Nevertheless, microenterprise development programmes are still strongly supported by the international development community as an important economic development instrument and is demonstrated through the significant role of microenterprises in low income countries. In Peru where the case project of this thesis is located, small and micro enterprises make up 97.7% of the nation’s industry, generate almost half of the nation’s Gross Domestic Product (GDP) and employ 70% of the economically active population (IDB, 2008). Because of this, microenterprise programmes as an anti-poverty tool have greatly promoted by the state and regional governments in Peru. According to Association of Microfinance Institutions of Peru (2008), the amount of money given to the micro-lending to support microenterprise development has increased by 39% within a year between 2007 and 2008.

Although, the country has achieved significant level of economic growth and poverty reduction in recent years, the rural poverty remains high at 60.3% compared to 21.1% in urban area in general. Additionally, the regional chasm is vast as 53.8% of the Andean region residents and 46% of the Amazon people live under the national poverty line compared to the population in coastal area shows 19.1% of poverty rate as of 2009 (Peruvian Government, 2010). This raises a question whether and to what extent the considerable investment in microenterprise supports

\(^1\) Informal economy refers "all economic activities by workers and economic units that are - in law or in practice- not covered or insufficiently covered by formal arrangements" (ILO 2002a cited in Hassmanns 2004).
has affectively assisted in the tackling the problems of the most marginalised communities in the country. Other Latin American countries that have strongly promoted microenterprises as a poverty reduction tool are not in very different situations. The living standard of the indigenous people that account for more than half of the population in Latin America has virtually remained the same for the last three decades (Partinos and Skoufias, 2007).

Traditionally, Latin America and the Caribbean have strong socialist background within their history. Accordingly, profound problems such as socio-economic inequality and exclusion have required resisting neo-liberal globalisation through more comprehensive resolutions in the social economy framework. The movement has been significant and actively reflected in development policies in recent years including Venezuela, Brazil, Argentina, Chile, Peru and Bolivia. The governments have extensively employed the social economy theory as an alternative model to tackle the development challenges (Gutberlet, 2009). The present study examines a social economy-based microenterprise which was created in line with these attempts. Lastly, this study entitles the social economy-based microenterprise as ‘social microenterprise’ for the convenience.

1.2 Research Case

This thesis examines a microenterprise project of Association ANDES (Asociación para la Naturaleza y el Desarrollo Sostenible)\(^2\), hereafter ANDES) that I carried out my internship with for five months. ANDES is a Peruvian non-profit indigenous organization that has been working on a number of community development projects with the indigenous Quechua communities in Cuzco department, the Andean regions of Peru, for the last 15 years. Cuzco department is one of the most marginalized areas in Peru with 75.3 % of the population living below the national poverty line and 51.3% in extreme poverty as of 2001 (Herrera, 2002:8). The region marks low level of education attainment, with at 40% of the population illiterate. Furthermore, 67% of households do not have access to clean water and 73% have no sanitary facilities (IIED, 2006).

\(^2\)The Association for Nature and Sustainable Development\(^*\) in English
ANDES’s programmes focus on strengthening the indigenous peoples’ socio-economic system, and protecting the local bio-cultural resources relevant to the conservation and development (ANDES, 2011). The organisation aims to build local capabilities and strategies for the community members to cope with the inevitable socio-economic challenges of globalisation by utilizing local capacities and resources (Argumedo and Stenner, 2008:5). ANDES’s community development projects are strongly driven by traditional Andean socio-economic values which are based on reciprocity, solidarity and collective well-being with other species. Among a number of programmes of ANDES within Cuzco department, this thesis studies ANDES’s microenterprise programme in the Potato Park3 (hereafter the park). As one of alternative community development models, ANDES employed a microenterprise within the social economy framework which characteristics and principles are very similar to the traditional Andean values, thus more tailored to the local socio-economic realities (Alejandro Argumedo, Executive director of Association ANDES, Interview, November 15 2010). ANDES’s microenterprise practically shares similar goals with conventional microenterprises such as income generation and empowerment; however, its characteristics and approaches are derived from the social economy theory which emphasises on the social dimensions of economic activities rather than pursuing individual financial benefits alone (Defourny et al, 2000). Further description of the project will be given in the Chapter 3.

Photo 1. The Potato Park, Pisaq, Peru (photographed by Daun Cheong)

3 ANDES created the Potato Park as a world’s first indigenous biocultural heritage (IBCH) “for local rights, livelihoods, conservation and sustainable use of agrobiodiversity” in 1998 (ANDES, 2011) and it is internationally well recognised. The park is located in the Sacred Valley of the Incas in Cusco department between 3,200 to 5,000 meters above sea level, comprises six Quechua communities embracing more than 6,000 people (ANDES, 2011).
The social economy-based microenterprise model is believed to generate positive socio-economic impacts, though it has not been tested or evaluated by the organisation whether it achieved its specific goals or the project actually brought wider impacts to the participant groups and to the communities as it hoped. Furthermore, the social economy-based microenterprise is a relatively a new concept compared with abundant discussions and researches on conventional microenterprises and social enterprises. There hasn’t been a published study on the new model in major journals yet. The lack of empirical data on this new approach motivated this study along with the perceived disappointments of the conventional model.

1.3 Objectives of the Study

By analysing the case project of ANDES, this thesis aims to examine whether the social economy-based microenterprise model can serve as a potential and sustainable alternative tool in community development. In addition, it attempts to evaluate the new model whether it achieves its goals in the local context by offsetting perceived drawbacks of the conventional microenterprises. Furthermore, it studies what kind of socio-economic impacts it has brought to the researched society by qualitative methods comprising of participatory observation, simple questionnaire survey and a number of interviews with stakeholders including the participants and the project managers.

This thesis tries to tackle the following question:

✔ What are the distinctive characteristics and expected outcomes of social microenterprise, compared with the conventional microenterprises?

✔ Has the new model achieved its objectives according to the principles of the social economy theory including individual and collective capacity building, democracy, solidarity and economic development such as monetary income generation and diversification of livelihood strategy?

✔ Has the new model been successful in solving the perceived problems of conventional microenterprises in the community development context?
1.4 Disposition

This chapter introduced the research problem, the case and research questions. In chapter two, as an introduction to the thesis, I provide an overview of the contextual background including the current social and economic circumstances of Peru, its indigenous population, brief explanation on microenterprise trends of the region and the researched communities. The following chapter presents theoretical background of the conventional microenterprise and its perceived drawbacks in community development context, and introduces the social economy, which the case study is grounded on. It presents the characteristics and implications of the social economy in development. It also explains how the special features of the case study differentiate itself from the conventional schemes. The methods of research are introduced in chapter four. Chapter five presents the analysis of field research data on its social and economic impacts. Lastly, key findings and conclusion are provided.

CHAPTER 2. BACKGROUND

Chapter two provides background information on the country, the researched group, microenterprise trends in Peru for a more well-round understanding of the contexts.

2.1 Country Profile

Peru is located in the west coast of South American continent, neighbouring Ecuador, Colombia, Brazil, Bolivia and Chile. According to the World Bank, the country has a population of 29 million as of 2009, being a young county with a third of the total population is under 15. More than 70% of the population reside in the urban area, mainly in the coastal region as of 2007. Peru is also a highly multiracial and multicultural country with 71 ethnic groups, most of them are from the Andean regions whose mother tongues are Quechua and Aymara (UNDP, 2009; UN 2011). Despite the country’s effort in institutional changes to strengthen the democratic system, high levels of public dissatisfaction with politics and public authorities was reported, and social conflicts are in increasing trend (University of Lima, Social
According to the World Bank, Peru is categorized as upper middle income country. The country has abundant natural resources and the mining industry is leading its economic growth. Since the 1990s, a considerable amount of economic reforms were carried out under the Fujimori government, including restructuring of the financial systems and privatization of public services (Gonzales de Olarte, 1996). The current Alan Garcia government is strongly promoting neoliberal economic interventions such as Free Trade Agreement (FTA) with Asian countries especially with China. The government has been successful in poverty reduction during the last few years, especially between 2005 and 2009, thanks to the recent unprecedented economic growth. The poverty rate fell 13.9% and extreme poverty declined 5.9% whereas the poverty rate remains above 60% in some rural areas (World Bank, 2011). Also other study (Yancari, 2009:10) claims that the population in poverty decreased from 48.6% in 2004 to 38.9% in 2007. However, regional gap demonstrates big differences between regions. While urban areas achieved an 11.4 % poverty reduction, in the same period, rural poverty rate showed only 5.6% decrease (ibid.). The major progress in poverty reduction has been made in the urban areas including the Lima metropolitan area and the coastal areas. The sierra and jungle areas remain as the most marginalised (Peruvian Government, 2010). In addition, the chronic malnutrition rate remains at a high level, especially in rural populations marked at 40.3% between 2007 and 2009 (World Bank, 2011).

### 2.2 Indigenous Populations in Peru

Almost half of the total population in Peru consists of indigenous people, mainly Quechua and Aymara speaking population, and most of them reside in the Andes and the Amazon areas. According to the 2000 LSMS\(^4\), the poverty rate reached 70% among the indigenous population whose first language is Quechua, Aymara and other native tongue. More than 75% of them were found in the three bottom deciles of the income distribution (Torero et al, 2004:1). Racial, ethnic and cultural discrimination against the indigenous population has been the most prevalent social exclusion issue in Peru for decades (ibid.). For instance, according to a

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\(^4\) LSMS: The Living Standard Measurement Surveys
research in 1993, only 45% of indigenous people had access to public water and electricity where more than 80% of non-indigenous people have the same type of services (MacIsaac, 1993 in Torero et al, 2004). Additionally, Peru lacks of comprehensive strategies and clear political agenda for the marginalised groups at the national level. The state created the National Institute for the Development of the Andean, Amazonian and Afro-Peruvian Peoples (INDEPA in Spanish) in 2004 to mandate the designing and suggesting of policies for rural communities and indigenous people; however, it was later abolished in 2007 and it has yet to be re-established (EU, 2007). Peru’s social exclusion problems have been considerably documented; however, the indigenous populations are still neglected by public policies, leaving them as the most marginalised groups in the country. Moreover, the indigenous communities are strongly preserving their traditional socio-economic system based on reciprocity, subsistence production, collective labour, barter trading and symbiotic relationships with other species (Argumedo and Pimbert 2010).

2.3 Microenterprises in Peru

Peru is one of the most highly developed markets for microfinance and microenterprise in Latin America. According to Merrill Lynch’s estimation, Peru ranks third in Latin America in microfinance based on population followed by Nicaragua and Bolivia (Pait, 2009:4). Micro and small enterprises count almost for 98% of all business in the country and take up half of national GDP (IDB, 2008; Downing and Murphy, 2010) while microfinance industry has grown considerably over the last two decades; assets account for 4.5 billion US dollars taking up 10% of the total finance industry of the nation (Pait, 2009; Valdivia, 2005). Also Peru’s microfinance net lending has increased 39% within only a year between 2007 and 2008 and most of the loans were invested to support microenterprises (Pait, 2009:5). Additionally, ENAHO’s survey in 2001 found that 88% of the small and microenterprise industry in Peru were low-production, self-employment or business with less than 4 employees (ibid:4). However, the major part of microenterprise programmes is concentrated in the urban area (Kane et al, 2005:11), failing to reach the most marginalised populations in rural areas in Peru. Moreover, there have not been rigorous studies whether the increase in the number of

5 ENAHO: Encuesta Nacional de Hogares (National Household Survey)
microenterprise programmes has contributed to actual poverty reduction.

2.4 Contextual background of the researched communities

The studied indigenous Quechua communities have strongly maintained their traditional way of life. Although they have not been entirely isolated from the modern economic system, it has only been more or less 30 years since they actively started using money as a means of trade (Flavio Flores, Programme Manager of ANDES, Interview, April 25, 2011). Traditionally the economic system is non-monetary based barter system\(^7\) that was used for obtaining goods that are not available within their own communities (Marti and Pimbert, 2006). Furthermore, their socio-economic system is based on ‘Buen Vivir’\(^8\), (Sumaq Causay in Quechua, Well-being in English)’ which is an indigenous Andean worldview of development based on reciprocity, harmony and balance amongst human beings, animals, nature and the spiritual world (ANDES, 2011). Hence, attempting to understand the socio-economic system of the researched communities by conventional market framework can be misleading. The communities’ economic system primarily relies on agricultural activities such as cultivating potatoes, maize, quinoa and breeding animals on a subsistence base. However, the number of people that are engaged in non-farm economic activities as a second job to generate cash incomes has been increasing in recent years.

Various social, economic and environmental changes have brought new phenomenon to the communities and have influenced the increased need of cash income. Traditionally self-sufficient food production in the Andes region is now facing severe challenges due to recent climate crisis and strategic commercialisation of agricultural sector by the government. The amount of production and the arable areas have been decreasing due to recent climate change,

\(^6\) Background information is based on interviews with key informants and participant observation. Specific information was noted with the name of informant and the date that the interview was conducted.

\(^7\) The Andean region is rich in biodiversity, but the variety of cultivation is restricted by altitude. As a strategic tool to deal with this hardship, the Andeans have been actively use barter system. The surplus from farming activities is used to barter crops that cannot be grown in the highlands such as coca leaves (Marti and Pimbert, 2006).

\(^8\) However the concept is not perceived as a theory but daily practices in the communities (Poole, 2010). It has been practiced as an alternative way of local development in some Latin American countries such as Ecuador and the Andean regions (Walsh, 2010).
and new cultivation of exotic crops to serve urban and foreign market have unstabilised the food supply and prices (Marti and Pimbert, 2006). Consequently, the self-sufficient indigenous populations are now required to purchase food. Furthermore, more frequent contacts with outside economy and influx of cash incomes have introduced a new life style and created new consumption needs such as televisions and other industrial goods, apart from daily necessity. Consequently, the barter system is no longer able to serve as a means to trade those goods. Lastly, increased recognition in the importance of education has generated related costs such as school uniforms and materials. However, the new needs cannot be met only by existing livelihood strategies. The increased need of cash incomes became inevitable as well as new strategies to generate cash income or diversify income sources became crucial among the community members (Ricardo Pacco Chipa, Local technician in the park, Interview, April 16 2011).

As stated earlier, while many are engaged in jobs outside of the park, the most marginalised populations within the park, especially women (widow and single mothers) and the under-educated are effectively prohibited from participating in cash income generating activities, as they lack the necessary basic skills such as Spanish language proficiency and numeric skills which seriously restricts them from participating in the formal economy. Only 40% to 50% of the total population in the park speak the Spanish language where literacy rate rarely reaches 30%. This trend is more distinctive in women and the elderly groups (Flavio Flores, Programme Manager of ANDES, Interview, April 25 2011).

CHAPTER 3. THEORY
This chapter comprises of three parts. The first part explores theoretical background of the conventional microenterprise regarding how it is framed, what it expects to achieve and what its perceived shortcomings are, in the community development context. The second part introduces the case project more in-depth with the social economy theory. Through examining existing studies, it explores the role and implications of the social economy in community development and how it aims to achieve socio-economic development. Lastly, it compares the two models and discusses how different they are in its characteristics including goals, procedure, expected outcomes etc. Based on these observations, it produces analytical
framework to analyse the case in chapter 4.

3.1 Conventional Microenterprise

Although, a brief definition of microenterprise was introduced in the beginning of this thesis, a more precise definition is needed to develop for further discussions. There is no universally accepted definition of microenterprise and the definitions vary depending on the economies and regions (Choudhary, 2002:2). For instance, EU perceives a business with 1 to 10 employees as a microenterprise while APEC economies consider a business employing less than 5 people as microenterprise (APEC, 2009: 11). Also, while IDB (2001:7) defines “microenterprise” as

“the smallest type of entrepreneurial enterprise, [that] come in all shapes and forms, from subsistence businesses to firms that use relatively sophisticated production methods, display rapid growth, and are directly linked to larger firms in the formal economy”.

USAID (2008:1)’s definition is similar as it designates them as “a very small enterprise” but it limits that they are “owned and operated by poor people usually in the informal sector”. In most cases, microenterprise suggests a small scale business run by the owner or relies on few employees or unpaid family members in rural non-farm and urban informal sector (Choudhary, 2002:2). Moreover, they are barely subsistent level; labour intensive and low-level technology based businesses, which normally belong to informal sector rather than legally endowed formal businesses (Bateman, 2010).

This discussion focuses on the community level development, thus, this thesis defines microenterprise as “a very small enterprise owned and operated by poor people in the informal sector at the subsistent level” employing USAID’s definition.

Macroeconomic growth fuelled by large-scale development schemes have been anticipated as the ultimate solution needed to save the poor from the poverty trap in developing nations since the 1970s. However the international development community has witnessed the failure of many large development programmes such as structural adjustment schemes, and started
seeking alternative solutions. Among them microenterprises that are small-scale, community-based, self-help and pro-poor initiatives became the most popular tool both in developing and developed (Evuleocha, 2011; Kevane, 2001). According to IDB, microenterprises comprise the biggest percentage of the total industry among developing countries. Especially in a country like Peru, which this study investigates, micro and small businesses account for more than 80% of the total employment. In Latin America, the poverty rates among the microenterprise employees are much higher than that of the formal sector employees, especially indigenous populations in the rural areas (IDB, 1999). The microenterprise sector makes up 70% of the incomes of Latin American’s poor and by the middle of the 1990s, half of the total employment relied on microenterprises (IDB, 2001). Due to this contextual background, IDB’s major support on community development focuses on microenterprise programmes. Other developing nations are in similar situations in the South.

Characteristics of conventional microenterprise
The conventional approach strongly promotes capitalistic development ideas which are more individualistic, entrepreneurial, market-oriented and relies on the market to promote social development and poverty reduction. Its general assumption is that every poor person is a potential entrepreneur, thus once they have financial access they can successfully run a business regardless his or her own capability or needs (Eversole, 2005). Therefore, microenterprise development programmes mostly rely on microloan schemes. In addition, it measures people’s well-being based on economic achievements therefore, primarily pursues the accumulation of capital assets and financial benefits (Strier, 2010:196). The basic premise of conventional microenterprise development is that economic progress such as income generation or increase through individual economic activities can empower the poor. Thus, empowered individuals contribute to the development of a society that one belongs to and brings about wider impacts at the national level as well (Bateman, 2010; Midgley, 2008).

Expected outcomes
According to IDB, microenterprises are expected to help the poor to get out of poverty status through “market-driven productive activities” and to integrate them into the mainstream economy by the informal employment. (IDB, 2001:7). This theory is supported by some scholars such as de Soto (1989), Fields (1975), Bennett and Estrin (2007). They claim that participation in the informal business can be a springboard to enter the formal market (cited in
De Mel et al., 2008). Furthermore, they assume that microenterprise development brings wider economic impacts such as generation of employment, contribution to macroeconomic growth and promotion in entrepreneurship (IDB, 2001:5). It is also believed to boost the local economy by creating employment and new businesses (Bateman, 2010). Furthermore, it is also considered to generate positive social impacts such as empowerment, solidarity enhancement among the members and building social capital via community-based and participatory approaches to enhance community well-being (Choudhury et al, 2008; Bateman, 2010). Due to this assumption, the international development community has strongly been promoting microenterprise programmes as a rural or urban community development tool for the last three decades in less developed nations.

Some earlier studies have reported that microenterprise lending programmes have empowered the participants. Hashemi et al (1996:636) argued that rural credit programmes do empower women by "strengthening their economic roles, increasing their ability to contribute to their families’ support, and that they also empower women through other mechanisms”. Operation or participation in a microenterprise itself can also have some positive impacts such as obtaining basic business skills and increase self-esteem and sense of dignity (Chowdhury, 2009). Furthermore, some found that women’s participation in microenterprise has increased girl’s education and influenced non-participant’s economic status (Onyuma, 2008:114). However, many of these success stories are concentrated on Asian countries (ibid.). Additionally, Hulme and Mosley (1996) found that the relevant programmes have both economic and social impacts such as increase in real incomes of participants and diversification of livelihood strategies; however, their findings proved that the most marginalised people did not benefit from the programmes.

**Perceived shortcomings**

The Microcredit Summit Campaign (2011), after its two decades of work in the field, has realised and acknowledged that microcredit (to support microenterprises) alone cannot achieve its goals in poverty reduction and improvement of the poor’s livelihood. Unlike the widely accepted assumption that microenterprises can improve the poor’s livelihood conditions such as health, education and gender inequality, many recent studies suggest that microenterprise programmes have no relevant impacts and have not been effective as it is hoped for (Bateman,
2010; Chowdhury, 2009; Midgley, 2008) either contribute to economic development in general (Bateman and Chang, 2009; MacIsaac 1997). There are a number of impact assessments with positive results in socio-economic indicators; however, most of microfinance and microenterprise impact assessments have failed to provide empirical evidence but predominantly, anecdotal case studies appear in media reports and in the publicity materials of organisations and institutions involved in related programmes. Few have provided with empirical data but their misleading methodologies have been identified (Stier, 2009; Bateman, 2010).

The approaches and consequences of conventional microenterprises have been heavily criticized. Some point out that market-oriented programme strategically puts aside the state’s welfare responsibilities (Bateman and Chang, 2009). Huge amounts of aid money has been invested to the programmes where it could have spent more effectively on providing basic public services to the poor such as infrastructure, healthcare services and primary education. Eversole (2008) argues that it emphasises too much on the individual roles in poverty alleviation and let the poor to rescue themselves where the structural segregation might be the cause of their deprivation. She also criticised the approach has homogenised the marginalised population as potential entrepreneurs, neglecting individual needs and capacity. Thus, the aid money might contribute to an even larger poverty trap (Banerjee et al, 2009; Bateman and Chang, 2009). Some criticise that the scheme only limits the poor’s potential opportunity in employment in the formal industry and locks them up in the saturated informal market (Bateman, 2010). Lastly, it became promoting profit-seeking institutions rather than aiming poverty elimination (Chowdhury, 2009).

Furthermore, a number of shortcomings have been perceived in the community development discussions as well. To start with, its limited income generation function has already been mentioned. Although, microenterprise programme primarily aims the poorest of a society, it merely generates marginal incomes at survival level due to various obstacles. Usually, their

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9 The most marginalised are the least likely to have basic level formal education, therefore they lack of literacy or numeric skills to run a simple business. They are also socially excluded because of their status within the society or community. Consequently, once they set up a business, they are more prone to fail and to have difficulties in running businesses, and the failure hits the poorest the most (Midgley, 2008).
activities are not productive nor create any further paid employment within the community (Chowdhury, 2009). Some even contend that newly entered microenterprises can seriously damage the existing businesses by displacement effects. It destroys local economies through saturating the market, which causes high competition and might bring no positive impact to the local community as a whole (Bateman, 2010:64, 65; Chowdhury, 2009:3; Maclsaac, 1997:14). Furthermore, it is solidarity or peer lending based, its individual focused approach can clash with a society’s traditional values such as collective solidarity. This is crucial to strategic community development especially in indigenous Latin America where communal goods are considered to be a priority to individual benefits (Bateman, 2010:109; Partinos and Skoufias, 2007:5). Bateman (2010:108) argues that it could “reduce levels of local solidarity, interpersonal communication, volunteerism, trust-based interaction and goodwill”. Scholars such as Rahman and Karim have suggested that community solidarity has been damaged by microfinance programmes as well (ibid.:109). Goldmark (2001) also claimed, "it can lead to betrayal, fraud and general failure". She has pointed out that group-based approach does not always promote solidarity among participants.

Nevertheless, it takes a considerable amount of time for macroeconomic advancement to reach the most marginalised groups of a society, especially in a country like Peru where social exclusion has long been a major problem. Thus, there exists the need of more tailored and local oriented development instruments to fill the spatial and time gap. Therefore, the positive role of microfinance as a community based development tool should not be underestimated. Based on past experience, designs that are more creative and are reflective of local realities should be developed.

**Shortcomings in the Andean context**

In addition to general deficiencies discussed above, the approaches of traditional microenterprise are weak in reflecting the local contexts of the Andean communities. The most notable limitations of the conventional approaches in the studied context are 1) its focus on maximization of individual incomes without considering communal benefits. It does not fit the indigenous Andeans whose economic activities are based on cooperative labour and communal benefits are greatly valued 2) its lack of understanding of other type of economies by assuming that all the economies are market oriented and monetary based. The Andean communities
traditionally live in subsistent production, barter market and non-monetary based economy. Reflecting these realities, an alternative microenterprise has been created within the park employing the social economy theory, more tailored to socio-economic realities of the indigenous Quechua populations. Therefore, next section revises the theory of the social economy to frame the new model and to have a better understanding of the case study contexts.

3.2 The Social Economy and the new microenterprise model

Social Economy
The failure of dominant pro-growth development interventions have been heavily criticised for their inability to tackle the confronting development challenges including social-economic inequalities, environmental problems and weakening social networks both in the North and the South. Consequently, a number of new models have been suggested as potential alternatives to the mainstream economy. ‘The social economy’ is one of the most recognised and widely supported concepts among them in recent years (Arruda, 2009; Restakis, 2006).

Although, there is not a universally agreed or exact definition of the social economy as of yet, a few attempts have been made to clarify the notion. ILO defines the social economy as,

“a concept designating enterprises and organisations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which have the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity” (ILO, 2010:1).

Jacques Defourny10, President of EMES European Research Network (EMES)11 defines that,

10 Defourny, J. is a professor of non-profit and cooperative economics as well as comparative economic systems at the HEC School of Management of the University of Liège where he also serves as a director of the Centre for Social Economy (Centre d’économie sociale, since 1992)

11 EMES European Research Network is one of the most active research centre that studies socio-economic entities including themes namely the third sector, the social economy, the solidarity-based economy, the non-profit sector and social enterprise, mainly focused on European context (EMES, 2011) Available at http://www.emes.net
“The social economy includes all economic activities conducted by enterprises, primarily co-operatives, associations and mutual benefit societies” that follows certain principles, namely autonomous management, democratic decision making process, the primacy of people and work and serving its members or the community” (Defourny et al, 2000:30)

Another vigorous research institution in the field, the BC-Alberta Social Economy Research Alliance (BALTA)\(^\text{12}\) defines the social economy as one of three pillars of economic system along with market-driven private sector and government’s public sector, grounded on both John Restakis (20006) and John Pearce (2003)’s discussions. It focuses more on “the use of market-based practices for achieving social and ecological as well as economic aims” while emphasising on the principle of reciprocity in achieving mutual economic or social benefits. It also shares identical guiding principles of Defourny’s cited above (BALTA, 2011). Furthermore, the two terms social economy and social enterprise are interchangeably used by this definition, following Neamtan and Anderson’s (2010) description of the social economy as “collectively owned enterprises (co-operatives, non-profits and mutuals) that use market-oriented production and sale of goods or services to pursue a social mission”. Although, this has been drawn from the Canadian context, the definition represents a more adequate implication for the researched case. Moreover there has not been refined definition especially concerning Latin American context yet. Thus, this thesis borrows BALTA’s definition of the social economy focused on collective enterprises, which the present study researches, and it uses principles of the social economy previously mentioned above, as a basis of analytical framework.

**Main features of the social economy**

The objective of the social economy is to achieve social and economic development through collective economic activities at local level. The most distinctive characteristic of the social economy is that it utilises market mechanisms to serve social objectives. It provides goods and services to relevant members and the community through collective economic activities, however the generation of surplus itself is not a main driving force but serves to satisfy the

\(^{12}\) The BC-Alberta Social Economy Research Alliance (BALTA) is a regional research collaboration amongst community based organizations, universities and colleges in Alberta and British Columbia, Canada, with an interest in the social economy (BALTA, 2011) Available at http://www.socialeconomy-bcalberta.ca
needs of its members (Defourny et al, 2000). Other features include its autonomous operation by the members which distinguishes itself from the public sector, “one person, one vote”-based democratic decision making process which is differentiated from the mainstream enterprises whose decisions are made according to the amount of capital owned, and lastly its primacy of people and work over capital accumulation (ibid.). Anderson and Neamtan (2010) believe the pursuit of collective good and a commitment to mutual and individual empowerment as significant features of the social economy. Furthermore, Restakis (2006) views the principle of reciprocity for the mutual economic or social objectives as one of the most important characteristics of the social economy. This feature is particularly important in Latin American context where traditional society values reciprocal relations and solidarity (Razeto, 1991 cited in Defourny et al, 2000). As Restakis (2006) and Pearce (2003) recognised, the social economy tries to fill the gap as the third sector where both public and private sector are unable to serve, especially in the local context. In this vein, there is a potential that the social economy can play important roles in community development to provide under-met needs of the most marginalised, foster individual and collective capacity and aim more inclusive impacts for the most marginalised members of a society.

According to ILO (2010), the social economy directly hires more than 10% of the world’s employees and this trend continues to grow around the world. Especially, the role of the social economy in the global South takes an important position because it functions as a development strategy pursuing both social and economic advancement by supporting small-scale projects within communities and by the local initiatives (Defourny et al, 2000).

**Limitations of the social economy theory**

Despite the importance of the social economy theory and its potential role in development, discussions on its theoretical reliability and implications remain at the marginal level.13 Consequently, there has not been any solid criticism to address its limitations. Thus, this study attempts to draw a few theoretical shortcomings from the literature review. To start, the definition of the social economy is still ambiguous, and its definitions and domains vary from

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13 Defourny et al (2000)’s ‘Social Economy: North and South’ addresses some limitations of the concept from the insider views (the authors are key researchers in the social economy), however it admits that there have not been comprehensive discussions on the related issue.
region to region (Defourny et al, 2000; Jones et al, 2007). There has not been a universal consensus on the definition nor clear criteria to categorize its roles. The absence of a clear definition might limit research attempts and more constructive discussions. Secondly, it positions itself as one of the major economic sectors to supplement the vacuum between the private and public sectors; however, there has not been a comprehensive argument on how it can actually serve the gap, through what mechanisms and to what extent. Also, it does not provide satisfactory explanation on how the local level socio-economic development links to macro level development. Another concern about the social economy is that it eliminates the potential of pursuing profit maximisation. It also fails to provide the rationale why it should not achieve financial success, fairer distribution and collective benefits all together. Furthermore, the social economy focuses on small economic units at local level to boost community development, there still lacks constructive discussions or studies on its roles in community development. A few discussions exist within the European and Canadian context; however, none of them encompasses the trends of the South (Defourny et al, 2000). Although it is widely discussed as a development agenda in Latin America in recent decades, the dialogue only focuses on the theoretical aspects and more macro level in terms of national policy implications but not on its relationship with community development. Additionally, it suggests that it contributes to solidarity, democratic practices and more inclusive economic activities, yet this argument is not supported by empirical studies but only exist as criteria to categorise the sector. It is merely a utopian idea until it demonstrates its significant roles in development.

Nevertheless, the social economy and its practices are at the pilot stage in Latin America. Considering its approaches and principles discussed above, it is expected to serve a constructive role in community development especially in the local context. Thus, its potential as a social and economic development tool should be thoroughly examined by rigorous research.

**The new model**

ANDES’s microenterprises are based on eco-tourism and simple production of organic products by utilising local capacities and resources within the park.\(^{14}\) The total number of

\(^{14}\) It aims creative use of the local capacities and resources such as Incan hiking trails, traditional Andean cuisine and art crafts as well as medicinal plants to produce organic soaps and teas.
members is 67 between six groups\textsuperscript{15} and most of the participants are women\textsuperscript{16}. The programme was first launched with a Women’s Collective group in 1998. Over time, the organisation has successfully diversified its project to six different business groups\textsuperscript{17}. The projects are targeting the most marginalised and under-educated populations in the park including widows and single mothers. Members contribute 10\% of their profits to the community and the same amount to the park’s communal fund, while the rest of generated incomes are equally shared. They commit one or two days a week to participate the activities.

Photo 2. Microenterprise groups in the park: Gastronomy group and Artisan group (photographed by Daun Cheong)

As introduced earlier, ANDES’s microenterprises basically share the same goals with the conventional model as it pursues poverty alleviation and social development through income generation activities. However, while the old model solely relies on generating individual financial benefits, believing that it automatically leads to human development and creation of better political institutions, the new model seeks more comprehensive benefits at both individual and community level through collective actions. Furthermore, the project differentiates itself from the conventional microenterprises in various aspects. Most distinctive

\textsuperscript{15} The six microenterprise groups include Plantas Medicinales (Medicinal Plants), Gastronomia (Gastronomy), Jardín Botánico (Botanic Garden), Guía Turismo (Tour Guide), Artesanía (Artisan) and Turismo Vivencial (Home-stay).

\textsuperscript{16} Most of male villagers are engaged in agricultural activities and jobs outside of the park.

\textsuperscript{17} The first collective microenterprise was initiated in 1998 with women’s collective targeting women with little or no formal education, a group producing goods made out of traditional plants, aiming increase in literacy, participation and income generation.
difference is that ANDES’s project is completely independent from microfinance institutions and run through minimum inputs from facilitators of the organisation. Additionally, it utilises local capacities and resources to finance the businesses while the conventional model uses monetary capital. The surplus not only benefits the members but also to the community in order to assist the most marginalised groups and non-participants. As well, it aims to enhance solidarity among different community members in the park through collective labour rather than collective lending groups. Focus on strengthening individual and communal capacity, and promoting democratic practices in the course of collective action sets it apart from the old model. Lastly, while the old model is fundamentally oriented by conventional market economy theory highlighting individual entrepreneurship, the new model is grounded on the social economy theory which shares more similarities as following discussion.

Table 1 summaries major differences between the two models.

<table>
<thead>
<tr>
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<th>Conventional Microenterprise Model</th>
<th>Social Microenterprise Model</th>
</tr>
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<tr>
<td><strong>Theoretical Background</strong></td>
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<tr>
<td><strong>Distribution of Surplus</strong></td>
<td>Individual</td>
<td>Individual &amp; Collective 19</td>
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</tbody>
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Table 1. Conventional Microenterprise vs Social Microenterprise

Source: Created by author

ANDES’s microenterprise model primarily concerns the members and their participation itself in the business process over financial benefits as an ending result. Therefore individual and

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18 Initially it was sponsored by an international organization to purchase equipments and build an office, however it soon became financially self sustainable.

19 10% of profit is contributed to respective community and the same amount to the park. The rest is refunded to members.
collective capacity enhancement through the activities plays one of the most important objectives. Although the participants are motivated and driven by individual interests, collective benefits are equally concerned within this model, due to the importance of reciprocal relationships embedded in their traditional way of life. The business groups perceive their work as mutually beneficial to both individuals and the park. Also, it is based on, and aims to establish a democratic and autonomous system within business groups and the park. The decision making process is designed to be democratic, participatory and autonomous throughout the whole process. For instance, each community assembly nominates candidates according to the needs and circumstances and it should obtain consent of other community members. To give equal opportunities to everybody, the members are re-selected every 2 years\textsuperscript{20}. Group meetings are compulsory when a decision is made. Everybody is encouraged to participate and has an equal right to offer opinions. Also, their businesses are run autonomously at marginal involvement of ANDES or other stakeholders. As seen above, ANDES's microenterprise model shares almost identical characteristics with the social economy business model. Nonetheless, while the social economy theory primarily focuses on providing products and services to satisfy the under-met needs within the community, ANDES's businesses differentiate itself from the former as they mainly serve outsiders (mostly tourists) to meet their financial needs by generating cash incomes.

As discussed so far, one can see that the new model is firmly grounded on the social economy principles even though it borrows framework of conventional microenterprise. These characteristics allow ANDES’s model to be endowed as a social microenterprise which is designed more tailored to the local needs and environments. Nonetheless, the businesses are at the pilot stage and merely cover small population of the park. An objective evaluation needs to be performed to analyse whether it is achieving its socio-economic goals and whether it supports the social economy theory.

\textsuperscript{20} Sometimes it is allowed to voluntarily join a programme depending on the type of work and timing.
CHAPTER 4. METHODOLOGY

4.1 Research Design

This research employs a Case Study research design with an intrinsic approach. Case Study is defined as a qualitative study that explores a bounded case over time, and an intrinsic approach focuses on the case’s unique circumstances (Creswell, 2007: 73). This approach also engages an event or an individual however; it is not necessarily interested in examining or creating theories or in generalization (Hancock and Algozzine, 2006:32). Nevertheless, De Vaus (2001) claims that the case study starts with a theory related to a particular event and should be based on a theoretical dimension to have more value for broader generalisation. Yin (1989) also declared that a case study begins with a theory and it is assumed that a case study with a particular set of characteristics will have a particular outcome (in De Vaus, 2001:223). Thus, the study aims to test a new model with particular characteristics in a unique setting, grounded on the social economy. Though, it does not only limit itself to the examination of the theory but also tries to evaluate the programme itself according to principles of social economy as core indicators to see if the new model is valid in compensating the perceived deficiencies of conventional microenterprises in the local context.

4.2 Methods

Various methods were used to collect necessary data from the first research period during the field work (July to November, 2010) and the second period (March and April, 2011). Document reviews, observations, survey, focus group interviews and semi-structured interviews were employed. 10 participants from 6 different communities were interviewed and 30 people responded to the survey among 67 participants in total.

4.2.1. Document review
The information presented in the theory and background was collected from various sources including academic journals, government documents, working papers and reports written by
the organisation. Document review is extensively used to examine the social economy theory, existing studies on conventional microenterprises as well as the contextual background of the researched group. The data was collected between July 2010 and April 2011.

4.2.2 Observations
Observation was used in the form of micro-ethnography which is known to be more appropriate for a short period and focused research (Wolcott 1990b in Bryman 2004). This method involves in living with the researched and allows researchers to observe the reality from the subject’s perspective. Also, it can be well interconnected with fact based quantitative methods (Scheyvens and Storey, 2003; Desai and Potter, 2006) and other non-observational methods such as interviews and documents (Bryman, 2004). The observation was conducted a participant-as-observer which the researched community members recognised the author as a researcher (Bryman 2004: 410). Both participant and non-participant observations were used during the 5 months of field work (internship) period, and 10 days of separated research period after the internship. The participant observation was carried out through working with one of the microenterprise groups, the women’s collective. Weekly meetings in the Park allowed the author to have a close look on their day-to-day life at work and helped to understand political and cultural aspects that other methods might not be able to explain. Non-participant observation was conducted by staying within the communities for a short period, talking to the participants casually (off the record interviews) and to a few villagers, participating in various workshops and meetings, and walking around the communities. Meaningful observations were noted each time in the form of field diary.

4.2.3 Questionnaires Survey
Questionnaire survey is one of the most common and widely used tools for collecting data in social sciences (Simon cited in Desai and Potter, 2006; Overton and Diermen in Scheyvens and Storey, 2003). The analysis of the data can be qualitative, quantitative or both, and it is increasingly used combined with other methods such as group discussions (Simon cited in Desai and Potter, 2006). Surveys usually provide baseline information before proceeding to interview methods, especially structured survey serves best to provide basic information (ibid.). This study employed a simple structured survey to measure economic impacts of the programme such as actual income increase/generation, the significance of income increase and
the importance of the participation as livelihood strategies. Scheyvens and Storey (2003:44) suggest that for a data set to be statistically valid, the number of survey respondents should be more than 30. However, the scale of project is relatively small, and the time and logistics limitation did not allow surveying all participants. Furthermore, it has only been about 30 years since they started to use cash within the communities since their economic system is not monetary based (Flavio Flores, Programme Manager of ANDES, Interview, April 25 2011). Therefore, the notion of household incomes is relatively new to them. Most of them do not have regular income and are not used to calculating their total household income or exact monthly income from the business. Due to the reasons noted above, direct and simple questions are thought to be more valid in what this thesis aims to see, rather than employing a quantitative method.

Information regarding incomes is a sensitive issue\textsuperscript{21} for the researched groups, therefore the survey was conducted individually covering numerical figures such as monthly incomes. The confidentiality and the purpose of the survey were described on top of each survey sheet. Also before conducting the survey, a pilot test was made to avoid possible misinterpretation due to different understanding of a concept or a word. The results allowed discovering more insightful realities of the participants’ economic lives for further analysis with interviews. The survey focused only on economic impacts and used simple words to avoid unnecessary confusions when translated into Quechua language. Lastly, the survey does not aim to quantify the results but identify the extent of the economic impacts through simple indicators. The survey covers 30 participants. This, considering the total number of participants is less than 70, makes it highly representative and easy to assume the overall impacts.

4.2.4 Interviews

Key informant interviews

Along with interviewing the participants to study their social reality, interviewing key informants provides a chance to observe the issue through the third persons (Bryman, 2004: 409). To avoid a subjective analysis with limited knowledge on the project and its social

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\textsuperscript{21} They are afraid of being taxed by the government, consequently they tend not to discuss it openly (Ricardo Pacco Chipa, Local Technician, Interview, April 16 2011).
settings, a few interviews with key informants that included a top management of the organisation, programme managers and two selected community members were conducted. They provided more contextual information including the framework of the project and socio-political realities of the researched groups.

**Individual in-depth interviews**

Ten current participants were interviewed to identify socio-economic impacts of the programme especially focused on capacity building, solidarity and democracy. The semi-structured interviews were created in an easy manner, considering most of the participants do not have formal education and most of them are illiterate. The basic questions were developed in a structured style; however, open questions were made as the conversation proceeds. Interviews lasted from 25 to 50 minutes depending on the circumstance. Spanish speaking participants had interviews with the author individually and a translator was hired for Quechua speaking interviewees. The interview started with general questions about how long have they been working with the group, what they do for a living and how many hours they work a week. After the ice-breaking conversation, questions regarding capacity building, democracy and solidarity were conducted. Interviewees were recruited in a help with gatekeepers including project managers and interpreters who are also long term participants in different working groups. It is advised to have a good relationship before having formal interviews for a more valid data collection (Willis cited in Desai and Potter, 2006). Especially in this particular setting where community members are shy to have conversations with non-family members, 5 months of participation in one of the business groups helped the author to build friendships with a number of community members and made it easier to talk about particular topics. Transcribed interviews were coded, categorized and analysed by each theme.

**Focus Group Interviews (FGI)**

FGI is one of the most widely employed methods in social science research along with questionnaires and interviews (Bryman, 2006). FGI was chosen because it emphasises a specific topic and enables to investigate more in-depth and wider. It is also time-efficient and encourages interactions among the participants (Bryman, 2004: 473). Two FGIs were conducted. The first one was conducted in a larger group during the field work period mainly focused on economic achievements. The second FGI was held more casually with two
women’s collective groups in April on solidarity impacts. FGIs were held as a part of regular workshops and meetings with a help from programme managers in facilitation and translation.

4.3 Trustworthiness and Dependability
To increase the dependability of the data and for a more accurate analysis, I have hired two native Quechua speakers (one woman and one man) who are bilingual in Spanish for conducting interviews and the survey. Both of them are from the communities in the park, actively participating in activities in the park for a long period but do not belong to the researched groups. The entire conversation of each interview was recorded. Also, two master’s students from a local national university were hired to transcribe the interviews. They were asked to transcribe the interviews accurately without any involvement of their personal opinion. Also, the survey questions were created in cooperation with a professional that holds a master degree in Industrial Organizational Psychology with more than 2 years of experience in developing aptitude tests and constructing survey questionnaires.

4.4 Ethical considerations
The objectives of the research and confidentiality were introduced prior to each interview and interviews were recorded with the permission of each person. Time and the place are very important when conducting interviews (Willis cited Desai and Potter, 2006). Interviews were conducted at the most convenient time for the interviewees due to the time and space restrictions. The six communities are distributed widely within the Park which covers 12,000 hectare. Also March is the busiest farming season. Most of the interviews were conducted early in the morning or late at night. For a more comfortable atmosphere, various locations were chosen to conduct interviews such as the interviewee’s house, the author’s room, in the field and at the community meeting centre. Furthermore, compensation for interviews is controversial (Van Blerk cited in Desai and Potter, 2006). However, all of respondents were busy with farming and housework, and they had come long way (usually 30 minutes to 1 hour walk) for the survey and interviews, it was thought that their precious time should be compensated with small gifts. The interviewees were given a kilogram of sugar and survey respondents were provided a bag of caramels since sweets are special treats for the most of the members.
4.5 Limitations
The present study is well aware of that a certain case study cannot provide statistically valid generalisation beyond a case project (De Vaus, 2001:237) especially where the scale of the case is small as studied in this thesis. However, the studied groups share similar social and cultural values and realities with other indigenous populations in rural Peru, thus they can be endowed as a representative group of those in comparable localities. Secondly, even though the translators were fluent bilinguals and were well informed about the survey and interviews, there were some difficulties in conducting survey and interviews. Some words and concepts in Spanish do not exist in Quechua. To avoid this, pilot test was conducted with the two translators and a participant. Lastly, it was challenging to establish criteria to test the theory and the case since the topic has not been much researched so far.

CHAPTER 5. DATA ANALYSIS

5.1 Analytical Framework
Since there is not an established framework to analyse the social economy-based business model (Defourny and Pestoff, 2008), a few indicators have been generated according to the social economy principles which share common ground with the project’s goals. Also, the principles were narrowed down to four domains; capacity building, democracy, enhancement of solidarity and economic progress to see whether the new model is able to tackle the perceived problems of conventional microenterprise in the local contexts discussed in chapter 2 and to evaluate the impacts of the new model. Under each theme, two to three indicators were created with seven to eight guiding questions. This part provides the rationale of why the generated indicators are valid in examining the case.

Economic Impacts
Economic impacts of both conventional microenterprise programmes and the bottom-up economic development projects proved to be weak or even insignificant (Spath 1993 and Tendler 1989 cited in Defourny et al, 2000). They have failed to create employment or
significant income increase, and neglected the relationship between macro-economic growth and the local economy (ibid.:171). As discussed earlier the economic performance of microenterprise programmes has not been thoroughly examined. This creates a crucial limitation when considering further development and implementation of a programme. The economic impact should be examined by empirical evidence not only by income increase or generation but also whether the new model can play as a diversification strategy for the target populations that allow them to cope with new changes and challenges.

**Capacity Building**

UNDP (2003) defines "Capacity is the ability of individuals, organisations and society to perform functions, solve problems, and set and achieve goals" (cited in SIDA, 2005). Strengthening capacity is fundamental basis for the poor where they often are limited to use or develop their own resources due to many hindrances (ibid.). Nevertheless, discussions on capacity development are mostly concentrated in institutional and organisational level. It is hard to find a tool to measure the enhancement of personal capacity as a result of development programmes. Therefore this thesis borrows SIDA’s guideline of measuring individual capacity, namely individual knowledge and professional skills, even though these are not precisely designed to measure the capacity enhancement by microenterprise programmes. Additionally, reflecting cultural aspect of the researched communities, self-confidence and interpersonal skills are studied.

**Democracy Reinforcement**

Sen (1999) sees democracy as a universal value and highlights its protective role for the poor. According to him, the exclusion from political participation in the community is a serious deprivation for one’s life. Democratic practices are not only limited to one’s political rights but also have significant values in economic perspectives. It allows the deprived to realise and understand their own needs including social and economic needs through public discussions by exchanging information and opinions. Thus, democratic practices help the poor to express their political desires and make their voice heard in the political agenda (ibid.). In line with this discussion, democratic management is strongly promoted as an important value in the social economy. Hence, it is important to examine if the democratic rules are applied to the microbusinesses in the process of election of the members, business plan, operation, participation and distribution of surplus, and whether this has contributed to reinforce the
democratic system and encouraged members to pursue democratic practices in their business process as well as at the community level.

**Solidarity Consolidation**

Solidarity is a feeling rather than a measurable notion. Hondrich and Koch-Arzberger (1992) view it as a relation between individuals where they share the same objectives and are willing to help each other and Segall (2005) sees it as a relation between the collective and individual (Bots et al, 2008: 340). Segall (2005:362) defines the latter as ‘Social Solidarity’. He characterises the concept as integration to the collective’s goals and features, commitment to the common good rather than pursuing one’s own interests, having empathy of others and trusts in each other. Thus, solidarity is an important means to achieve social cohesion. The United Nations Development Programme (UNDP) views that social cohesion based in shared values and beliefs moulds individual human development, and it enables to amplify individual options (Guinazu, 2008 cited in Walsh, 2010).

Table 2 shows the four criteria of analytical framework with detailed indicators and tools that are used to study.

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<tr>
<th>Domain</th>
<th>Indicators</th>
<th>Tools</th>
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<td></td>
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<td><strong>Capability Building</strong></td>
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<td></td>
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<td><strong>Democracy Reinforcement</strong></td>
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<td><strong>Solidarity Consolidation</strong></td>
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<td></td>
<td>Changes in relationships</td>
<td>Focus Group Interview</td>
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Table 2. Analytical framework

* Source: Created by author

* See Appendix 3 for sample questions

Environmental sustainability is also crucial in community development. However this thesis focuses on socio-economic impacts due to the limitation of the scope of this study.
5.2 Economic Impacts

Almost 40% of the respondents have been participated in the microenterprises more than 2 years\(^2\). 30% were relatively new to microenterprise ranging from 1 month to 6 months since this year is the rotation year. 90% of respondents are women. Regardless of their participation in the programme, their primary income source was found to be in agriculture activities.

Income Increase

The survey results demonstrate that there are positive income impacts from the business participation. Although 60% of the respondents answered that their principal income source is agricultural activities, 47% answered that the income from the microenterprise activities became another major source of cash incomes for their households. Eighty percentage of people answered that there has been income increase for the last 2 years. Among them, 96% answered that the increase is due to the participation in the project.

Seventy percent of participants answered that the newly generated incomes help their households and 23% consider that the income increase to be significant while 20% responded that the change is not much help. The use of the generated incomes was multi-choice question. Sixty seven percent of them answered that they spend the extra income on food and 37% answered on education. Ten percent of others include house improvement and savings. Their incomes are not regular as salary, thus they do not exactly know how much they earn a month as a household. The survey allowed them to approximate the average monthly incomes. The average monthly household income among 24 households\(^23\) is 158 Soles which is about 40.45 Euros\(^24\). However, the income gap was notable. While 40% earn more than 100 to 400 Soles, 40% earn less than 100 soles. From the participation, 40% earns 10 to 30 soles while 20% makes 30-50 soles and other 20% generates 50-80 soles respectively. Only 7% earn more than 100 soles. Given this, the significance of the generated income varies from household to household. The microenterprises contributed 25% to 100% of the participants’ household

\(^{22}\) Some of them have been participating more than 8 years.

\(^{23}\) Six responded that they do not know their monthly income.

\(^{24}\) Exchange rate as of May 21, 2011 according to Financial Times Markets Data (1 Nuevo Sole = 0.256 Euros) Available at http://markets.ft.com
Interviews also revealed that they the significance of income generation as well as high expectation on income increase in the near future.

“Before only my husband worked to support my family but now my work became important as well. The income is not great but I expect it to grow soon.” – Interviewee 4,

“At the household level, it is not much. However it is sufficient for my food, clothing and savings for my education” – Interviewee 6

“Besides new experience and knowledge, I make money to feed and education my children. I expect to earn more money, maybe we can build a hostel in the city collectively” – Interviewee 8

“The amount is not much but it is good enough to buy supplementary food and other necessities, also I can invest in education. I am helping my husband to support the family” – Interviewee 10

Although, the extent of income impact varies from person to person and group to group, for women without male-kin’s support the significance of income generation is even greater.

“I am a widow and there is nobody to support my kids. I have to work in the field for staple food and also work with the microenterprise group. Now I can buy food necessity like salt and sugar” – Interviewee 7

Nonetheless the income is still irregular and very dependent on the number of tourists.

**Diversification of Livelihood Strategies**

The survey also asked whether the participation helps them to have more opportunities in economic activities. Eighty-seven percent responded that it does help to diversify their livelihood strategies and 10% responded not much or not at all. Interestingly, it appears that the
significance of income increase does not affect the level of satisfaction of the project. For example, Among 6 people who do not think the income increase significantly help their economic situations, 5 people are absolutely satisfied with the project. Individual interviews and a FGI showed that more frequent exposure to outsiders including national and international tourists broadened their understanding of outside world and economy. They also learned how the mainstream economy out of the park functions and became to realize new economic opportunities in the modern economy.

Most importantly, the income generation of each group not only affected individual economic status but also brought about collective economic benefits as a whole in each community and the park. Each business group contributes 10% of its profit to the community fund and 10% to the park’s communal fund. The funds are used to community development both physical and social infrastructure. Each community assembly decides on where to spend the communal funds in the end of the year. However, it is a recent phenomenon that the communal fund reached enough to invest in more fundamental infrastructure. Take Paru Paru, one of six communities in the park, which did not have very much capital at the community level, has now accumulated more than 1,000 Soles; compared to 20 soles before the system was established (Ricardo Pacco Chipa, Local Technician, Interview, April 16 2011). So far, some communities plan to build a community building or buy communal animals to generate more funds. Also, some treat themselves with chocolates and sweets for festivals where sweets are scarce.

The participants expressed that they are proud of the fact that they are contributing a certain amount of profits and sharing responsibilities as a member of her/his community.

“Although my community does not help me at all, I am proud that I can contribute something from what I do.” – Interviewee 2

“I am not just working for myself; I work for my community as well for the park.” – Interviewee 7

“Our community appreciate our work because our profits are directly contributed to the
communal fund” – Interviewee 10

If simply looking at the increased income aspect, it might not be a significant amount for everybody, however reflecting their living and income standards, the activities have made it possible to meet the participants’ essential cash needs. Thus, the project enables them to purchase food and industrial goods that are not be able to be obtained by barter trade, enables them to save for the future (functions as insurance) and allows them to invest on their children’s education to a certain extent. Especially for the most marginalised populations, this became a crucial activity as a survival strategy. The participants expect more income generation from the microenterprises, and more economic opportunities out of the groups as well. In addition, the project plays a significant role in diversifying income resources, reducing the risk of being dependent on one person’s income or single economic activity. Lastly, the groups’ profit-making activities not only benefit the members but also contribute to their respective communities and to the park which enables collective economic development as a whole. However, the incomes are not a regular salary. It depends very much on the number of tourists and seasonal fluctuations are quite big. In addition, although the businesses are run financially independently from ANDES, they are still very reliant to the organisation on distribution and attraction of tourists to the park. This problem needs to be addressed in the future.

5.3 Capacity Building

The impact was evaluated by interviewing participants whether they feel or think that there has been improvement of individual capacity. Individual capacity includes changes in self-confidence and interpersonal skills, personal skills and Individual knowledge.

Changes in confidence level and interpersonal skills
Results show that the most significant change is strengthened self-confidence and interpersonal skills. Traditionally, women do not work outside of community and stayed at home to take care of children and animals. They barely spoke to anybody out of their family members and relatives. Due to this, most of the women participants expressed that they had feared to talk to others and were not used to speak in the public before the participation. They did not know
how to present or express themselves in the public. Participation in the activities once or twice a week, small workshops and meetings have brought dramatic changes to the participants’ self-confidence and interpersonal skills. They also showed great confidence in running the business independently without facilitation of ANDES.

“Because we are women, we always remained silent at community meetings and didn’t participate at all. But I have worked with the group almost 10 years now, participated many workshops, meetings and travelled for national fair to other cities, I feel like I have more knowledge and been empowered. I am not afraid of opinion myself” – Interviewee 1

“I didn’t have any opportunity to go out and meet people. I was always at home alone, it was very sad. I trembled when I bumped into a man on the street. Now I go out often and meet other people as well. I feel much more comfortable.” – Interviewee 4

“I feel myself very important in my job and also in my community. Because I generate incomes, teach younger people and contribute it to my community and to the park”- Interviewee 6

Some of them mentioned that the participation has changed their mentality about themselves and their future perspectives.

“This business has changed my life entirely. I have never thought that I would be able to make money and deal with foreigners. This is totally different mentality compare to the past” – Interviewee 8

“I am very confident about running a business alone and train others as well. I am preparing myself for potential opportunities after this project” – Interviewee 10

All of 10 participants explained that their participation itself greatly increased self-confidence, and it is the major reason that they are satisfied working with the microenterprise programmes. It was easy to observe that participants with more years of experience seem to be more relaxed and speak with confidence without hesitation or reading others faces in the group interviews rather than those who newly joined this year or non-participants.
**Professional Skills**

Even after considering that the programme is at initial stage, development of professional skills obtained from the participation is not necessarily significant. Since they have not had experience in other activities other than agriculture and housework, and most of them do not have formal education, consequently job opportunities are quite limited. The profits are not enough to support vocational trainings for every participant. Thus they rely on knowhow and knowledge of their co-workers and the facilitators of ANDES in learning necessary skills for the jobs. Also, the learning outcomes vary depending on the jobs and the business types. Take the medicinal plants group, each individual is specialised in certain task. Which vary from basic production of soaps and tea bags, packaging, managing stocks and collecting plants; however, there is nobody who knows the whole process which enables them to have sufficient capacity to do other economic activities of out of the group. Gastronomy group members believe that they have learned a lot about traditional Andean cuisines and hygiene practices in restaurant business while artisan business members have learned skills in development of new designs and sales. However, other basic skills that are crucial in other economic activities such as numeric skills, writing and reading the Spanish language, and business management have not been delivered though the project. Furthermore, they have not been able to acquire necessary skills required for the formal economic activities such as how to obtain business registration or establish distribution channels in the bigger market. A few interviewees expressed their desires to train themselves and learn more for the business activities.

“Now we are getting a lot of help from ANDES, still lack of a few necessary skills” – Interviewee 1

“The new comers are relying on existing members on trainings. Because of this when new comers join, it can be a bit hectic” – Interviewee 4

“I feel like I need to learn more. I know how to produce those products out of the raw materials and how to explain things to visitors but still I don’t know how to write and calculate. These skills are the ones that I want to learn for and from this business” – Interviewee 6

**Individual knowledge**

Knowledge is the greatest motivation for the most interviewees along with income generation.
The project is considered as a highly important education source among the participants. All interviewees responded that their desires for obtaining new knowledge encouraged them to join the business groups. The organisation hosts a number of regular workshops to encourage the participants to exchange their knowledge and opinions on the business activities. From what was observed, the discussions in workshops and meetings related to businesses are very active. They are very curious about new information and not afraid of asking and adding their opinions. Also, they actively write down or draw things of what they exchange and learn.

Although, strong socio-cultural traditions remain within the communities, the new generation has limited knowledge on using their existing resources such as usage of medicinal plants, recipe of traditional Andean cuisines, histories of the region and bio-cultural values of their homeland. They did not have opportunities to learn, discuss and exchange such information before their participation. Furthermore, not many people are familiar with outside world and had limited contacts with outsiders. Interviewees showed considerable confidence in their knowledge obtained from the business experience and are willing to learn more in the future for educational purpose as well as for other economic opportunities.

The level of satisfaction of what they have achieved and learned through the microenterprise activities reveals to be very high. They believe that they have more knowledge compared with before joining the business groups. The business activities have increased interests of their own culture and history, and broadened understanding of the use of local resources. Particularly, the interviewees appreciate that the activities have helped them to identify what they have as an asset within the community both individual and community level, and how to utilise them to generate incomes. More frequent contacts and interactions with outsiders especially with tourists both national and international, and ANDES staff members brought a more round understanding of outsiders and external socio-economy system.

“Before joining the collective group, I would never imagine that I can have this kind of knowledge. Now I know how to make tea bags out of raw materials and how to treat my kids with medicinal plants when they are sick. This is a new development for me” –Interviewee 5

25 In case they are illiterate.
“My job teaches me a lot. I am learning English and foreign culture. I have more knowledge on my own community, its history and environment because I have to explain them to visitors. Now I want to study tourism at a university. I am earning money to support my mum and sisters as well as saving some for my future” – Interviewee 9

To summarise, not only do the participants enjoy the work or participation itself, the project has improved their self-confidence and interpersonal skills considerably. Along with this, newly acquired skills and knowledge have brought great confidence in doing other economic activities out of the microenterprise groups. However, many of them feel that they need more professional trainings and education to operate the business both by individually and collectively.

5.4 Democracy Reinforcement

Democratic practices are very important in the researched groups where most of the participants comprise women. Due to cultural restrictions, they did not have a chance to demonstrate their opinions and make their voice heard in the decision making process. Frequent meetings, workshops and casual discussions with other members from different communities and other business groups have promoted basic practices of democracy in the park. To examine impacts in democracy enhancement, key questions included member selection system, the decision making process in planning and operation, autonomy and the participants’ perception on democratic practices in their businesses.

Half of the interviewees were elected by the community assembly and the rest volunteered to join the groups by their own needs and decisions. The community assembly nominates candidates according to one’s socio-economic needs, and the decision should be made by the consent of community members. This system is designed to minimise the risk of benefiting only few and not reaching the most marginalised. However, in the case that the appointed person does not want to join the group, they can give the chance to other people who are more interested or in needs. For fairer opportunities they re-elect members every 2 years, however they can stay longer than that depending on the circumstance. Nevertheless, 2 years is not
sufficient for one to pull out her/himself from economically deprived status or for adequate building capacity. Additionally some participants have been involuntarily dismissed from the programme due to this system, while not given alternative job opportunity.

All interviewees expressed her or his satisfaction with the decision making process. Except one woman who is participating in the artisan group where she feels the president tends to have more power in making important decisions than the rest, most of interviewees cited that they feel like their opinions are very much considered and they all participate in making important decisions. The interviewees also stated that they believe that the businesses are run in an absolutely democratic and autonomous way, but ANDES’s influence is still great when they need more professional inputs such as attracting tourists and distributing products. Consequently, a few important decisions cannot be made solely by the business groups themselves, but even in this case, meetings are held to obtain the participants’ consent. They consider that each group member has authority for her/his business.

“We always suggest what we think and what should be done regarding the business, such as who is going to participate next fair and how many products we need to produce for the next month” – Interviewee 5

“Everybody has a say when it comes to plan and operate the business. We always talk and make decisions together. It is not like someone decides and the rest follow. We always should discuss.” – Interviewee 6

Field notes were created for certain events or impressions during numerous meetings and workshops that held by the organization. Regardless my limited skills in Quechua language, it seems like everybody was equally given an opportunity to opinion oneself and the rest seemed to listen carefully and actively expressed themselves when agreed with nodding or adding on the speaker’s comments; although sometimes, facilitators showed a tendency to lead the directions of public opinion or give strong suggestions to certain issues. Few times, it was almost like a lecture. When this happens, the participants did not say anything or seemed to hesitate to express opposite opinions. Nevertheless, these practices through frequent meetings and workshops helped them to understand the democratic decision making process and the
needs of establishing democratic organism within the groups. Lastly, combined with the confidence that they are contributing to the communities and the park, the participants became more active in communal decision making procedure.

5.5 Solidarity Consolidation

Reinforcing solidarity among the members is one of the key principles of the social economy as well as a major goal of the programme. Especially in the contexts of the case project, reinforced solidarity is expected to play an important role that enables the participants to pursue collective benefits through collective action and active communications among the six communities in the park where a few conflicts between communities existed until quite recently due to lack of understanding and communications (ANDES, 2011). However, as stated earlier, solidarity is not calculable thus this thesis borrowed Segall’s criteria as a guideline to examine the reinforcement impacts in solidarity at the group level. Key questions included changes in individual and community relationships, the level of interactions and communications among co-workers, trust level, the sense of closeness and perception of solidarity impacts.

The results show that the project plays a positive role in building sense of closeness and trust amongst the members. For instance, the Medicinal Plants group, which has been operating more than 10 years with a number of long-term participants, high level of trust and closeness have built among members. All four interviewees from the group stated that they consider each other ‘sisters’ and strong ‘trust’ exists among themselves.

“Traditionally we are not quite open to others. We do not talk personal matters or problems. People would just criticize you behind your back if you let your problems out. But our group always talks about personal matters because we have been working more than 5-6 years. We feel like we are sisters” – Interviewee 6

“I consider my partners as my sisters. I trust them so I can talk about personal matters” – Interviewee 1 & 7
In addition, compared to the past where there hardly any communication existed between different communities, now they have more interactions and became to have a better understanding of each other’s community.

“I did not know anybody outside of my community and didn’t speak to outsiders before. We didn’t know each other before joining the business. First time we were very shy to talk to each other, but now we are like a family through working together every week for 2 days. I feel so close to them” – Interviewee 4

“Before we didn’t know each other at all and there was no communication between communities. Now we interact a lot not only with work but other occasions too.” – Interviewee 7

All of them expressed their satisfaction with working together. Their facial expressions were noted during the interviews too. Particularly, when they speak about how they feel about working together, they were wearing smiles and some of them laughed a lot when they talk about how pleasing it is to have conversation with others. Everyone answered that they enjoy working together very much because they talk about their lives, exchange useful information and make jokes a lot.

From weekly observations, take the medicinal plants group as an example, although each person has a different task such as manufacturing products, packaging, labelling and bookkeeping, they usually sit around at the same table and discuss various issues including the business, market situation and personal happenings in the communities. They also bring their kids to work and let them play together as well. A better understanding about other communities and their culture has been created by working together. However, it is not a common to invite each other to personal events among members, except for weddings and funerals within the community.

Two microenterprise groups namely ‘Medicinal Plants’ and ‘Gastronomy’ were invited to the group interviews. Surprisingly, with FGI the participants shared more ideas on how the participation has changed their relationships at the community level and how mutual benefits have been created through the programmes.
“We think that our activities have created confidence and solidarity among us. We didn’t have this between different community members. Other groups also want to create this closeness but it will take time. I think this will benefit everybody in the park in the end” – Interviewee 2 from the group interview

However, thus this positive effect has not been able to reach bigger population yet due to the small scale of the project. It needs to be scaled up to bring wider impact on solidarity consolidation. Furthermore, ill feelings between participants and non-participants exist and this plays a potential problem in solidarity enhancement at the park level.

CHAPTER 6. CONCLUSION
The objective of this study is to examine a social microenterprise as a potential alternative community development model in a special context of Quechua communities in Andean Peru.

The new model pursues similar goals with conventional microenterprises such as income generation and empowerment, though its characteristics are derived from the social economy principles; the emphasis on people and work over financial benefits, promotion of democratic practices and autonomous management, based on reciprocal relations and collective action.

It is too early to judge the new model’s success or failure since it is only at initial stage with less than 10 years of active implementation in the researched community, covering only a small percentage of the population. However, the findings provide some meaningful results that allow us to weigh the potential of the new model.

First, the case study has shown that the new model has brought considerable economic impacts at both the individual and collective levels. The microenterprises enabled the most marginalised groups to participate in income generating economic activities. Generated or increased incomes are not considerable in absolute amount; however, they significantly help the participants by meeting their basic cash needs for food and education. In addition, the
project has diversified income sources along with subsistent farming without requiring an initial monetary capital. Beyond individual and household level benefits, it brings mutual benefits for each community and the park as a whole through the communal fund system. The accumulated communal funds are expected to be used to contribute to constructing physical and social infrastructure in the near future. However, the new model also merely remains at a micro-scale, with labour intensive and simple production by repeating the deficiency of the traditional microenterprise model. More efforts should be made to strategic use of the mainstream economy and to maximise the number of beneficiaries in an effort to create a more sustainable income generation and a broader implementation. Still, providing such opportunities to the most marginalised individuals should be considered as a positive initiative in places where conditions allow very little economic activity.

When examining the social aspect, it is evident that there have been significant improvements in members’ capacity, namely self-confidence, interpersonal skills and individual knowledge. However, professional skills for basic economic activities are still necessary. In addition, collective work has created strong ties and a high level of trust among the participants and between different communities. Furthermore, the participants are afforded the opportunity to practice democracy throughout their activities, this is a well established and a common decision making system within the park.

The new model demonstrated that it is valid to tackle perceived problems of conventional microenterprises to a certain extent. The neediest are more likely to benefit from the new model through the specially designed member selection system and contributions to the communal funds for mutual benefit. Its limitations in income generation have also been addressed. Unlike the conventional approach, the new model does not rely on loans, rather it utilises local resources and the members’ labour as capital. Hence, even though the income is not necessarily a substantial amount, the surplus after the contribution to the communal funds is fully refunded to each member without further disbursement such as paying interests. Moreover, its design addresses the local realities specifically that the park is not monetary based economy. Instead, by targeting income generation as a single income strategy, it aims to meet basic cash needs as one of a number of diversified strategies in order for them to reduce economic risks.
The information presented in this study demonstrates the potential of social microenterprise as an effective community development tool. The social economy aims to tackle the blind spot of the market and the public services. The social microenterprise model indicated that it succeeded in achieving its objective to a certain extent. Because it is adaptable to the socio-economic realities of the unique context, it is thus able to serve their particular needs of the indigenous communities, which are often forgotten by the macro-economic policies as well as neglected by the market while reinforcing traditional values and local system. The case study is only limited to a certain indigenous group, though it might be applicable to other Andean Quechua populations of Latin America that share similar socio-economic realities, provided that the perceived challenges are addressed by more strategic methods. It is hoped that this study has contributed to create distinct interests on the new model, as well as has provided preliminary information for upcoming research on social microenterprises.
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Appendix 1

List of Interviewees

1.1 Individual In-depth Interviews

**Date:** March 8 – 12, 2011  
**Location:** The Potato Park (Sacaca, Amaru and ParuParu), Cuzco, Peru  
**Translator (Quechua to Spanish):** Valeria Yucra Velasquez and Ricardo Pacco Chipa

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<td>Juana Quispe Paco</td>
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<td>Juan De Dios</td>
<td>Guia Turismo</td>
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1.2 Key informant interviews with ANDES

1) **Alejandro Argumedo:** Executive Director  
**Date:** November 15, 2010  
**Location:** Meeting room, ANDES Office  
**Subject:** Social Economy and ANDES’s objectives/approaches on community development projects

2) **Tammy Stenner:** Coordinator of Food Sovereignty and Health  
**Date:** April 25, 2011  
**Location:** Meeting room, ANDES Office  
**Subject:** Additional information on the local context based on previous interviews with participants

3) **Flavio Flores:** Project Manager  
**Date:** April 25, 2011  
**Location:** Project Manager’s office of ANDES  
**Subject:** Additional information on the project based on previous interviews with participants

4) **Ricardo Pacco Chipa:** Local Technician  
**Date:** March 10-12, 2011/ April 16, 2011  
**Location:** Paru Paru, the Potato Park/ ANDES Office  
**Subject:** Insider’s perspective on microenterprises and community’s socio-economic realities

5) **Valeria Yucra Velasquez:** Participant in the video group  
**Date:** March 8-10, 2011/ April 17 and 19, 2011
1.3 Focus Group Interviews

1.3.1 FGI on Economic Impacts
   **Date:** October, 2010
   **Location:** Main Office of the Potato Park

   *Participants included all microenterprises in the park
   **List is not available due to the loss of the relevant documents

1.3.2 FGI on Solidarity Promotion
   **Date:** April 19, 2011
   **Location:** Main Office of the Potato Park

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<td>Gumirsinda Suffa Ylle</td>
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Appendix 2

Questionnaire Survey Questions

1. Which microenterprise group do you belong to?
   1) Medicinal plants
   2) Botanic garden
   3) Gastronomy
   4) Tour Guide
   5) Others

2. How long have you been participating in the project?
   1) Less than 6 months
   2) 6 months to 1 year
   3) 1 year to 2 years
   4) More than 2 years

3. What is the major source of household income at the present?
   1) Agriculture
   2) Commercial
   3) Salary from other economic activities
   4) The microenterprise programme
   5) Others

4. What was the major source of household income before joining the microenterprise?
   1) Agriculture
   2) Commercial
   3) Salary from other economic activities
   4) Others

5. Has there been an increase in cash incomes for the last 2 years?
   1) Yes (go to No.6)   2) No (go to No.10 and continue from there)

6. If so, the increase is (partly) due to the participation in the project?
   1) Yes (go to No. 7)   2) No

7. Does the participation in the project help you and your household to generate more income?
   1) Very much (go to No.8)
   2) To some extent (go to No. 8)
   3) Not much (go to No. 8)
   4) Not at all (go to No.10 and continue from there)

8. If so, how much money do you earn more compared to before the participation a month?
   1) 10 to 30 Soles
   2) 30 to 50 Soles
   3) 50 to 80 Soles
   4) 80 to 100 Soles
   5) More than 100 Soles

9. Where do you spend your extra income generated by the project?
   1) Food
   2) Education
   3) Improvement of Housing
4) Savings
5) Others (Please specify if you can: )

10. What is the average income of your household a month? ( Soles)

11. Do you think the project has helped you to diversify your income sources?
   1) Absolutely
   2) To some extent
   3) A bit
   4) Not much
   5) Not at all

12. Are you satisfied with the project?
   1) Absolutely
   2) To some extent
   3) A bit
   4) Not much (go to No.13)
   5) Not at all (go to No.13)

13. What is the reason that you are not satisfied with the project?
   ( )

14. If you have a chance to do other income generation activities rather than the microenterprise, would you leave the project?
   1) Yes  2) No  3) Haven’t thought about it yet

15. What is your gender?
   1) Woman  2) Man

16. What is your age group?
   1) 20s  2) 30s  3) 40s  4) More than 40

17. What is your marital status?
   1) Single  2) Married  3) Divorced  4) Widow or Widower

18. How many children do you have in your family?
   1) No kids  2) one  3) two  4) three  5) four  6) more than four
Appendix 3

Key interview questions (Interview Guidelines)

1. Economic Impacts
   ✓ Major income source of household: Before and after the participation of the programme
   ✓ Whether there was income increase in the past two years
   ✓ Whether the participation helps generating incomes, if so, whether it significantly helps the participant and her/his family
   ✓ How much do they earn from the programme, monthly?
   ✓ Where do you spend the extra incomes generated by the participation?
   ✓ What is monthly income per family (to examine the significance of the increase)
   ✓ Does it help to diversify your opportunities of income generations?

2. Capacity Building Impacts
   ✓ Do you think there has been improvement/enhancement of your capacity through the participation? If so, what is it?
   ✓ Do you feel that there have been changes in your life?
   ✓ Do you think that you can run the business independently without facilitation of the organization?
   ✓ Are you confident to launch a business or to participate in other activities outside of the community or the park?

3. Democracy Promotion
   ✓ How do you elect new members? And what is the requirement to join the programme?
   ✓ How the business is planned and operated?
   ✓ How do you make important decisions?
   ✓ Do you think your opinions are considered in the decision making process?
   ✓ Do you think the business is run democratically and autonomously?
   ✓ If you want to quit, can you do it easily?
   ✓ If you have your personal circumstance, how do you adjust the schedule?

4. Solidarity Reinforcement
   ✓ What kind of relationship did you have before joining the business group?
   ✓ Did you know each other or was there communication among the members?
   ✓ Do you think the project help you to understand your co-workers from your own community as well as from other communities?
   ✓ Do you like working together? Do you talk a lot when working together?
   ✓ Do you visit each other’s home and community for personal or communal events?
   ✓ What kind of advantages do you think the project bring to the community and the park?
   ✓ Do you feel like you belong to your group or to the park?
   ✓ Do you help each other when one has personal problems?
   ✓ Are you willing to disclose positive or negative matters to your co-workers honestly?
   ✓ Do you share personal worries?
   ✓ Do you feel close to each other?
   ✓ Do other participants have influence on your behaviour?
   ✓ Do you trust your business group?
   ✓ Do you feel like you understand each other?
   ✓ Do you share a lot in common?
   ✓ What kind of impacts has the participation brought to the community or to the park as a whole?