



SELECTION, PLANNING, AND MANAGEMENT OF INCOME GENERATING ACTIVITIES

Acknowledgements

The second edition of the manual builds on the first edition developed by CARE in 2003. The technical origins of this document are squarely CARE with additional aspects from ENSURE Livelihoods and Economic Development Technical Team.

The production of this manual was made possible through the generous support of the American people through the United States Agency for International Development (USAID). The contents of this report are the responsibility of the World Vision-led ENSURE food security program and do not necessarily reflect the views of USAID or the United States Government.

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Funded By: USAID

Published by ENSURE, February 2018

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Original development was supported by:

The Rural Micro-Finance Project (Funded by GoA)

Kupfuma Ishungu Expansion Project (Funded by the SIDA);

Community Reserves Building and Income Diversification Project (Funded by DfID)

Enhancing Nutrition, Stepping Up Resilience and Enterprise (ENSURE USAID)

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Introduction

Selection, Planning, and Management (SPM) of Income Generating Activities (IGAs) is a training course for semi-literate participants of the VS&L intervention. It has been designed for participants who are interested in starting up IGAs in the drought prone districts of Zimbabwe.

This training module was adapted from CARE International in Uganda's Joint Encouragement of Gainful Activities (JENGA) Project. It is currently being implemented in many CARE missions including Bangladesh and Kenya.

Poor families in these provinces often suffer from erratic rains and severe food shortages. To worsen the situation, these households also do not own cash reserves to fall back to in times of difficulties. Financial services by the formal sector to these communities are limited if not non-existent in some areas. It is in this background that CARE International in Zimbabwe launched the Kupfuma Ishungu Rural Micro Finance Project in August 1999. The project facilitates the mobilization of savings by groups and utilizes these savings by members as a source of capital from which internal loans will be given to members. The members then engage in various forms of Income Generating Activities (IGAs) to raise income to sustain their families and contribute towards their group's savings and lending activities.

The Rural Micro-Finance Programme (RMFP) started by simply offering training in the formation and management of savings and credit groups in the rural communities. The adaptation of the SPM training methodology was initialised under the CRBI component and has since spread to all other components including RMFP - GoA, Kupfuma Ishungu Expansion Project - SIDA Funded and USAID funded ENSURE project. In various partnerships that have been established with other local and international NGOs, the component is expected to be packaged together with the savings and credit methodology.

Experience has shown that IGAs supported through NGO programs are usually larger and more complex than participants' previous activities, exposing them to the risk of financial losses if the activity fails. This risk of failure can be reduced by providing participants with training that enables them to systematically assess the appropriateness of several potential IGAs, comparing each to their specific skills and resources. An analysis of this kind will allow each of them to choose the IGA that is most suitable, given their individual circumstances. Based on the results of the needs assessment conducted in these areas, most people lack knowledge and skills to systematically select IGAs, plan for their implementation and manage them.

Additionally, there have been cases when savings are not fully utilized for income generating activities. The SPM training methodology seeks to assist community members to select, plan and manage IGAs, thereby increasing the demand for loans. To achieve financial sustainability the demand for loans is supposed to be higher than supply so that no funds are left idle at any point in time. SPM seeks to develop that business acumen in the VS&L participants so that they will borrow from the group fund and invest in their IGAs and repay the loans on time.

The objective of this training course is to assist the VS&L clients:

- To **select** an IGA that is suitable for their individual circumstances, after careful consideration of the technical, marketing and financial aspects of a number of alternative IGAs;
- To **plan** for the successful launch of the IGA after the selection has been made; and
- To **manage** the IGA effectively, so that the loan is repaid on time, the income earned from the IGA matches expectations, and the risk is kept within manageable limits.

The course consists of five modules, which should be conducted in three to four-hour sessions over a period of one week. The training should be delivered in five consecutive days, failure to observe this will lead to discontinuity which can result in ineffective sessions. Cancelled sessions should be followed up as soon as practically possible and in such cases, a firm recap of the previous sessions must be done. At the end of the one-week training period, the participants should have each selected an IGA after an analysis of all-important factors and have planned for the startup of the chosen IGA. Participants with IGAs that might need comprehensive and complicated information gathering can come for follow up sessions after the five days.

Guidelines for the trainer

Introducing SPM

SPM training is generally targeted at specific needs that would have been identified in the savings and internal lending participants. These are known as training needs. A training need exists when an individual has no knowledge/skills to undertake satisfactorily a given duty or challenge encountered in life or a specific objective. What does the participant seek to do and what is the actual performance? It therefore follows that there must be standards set in the community for us to say that the person has failed to meet the standards.

Training needs analysis is a very important part of adult learning. Most trainers waste time giving knowledge that is already being used by participants. Participatory trainers take time to know what their participants know and then try to bridge the gap between expected knowledge and actual knowledge. The trainer learns from his/her participants. Training needs analysis is essentially discovering the gap between actual performance and expected performance. For SPM, it is mandatory that before undertaking to train the community, a needs identification session be done together with the community and various stakeholders. Based upon the needs analysis stage, a feedback session should be arranged where the community discusses the results of the needs identification and analysis session. This will assist the trainer in ensuring that s/he is responding to the specific and relevant needs of that particular community. It might be necessary to adjust coverage and emphasize issues that are cited by the participants as gaps.

Training Overview

Three principal subjects are discussed during the five sessions that comprise the course:

Subject Area	Modules
Selecting a suitable IGA	1-3
Preparing an operational plan	4
Managing the IGA	5

The course uses training methods that are designed to encourage creative thinking and maximum retention of the key concepts. Each session is followed by a home assignment that reinforces the learning points and guides the participants as they individually investigate potentially suitable IGAs.

Each participant makes a decision about the most suitable IGA for him or herself after completing Module 3. The assignments thereafter prepare them for the successful launch of their IGAs.

Visual aids are used extensively during the course. These include picture charts, picture cards and serialized cards.

The trainer should ensure that literate techniques—such as calculations written on flip charts—are trained on non and semi-literate participants including electronic device usage. Care should be taken to incorporate the less literate members.

Before the workshop

- Read the curriculum and prepare for the session beforehand.
- Prepare all materials and aids before starting the session. Searching for materials during the training session may reduce its effectiveness.
- Use all training materials in the right sequence. Improper use of the materials may diminish learning.
- Begin the session with some informal discussion about the participants' lives. This will allow the learner to think that you are one of them.
- Be friendly, confident, easy and cheerful at all times.
- Keep the session in good humor. Consciously try to create a pleasant learning environment.
- Stories are used in different sessions of this course. Read the stories in Shona slowly and artfully so that the participants feel excited while you are reading and can easily understand them.
- Do not cite examples related to any participant, as this may cause embarrassment.
- Avoid favoritism. Pay equal attention to all learners. Your function is to link the ideas of the participants.
- Be careful to ensure that everyone participates. All learners do not have the same ability and speed of learning. Some are more comfortable than others speaking up in a large group.
- Do not get excited if participants cannot easily answer a question. In such a situation, encourage them by complimenting them on what they know and not focusing on what they do not know.
- Follow the time schedule. But also respect learners' opinions, especially if they need more time.
- Believe in the creativity and worth of the participants. Let the learners speak more, practice more, and try more. Remember that the learner is the subject of all your efforts.
- A training curriculum is a guide that helps the facilitator identify an easy way of transferring certain knowledge, skills and attitudes to learners in order to achieve the predetermined objectives of the course. There is no need to follow the curriculum exactly. Make changes according to your circumstances and the proficiency of the participants.
- A positive learning environment is crucial to successfully implement the training. It is inherent in the training method that participants make mistakes, realise the mistakes and correct them.
- Always maintain a trustworthy atmosphere that is characterized by respect for other's opinions, strengths and weaknesses. The method strongly builds on exchange of ideas and constructive feedback amongst the participants that can only be achieved in a conducive environment.

Organizing and preparing for the workshop

The training package utilises participatory methodologies to ensure maximum retention. Despite the detailed structured information given in this training module, some key organizational problems may still surface which can affect the quality of your training. It is therefore recommended that some organizational issues be resolved ahead of the commencement of the training.

Training venue

The training venue should meet the following criteria:

- Should be easily accessible to all participants
- Choose an appropriate venue taking into consideration the season of the year
- Utilize the stakeholders and participants in securing the training venue, which could be a school, house or open space etc.
- Ensure that you can use the training aids like flip charts, pictures, posters, etc. at the chosen venue. Visit the venue well before commencement of the training to ascertain its suitability.
- Ensure that you do not interrupt school children in your workshop programming

Preparation and organization of logistics

Make sure that you have all the materials and equipment needed before you actually start the workshop. The training manual has a list of all the materials required to run the training. However, the materials will have to be adapted to the specific training needs of the participants. Besides that, the time needed for each session differs from group to group according to their particular backgrounds and experience. All this must be considered during preparation. Preparation for the training should start at least one week prior to the commencement of the training.

Organization during the workshop

The facilitator should do the following after the last session of the day:

- Review the day's activities
- Analyse the daily evaluation results
- Finalize or adjust the next day's activities
- Ensure that materials and handouts for the next day are in order

Standard activities

There are some standard activities that are not specifically mentioned in the session outlines. These daily activities are:

Beginning of the Day

- Opening prayer
- Use the “eye and ear” technique to assist participants on recapping on a daily basis.
- Process previous day's evaluation results.
- Make administrative announcements (if any)

End of the Day

- Administrative announcements (if any)
- Closing prayer
- Daily evaluation

Administrative Issues

These should be discussed and agreed upon at the beginning of the workshop. These should cover:

- Self organization of participants
- Logistics
- Daily schedule
- Evaluations
- After class activities
- Fines

Daily Evaluations

Daily evaluations should be conducted. The evaluation results should be analyzed and discussed carefully. You can use a simple ‘eye and ear’ technique level of your participants. The technique can evaluate content, facilitation and overall mood of the group.

MODULE I: How can I select an IGA?

Objectives:

On completion of this session, the participants will be able to:

- Become acquainted with each other, feel free to participate spontaneously in the next sessions, and know the objectives, duration and time schedule of the course.
- Grow confident about their ability to become self-reliant through own initiatives, including start-up of income generating activities (IGAs).
- Determine the mistakes that many people make in the selection of their IGAs.
- Be able to describe the Five Important Points that should be considered before selecting an IGA from a group of alternatives.

Time: 3 hours

Methods:

- Discussion
- Chart demonstration
- Storytelling

Materials:

- Tin or cup with many holes in it, basin, jugs and water.
- Picture charts on IGA selection, planning and management:
 - C.1 A poor family
 - C.2 A happy family
 - C.3 Five Important Points for IGA selection
- Pictures of IGAs
 - P.1 Fish Mongering
 - P.2 Buying and selling of agricultural produce (farm gate)
 - P.3 Buying and selling of agricultural produce (shopping center)
 - P.4 Fruit and vegetable vending
 - P.5 Contract ploughing
 - P.6 Grinding mill
 - P.7 Basketry
 - P.8 Bread/scones baking (confectionery)

- P.9 Catering services
- P.10 Hand peanut butter making
- P.11 Machine peanut butter production
- P.12 Egg production
- P.13 Vegetable seedling nursery
- P.14 Tree nursery
- P.15 Market gardening
- P.16 Livestock buying and selling
- P.17 Mat making and selling
- P.18 Cotton growing
- P.19 Candle making
- P.20 Maize growing
- P.21 Oil pressing
- P.22 Beer brewing and selling
- P.23 Bee keeping
- P.24 Tailoring
- P.25 Turkey production
- P.26 Brick moulding
- P.27 Firewood selling
- P.28 Sugar cane growing and selling
- P.29 Rope making
- P.30 Pottery
- P.31 Stationery selling
- P.32 Piggery
- P.33 Jam making
- P.34 Guinea fowl production
- P.35 Knitting
- P.36 Selling of second hand clothes
- P.37 Butchery
- P.38 Goat rearing
- P.39 Orchard-fruit production
- P.40 Milk production
- P.41 Poultry (broilers and indigenous)
- P.42 Meat roasting and selling

- P.43 Broom making (traditional)
- P.44 Mealie cobs selling
- P.45 Selling freezits
- P.46 Soap making

Explanation for the facilitator:

There are various ways for the poor to survive, but not all are sustainable. Some, such as undertaking IGAs, make them independent and in control of their lives. But others, such as taking help from relatives or neighbour, or expecting handouts from government, make them vulnerable and dependent.

Operating an IGA provides the opportunity to be self employed using one's own skills and resources. IGAs generate increased income that allows families to enjoy better food, clothes, shelter, send children to school, pay for hospital fees and lead happier lives. They also give participants an alternative source of income in case the rainy season is bad and nothing is harvested from the fields.

Unfortunately, many times the poor do not have confidence in their capabilities and think that they cannot manage economic activities or other initiatives that let them live better. The first part of the session is designed to change this perception.

There are **FIVE IMPORTANT POINTS** that should be considered before one can start an IGA. These are:

1. **Market:** Can I sell the products of this IGA?
'Ndingawane kwekutengesera here?'
2. **Knowledge, skills and right attitudes:** Do I have the knowledge, skills and right attitudes needed to operate this activity?
'Ndine ruzivo, pamwe nechido chekuita project iyi here?'
3. **Capital:** Do I have enough money to start up and operate the IGA?
'Mari yekutanga nekufambisa project iyi ndingaiwanepi?'
4. **Income:** Is the IGA profitable?
'Project iyi ine geni here?'
5. **Family expenses:** Will the income from the IGA, when added to other family income, be enough to pay household expenses?
'Ko mari yose inopinda inokwana kubhadhara zvinodiwa nemhuri here?'

Anyone who intends to start up an IGA should, first of all, list all the IGAs that might be suitable. Then s/he should think about these Five Important Points for each of the IGAs under consideration before making a decision.

Poor people often do not assess all these points before deciding which IGA to undertake. They select IGAs that they observe other people doing or that they think might have a good profit.

This introduction to the Five Important Points is designed to make participants aware that an IGA should be started only after careful analysis. Each point is covered in more detail in Module 2 or 3.

Thus, the Five Important Points form the prime content of the training on IGA identification and selection. The trainer's greatest priority is to ensure that the participants have registered the importance of these points. To facilitate this learning, the Trainer should enumerate these Five Important Points using the Human Actions technique. The learning can be further consolidated by ensuring that the participants can recite and sing the Five Important Points. During each subsequent session, this technique should be used to reinforce the learning. Always ensure that participants are all partaking in the actions as you lead them. Repeat the actions over and over again to ensure that they can enumerate the points. You may also allow participants to give it a go on their own and see whether they are catching the points.

One of the key parts of this course that makes it different from other training courses for non-literate people is the use of **Think About** home assignments. The purpose of the Think About is to reinforce the learning from the course in a practical way. The trainer should generate a positive attitude on the "think about" so that the participants will follow it with due attention.

This is the first session of the course, and the participants may feel shaky. The trainer should strive to make them open and lively by using facilitation skills along with the process described.

Process:

Step 1: Introducing SPM- The journey illustration

Time: 20 Minutes

Start by thanking everyone for attending the first session of the training workshop. Assure them that if they stay engaged they will learn a number of things throughout the week. Recap on the issues that were discussed during the needs assessment session and the community orientation session. Ensure that they see the link between their needs specifically mentioned during the needs analysis session and the three main objectives of SPM. Capture their expectations on a flip chart so that you can clear any misconceptions and will also be guided on their expectations. This is also important for evaluation of the whole training workshop.

To get the best results from the training, participants have to exchange their knowledge and ideas freely among themselves during the whole training period in the same way that they would do in a vehicle traveling for a very long distance (for 5 days). Tell them the example of a group of people travelling using a car.

Take a real life scenario of people travelling from Masvingo to Karoi. You can use their area and a distant town/city to make the illustration more realistic to them. Discussing that while travelling it is a good thing to keep the driver alert, especially while travelling during the night. Tell them that they have just begun a long journey and the onus is on them to participate so that the driver will not sleep along the way.

Discuss how the five sessions should be a good atmosphere for every participant. Set the ground rules and capture their expectations, a driver always finds the speed they are comfortable to travel at and when and where they are going to stop over.

Before travelling they should know their destination, where they want to finally reach. Ensure that the objectives of the training are clear to every participant. Clear any misconceptions and expectations that will not be able to be met so that the training starts on level ground.

Tell them that participants should give each other turns in sharing some stories and desist from chorus answers. Noise may lead to confusion, resulting in the driver failing to control the vehicle and thus an accident may occur.

If a passenger does not participate, the driver (facilitator) has to ask him/her to participate. These are questions that are frequently asked by drivers when they find that some of their passengers are very quiet.

- Am I over speeding?
- Am using the correct route?

These questions relate to the speed of the facilitator against the understanding of the trainees. Tell them that the last thing a driver should be tempted to do is to fall asleep while driving. This can be a result of silence on the part of passengers. This can result in a serious accident and thus loss of life. When a facilitator is speeding, participants may find the whole training content difficult to conceptualize. Ensure that you have the participants with you every step of the way.

To get the best results from the training, participants have to exchange their knowledge and ideas freely among themselves during the whole training period in the same way that they have exchanged during the game. Exchanging knowledge and ideas will make them more comfortable in the learning process and they will enjoy the training as they have enjoyed the game.

Now move to the next step.

Step 2: Improved living situation through IGAs

Time: 30 Minutes

Showing the picture of **Chart number 1 (a poor family)**, ask a series of questions:

- What do we see in the chart?
- Do we think the family is facing any problems? What may these be?
- Do we face problems like these in our family?
- Would we like to see the same situation throughout our lives?
- How can we overcome this situation?
- Which option is most suitable?
- Why?

Use the illustration of the river between a poor household and a rich household and the fact that SPM is viewed as a bridge between the two sets of worlds. Link the needs identified during the needs assessment session to the theme of discussion of this module. Explore the theme that IGAs are a good option for many poor people who cannot find secure, sustainable jobs from which they can earn a decent wage. IGAs allow us to raise our family income through use of local resources and family labour. Emphasize the point that starting an IGA does not necessarily mean getting assistance from outside.

Show **Chart number 2** to the participants. Ask them a series of questions about the change in the family's situation from the first picture so that they realize how an IGA can improve a family's living standard. The two pictures show the same family.

- What do we see in the picture?
- Do we think this family is happy?
- Why do we think they are happy?
- Do we think the woman was so happy at the beginning of her family life?

After the participants respond to the above questions, explain that the woman was not so happy but was poor like them at the beginning of her family life. She became happy after a long struggle and had to work hard with an IGA to survive independently. Tell the participants that any family situation can change through development of IGAs.

Next, ask the participants to name the IGAs that **THEY** undertake. As participants give the names of IGAs. You should immediately take out the pictures of these activities from the bundle and hang them with a clip or peg one by one on a rope that was arranged before the session started, or stick them on a wall in front, if there is a wall. If a participant names an activity that has no printed picture, you may write down the IGA on a flip chart or draw a rough sketch of it and hang it along with the other printed pictures on the rope.

Next draw the attention of the participants to the pictures on the rope and lead a discussion about the key features and diversity of the IGAs. The following questions may guide the discussion:

- What do we see on the rope?
- Are all the pictures of IGAs?
- What is an IGA?

The definition of an IGA should be discussed in this step taking inputs from the participants. ***An IGA is a small economic activity which is generally operated at or near the home, uses family labor and whose purpose is to raise family income.***

Make sure the participants do not confuse IGAs with other activities that are not meant to raise family income. This includes the selling of food meant for consumption to raise money to solve emergency problems. Emphasize that an IGA does not necessarily need to be supported by an outside agency (e.g., NGO or MFI) or the government for it to take off and operate.

Allow participants to screen out pictures of non-IGAs (if any) from the rope. If participants make any mistakes, correct them and explain the reasons.

Conclude this step by explaining to the participants that the main objective of the course is **to strengthen our knowledge and skill in identification, selection and management of economic activities with a view to raise our family income.**

Step 3: Identifying suitable IGAs from a group of alternatives

Time: 60 Minutes

Referring to the pictures of IGAs on the rope, discuss with the participants how the poor can identify a few suitable IGAs for themselves from such a large number of alternatives. To lead the discussion, participants may be asked the following questions:

- How many IGAs have we identified that are undertaken by poor people in our community? (Allow participants to count the number of pictures on the rope)
- Are all of these IGAs equally suitable for each of us?
- How can we decide?
- What process do we use to identify suitable IGAs?

Participants may mention the following ways that people in their community use to identify IGAs:

- They see other people doing it
- Someone told them the IGA has a good prospect
- They think it will be easy to do
- They think they can make a remarkable profit
- They heard that the market is growing up

Introduce IGA selection as a major sub-topic. Tell the story of Mai Mushunje to show the mistakes that may be made if careful consideration is not given to a proper choice. Tell the story artfully and ensure that you make regular follow up to the marketing and operational aspects of IGAs during and after telling the story.

The Story of Mai Mushunje

Mai Mushunje is a 31 year old woman who is married and has two children, one aged 12 years and the other seven years. Her husband works for the Zimbabwe National Army (ZNA). When the programme was launched at Gunde in Chiwundura ward she was among the first group of women to respond and start their savings and credit group, which they named Takunda group. They started saving in May 20## initially contributing US\$10.00 before reviewing to US\$20.00 and then US\$30.00 last month. At the moment they have saved just over US\$420.00. She reckons it's lower than expected, especially if they decide to share the savings.

In July 20## she borrowed a loan of US\$40.00 at 20% interest from the group, which she wanted to use to start up a tomatoes trading IGA. The tomatoes were being sold in Kwekwe which is about 60kms from their nearest shopping centre. She bought two buckets of tomatoes at US\$10.00 each, thus totalling US\$20.00. She used the remainder for bus fare, as by then the bus cost US\$20.00 to the city.

She had only heard about the market and the price that was being offered by the market and always thought it was a good venture. When she went into the market, on the same day some traders from Silobela were there with their tomatoes, which were big, healthy and are said to make a good and thick soup. She tried to sell the tomatoes initially at US\$20.00 but the buyers ignored them. They were not the right size and quality for the market and the price was far above what the other traders were accepting. She spent the whole day without even selling a single bucket and had to sleep overnight. She paid US\$5.00 for the guards, which was an unanticipated cost. She went to her relatives' home in town, of which she paid for the commuter taxis.

On the morrow she came back to the market and tried to discount the buckets to US\$15.00 each, to no avail. The tomatoes had begun wilting and were beginning to exude a bad smell. She discounted them to US\$10.00, which was the cost of buying them, so to at least recover the costs, but once again they could not sell. Some buyers told her that they had been applied with ammonium nitrate fertilizer that was why they were quick to wilt and break. She then decided to empty the tomatoes out of the bucket and sell them in small quantities after removing the bad ones. The result was that she managed to sell only one bucket full at the cost price of US\$9.00; she lost the bad quantities as they were no longer suitable for human consumption.

When she was going out of the market place she met a long time friend who asked her if she had brought some tomatoes, exactly the same type that she had brought. She told her that she was already frustrated with the IGA as she tried her level best to sell the type of tomatoes but they could not sell. Her friend told her that the type was only wanted by restaurant operator who used lots of them in a single day. They together proceeded to one of the restaurant operators who confirmed that she indeed wanted the type of tomatoes that she had been selling. They arranged that she could supply the restaurant weekly with tomatoes and even other vegetables, but she felt she'd had enough of the IGA. From then on she was never to be involved with that kind and type of that IGA.

She came back to the group a frustrated borrower. She sold some of the sugar that had been bought by her husband for consumption and paid the debt.

It was clear that:

- She did not know the type of tomatoes that were on demand at the market place
- She lacked insight on the expectations of the market—prices, etc.
- She had incurred a loss
- She did not have knowledge about the costs implications of the marketing venture

She recommended that:

- Market research is important to understand the needs of the market before undertaking to supply the market
- Sufficient knowledge about the size, quality, quantity, price and marketing cycle of the product must be gathered first before launching the IGA
- One should have known what buyers know about the products first
- One should have known about the quality of competing producers
- One should have known fully the cost implications and risks involved in the IGAs

In conclusion, this case study reflects on the importance of IGA Selection, Planning and Management training to the VS&L participants. It was clear after the discussion that this could be the cause of failure of many IGAs. The case study can be used during training as a story that demonstrates the need for understanding the operational and marketing aspects of an IGA.

Discuss the learning from the story. The following questions may be asked to explore the learning:

- Why did Mai Mushunje start an IGA?
- Why she failed to achieve her objectives by operating the IGA?
- What aspects she should have thought about before starting up the IGA?

Through discussion, let the participants realize the dangers of selecting an IGA without careful consideration of all important aspects. Generate a list of things that she should have thought about before starting an IGA.

After discussion, move to the next step.

Step 4: The Five Important Points

Time: 45 Minutes

This step introduces the Five Important Points, which should be thought about before selecting a suitable IGA from a group of alternatives.

Start by explaining that Mai Mushunje should have thought about Five Important Points before starting up her IGA. Enumerate using the human body and related actions techniques the Five Important Points one by one gradually explaining each point with the help of the pictures. Relate each point to Mai Mushunje's story so that they can understand and retain the points easily.

Point #1: Will people buy the products I want to sell?

I have to look into the market for my products. Here I have to think about:

- Demand for the products
- Supply of the products

To assess the demand and supply situation of my IGA, I need to think about:

- Who will buy my products? Are there enough buyers?
- Can I sell the products all year round? Or will the level of sales vary from season to season?
- Where can I sell my products?
- How much can I sell each day (or week or production period)?

If there may not be enough buyers, or there are many other sellers of the same products in the same market I want to serve, then I should think about a different IGA.

Point #2: Can I operate this activity?

I have to think about my:

- Knowledge
- Skill
- Attitudes
- Time availability

I also have to think about the **seasonality** of the activity. If it is an off season, then it may be difficult and risky to implement the proposed IGA. Even if it's the right season now, I need to think about how difficult it will be for me to change to another IGA when the season changes.

If I do not know how to operate the activity, do not know how to respond to problems or do not have enough spare time to work on it, then it would be wise to identify another IGA.

Point #3: How much money do I need to start up and operate each of my IGAs?

I need to think about:

- How many IGAs do I want to operate?
- How much money do I need to start up and operate each of these activities?
- Do I have access to the required money?
- Can I get an internal loan from the group?

If my money is not enough and the group cannot give me a loan to meet operational as well as startup costs, then I should choose a different IGA or set of IGAs.

Point #4. Is this IGA profitable?

I have to figure out if there will be any money left at hand after I have paid all the expenses. To estimate the **income** I will get from this activity, I should:

- Calculate the cost of the inputs (exclude startup cost), as well as selling costs
- Calculate the total value of sales
- Estimate income by subtracting costs from sales

By doing this I can appraise the level of income for each of the IGAs that I have under consideration. If the IGA is not at all profitable, then I should drop it.

Point #5. Will the income from my IGA, when added to other family income, be enough to pay household expenses?

I have to think about whether the income from my IGA or IGAs will contribute as much as possible to family income.

- What are the other sources of family income?
- Are there any months or seasons when family income is not enough to meet family expenses?
- Will my IGA help pay family expenses on a regular basis or only on an occasional basis?
- Will my income from the IGA help as a coping strategy when natural disasters such as droughts or floods occur.

Allow participants to re-phrase the points in their own words several times. Stress to the participants the importance of each of these points for selection of a suitable IGA.

Step 5. Introduction of 'Think About'

Time: 15 minutes

Explain to the participants that this training course will be valuable to them only if they spend time between sessions thinking about the learning from the session and how they can apply it to their own lives.

Explain that each session will end with a subject that all participants will be asked to think about **BEFORE** attending the next session. They may discuss the 'think about' with other participants, with family members or with anyone else in the community. They should come to the next session ready to discuss their findings.

Conclude the session after giving the home assignment or 'think about' and reminding the participants about the date and time of the next training session.

Think About

At the end of this session, allow participants to recap on the **Five Important Points** by enumerating together using the human body and related actions techniques. Request participants to think about the IGAs that they can undertake for their survival. In doing this they should take careful consideration of the points, therefore it is imperative that they go with the points stuck in their heads. They should come to the next session with a list of at least three IGAs that might be suitable for them. Those who are already operating IGAs should also review their IGAs in line with the Five Important Points and think of two other possible ones. Allow participants to discuss in pairs or in threes before they can present to the rest of group.

MODULE 2: Marketing of my IGA products, operation of the IGA and sources of capital objectives

Objectives:

On completion of this session, the participants will be able to:

- Determine whether they are able to sell the products from their proposed IGAs
- Explain the importance of examining their attitudes, skills, knowledge and time availability, as well as the seasonality of the activity, before selecting an IGA
- Determine the total money needed to start the family's IGA(s)
- Evaluate the implications of different capital sources

Methods:

- Storytelling
- Chart demonstration
- Discussion
- Example

Materials:

- Picture chart on IGA Selection, Planning and Management:
 - C.4 Marketing of seedlings from a nursery IGA
 - C.5 Operational aspects of a nursery IGA
- Picture Cards:
 - P.1 - P.46 Pictures of IGAs in Zimbabwe

Explanation for the facilitator:

Participants should come to this session with the names of several IGAs that they have identified as being potentially suitable for them. Sessions 2 and 3 explore the various factors that they should consider before making a final decision about which IGA to undertake. The trainer should make sure that all participants understand that a decision should be reached only after careful consideration of all important aspects. Participants should be encouraged to think critically about the IGAs that they've identified, and to feel free to add some new options if they choose.

This session discusses in detail the first three important points that were identified in Session 1:

Point #1: Will people buy my products?

Point #2: Can I operate the activity?

Point #3: Can get enough money to start up my IGA?

The trainer should be sure to continue the technique started in the last session of demonstrating the points using the actions techniques.

Thinking about the amount of money that the family needs to start up and operate all its economic activities is the **third important point**. The IGA that is started up as a result of this training should not be thought about in isolation from the other income flows within the family. Any shortage of money in a family IGA may lead to diversion of funds away from the participant's activity to one that is operated by another member of the family. So the third important point is the capital requirement: How much money does the family need to start up and operate all its IGAs? Where will we obtain these funds?

Poor people obtain their required money from various sources: their own savings (in cash or in assets), from rotating savings and credit associations (ROSCAs), relatives, or from their Kupfuma Ishungu group as a loan or share. One source may not supply the total amount of money required for all the family's IGAs. This session calls upon participants' previous experience with Kupfuma Ishungu's Rural Micro-Finance Programme as a means of mobilizing savings for capital or meeting unforeseen expenditures. Before obtaining money from any source, participants should think carefully about their total capital requirement. Sometimes available funds are almost fully expended on startup costs, leaving insufficient funds for paying working costs. In this case, the production and thus income from the IGA may not be sufficient to repay loans that have been taken. The participant may be worse off rather than better off after starting up the IGA. Thus, accurate calculation of both startup costs and working costs is essential for all the family's IGAs. The total then needs to be compared to the amount of capital available to determine if it will be enough. The need to calculate the funds required for all family activities should be fully discussed during the session, with reference to all the points mentioned above.

Process:

Step 1: Our possible IGAs

Time: 30 Minutes

Open the session informally by asking the participants how they have been over the past day so that they become relaxed and friendly.

Next, remind participants about the home assignment or 'Think About' and ask if they were able to identify several IGAs that might be suitable for them.

Allow some of the participants to name one of the IGAs that they have identified. Take the printed picture from the bundle (P.1 - P.46) and hang it on the rope for display so that other participants can observe the proposed IGA. If you have no printed picture, draw a rough sketch of the IGA and hang it in the same way.

In this step, you need to be conscious of time constraints. Do not attempt to generate a complete list of IGAs, as it will take too much time and not allow you to complete the session's activities.

Step 2: Operating an IGA and selling the products

Time: 60 Minutes

This step clarifies the factors that should be considered under the **first two important points**: marketing and operational aspects of IGAs. To have a smooth switch over from the preceding step, you may ask the following questions to the participants:

- Can we recall the Five Important Points that were discussed in the previous session?
- What are the first and second points?

With reference to the IGAs that were identified in the first step, ask the participants who named these IGAs:

- Did you consider any factors relating to operation or marketing when you identified these IGAs as being potentially suitable for you?

Next, ask the other participants who have not contributed to the discussion so far:

- Do you think it is really important to examine these two points with due attention?
- What will be the effect if we do not examine them?

After the participants have expressed their opinions, tell the story of Mai Shumba's vegetable nursery. This story provides an example of the effects of failure to consider the marketing and operational aspects of an IGA.

Mai Shumba's vegetable nursery

Mai Shumba was a poor woman whose husband did not earn enough money to pay all the school fees of their many children. So she decided to start a vegetable nursery with to the goal of helping her husband meet this expenses. She selected this activity because she saw many of her neighbors doing it, she thought it might be easy to operate and have good income earning prospects. She did not know the prices of the nursery seeds but trusted that the market was ready for her products. Additionally, she was not sure where the seeds would be bought at the best of prices. She decided to grow rape, covo, cabbage, tsunga and lettuce. She decided to collect the seeds herself from friends and relatives who had gardens, which would not cost her any money.

After this short introduction, discuss on the marketing aspects of the IGA. You may lead the discussion by asking the following questions:

- Who do you think was going to buy the products?
- Is Mai Shumba able to decide on the suitable price for the seedlings?

Discuss on the other marketing aspects of the vegetable nursery IGA. Relate the four P's of marketing to this part of the story and elaborate on the need to think about the marketing aspects of an IGA before venturing into one.

Now continue with the story

She selected a site for her nursery that was close to her home, thinking that she would be able to work in the nursery when she was not busy with other household tasks. Her plan was to send her children to the village well to get the water that would be needed.

She cleared a site three meter wide by four meters long, using a hoe and an axe. She scattered the different seeds throughout the bed. She scattered a large number, thinking that many would not germinate. She constructed a shade for the nursery by making four stands, one in each corner, putting sticks across and then laying grass on top.

She watered her seeds every day and waited for them to germinate. After a few weeks, a large number of different seeds germinated. However, some had not germinated because they needed a longer time frame to germinate. She was quite happy that so many had come up and continued to water them. Some vegetable seeds continued germinating.

After some time, the seedlings grew up tall and thin and began to yellow. Mai Shumba could not understand why this was happening, as she had paid much attention to the care of her seedlings over all these long weeks. She thought about this problem and concluded that she probably had been watering the seedlings too much and not providing enough sunlight. As a result, she decided to decrease the amount of water that she was giving them each day and removed the shade.

But the result was adverse. Many of the seedlings died. Others became diseased. Mai Shumba did not know what to do because she had a limited idea about vegetable diseases and did not know anyone in her village who could help her in this regard.

At last she decided to visit a man in a nearby village who she had heard was a successful vegetable nursery owner. This man explained to Mai Shumba that she had sowed too many seeds, mixed different vegetables in the same bed and had not thinned the seedlings properly therefore depriving them of the necessary nutrients. Decreasing the water and removing the shade had only made the problem worse. He told her to thin the seedlings, removing all the dead and diseased ones.

Although Mai Shumba followed all this advice, she managed to save only half her seedlings. She was very disappointed, but took care of the remaining seedlings, hoping to sell them at a good price. She sent her children to inform all the neighbors that the seedlings were ready for sale. She also asked her older son to take some of the seedlings to the shopping centre.

But her son came back, having sold only a few of the seedlings that she had given him. He explained that at the shopping centre there were other sellers of seedlings. Many of these seedlings looked much healthier than Mai Shumba's. As a result, Mai Shumba had to lower the price significantly the following day so that her son would find buyers at the market. Neighbors who came to buy at her house were also reluctant to buy for the same reason.

The money she got from the sale was enough to cover the cost of transporting the seedlings to the shopping centre for sale but did not compensate her for the time she had spent in the business. As a result, she did not earn any money that would help with paying the children's school fees.

After telling the story, discuss the learning from it. The following questions may guide the discussion:

- Why was Mai Shumba's initiative not successful?
- Why did she not consider all these factors before the startup of her IGA?
- What lesson can we learn from this story?

Try to generate a positive attitude among the participants for assessing operational and marketing aspects before the startup of an IGA.

Now, referring to the story and using **Chart number 4 and Chart number 5**, describe the below listed elements of Points #1 and #2 one by one. First, mention the name of each major element, showing the respective picture from the chart. Then discuss each element in light of the enclosed questions in a participatory way. Be sure to refer to the story of Mai Shumba's Nursery to illustrate the points that apply.

Point #1: Can I sell the products?

Products

- What product or products do I want to produce?
- Are my products necessities or luxuries?
- Are they familiar to the people or new?

Buyers

- Who are the buyers of my products?
- What quality do buyers want? Can I provide this quality?
- What quantity does each buyer generally buy?
- How frequently do they buy? Daily, weekly or monthly?
- Does their demand vary in accordance with season?
- Does their demand vary according to their wealth?

Sellers

- Are there any other sellers of the same products in the area I want to serve? How many?
- Who are they?
- Where do they sell?
- How do they attract customers?
- What is the price charged by other sellers?
- What special advantages do any of the competitors have?
- What special advantages do I have?

Point #2: Can I operate the activity?

Equipment

- What equipment and tools will be required?
- How many do I need of each?
- Where can I get these?
- Do I need to buy all these items?
- Can they be borrowed or rented?
- Will the equipment need repair?
- Do I know how to do this?
- Or can I find someone who knows how?

Raw materials and other inputs

- What raw materials and other inputs will be required?
- What quantity and quality do I need?
- Can I get these inputs locally?
- How will I transport these items to the production site?

Production method and production site

- What will be the production method?
- Am I experienced with this method?
- Do I know how to solve any problem that might arise?
- Do I know where to get help?
- Where will the activity operate?
- Is this site suitable?
- If any energy source is needed, is it available?

Labor

- How much time is required for this activity?
- Can my family members and I spare this amount of time?
- Will I need any workers with special skills?
- If so, are these people available?

Other

- Can the activity operate year-round?
- If it is seasonal, what alternative do I have for the off season?
- Do I need to communicate with the Government or any other offices?
- If so, do I know where to go, whom to talk to and what to discuss?

Tell the participants that if they know what equipment to use, the raw materials and where to get them, the method of production and the labor required to do the work, then most of questions about knowledge and skill factors required to operate the IGA(s) will be answered.

Step 3: Total money needed to start up and operate the family's IGAs

Time: 75 Minutes

This part imbues the savings and internal lending methodology into the SPM training methodology. At this point the relationship between the group and individuals borrowing for IGA ventures should be explored.

Remind the participants about the Five Important Points by showing the picture of a human hand as they enumerate the Five Important Points.

Explain that so far in the training course, two important points have been discussed. Use the fingers to show the two points. Ask the participants to name the two important points. Mention that every time they think about starting up an IGA, they should give careful consideration to each of the Five Important Points.

Showing the third finger, tell the participants that the **third important point is the total amount of money that is needed to start up and operate all the family's activities**. Explain to the participants that the decision to start up an IGA should not be made until the total funds required are determined. This includes both startup costs and working costs. Ask the participants if they can remember the difference between startup costs and working costs. Clear this point before continuing.

Explain that if they cannot acquire the required amount of money, they should not undertake the IGA even if it has all of the other advantages. Furthermore, they should ensure that any other family IGAs have adequate funds before they move ahead.

Ask the participants why it might be important to think about this point before making a decision about a new IGA. The following points might come out through discussion:

- If all the cash is spent on startup costs, then there will not be enough to pay the working costs and the IGA may fail.
- If one activity uses up most of the family's cash, then there may not be enough to finance other necessary activities. They may need to divert funds from the selected IGA to other family activities. This could lead to its failure, if money is not available to pay all startup and working costs.
- If all the family's savings are invested in IGAs, then it will be difficult to cope during an emergency such as sickness or crop failure.

Now tell the participants that they will hear a story.

MATARE, a young man with a business idea

Matare was a young man who lived in Gutu District at Mpandawana growth point. His parents were peasant farmers and managed to send him to school but only up to ordinary level. Although he was generally bright in school he could not proceed to an advanced level as his parents could not afford the fees. He had tried to look for a job in Harare to no avail. With the majority of people in his age group unemployed, all hopes of getting employed one day fizzled away.

One day he attended a meeting where some NGO Field Officers (FOs) were talking about the possibility of starting IGAs for the survival of their families. While the meeting was held specifically for the participants of the KI project he also attended and learned that it was beneficial to create self-employment by starting IGAs. He wondered which IGA to do. As a person who had done agriculture and animal husbandry back at school, he decided to start a cattle-fattening project. He knew that butcheries moved around looking for good cattle for slaughtering and that there were some regular “market” days called by the cold storage commission where cattle were bought and sold so he figured that selling the animal would not give him any problems. He also knew that the government had the department for veterinary services that stood to assist those who were involved in such ventures by giving them technical expertise.

The only thing that he knew would trouble him in getting his business idea going was the startup and operational capital. He wondered if he could get any assistance from the KI groups that were resident in his area. They could not lend him as much money as he thought and after all they could only lend to their members. He decided to visit various institutions he thought could assist him with the needed capital. He went around the growth point first he visited the bank, a reputable MFI and some government agency that he had heard assisted people with such business ideas.

Have people get into groups to animate his meeting with officials of the various organizations and after that have participants gather and observe every group’s “acting” on their findings. Discuss the decisions made and their impact on the possibility of Matare’s business idea.

To guide the participants, you may ask questions like:

- What are the advantages of the decision taken?
- What are the disadvantages?
- Does this decision expose the family to a lot of risks?
- Are there any alternatives that would be less risky?

Ask participants to tell the advantages and disadvantages of these sources of funds. Make sure that the following points are covered:

- Loans from MFIs usually have high interest. The conditions might be too stringent to realise a profit from the activity.
- Banks may have a high interest rate and have a lot of requirements that poor people have trouble fulfilling.
- Loans from all sources must be repaid. If the business fails, the borrower will lose some of his assets.

After discussing these points fully, give the home assignment to 'think about' in the next week.

Think About

Time: 15 minutes

Request the participants to think throughout the next week about:

- The operational and marketing aspects of the IGAs that they are considering undertaking
- The level of production for each of the IGAs that are under consideration
- The total funds required to start up and operate each of the IGAs that are under consideration
- Whether or not the family needs money for other family IGAs
- How the family will acquire the total funds that it requires for all the family IGAs. Participants should think of the resources they have and are willing to commit. Sources that are not under one's control, like loans from MFIs and banks, should not be planned for starting an IGA. Participants should come with those sources in mind for the next session. If starting an IGA depends on sources of funds not within the participants reach, s/he should consider dropping the IGA.

Based on the findings from this 'think about', they may want to drop some IGAs from consideration at this time. They should not make a final decision yet.

Module 3: Is my IGA profitable? Do I need income from my IGA to help pay for weekly or occasional household expenses?

Objectives:

On completion of this session the participants will be able to:

- Calculate costs and income so as to project IGA profitability.
- Categorize different types of family expenses, and determine whether the income from the IGA is needed to help pay weekly or occasional household expenses.
- Apply all five important points to select the most suitable IGA from a group of alternatives.

Time: 4 hours

Methods:

- Discussion
- Situation analysis and role-play
- Small group exercise
- Chart demonstration

Materials:

- Picture chart on IGA Selection, Planning and Management:
 - C.6 Startup costs of a roadside table IGA
 - C.7 Working costs of a roadside table IGA
 - C.8 Calculation of income
 - C.9 Types of family expenditures
- Pictures:
 - P.I - P.46 Pictures of IGAs in Zimbabwe

Explanation for the facilitator:

As mentioned in previous sessions, the decision on which to select an IGA depends on a number of factors, including the market situation, the operator's skills and knowledge and availability of startup capital. These factors, which are **important points #1, #2 and #3** need to be examined for each IGA that is under consideration. This session starts by reviewing this concept.

Important points #4 and #5 are then introduced. Both of these points refer to *all the family's IGAs, rather than just the IGA that the participant is intending to start up*.

The main objective of an IGA is to raise family income. Therefore, the amount of income that can be earned from the IGA is a very important consideration and should be calculated before taking the decision to start up the IGA.

The first step in finding out the income from an IGA is proper categorization of the costs. There are two basic categories of costs: Startup Costs and Working Costs¹.

Startup costs: Are incurred only once—before starting up the activity—or very infrequently. Examples of costs that are incurred only once are pieces of equipment that can be used for a long time. Costs that are incurred only occasionally include tools and other items that last for more than one production cycle, but that do not last for many years.

Working costs: Are incurred during each production cycle. These costs vary with the level of production. Examples are raw materials and other inputs.

The working costs turn over, or revolve, from one production cycle to the next. Raw materials and other inputs are transformed into products that are sold, and some of the money earned from the sale must be used to purchase new inputs. Thus, it is essential to know the amount of money required for the working costs, and to deduct it from total sales before using the remainder to pay personal expenses.

Income is defined as the money available for personal use after the working costs have been subtracted from the sales value of all the products and by-products².

This session shows the participants how to categorize the costs of their IGAs and calculate the income that can be earned from them. A later session on management will teach them how to keep the working costs separate from the money that is available for personal expenditure.

This session also introduces the **fifth important point** that needs to be considered before selecting an IGA: Does the family need income from the participant's IGA to cover weekly household expenses or to help cover expenses that occur occasionally? The participant's answer to this question will affect his or her choice of IGA. If income is needed to pay weekly

¹ Working Costs included both Fixed Costs and Variable Costs. These two categories have been combined to reduce the complexity of the analysis for non-literate participants

² This simple method for calculating income does not take account of depreciation of the fixed assets of the IGA. The need to set money aside for equipment replacement is introduced later in the training course, under the section on savings.

family expenses, then an IGA should be selected that gives a return on a daily or weekly basis. If, on the other hand, other family members earn regularly and this income is supplementary, an IGA with irregular earnings may be selected.

Most rural families have income that ebbs and flows according to the employment and other income earning opportunities that are available each season. One key point that the trainer should stress relates to switching from one IGA to another as a result of seasonal swings in demand: ***A participant should never switch IGAs until s/he has carefully considered all the Five Important Points.*** Indeed, this is the fundamental message that all participants should carry away from the training course. If they remember and use the Five Important Points before starting up any IGA, then their decisions will be well thought out, and their IGAs will be more likely to succeed.

Step 2 has two exercises in which participants individually calculate their weekly household expenses and weekly household income. Obviously, income flows within the household are much more complicated than this simple analysis would suggest. There are many expenses that must be made on an occasional basis and there are also many income sources that are longer term in nature. In addition, most activities are seasonal. Dealing with all these complexities requires a much more sophisticated level of analysis than is possible during the training. The goal of the training is to present ideas that the participants will be able to think about and use for decision-making purposes.

Thus, the fifth important point does not relate to total family income or total family expenses, although these are of course important. It instead asks participants to think about their needs for short-term income, and based on this finding, to select an IGA that is appropriate. This focus is based on the observation that many people fail in their IGAs because they are forced to use money that should be used to cover working costs to pay weekly household expenses.

Process:

Step 1: Review of possible IGAs

Time: 30 Minutes

Begin the session by greeting participants and thanking them for their cooperation and continuing participation in the training sessions.

Referring to the previous session, ask several participants to tell what they have found after the “think about” on the sources of capital that are accessible to them. To lead the discussion, the following questions may be asked:

- Which IGAs did you choose from the previous list? Stick up IGAs pictures 1 to 46 as participants are mentioning their choices. When you are sure that a number of them have contributed, stick the rest of pictures which were not mentioned and draw their attention to the IGAs one by one.
- Ask them whether they calculated the amount needed to start up the different IGAs that you have chosen
- Ask whether they thought about the sources of the capital

After a short discussion, move to the next step.

Step 2: Cost categories of an IGA

Time: 75 Minutes

Ask participants if they know how to estimate the income from their proposed IGAs.

It should be cleared through discussion with the participants that **income is estimated by subtracting the costs required to produce and sell a given quantity of products from the expected sales value.**

Explain to them that the income estimation will be correct only if they estimate accurately the **costs** that are incurred for both the production and sale of the products. Tell the participants that there are two types of costs generally involved in any IGA operation. These are:

- **Startup costs**
- **Working costs**

Using **Chart number 6**, explain what is meant by startup costs. Lead the discussion by showing the pictures on the chart and asking the following questions:

What do we see in the picture?

- Which IGA requires this equipment?
- When do we have to purchase this equipment if we want to start up this IGA?
- Do we need to purchase this equipment frequently?
- How could you reduce on the startup costs if you did not have enough resources?

After discussion, tell the participants that **items that need to be purchased only once, or from time to time, are known as startup costs.**

Ask participants for some examples of startup costs of other IGAs.

Next, using **Chart number 7**, explain what working costs means. Lead the discussion by asking the following questions:

- What do we see in the picture?
- Which IGA uses these items?
- Do we need to buy these items only once, or every time we produce?

After discussion, tell the participants that **items that need to be purchased every time that we produce a product are called working costs. If we engage in trading activities rather than production activities, the working costs are the costs of the items that we purchase and then re-sell.**

Ask participants for some examples of working costs from other IGAs.

Explain how working costs revolve from one production cycle to the next. Say that the working costs go out from our hand when we purchase raw materials and other inputs, pay for transport and other selling costs. The money comes back in to our hand when we sell the finished products.

Now, inform the participants that:

- **The amount of working costs depends upon the quantity of production. If we produce and sell more units, we need more money for working costs.**

Demonstrate this concept, using the picture P.4 (roadside table with soap, cigarettes, sweets and chewing gums, matches, batteries, paraffin, tea, salt, soap, and sugar), Example 1 and the training technique described below.

Example 1			
Item	Quantity	Unit Cost Price	Total Cost Price
Transport			\$30.00
Cigarettes (30 packets of 3 different brands)	30 pckts(10 pkts / brand)	\$25.00	\$750.00
Sweets and gum	1 pckt	\$40.00	\$40.00
Matches	1 pckt (10 boxes)	\$.50/box	\$5.00
Batteries	1 dozen	\$15.00	\$180.00
Paraffin	20 liters	\$10.00	\$200.00
Tea	10 pckts	\$5.00	\$50.00
Salt	10kg	\$50.00	\$500.00
Soap	10 bars	\$15.00	\$150.00
Sugar	10kg	\$6.00	\$60.00
Other selling costs	\$20.00 packaging, etc.		

Training Technique:

- Arrange the participants so that they are sitting in a circle with a mat on the ground inside the circle.
- Ask the participants to name the items that will be sold at the roadside table (the same items as those shown on **Chart number 7**). As they mention each item, place the picture 4 on the mat. Be sure that the participants do not confuse the working costs with the startup costs (**Chart number 6**).
- Ask participants to consider the market of the items in their locality and decide the quantity of the first item that will be purchased. Then ask them if they know the wholesale price in town for this item. If they do not know, tell them the unit price (as shown in Example 1) and ask them to calculate the total price by multiplying the quantity to be purchased by the unit price. Remember: do not provide participants with the information if they can agree on a price themselves. It does not have to be the same price as that shown in Example 1.
- In this way, find out the working cost for each item by multiplying the unit cost price by the number of units, counting the money and keeping the amount alongside the respective picture.
- Finally, ask a participant to sum up the costs for all the pictures and any other expenses incurred to find out the total amount of money needed to pay the working costs.

Ask if there are any questions before proceeding to the next step.

Step 3: Profit and loss calculation

Time: 75 Minutes

Tell the participants that by this time they have learned about two types of costs: startup costs and working costs. Now they will learn how to calculate the income of an IGA.

Using **Chart number 8**, explain that:

$$\text{Income} = \text{Sales} - \text{Working Costs}$$

Explain that, to calculate income from an IGA, we have to:

- Calculate working costs for a definite quantity of production.
- Calculate the sales value of that quantity of goods.
- Subtract the working costs from the sales value. The money remaining in hand is your income.

If working costs are larger than the sales value, then you know that the business is a losing concern.

A participant may ask why we do not subtract startup cost from sales in order to get income. Explain to the participants that startup expenses are usually incurred to purchase items that can be used on several production cycles. It would not therefore be appropriate to subtract the startup costs from the first sales only as they will continue to serve you for several cycles of production. You will be introduced to how to save for such in the last session. Explain that some of the startup items may be items you already have.

Demonstrate how to calculate costs, continuing with the example from the preceding step.

Example 2			
Item	Quantity	Unit Sales Price	Total Sales Price
Transport			
Cigarettes	10 pkts (5pkts/brand)	\$25.00	\$250.00
Sweets and gum	1 pkt	\$40.00	\$40.00
Matches	1 pkt (10 boxes)	\$0.50	\$5.00
Batteries	1 dozen	\$15.00	\$180.00
Paraffin	20 liters	\$10.00	\$200.00
Tea	1 pkt	\$5.00	\$5.00
Soap	10 bars	\$15.00	\$150.00
Salt	10 bars	\$5.00	\$50.00
Sugar	10kg	\$6.00	\$60.00

Training Technique:

- Referring to the total amount of working costs calculated in Step 3, ask participants to write down the total working costs.
- Referring to the picture of cigarettes (P.30) that is on the mat, ask the participants the sales price of each cigarette. Let them then calculate the total sales price of all the cigarettes that were purchased in the preceding step.
- Ask a participant to take the sales value they had written and place it alongside the value of the working costs.
- In the same way, find out the sales value of all the other items that will be sold at the roadside table and write it down as the total sales value.
- Finally, ask the participants to add the costs of all the items or products they have on the roadside project to determine total working costs, the same with the sales to determine total sales value.

Ask participants to subtract the working costs from the sales value, which will give them the income.

Ask participants whether they have understood the process of income calculation clearly. If they have any ambiguity, explain the confusing aspects.

Before concluding the session, ask participants to name the Five Important Points and to tell the four points that have been covered to date.

Step 4: Weekly family income and expenses

Time: 75 Minutes

Show them the picture of the hand and remind participants about the Five Important Points. Now holding the thumb, tell the participants that the **fifth important point** that should be considered before selection of an IGA is coverage of family expenses. **Does the family need income from the participant's IGA to cover weekly household expenses or to help cover expenses that occur from time to time?**

Explain that to examine this point, we have to determine the following:

- The family's weekly household expenses
- The family's weekly income
- The difference between weekly income and expenses

Explain that household expenses can be broken down into two main categories: weekly expenses and occasional expenses. Discuss the differences between the two categories in a participatory fashion, using **Chart number 9** (Categories of Family Expenses). You may lead the discussion with the following questions:

- What expenses does our family incur that must be paid for with cash?
- For which items do we need cash very frequently?
- For which items do we need cash only occasionally?

Through discussion it should be clear that:

- The expenses, which are incurred almost every day, are called **weekly expenses**. These include items such as paraffin, salt, matches, tea and sugar.
- The expenses that are incurred only from time to time are called **occasional expenses**. These include items like:
 - School fees
 - Medicine
 - Clothes
 - Building

Explain to the participants that not all family situations are the same. What may be called occasional expenses in one family may be weekly expenses in another family. An example: if one member of the family is suffering from an ailment which requires daily use of medicine, it becomes a weekly expense. In calculating expenses try to be reasonable.

Give the participants a few minutes to individually calculate their weekly family expenses. Ask the participants to write every item they need on a weekly basis and the cost of the items. After they have done this, they should add up the total amount that is required each week. Remind participants that occasional expenses should not be added in. After completing, ask them to write down the total value of the costs.

Allow sufficient time for each participant to complete this exercise. Ask for several volunteers to share their calculation with the group. If no one volunteers to share, do not force anyone to share. (No one should be forced to provide information to others about their personal finances.)

Ask participants to think about the money that their family members earn. Mention that family income can be broken down into two categories:

- Money that family members earn and bring home on a daily or weekly basis.
- Money that family members earn that is available for expenditure only from time to time.

Then invite them to discuss the following question: Is it easy or is it hard for me to cover weekly household expenses with present weekly family income?

It may emerge from the discussion that participants fall into three groups: Those who cover their weekly household expenses:

- With great difficulty, most of the time
- Fairly easily, most of the time
- With difficulty or ease according to the season

Be sure that the last point—seasonality—is discussed. Ask participants to give examples of how income flows within their families vary from season to season. During this discussion, you should make sure that participants are not asked to state how much income is earned from various activities. They should instead talk about the types of income earning activities—both wage labour and IGAs—that are seasonal and how the changing income from these activities affects their ability to cover basic household expenses.

They may mention the following as examples:

- When cash crops are sold
- When wage labour is in market demand
- When it is harvesting period for other crops

Tell participants that they will now individually, and without group discussion, try to identify the amount that their families earn weekly from all sources during this season. Income sources that do not give regular weekly income should not be included in the exercise. If some participants do not know the family's regular weekly income because their husbands or wives manage all the family money, ask them to estimate to the best of their ability. The exercise will have value in showing them the process to follow, even if their estimate is not completely right. Tell them that they will have the opportunity to talk over the learning from the session with their spouse during the week and they may then get a more accurate idea. Each participant should enumerate the funds they put on the two categories in the preceding step for each of each source of weekly income. After they identify the amounts for each category, they should then keep the figure on one side for reference later.

While the participants are doing this exercise, you should hang the IGA pictures (P.1 - P.47) on the rope or wall.

After everyone has completed this exercise, ask each participant to compare to compare the amounts they categorized as weekly expenses vis-a-vis the weekly income. After everyone has been given a few minutes to do this, divide the participants into two groups:

- Those who have an excess of weekly income over weekly expenses.
- Those who have an excess of weekly expenses over weekly income.

Ask the participants whose weekly household expenses are higher than their weekly income:

- Should this situation affect your choice of IGA? Why?
- What types of IGAs are suitable for a person whose weekly family expenses cannot be covered by weekly family income on a regular basis?

Participants in this group should mention their need for IGAs that give quick short-term earnings. Ask a participant from this group to identify the pictures of IGAs that have this characteristic. Other members of her group may help her to identify the IGAs that fall into this category. Another member of the same group should move all the IGAs named onto the left-hand side of the rope.

The activities that offer income on a daily basis or weekly basis include:

- Roadside table
- Kiosk
- Grocery Trading

Next, ask the participants from the second group, that is, the group whose regular weekly income is greater than their regular weekly expenses, if their choice of IGAs would necessarily be the same as the first group. Find out from the participants how the suitable IGAs for this group might be different from the suitable IGAs of the first group. Participants

may mention that IGAs that offer **long-term earnings**, that is, those that offer **income only occasionally**, after a cycle longer than a week, might be suitable for them. Ask participants if the IGAs remaining on the right-hand side of the rope fit this definition.

Work with the participants to complete the division between those with short-term earnings (daily or weekly) and those with long-term earnings (longer than a week). Those with long-term earnings include:

- Vegetable growing
- Poultry raising
- Cattle keeping fattening
- Goat keeping
- Communal and commercial farming

Next, mention that even those IGAs with short-term earnings may be seasonal, and thus not have the ability to meet weekly household expenses all the year round.

Ask the participants to mention short time IGA's which are seasonal. They may mention:

- Cooked mealie cobs selling
- Fruit selling
- Selling honey

Ask participants what they should do if the demand for their products is greatly reduced during the low season. Participants may mention:

- They could stop the IGA
- They could reduce production levels
- They could reduce family expenses
- They could change to another IGA

Ask participants if there is any danger in shifting to other IGAs. Caution them that this should be done only after considering all the Five Important Points that they have learned so far during this training course. They should never switch IGAs on the basis of profitability alone.

Ask participants what conclusions can be drawn. Points that should come out include:

- I must think about whether or not my family needs my income to help pay for basic weekly household expenses before I select an IGA.
- I need to think about the fact that many IGAs are seasonal. I may need to change IGAs according to the season, but I need to give careful thought to all the Five Important Points before doing this.

- Every time I think about changing my IGA, I should think about my current family income. There may be some seasons when other family members are earning well, so I can have a long-term IGA such as a vegetable garden. But if other family members are not earning well, I need to have a short-term IGA such as a small trading business.

Move to Step 5 after full discussion of the above points.

Step 5: Making a decision

Time: 30 minutes

Tell the participants that they have now learned the Five Important Points that should be considered before deciding to undertake an IGA. Ask the participants if they can name all Five Important Points.

Tell the participants that they are now at the point in the training course when they should make a decision about which IGA to undertake, based on an analysis of the Five Important Points. Tell them that today's "Think About" will ask them to make this decision.

Then ask if there are any points that need to be clarified about any of the learning from the training so far. Clear all questions before concluding the session.

Think About:

In the coming session, participants should think about:

- Which of the IGAs under consideration will best meet the needs of the family to cover expenses

Finally, a decision should be reached about the most suitable, based on an analysis of all the Five Important Points.

All participants should decide by the next session which IGA they want to undertake after considering all the Five Important Points.

They should come to the session prepared to make a brief presentation of their selected IGA.

Module 4: How should I plan for startup of my IGA?

Objectives:

On completion of this session the participants will be able to:

- Confidently explain why they have chosen a specific IGA, with reference to all five important points
- Describe two important areas of a business plan: The tasks that must be accomplished and the resources that are required
- Explain why planning is essential
- Identify, for their chosen IGA, the tasks that must be accomplished, who will do them and how much time they will take
- Determine, for their chosen IGA, the quantity of resources needed for the startup and operation, and the total capital requirement

Time: 4 hours

Methods:

- Presentations by participants
- Structured experience (game played by small groups)
- Discussion
- Chart demonstration

Materials:

- Picture charts on IGA Selection, Planning and Management:
 - Chart no. 10 (Cow rearing: tasks, resources & people)
 - Chart no. 11 (Types of tasks)
 - Chart no. 12 (Types of resources)
- Five sets of cards, one for each of the following IGAs:
 - Vegetable cultivation
 - Peanut Butter
 - Soap making
 - Brick making
 - Poultry

Each set includes:

Task cards

Resource cards

Person cards (man, woman, boy, girl)

- Seeds of different colors

Explanation for the facilitator:

Participants should come to this session having made a firm decision about the IGA that they want to start up now. Each participant should be able to state the Five Important Points, and explain how his or her decision was reached using these points.

Given the seasonal rhythms of rural life, and the changing opportunities and risks that are present in varying degrees according to the season, it must be expected that some participants will want to change their IGAs from time to time. Therefore, the decision-making process is just as important as the decision itself. The facilitator should place emphasis in Step 1 on why an activity has been selected. S/he should not allow a participant to merely mention the IGA that has been selected.

The training course then moves into the area of basic planning and management. Planning is presented in a very simple way, as the sum of two parts: Tasks and resources.

- **Tasks** refer to all the things that must be done, from buying the equipment and raw materials to production to the selling of the finished product.
- **Resources** refer to all the things that must be available—and money that must be spent—if the IGA is to operate. Common examples include equipment, raw materials and other inputs³.

Planning can be thought of as the process of organizing the resources to perform the tasks. This theme is introduced using a structured experience, or game. Participants are given cards representing the tasks, the resources and the people involved in several IGAs. They must arrange the cards in a logical sequence. This exposes the participants to the two main areas of planning.

Then the facilitator removes a card to show a change in the situation of the IGA: either a resource is now lacking, or a person is not available for a specific task. As the card is removed, the participants discuss the consequences of this change in the circumstances of the IGA. The card is then replaced, a second card is removed and the participants discuss the implications of the second change. The process continues for as long as time permits. This part of the exercise makes the participants aware of the dangers of inadequate planning of the IGA.

Participants are then asked to identify the quantity of each resource that is needed for the sample IGAs. After identifying and quantifying all the resources, they must figure out how much money will be required for each. They are then asked to summarize these costs into two categories: **Startup costs and Working costs**. The planning part of the training course thus

³ Although labor is a resource, because it is an essential input into the production process, it has been included under the 'task' category rather than the 'resources' category. Reasons being: most labor used in IGAs is family labor and has no cost attached to it; and the important points that participants must think about with regard to labor are task related. Which family member will accomplish each task? How much time does it take? Does he or she have enough time to do this?

returns to the key financial concepts introduced during Module 2.

By the end of Module 3, participants should know enough about planning to finalize the operational aspects of their proposed IGAs.

Process

Step 1: Final selection of IGA

Time: 60 Minutes

Begin the session informally by asking participants how they have been since the preceding session and how their families are.

Then ask them if they have all made a decision on the IGA that they want to undertake. Tell them that they will have the opportunity to explain to the group which IGA they have selected and the reasons for their decision. They should try to make reference to the Five Important Points during a short presentation.

Ask who would like to volunteer to start first. If the participant has any difficulty explaining all the points, you may guide her with the following questions:

- Which IGA have you selected?
- Why did you decide upon this IGA?
- Did you think about whether you have the right skills and knowledge?
- Did you think about where and how you will sell your product?
- Did you calculate the amount of money that you can earn from this IGA?
- Did you think about the amount of money that is needed for startup and working costs, and where you will obtain it?
- Did you consider whether or not the income from your IGA is needed for weekly family expenses?

After the first presentation, ask who else has chosen this same IGA. Invite these participants to add other points that they considered in their decision.

Continue with a participant with a different IGA, using the same technique.

After three or four IGAs have been presented, you should check the time remaining for the rest of the presentations and how many participants have not yet spoken. If time is getting short, you should have the remaining participants explain their selection in less detail. You should not allow this session to run for more than one hour.

After all the participants have explained their selection, congratulate them on having reached this point.

Then move to the next step.

Step 2: Introduction to planning

Time: 60 Minutes

Ask participants what the next steps are, now that they have all made an IGA selection. Through discussion, it should emerge that planning for the startup of the IGA should be done now.

Explain that planning is a complex process, but that it can be thought of as comprising two main areas: tasks and resources.

Tasks: All the things we need to do from beginning to end in order to earn money from the IGA.

Resources: All the things we need to obtain to get the IGA started up and running well.

Tell participants that they will now play a game that looks at the tasks and resources for four IGAs: vegetable cultivation, peanut butter making, soap making, poultry and brick making. Divide the participants into four small groups. If any participants are experienced with any of the given IGAs, place them in the relevant group.

Give each group one set of cards. Explain that each set has pictures of tasks that must be accomplished, resources that must be obtained and the various family members who might do each task.

Using **Chart number 10**, demonstrate the correct arrangement of tasks, people and resources for a vegetable cultivation IGA. Explain to the participants that they should arrange the cards according to the sequence of steps mentioned below:

- First, look at the task cards that have been given to you. Decide on the correct order in which these tasks must be done and place the cards in the same order.
- Next, identify the family member or members who are most likely to do the first task and place a picture of this family member (or members) next to the task card. Continue until all the tasks have people cards placed next to them.
- Finally, review the resource cards that have been given to you. Decide when each of these resources needs to be acquired, and place the card next to the task when the resource is first needed. If a particular resource is needed for more than one task, place the resource card next to the first task only. This shows that the resource only needs to be purchased or obtained once during the production cycle, even if it's used during several tasks.

Have each group move apart to arrange their cards. Give the groups 15 to 20 minutes to complete their group work. Then invite all the participants to gather around the poultry group. Ask the group to explain their group work. If observing participants do not agree with the group, or have a question, they may express an opinion.

Now remove one card from the arrangement. Ask participants what the consequences will be if the circumstances of the IGA are changed in this way. After a short discussion, replace the card, remove a second card and discuss the implications. Continue in this way to remove two more cards.

Now move to the soap-making group, review their group work, and discuss planning errors, using the same procedure. Continue with the peanut butter-making group and finally the brick-making group.

The cards that may be removed in each instance and the potential consequences of each change are detailed at the end of the session.

The key point that should come out of this exercise is the necessity of planning. If we forget about an important resource, or don't manage the time properly for each of the required tasks, then we may have unfavorable results.

Step 3: Detailed planning of the IGA

Time: 45 Minutes

Bring the participants back into the large group. Leave the arrangements of small cards in place, as they will be needed again in Step 4.

Explain that prior to detailed task and resource planning, it is essential to decide on the quantity of production:

- What product or products do I want to produce?
- How much of each item do I want to produce?

Ask the participants why it is important to determine the quantity of production first. Make sure that participants understand the relationship between production quantity, resources and tasks before continuing:

- Working costs are directly related to quantity; as quantity rises, so do working costs
- Similarly, greater quantity means that more time must be allocated to completion of the tasks

Next move to **task planning**. Remind the participants that they must think about every task that needs to be accomplished, from the purchase of the raw materials right through to the selling of the final product.

Ask participants what types of tasks are common to all IGAs.

From this discussion it should emerge that:

- Common tasks include purchasing the equipment and raw materials, and selling the product
- IGAs that transform a raw material into a finished product also have a set of tasks associated with the production itself
- Trading activities have no other tasks

Using **Chart number 11 (Types of Tasks)** and a participatory process, review each of the following question areas:

- Who will buy the equipment, raw materials and other inputs?
- How will they be transported to the production site?
- What are the steps in the production process?
- How much time is required for each of these activities?
- Can my family members and I spare this amount of time?
- Who will sell the products?
- Where will they be sold?
- How will the products be transported to the market?
- How much time will it take to sell the products?

Now move to **resource planning**. Explain that you must make sure that you can obtain and pay for all the resources that you need for the desired quantity of production.

Explain that resource planning relates mainly to answering the following types of question:

- **What** do I need?
- **How many** do I need?
- **How much** will it cost?
- **When** do I need to buy it?

Using **Chart number 12 (Types of Resources)**, relate these basic questions to each of the principal resource categories. Through discussion, the following questions that should be considered during the resource planning stage should be covered:

Equipment and Tools

- What equipment and tools are required?
- How many do I need of each?
- Do I need to buy all these items?
- Can they be rented or borrowed?
- When do I need to have these items?

- How much does each cost?
- How much money do I need for all necessary equipment?
- How much do I have to pay for transport of these items to my production site?

Raw Materials

- What raw materials are required?
- What quantity of raw materials do I need for the expected quantity of salable goods?
- When do I need to buy each item?
- How much does each of these raw materials cost?
- How much money do I need for all raw materials for one production cycle?
- How much do I have to pay for transport of these items to my production site?

Other Inputs

- Do I need any other inputs?
- What items, and how much of each?
- When do I need to buy these other inputs?
- How much do these items cost?

Selling Costs

- Do I have to transport the products to the market?
- Do I have to pay a market tax?

Move to the next step after each of the above question areas has been fully discussed.

Step 4: Exercise on planning

Time: 75 Minutes

Tell the participants to re-form into the small groups from Step 2. Each group should still have the cards from Step 2.

Give each group seeds and different denominations of the play money. Then instruct them as follows:

- Decide on a suitable quantity of production for the IGA, and indicate this quantity above the pictures of the IGA using seeds. The participants can use any quantity they think a village person would be capable of producing.
- Decide on the time period for the IGA. This is the period from the start of the activity until the products are sold. Indicate the time period above the pictures using a different type of seed (one seed for each week of the production cycle).
- Consider each of the specific resource areas. For each item, decide on the quantity required. This quantity should be represented by a third type of seed placed beside the resource card.
- Determine the unit price of each item, and multiply the price by the quantity to get the total cost of each item. Count out the correct amount of play money and place next to the seeds that indicate the quantity.
- After considering all resource areas, add up the total costs. Total costs should be stated as the sum of two separate parts: the startup costs and the working costs.

As the groups work on the exercise, move around to each group to observe their work and help them as necessary. After the groups have finished, have participants gather around the first group's work. The group should explain their work to the other participants. If there is time, the other groups can then share their work. Before finishing the session, reinforce the learning from the session. Then give the home assignment or 'think about'.

Think About:

Request the participants to:

- Finalize their operational plans, including production levels, startup costs, working costs, and task planning.
- Decide how they will obtain the capital required to pay both startup and working costs. They should never plan with resources they do not have and have no control over. They only plan with resources they have and have control over.

Module 5: What are the most important elements of management?

Objectives:

On completion of this session the participants will be able to:

- Explain the importance of managing the cash that flows into the IGA from the sale of products
- Describe the four areas where incoming cash must be allocated
- Determine the amount of money from the IGA that will be available for personal expenditure and savings, after replenishment of funds for working costs and loan repayment (if applicable)
- Decide how to keep the different categories of money separate
- Minimize the risks to the well-being of the family and the IGA, by understanding the importance of controlling credit to customers and of saving money on a regular basis

Time: 4 hours

Methods:

- Situation analysis
- Discussion
- Chart demonstration
- Case story using serialized cards

Materials:

- Serialized cards:
SC.1 - SC.10 Secondhand clothes IGA
- Picture chart on IGA Selection, Planning and Management:
Chart no. 13 Cash management

Explanation for the facilitator:

Module 5 identifies **cash management** and **risk management** as the most important areas of management for the owner/operators of IGAs. Loan management is considered to be another key area, this topic is discussed in the context of savings and internal lending.

The intermingling of business funds and household funds is common among the operators of IGAs, and often leads to decapitalization of the activity. This happens when household expenses exceed the amount that is being earned from the activity. Because IGA owners rarely, if ever, pay themselves a regular salary, cash is expended on household expenses as and when it's needed. Lack of records makes it difficult to track and thus control these expenses. The result may be a depletion of the IGA's working capital, and a failure to notice the situation, until it is too late.

Learning how this situation may arise, the dangers it presents and how the IGA's cash situation may be managed is the focus of the first half of Module 5. Participants are first exposed, in Step 2, to the situation of a woman who is unable to restock the items in her grocery shop despite a good profit.

After discussion of the causes of this situation, participants are told that cash that comes in from sales should be allocated to four categories: working costs, loan repayment, household expenses and savings. Furthermore, funds should be allocated to the loan repayment and working costs before spending on household expenses or setting aside money for savings. This is the central concept of cash management that the facilitator should stress. This can be done by allowing the participants to rank how they would expend their cash from sales in the four categories.

In Step 3, the participants engage in a small group exercise to reinforce the learning about cash management. First, using the example of a restaurant IGA, they allocate the incoming cash to the various categories. Then, they are asked to discuss how poor people like themselves might keep the various categories of money separate. There are a number of systems that have been developed for this purpose, such as a bag with separate pockets or a series of envelopes. The approach of this training course is to have the participants discuss the ways that they can manage cash without the use of external resources. It may be no more complicated than finding a special place inside the house where the owner knows that the money is both separate and safe.

The hard part is instilling in oneself the financial discipline to defer consumption until the money for loan repayment and working costs has been set aside. It is recognized that this is very difficult for the poor people. Therefore, the facilitator's principal task is to ensure that the participants understand the dangers of failure to manage the IGA's cash, and thus become motivated to adopt a method of cash management, no matter how basic.

Step 4 focuses on the management of risk. **Savings** are emphasized as an important means of planning for and managing the risks to the well-being of the family and the IGA from unforeseen events and expenses. Serialized cards are used to tell a story that has an unhappy conclusion. Unlike previous case stories used in the training course, the participants, rather than the facilitator tell this story. The facilitator's role is to arrange the initial set of cards (SC.1 - SC.5) sequentially so that the story described by the participants leads to the theme of the session.

The initial set of cards does not have any card that explains why the IGA has had a negative effect on the well-being of the woman shown in the story. After the participants have described the story, the facilitator introduces, one by one, a second

set of cards (SC.6 - SC.10) that show some events that could have led to the unfavorable consequences. The participants discuss the implications of each of the events depicted, which include:

- Provision of credit to customers
- A risk related to the operation of the IGA
- An unforeseen domestic expense
- An unforeseen natural disaster

They then discuss how these risks can be planned for and managed so that the family's economic well-being is not threatened. The necessity of regular savings emerges from this discussion. Savings are the fourth area where incoming cash from the IGA should be allocated. It is also the most difficult part of the cash allocation process. This is because it is always easier to set money aside for present expenses (household, loan repayment) and expenses soon to be incurred (replenishment of working costs) than it is to set aside money for future needs. This discussion of savings brings the training course to closure.

Process:

Step 1: Review of sources of capital

Time: 30 Minutes

Welcome the participants to Session 5, and ask them a few general questions that make them comfortable.

Next ask them if they have each finalized the capital requirement for the selected IGA and know where they will obtain the funds. Tell them that they will now, one at a time, **briefly** explain to the group:

- The name of my selected IGA
- How I intend to finance the startup and working costs of my selected IGA

Move from one participant to the next, until each participant has had a chance to speak.

Any participant who has not yet identified the capital requirement and source of funds should be told that he or she must do this before proceeding any further with her IGA planning.

Then move to the next step.

Step 2: Important elements of cash control

Time: 75 Minutes

Begin by explaining that the session will consider issues related to the management of the IGA. Tell the participants that they will first discuss the situation of a woman who had a management problem. They should listen to the explanation of her situation and then discuss the possible causes.

Situation: What are the problems at Magumbo's roadside table?

Six months ago Magumbo started a small roadside table (selling vegetables, fruits and sweets) in her village with \$30.00 obtained by selling some of the goats owned by her family and selling produce that she had grown. The start was fine and promising. In order to expand her business she got a loan from Kupfuma Ishungu group in the village. She kept her shop open for the whole day and remained busy selling the products. She kept the cash received from sales in a wooden cash box. From time to time, she used some of the money in the cash box for reinvestment in stocks. She also used money from the same cash box for family expenses.

One day an NGO Field Officer came to visit Magumbo to see how her table was progressing. The FO noticed that stocks of many items were low and that many of the boxes used to stock items such as fruits and vegetables were completely empty. The FO tried to find out from Magumbo whether the business condition was due to a low profit that made her reluctant to restock the items. But from the conversation, the FO realized that the income-earning prospect from the IGA was still excellent. She should have plenty of money in the cash box to restock her boxes on a regular basis, to expand the business and to pay necessary household expenses on a regular basis.

Magumbo told her group that she needed another loan so that she could restock the shop. But the FO was confused. He wondered why Magumbo needed a loan when she was apparently making a good profit.

After telling the story, ask the participants the following question:

- What do you think could be the cause of Magumbo's problems?

Allow the participants to discuss and come up with a number of possible answers. These might include the following:

- Magumbo withdraws money from the cash box to pay household expenses. Maybe she is spending more than she can afford, given her level of earnings from the IGA.
- She may be giving away items to friends and relatives, thinking that the amounts are small. But over time, this could be a reason that her stocks are being depleted.
- She may be giving credit to customers, and not getting all this money back.
- She might have needed advice on how to run the business when it expanded.

If participants do not name all of the above points, mention them yourself. Then explain that these types of problems are common for IGA holders. For this reason, they need to actively manage the cash and credit from their IGAs. Tell the participants that this is the most important aspect of management that they must understand if they are to run their IGAs profitably.

Remind the participants that at the time of IGA startup, cash flows into the business from a combination of personal savings and loans, which are used to pay the startup costs and the first batch of working costs. After that, production takes place and cash flows into the business from sales.

Then explain that this cash must be carefully managed. Tell the participants that one of the most important points that they should remember when managing their IGAs is that the **cash received from sales should be allocated to different categories before any of it is spent.**

Using **Chart number 13 (Cash management)**, show the participants the four basic categories where cash must be allocated. These are:

- Working costs
- Loan repayment
- Household expenses
- Savings

Briefly discuss each of these areas. Working costs and household expenses have all been covered in previous sessions. Mention that savings are needed to pay for occasional expenses, prepare for unforeseen events, and replace startup costs that wear out or break down. Make sure that the participants understand each of the categories before moving on.

Then tell the participants that the cash received from sales should be allocated to working costs and loan repayment before spending on household expenses or setting aside money for savings. Ask participants why this is so. Make sure that the following important points are brought out through the discussion:

a) *Setting aside money for working costs*

- The working costs for the first production cycle were paid for from the initial capital that was obtained from savings or a loan. Now that the money has been spent, replenishment of funds for working costs must be made from the cash received from sales.
- If this is not done, the business will not have enough money to keep buying the raw materials and other inputs. Remind the participants that this was what happened to Magumbo's grocery shop.
- Production will gradually be reduced which will lead to reduced sales.
- Reduced sales will reduce the ability to repay the loan and to earn money from the IGA.
- Eventually the business will fail due to this 'crisis of working capital'.

b) *Setting aside money for loan repayment*

- Loans must be repaid. If they are not, the participant will suffer the consequences of default.
- She will be more indebted.
- She will be pressured by other members of the savings group, by the bank or by the moneylender.
- She may lose membership in the savings and credit group.
- Even if she remains a member, she will lose her goodwill and may not be eligible for future loans.
- She will lose her peace of mind.
- Ultimately, she will have to repay the loan, if necessary by selling household goods, which will only make her more vulnerable than she was before.

Tell the participants that the cash available for family expenses may not be as much as they expected, after they have replenished their working capital and made their loan payment. Tell them that this could happen even if they calculated their expenses correctly during the selection process (Module 2 and 3). Mention that the income from the IGA that they calculated during the selection process is different from the cash available for consumption for two reasons:

- It did not take into account the **cost of credit**. This is the interest and fees that they must pay to group.
- It did not take into account the **formation of capital**. A large part of the loan installment is repayment of the principal borrowed to pay for startup and working costs. Once the loan is repaid, the capital invested in the IGA belongs to them.

Make sure that all the participants understand these two points.

Then remind them of the discussion about Magumbo's Roadside Table. Tell them that Magumbo's cash problem may have been partly caused by the loan repayment burden. The earning power of her IGA was not enough to allow her to repay the loan easily as well as maintain her family at a decent standard.

Ask the participants if they can think of any possible solutions to Magumbo's problem. Through discussion, the following possibilities should emerge:

- She should stop giving credit and/or giving away items.
- She should reduce household expenses to a minimum for the time being. After the loan is repaid, her own capital will have increased. She may be able to take a second loan to expand the scale of operation or to take up a second IGA. Both of these steps will increase her earning power.
- Magumbo's family might have more capital that could be introduced into the IGA. This would allow her to operate at a larger scale or to introduce a second IGA at the present time.
- She can see if there is any way to reduce the costs of the IGA.

Participants may mention Magumbo's suggestion of taking another loan at the present time. Emphasize that this is not a good solution to the problem, as she is already indebted. Consequently, another loan will make her more vulnerable.

Conclude this step by emphasizing the point that cash received from sales must be allocated to loan repayment and working costs before being used for consumption. Failure to manage the cash is one of the biggest dangers that poor people face in managing their IGAs.

Now move to the next step.

Step 3: Allocating the money received from sales

Time: 60 Minutes

Tell the participants that they will now work in small groups to practice what they have just learned. Divide the participants into four small groups. Then tell them the story of Madondo's IGA.

Madondo's IGA

Madondo bakes bread, scones and buns in the village. This IGA is the only earning source for Madondo, his wife and their four children.

To start the IGA, Madondo sold a cow and used the money for small ovens, plates, packaging paper and other requirements of the IGA. In order to expand he took a loan of \$40 to increase the amount of flour, oil and baking powder. He needs to pay back the loan plus 20% interest by the end of the month.

Each week he needs to buy more stocks to replenish those that have been used up. This includes:

Flour	25kg	@ \$23.00
Cooking oil	5 liters	@ \$10.00
Baking powder	500g	@ \$3.00
Others (tomatoes, soups, etc.)		@ \$4.00
Total		\$40.00

Madondo has just counted his money and found that he has \$64 in the cash box that came in from the sales through out the week. Please help him to answer the following questions:

- How should Madondo allocate this cash?
- Do you have any ideas for how he can keep the money for loan repayment and working costs separate from the money for household expenses and savings?

After a full discussion, move to the next step.

Step 4: Managing risk

Time: 60 Minutes

Arrange the serialized cards SC.1 - SC.5 on the ground. Lay SC.1 first, then SC.2 and so on through SC.5. Make sure that all the participants can easily see the cards.

The theme of the pictures is as follows:

Card #1: A married women owns a second-hand clothes business

Card #2: Her stock of clothes is becoming smaller

Card #3: Her stock of clothes is even smaller than in Card #2

Card #4: The shop is closed

Card #5: The woman looks very unhappy

Ask the participants what they see in the pictures. Allow them to create a story which explains the series.

Participants have not yet seen any cards that show why the woman's stock has become smaller and smaller until the business fails. So their story may contain an explanation that does not fit with the theme of the session. For example, they may not think that the woman's IGA has failed; they may instead say that the woman's stock is smaller because second-hand clothes are not available in large quantities. Do not contradict the participants' story. Instead, allow them to complete their story and then tell them that you are going to introduce some cards that give other explanations for the pictures.

Insert serialized card #6 between Card #1 and Card #2. Ask the participants what this card shows. (Card #6 shows the woman giving **credit to customers**.)

Invite the participants to discuss how the situation shown on Card #6 could have led to the unfavorable conclusion to the story. They may mention the following points:

- Customers may not pay back the credit that she has given to them.
- She may spend a lot of time going to these customers to ask them for repayment. This is time that could have been spent on the IGA.
- She may forget how much is owed to her.

Now ask the participants what the results will be for the IGA if the customers do not repay the credit they have been given. They may mention:

- There will be less cash coming in from sales.
- This will make it harder to allocate the cash successfully among the four categories (working costs, loan repayment, household expenses and savings).
- This in turn will make it harder to operate the IGA successfully.
- Uncontrolled credit could eventually lead to failure of the IGA, as shown on Card #4 and Card #5.

Now take away Card #6 and insert Card #7 in the same place. Ask the participants what the card shows. (Card #7 shows some of the clothes being stolen by a thief.)

Tell the participants that this is a business risk. Ask them if the clothes selling business has any other risks.

Now ask them if other IGAs also have business risks. Invite a short discussion on the risks of the IGAs mentioned by the participants.

Take away Card #7 and insert Card #8 in the same place. Card #8 shows an **unforeseen expense**: the woman must pay for a doctor for her sick husband. Ask the participants how this expense could have led to the unfavorable conclusion to the story. The following points should be brought out through discussion:

- She had to use money set aside for working costs to pay for the doctor's visit and for medicine, so she was not able to buy all the clothes that she needed.
- This led to a lower level of earnings from the IGA.
- This lower level of earnings was not enough to pay for her household expenses, so she spent more of her working capital.
- Gradually the business became decapitalized until it failed.

Take away Card #8, Card #2 and Card #3. Then insert Card #9 after Card #1. This shows an **unforeseen event**: The family's house in the village has caught on fire. Ask the participants how this event could have led to the unfavorable conclusion to the story.

Tell participants that unforeseen expenses and events are out of our control. Yet they happen often enough to be real risks to the future security of the family.

Ask the participants if these risks can be managed. If any participant thought it was possible, ask how she would do that. She may mention:

- Taking help from relatives and neighbors
- Taking another loan to get the IGA started again
- Using personal savings

If no participant offers the above suggestions, mention them yourself. Then ask the participants:

- Which of these solutions makes you more vulnerable than you were before?
- Which solution preserves your control over your life?

Participants should say that the first two options make them more vulnerable and the third preserves their financial independence.

Take away Card #9, Card #4 and Card #5. Then insert Card #10 after Card #1. (The cards in sequence now include only Card #1 and Card #10.) Card #10 shows the woman saving money from her IGA. Ask the participants to explain what they see on the card.

Now tell the participants that savings are very important because they help you to **plan for** and **manage** the risks that may endanger the well-being of the family and the IGA. Savings allow you to:

- Cover occasional expenses
- Manage risks that are related to the operation of an IGA, such as theft or spoilage
- Manage the risks of unforeseen expenses or events
- Increase your capital, so that the IGA can grow without an increasing burden of debt

This is why savings is one of the four categories where cash from the IGA should be allocated. Although it may be difficult, saving a small amount of money from each production cycle is essential if the risks are to be successfully managed.

Conclude the session by reviewing the learning. Then move to the course closing.

Step 5 Closing

Time: 15 minutes.

Invite the special guest(s) to address the group. They may ask the participants a few questions about what they have learned. They may also ask the participants if they have any suggestions about how the course could be improved in the future.

Next, allow the participants to speak, if they so wish.

Conclude by congratulating the participants on their successful completion of the course, and wishing them well with the implementation of their IGAs.

Begin discussions of follow-up activities and linkages (discussed elsewhere.)



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