



**OFFICE OF THE PRIME MINISTER**  
DEVELOPMENT INITIATIVE FOR  
NORTHERN UGANDA (DINU)



## ACTION FOR LIVELIHOOD ENHANCEMENT IN NORTHERN UGANDA (**ALENU**)

Income Generating Activity - Selection,  
Planning and Management

### TRAINING MANUAL



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## Acknowledgements and Disclaimer

This manual is developed by a consortium consisting of four NGOs (Caritas Switzerland, Advance Afrika, Agency for Accelerated Regional Development, and Gulu Women Economic Development and Globalization) for the implementation of the Action for Livelihood Enhancement in Northern Uganda (ALENU) Project that is funded under the Development Initiative for Northern Uganda (DINU), a government of Uganda programme supported by the European Union (EU) and supervised by Office of the Prime Minister.

The manual formulation process included a review of a number of manuals for which we are indebted, namely:

- Care Uganda, (1998), The IGA Selection, Planning and Management: A training Course for the Beneficiaries of the Joint Encouragement of New Gainful Activities (JENGA) Project.
- Care Uganda, SNV and SAFIRE, (August, 1999), The IGA Selection, Planning and Management, A training Course for the graduates of the ENSURE VS&L Project.
- Care International in Uganda, (August 2011), The IGA Selection, Planning and Management Training Manual for Banking on Change Project.
- WENIPS, November, (2011), IGA Selection, Planning and Management, A training Course for Participants who are interested in operating IGAs.
- AFARD, (October 2016), Entrepreneurship and Life Skills Development: A Trainer's Toolkit. Youth Economic Development Project.
- Participatory Ecological Land Use Management (PELUM) Uganda, Oxfam, CREAM, CEFORD, (2016), Adapting the Gender Action Learning Systems (GALS) in Development Programmes.
- FURA and CREAM Consortium, (June 2017), IGA Selection, Planning and Management, A training course for CSCG members who are interested in operating IGAs under the Project for Financial Inclusion in Rural Areas (PROFIRA).
- AFARD (November 2017) Entrepreneurship Skills Development A Trainer's Toolkit: Secure Livelihoods for South Sudanese Refugees and Host Communities in West Nile Region, Uganda (Migration Project).
- VSL Associate (March 2018) Selection, Planning and Management (SPM) of Income Generating Activity. Training Guide for Field Officers and Village Agents.

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# About ALENU Project

Under the Development Initiative for Northern Uganda (DINU), a government of Uganda programme supported by the European Union (EU) and supervised by Office of the Prime Minister, Caritas Switzerland has received a grant to implement the Action for Livelihood Enhancement in Northern Uganda (ALENU). ALENU is implemented by a consortium consisting of four NGOs (Caritas Switzerland, Advance Afrika, Agency for Accelerated Regional Development, and Gulu Women Economic Development and Globalization).

## Objectives and Results

ALENU project is a 40-month action that focuses on improving livelihoods through increased and diversified food production, enhanced market opportunities and better maternal and child nutrition in six districts of the West Nile and Acholi sub-regions. Its overall objective is, “to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development.” And the specific objective: is, “to increase food security, improve maternal and child nutrition, and enhance household incomes through support to diversified food production and commercial agriculture and through improving household resilience (notably to climate change) and women empowerment. The three main result areas are: Result 1.1: Increased production of diversified food; Result 1.2: Increased market accessibility; and Result 1.3: Improved nutritional status.

## Districts and Sub Counties

Agago (Wol and Lokole); Amuru (Amuru and Lamogi); Omoro (Odek and Lakwana); Nebbi (Erussi and Atego); Pakwach (Pakwach and Panyimur); Zombo (Kango and Athuma)

## Main Activities

### Result 1.1: Increased production of diversified food

Select HHs; develop Family Development Plans; develop seasonal Production and Marketing Plans; set up group demonstration gardens; conduct farmer field school sessions; facilitate outreaches by local government extension staff; organize seasonal agro-input fairs; build capacity of agro-input suppliers; form commodity-based cooperatives; train VSLA Mentor; train Farmer Group (FG) members in VSLA; link SACCOs/ progressive FGs with formal banks.

### Result 1.2: Increased market accessibility

Provide FGs with Business Development Services; organize/ promote sub-county farmer markets; facilitate learning visits to model farmers/private sector actors; create added value for commodities; organize a multi-stakeholder platform and annual cross-sector dialogues; achieve progress in certification, quality control, branding and contracting.

### Result 1.3: Improved nutritional status

Train VHTs/Health Workers on good nutrition practices, child health, family planning and WASH; empower cultural and religious leaders to sensitize community; increase access to prevention and curative health services; improve nutrition and sanitation practices at HH level; train VHTs on family planning, provide family planning services; conduct annual couples conference and community dialogues on family planning/ GBV; conduct community dialogues for out-of-school adolescents on sexuality/ family planning, provide health services; advocate for supplies of FP commodities; facilitate debating clubs and youth peer groups in schools; collaborate with faith-based medical bureau.

### 1.1.1. Approaches

- **Holistic Family-Centered Approach:** All household members will benefit from a combination of bundled services customized to meet their specific needs, address their vulnerabilities and strengthen their capacities at the collective and the individual level and in view of reducing poverty and malnutrition.
- **Village Savings and Loan Association (VSLA) and Linkage Banking:** Provide simple savings and loan facilities in a community that does not have easy access to formal financial services. Strong VSLAs will be registered at district level and linked to formal financial institutions or federated into SACCOs for better financial inclusion.
- **Farmer Field School (FFS) with Peer-to-Peer Demonstration-based Extension Approach:** Promote practical knowledge among smallholders on improved technologies through participatory, experimental, problem solving and discovery-based learning and hence increase yields, food adequacy and collective marketing for better market positioning.
- **Market Systems Development (MSD) and Value Chain Approach (VCA):** Make markets work for the benefit of the poor by tackling the underlying causes of market failure and strengthening the functions of market actors as well as the rules and norms that govern the market system.
- **Agro-ecology:** Apply ecological and social concepts and principles to the design and management of food and agricultural systems to optimize the interactions between plants, animals, humans and the environment while taking into consideration the social aspects that need to be addressed for a sustainable and fair food system (FAO).

### 1.1.2. Key stakeholders

Stakeholder	Role
Target farmers and their households	Main beneficiaries, participate in selection of market commodities and peer-extension agents (CBTs, Poultry Paravets, Agroecology Champions, VSLA Mentor and Market Committee Members), various capacity building activities and monitoring and learning meetings
Local Governments	Oversee implementation of activities and align the Action with the district priorities, involved from planning stage and play a major role throughout the implementation as advisors, extension workers, or beneficiaries of capacity building
Community members	(VHTs, cultural and religious leaders, senior women and male teachers, youth mentors), contribute to changing attitudes and practices, involved at all project cycle stages.
Private sector	Expand market system and offer production inputs (seeds, tools, etc.), loans, services (market information, advisory service, quality control, vet services etc.), transport and, as traders and processors, purchase the products of target farmers and farmer groups
Advance Afrika, AFARD, Gwed-G	Local implementing partners, in charge of implementation based on a mix of geographical and technical division of responsibilities
Caritas Switzerland	Consortium coordinator and donor, ensures independent project supervision, in charge of MEL and quality assurance including capacity building of co-applicants, and the development of a network of strategic contacts with development partners
Ugandan Government	Supervising (OPM) and contracting authorities (National Authorizing Officer/ Ministry of Finance, Planning and Economic Development)
EU	Main donor

Beneficiaries total 35'900 individuals (farmers and their household members, local government officers, community and private sector members, and the staff of implementing partners).



## 2. Why IGA – SPM Training?

Training in Selection, Planning and Management (SPM) of Income Generating Activities (IGAs) is a customized training course for the semi-literate farmer group members primarily aimed at systematically increasing their savings in Village Savings and Loans' Associations (VSLAs) through optimal use of VSLA loans for investment in viable on-farm and non-farm enterprises. To do so however the farmer group members need the knowledge and skills to assess the appropriateness of several potential IGAs, comparing each to their specific knowledge, skills, experience and resources. An analysis of this kind allows each of them to choose the IGA that is most suitable, given their individual circumstances. 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 smallholder farmers so that they will borrow from the loanable fund and invest in their IGAs and repay the loans on time.

**The objective of the training course is to assist the rural smallholder farmers to:**

- Select IGAs that are suitable for their individual circumstances, after careful consideration of the technical, marketing, social and financial aspects of a number of alternative IGAs;
- Plan for the successful launch of the IGAs after the selection has been made; and
- Manage the IGAs 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.

## 3. Training Focus and Approach

### Overview of the training

The IGA -SPM training course consists of six modules, conducted in three - four-hour sessions once a week over a period of six weeks as is laid below. Because each session is built on the success of the previous session, it is advisable that, the VSLA Mentor as the facilitator ensures that participants have made positive strides in answering the key question of the week.

Week	Module	Module focus	Learning Outcomes: Participants should be able to:
1	1. Goal setting	<ul style="list-style-type: none"><li>• Six important points of life</li><li>• Poverty analysis</li><li>• Family/Individual goal setting</li></ul>	<ul style="list-style-type: none"><li>• Develop clear strategy to overcome household poverty.</li><li>• Set realistic and achievable family/individual goals (Vision Road Journey)</li></ul>
2	2: IGA Identification and Selection	<ul style="list-style-type: none"><li>• Importance of IGAs</li><li>• IGA identification Process</li><li>• IGA selection Process</li></ul>	<ul style="list-style-type: none"><li>• Identify viable IGAs based on environmental scan conducted.</li><li>• Select suitable IGAs for operation.</li></ul>

3	3: Market Analysis of selected IGA	<ul style="list-style-type: none"> <li>IGA Operational Aspects</li> <li>Marketing Aspects of IGA.</li> <li>Profit concerns</li> </ul>	<ul style="list-style-type: none"> <li>Examine their attitude, knowledge, skills, and experience in relation to the proposed IGAs.</li> <li>Determine the products or services the IGA will offer.</li> <li>Calculate the income, profit or loss from the proposed IGAs.</li> </ul>
4	4. Determining Business Capital Needs	<ul style="list-style-type: none"> <li>Capital Estimation</li> <li>Capital sources</li> <li>Calculating Income Stability.</li> </ul>	<ul style="list-style-type: none"> <li>Determine the required capital for the IGA.</li> <li>Identify affordable sources of capital.</li> <li>Assess the income stability.</li> <li>Make informed decision on the IGA.</li> </ul>
5	5: IGA Planning	<ul style="list-style-type: none"> <li>Final IGA selection</li> <li>Introduction to IGA Planning</li> <li>Resource Planning</li> <li>Task/Persons Planning</li> </ul>	<ul style="list-style-type: none"> <li>Make a final decision on their viable IGA.</li> <li>Develop a detailed resource, tasks and persons plan for the start of the IGA</li> </ul>
6	6: IGA Management	<ul style="list-style-type: none"> <li>Managing business risks, failures &amp; growth.</li> <li>Record keeping</li> </ul>	<ul style="list-style-type: none"> <li>Develop clear strategies to increase business profits.</li> <li>Apply the record keeping skills</li> </ul>

## Training Methodology

The training should use learner-centered participatory learning and actions approach that builds on trainee experiences so that they are able to diagnose and solve their own problems in IGA startup, expansion and management but also to encourage creative thinking and maximum retention of the key concepts. Each module is followed by a think about that reinforces the learning points and guides the participants as they individually investigate potentially suitable IGAs. Throughout the training, participants should share personal experiences to enrich the training process.

The Vision Road Journey tool that is used in the course is aimed to help the participants to visualize their future and draw in concrete terms what they would like to achieve and the timeline. The tool will as well help them to analyze their current circumstances, map possible income generation streams that they can undertake to achieve their vision and sustainably improve on their livelihoods, set achievable and measurable targets, identify and prioritize challenges in relation to the possible IGAs and generate possible solutions and actions.

## Users of the Manual

ALENU will work with Community Based Trainers (i.e. VSLA Mentors) as lead trainers. This manual is therefore designed primarily for their use. Other people or organizations who intend to use this manual will be required to acknowledge the source and where possible seek an orientation on its use from ALENU.



## Guidelines for the trainer

- 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 training. Read the stories slowly and artfully so that the participants feel excited while you are reading and can easily understand them.
- Don't 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.
- Don't 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.
- Appreciate and respect the existing skills and knowledge of the participants as this is often a good place to start—ask questions to figure out what they already know, and then work to fill in the gaps.
- 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. Make changes according to your circumstances and the proficiency of the participants.

- Encourage women, youth and any shy member to participate. Use the opportunity to help participants to develop their self-confidence to speak in public. Be conscious that female participants may need some encouragement to freely express their views during the discussion.
- Do interesting activities that serve as good icebreaker at the beginning of the session. This could include introduction among all the participants using different methods, brainstorming or talking about one's experience.
- Clarify the objectives of the training programme, and let the participants reflect on it. Let them also do expectations exercise as an input to the preset objectives.
- Take notes during discussions, especially when prompted to do so by the guiding note in the manual, as it will help you get to know the participants and remember who said what. Your notes will also be used as a reference for further follow-up and monitoring of actions/assignments.
- Avoid jargon and complicated words. The more simply you speak, the easier it will be for all the participants to understand you.
- Be a good listener and avoid mentioning religious or political differences. During facilitation and discussions, you will address issues around gender, nutrition, access to finance, and use of family resources. However, avoid mentioning other sensitive issues around religion and politics.
- Guide the participants towards the learning objectives using the agreed steps.



## MODULE 1: VISION ROAD JOURNEY AND GOAL SETTING

### Objectives:

On completion of this module, 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).
- Explain the concept poverty and describe how a poor and happy family looks like and discuss the causes.
- Be able to describe the Six Important Points that should be considered before selecting an IGA from a number of alternatives.
- Be conversant with the use of the Vision Road Journey tool to develop their vision road journey.

Time:	Tools	Methods	Materials
3-4 hours	The Problem Tree. Vision Road Journey	Discussion. Story telling Chart Demonstration.	Flip chart, marker pens, masking tape. Sticks, leaves, papers, stones, etc.

### Explanation for the trainer:

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 hand out from relatives, neighbour, NGO, or government make them dependent.

Operating an IGA provides the opportunity to be self-employed using one's own skills and resources. IGAs generate income that allows families meet basic needs such as having better food, clothes, shelter, children education, medical care in private medical facilities, and owning productive assets. These benefits improve not only the quality of life but also one status in society.

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 lives. They do not visualize their future by analyzing their current circumstances and set in concrete terms achievable targets. The first part of the session is designed to change this perception.

The Vision Road Journey tool is used here to help the participants to visualize their future and draw in concrete terms what they would like to achieve and the time line. The tool will help them to analyze their current circumstances, map possible income generation streams that they can undertake to achieve their vision and sustainably improve on their livelihoods, set achievable and measurable targets, identify and prioritize challenges in relation to the

possible IGAs and generate possible solutions and actions.

There are **SIX IMPORTANT POINTS** that should be considered before one can start an IGA. One needs to ask him/herself the following questions that will help to analyze the situation and come up with possible options of IGAs.

- 1 **Goals:** What do I want to achieve in the next 6 months, one year or 2 years?
- 2 **IGA:** What suitable IGA (product or services) can sell for income to achieve my goal?
- 3 **Knowledge, skills, right attitudes and time:** Do I have the knowledge, skills, right attitudes and time needed to operate this IGA?
- 4 **Market:** Can I sell the products or services of this IGA?
- 5 **Capital:** Do I have enough money to start up and operate the IGA? What are the possible sources for funding this IGA?
- 6 **Income:** Is the IGA profitable to enable me achieve my goal?

Anyone who intends to start up an IGA should, first of all have a very clear goal of what s/he want to achieve with any money that s/he will make. In addition, s/he should identify all the possible IGAs that might be suitable for the area then, ask questions 3-6 repeatedly for every IGA before making any decision on what IGA to undertake. Experience shows that many often do not assess all these points before deciding which IGA to undertake. They simply copy and paste IGAs that they observe other people doing or that they think might have a good profit. The introduction to the Six Important Points is designed to make participants aware that an IGA should be started only after careful analysis. This is therefore the prime content of the training on IGA identification and selection. The trainer's greatest priority is to ensure that the participants internalize these points by ensuring that during each session, participants recite these Six Important 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.

## THE TRAINING PROCESS

### Step 1: Introduction

Start by thanking everyone for attending the first session of the training. Assure them that if they stay engaged, they will learn a number of things throughout the course. Explain the three main objectives of SPM training. Capture their expectations on a flip chart so that you can clear any misconceptions. This is also important for evaluation of the whole training

session.

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

Explain that, the purpose of the training is to prepare them for total transformation of their lives through start-up, improvement and expansion of income generating activities. In order for this result to be realized, they must have seriousness of purpose. You expect them to demonstrate seriousness of purpose by:

- Attending all six sessions.
- Arriving at the training on time.
- Participating actively in the training.
- Not leaving the sessions to attend to other business.
- Thinking carefully about the learning from each session in the following week.
- Preparing thoroughly for the next session according to the instructions given.
- Starting up or expanding an IGA that they have planned during the course.

Discuss with them if they agree with the points outlined above.

## **Step 2:**

### **Poverty Analysis**

Through discussion in plenary, let the participants analyze household poverty in their locality. Use the questions below to guide the discussion:

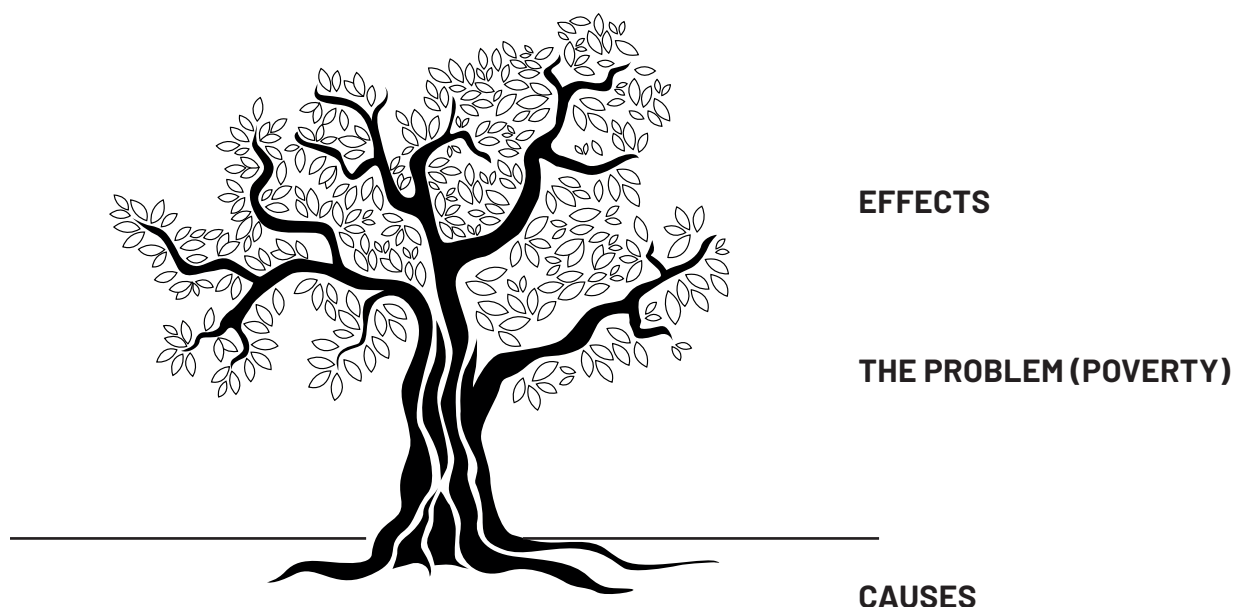
Qn: Ask a number of participants to explain their understanding of the term poverty.

Qn: Looking at yourself, have you ever felt that you are poor? (Let them explain).

Qn: How would you tell that; a family is poor? (Indicators of poverty)

Qn: How different would a happy or rich family look like?

Using the **Problem Tree**, lead discussion on what causes the family to be poor and see its effects on the family. Use the tap root to indicate the biggest/most critical cause of poverty and the sizes to the roots indicate the gravity of the cause. On the branches, the biggest branch represents the most felt effect of poverty.



### **Step 3:** **Vision Road Journey Development**

Explain to the participants that, the development of a family or household vision or goal and meeting family targets are the necessary conditions to achieve commercial agriculture, improved livelihood and sustainable economic development in a household (family).

Then, present the case study on 'Steering the Rocky Road of Life'

Moving forward in life requires a clear vision, an understanding of where we are and how step by step we can move forward to our vision.

It is like a Road Journey. Some people are not really sure of where they want to go. There is no plan and no map. So, they are swept along with all the other traffic and crowds, unable to turn where they want and often not even being able to see the road ahead. Others drift aimlessly, not even looking around them to see what that is there can help them, or anticipating dangers. They miss opportunities, they fall down, or go around in circles without knowing.

Life's Road will never be easy. But with a clear vision and proper Road Map which is consulted frequently, to learn from experience and plan the next steps, it is possible to get further and more quickly. Analyzing opportunities and what we have already achieved makes it easier to feel positive about the future. And when the going gets difficult, there is always the clear shining vision to help us pick ourselves up. It is possible to steer along the difficult and rocky road with some degree of dignity and control – and also decide when a new road altogether might be needed. When many people know where they want to go, and how they can get there, new and better roads will be made for the whole society to move towards a new future.



After presenting the case study, ask the participants to close their eyes for five minutes and have a dream of their lives and what they want to be like in the next two years in relation to their household goals.

Then, ask a few volunteers to share their two-year vision. After this is done, take the participants to the process of drafting their Vision Road Journey.

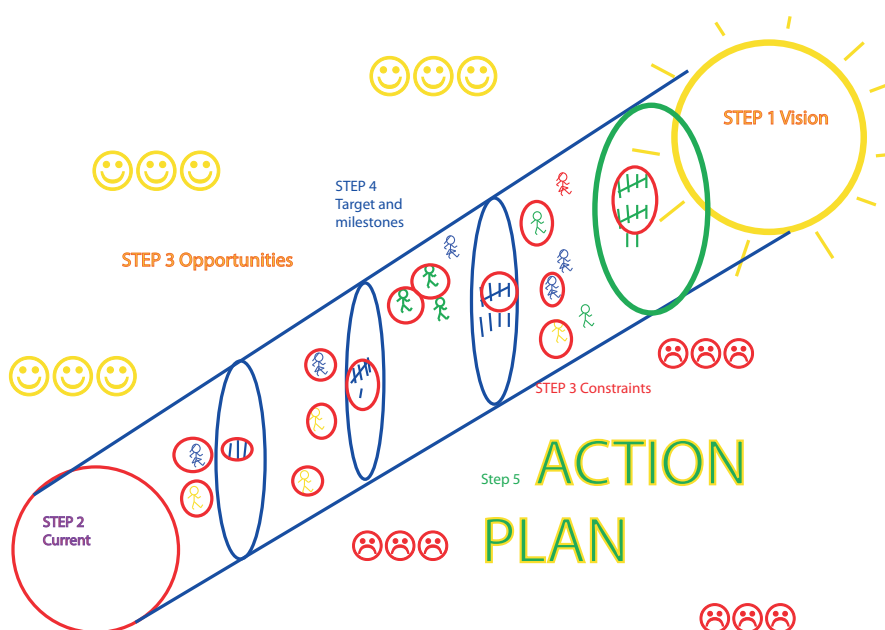
### The process of drafting Vision Road Journey

Demonstrate this to the whole group in plenary. Make the process as participatory as possible.

1. Explain that, moving forward in life requires a clear vision, an understanding of where we are and how step by step we can move forward to our vision. It is like a Road Journey – you need to know where you want to get to. Draw this as a nice big smiley sun or star (large circle) at the top right because you hope it will be an upward journey. Even if you go down you will still have to think up. It is also not easy like climbing uphill. But it is worth getting a bit out of breath for the view from above.
2. We need to think about where we are now especially how much we have already achieved, despite all our difficulties. As well as how far we still have to go. Draw this in another circle at the bottom left to map the current/present circumstance.
3. Draw two straight lines joining the two circles to represent our road. Draw the road as straight to the future, because this is how we hope it will be. But when we track progress later we put in the detour, blocks and ups and downs.

## TOOLS OF GALS

### 1. VISION ROAD JOURNEY



4. We also have to learn from the past by appreciating our strengths and achievements already registered. Draw a smaller circle behind the circle at the bottom left.
5. Then draw two crochet lines to join the two circles at the bottom left. This our Achievement Road Journey.
6. Next we will examine our opportunities – the things which have helped to pull us up. We place these at the top of the Road. Think of ways of we can make sure to get them.
7. Then look at the challenges – the things which can pull you down. Place these underneath the Road. Think of ways to address or avoid them in the immediate (short term), medium term or long term.
8. Finally, start to think step by step along the way. It is no good just thinking how far away the end of the road is or just curl up and stop trying. So you need to set specific targets along the way to break up the road into manageable steps towards the vision – taking opportunities and addressing constraints. That way you do not get discouraged. This developing the intermediate objectives (strategic action plan) for the next three years.

**Note:** let the participants describe the future, present/current situation, past achievements, opportunities and challenges in pictures as drawn in **Vision Road Journey 1 and 2** captioned below

Before concluding the exercise, ask the participants which circles represent the future, present and the past, what represents the road and which sides represent opportunities and challenges to make sure they have understood the exercise on the Vision Road Journey.

Then, conclude by explaining that, when we have finished our Road Map, which will not be the end. We must continue to honestly track our progress as we move forward from stage to stage. What has helped us, and what has stopped us, marking these also on our diagram to help us move forward to the next stage reinforcing what is successful, and without repeating the same mistakes.



**Vision Road Journey 1**



**Vision Road Journey 2**

#### **Step 4:** **Closing**

Allow participants to recap on the Six Important Points by enumerating together. Request participants to think about the IGAs that they can undertake for them to achieve their goal.

#### **Think About**

- Request participants to come to the next training 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 Six Important Points.
- Instruct them to sit with the household members and develop or refine their Vision Road Journey for the next three years.

Finally, conclude the session after giving the 'think about' and remind the participants about the date, day, venue and time of the next week's training session.



## MODULE 2: IGA IDENTIFICATION AND SELECTION

### Objectives:

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

- Explain the importance of IGAs.
- Determine the mistakes that many people make in the selection of their IGAs.
- Identify a number of suitable income generating activities (IGAs).
- Select the income generating activity (IGAs) suitable for oneself.

Time:	Tools	Methods	Materials
3-4 hours	A 3 x 4 Product/Services Identification Matrix  The 6 C Business Opportunity Prioritization Matrix	Discussion. Story telling Chart Demonstration.	Flip chart, marker pens, masking tape. Sticks, leaves, papers, stones, etc.

### Explanation for the trainer:

While in Week 1 emphasis was placed on the Vision Road Journey tool for goal setting, the focus of this week is to explore how a business is a viable tool to achieve the goal. Working with the 6 Important Points, attention should be placed on the selection of a business that can effectively lead to the achievement of the set goal (however small or big the goal may be).

Please, let the participants to recite the SIX IMPORTANT POINTS that should be considered before one can start an IGA.

1

**Goals:** What do I want to achieve in the next 6 months, one year or 2 years?

2

**IGA:** What suitable IGA (product or services) can i sell for income to achieve my goal?

3

**Knowledge, skills, right attitudes and time:** Do I have the knowledge, skills, right attitudes and time needed to operate this IGA?

4

**Market:** Can I sell the products or services of this IGA?

5

**Capital:** Do I have enough money to start up and operate the IGA? What are the possible sources for funding this IGA?

6

**Income:** Is the IGA profitable to enable me achieve my goal?

Emphasize the need for careful analysis before one can finally decide on an IGA.

## THE TRAINING PROCESS

### Step 1:

#### IGA as a means to increase income to achieve a family goal

Ask, what solutions can we find in order to avoid the condition of remaining poor? If the participants suggest IGA as a solution, pick from there but if they don't, then introduce it.

Then, guide them to define an IGA and discuss the importance of operating IGAs. They should be able to define IGA as:

**An economic activity, which is generally operated at or near home using one's own labor or the labor of family members with the purpose to raise family income.**

Make sure 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 emergencies.

### Step 2:

#### IGA Identification Process – Environmental Scan

Guide the participants to do an environmental scan in order to identify entrepreneurial needs of the community by asking: What product or services are lacking in this community?

Tell them that, there are different ways one can use to identify an opportunity in the community and these are some of them:

- **Services acquired outside your community;** (What product or services do people look for outside this community?)
- **Gaps in the supply and production chain;** (What product or services are missing in the supply chain of a particular product or service?)
- **Products or service provided by non - residents of this community:** (What are those products or services supplied by persons outside this community?)
- **Innovations and Creativity:** (What new thing is needed by people in this community?)

Using the **3 x 4 Product/Services Identification Matrix** below task the members to list all the IGAs they have come along with in each cell under product or services.

	PRODUCTS	SERVICES
EXISTING	List all products that exists in the community	List all services that exists in the community
MISSING	List all products that do not exists in the community	List all services that do not exists in the community
IN POOR STATE (Quality, Quantity, Price, Time)	List all products that exists in the community but people are dissatisfied with them	List all services that exists in the community but people are dissatisfied with them



Then after identification of the gaps, let the participants come up with proposals of IGAs that would be subjected to the SIX IMPORTANT POINTS before selecting one for operation. Make sure the participants understand these points.

### **Step 3:**

#### **Introduction to IGA selection**

Ask the participants to discuss how the people in their community usually identify and select IGAs to operate? Through the discussion participants may mention the following ways:

- See other people doing it.
- Hear that it is profitable
- Think that it is easy to operate.
- They heard that the market is growing up.
- Someone told them the IGA has a good prospect.
- They think they can make a remarkable profit

### **Step 4:**

Present the story below 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 ONEGA AND HIS WIFE ZUBEDA**

Onega and Zubeda are rural small holder farmers who, with the current political stability, were able to send their three girls and two boys to primary school.

They planted their first crops in April and harvested the beans and groundnuts in August. The crops were not of particularly high quality because the rains had been poor. Therefore they did not have a surplus for sale. However, Onega usually went to the market once a week, and noticed a lot of produce buyers and sellers who seemed to be making a good profit. This activity also did not seem to require a lot of work, he discussed this idea with his wife, and they agreed that this would be a good way for them to earn some extra money.

They replanted beans and groundnuts in August, hoping for a better second crop. Over the next two months, they continued to think about the possibility of starting a produce buying and selling business. They knew that beans would be harvested by local farmers in November and that would be a good way to start. They could store these beans in their house until February and then re-sell them at a higher price.

Unfortunately, because of the poor yields they could not raise money for the desired business. So they realized that they would need to borrow from a relative. Onega decided to ask his uncle who had a small business in town, for financial assistance. His uncle agreed to lend them enough money to buy five sacks of beans. When local farmers harvested their beans at the end of November, Onega and his wife went to the local market and bought five sacks, which they transported to their house. They stored them in a small room in their new house and locked the door for safekeeping.



The beans that they harvested from their own fields were kept aside for the family's consumption.

In mid-January Onega went to the county headquarters to attend a meeting organized by the county chief for farmers and addressed by the Agricultural in-charge of the County. The meeting was organized so as to answer farmer's questions about their agricultural activities. Onega told the people present at the meeting about the bean business he and his wife were carrying out. The Agricultural Officer asked if he had been checking on their beans and taking them out to dry on a regular basis. Onega confessed he had not been doing that. The Agricultural Officer warned him that the beans might spoil from infestation by bean weevil if not checked and dried regularly.

As soon as Onega got home he told his wife what the Agricultural officer had told him. They took the beans out and checked them. To their horror, they discovered that two sacks were completely destroyed and the other three sacks had some damage. They decided to sell the three sacks that were still of marketable quality at the next market day before the situation got worse.

Because it was January, the price for good quality beans at the market was higher than in November when they had purchased their beans but less than the price they had expected to get in February. However, nobody would pay this higher price for their beans because they realized that they had suffered some damage. All that they could get from buyers was a price almost the same as that they had paid for the beans in November.

After they had sold the beans and counted the money, Onega realized that he would not be able to repay his uncle. They had purchased five bags, but sold only three at exactly the cost price. Therefore, they had made a large loss. Onega felt despair because he realized that they had no other way of earning money to repay the loan. Consequently, the activity had an adverse impact on his economic situation rather than improving it.

Now Onega and his wife are both regretting the great mistake they made by starting up a produce buying business. They realized that they should not have started up this IGA without enough technical information. They know now that they should have thought more carefully about this business before starting it up.

Discuss the story and note what the participants have learnt. The following questions may be asked to explore the learning:

- Why did Onega and his wife start an IGA?
- Why were they not able to achieve their objectives by operating the IGA?
- What aspects should they have thought about before starting up the IGA?

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

- 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.
- Knowledge of what buyers know about the products first.
- Knowledge of the quality of competing producers.
- The cost implications and risks involved in the IGAs.

Conclude by explaining that, the case study reflects on the importance of IGA Selection, Planning and Management training to the rural small holder farmers. It was clear after the discussion that this could be the cause of failure of many IGAs. The case study demonstrates the need for understanding the operational and marketing aspects of an IGA.

#### **Step 4:**

#### **The Six Important Points**

Explain that, the SIX Important Points should be thought about before selecting a suitable IGA from a number of alternatives.

Tell the participants that, Onega and his wife should have thought about these SIX Important Points before starting up their IGA. Enumerate the Six Important Points one by one. Relate each point to the story of Onega and his wife Zubeda so that they can understand and retain the points easily.

#### **Point #3:**

#### **Can I start and operate this IGA?**

I have to think about my:

- Knowledge
- Skill
- Attitudes
- Time availability

If I do not know how to operate the IGA, 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 #4:**

#### **Will people buy the products or services I want to sell?**

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

- Demand for the products or services
- Supply of the products or services

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

- Who will buy my products or services? 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 or services?

- How much can I sell each day, 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 #5:**

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 IGAs?
- Do I have access to the required money?
- Can I get an internal loan from the VSLA?

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

#### **Point #6.**

##### **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 start-up 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.

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

Alternatively, you can use the simple 6C table below to facilitate the learning process.

Assessment criteria	List all potential IGAs here				
	Name	Name	Name	Name	Name
<b>CHARACTER:</b> Am I interested in doing this business? Does it align with my moral values? Do I have the skills/knowledge to do this business? Do I have any experience in this business?					
<b>CUSTOMERS:</b> Are there enough customers for this business? Are they able to pay for the product/services? Is their number able to make the business to grow? – Market					
<b>COST:</b> How much would it cost to start? Do I have the capital to start it off? – capital					
<b>COMPETITION:</b> Who are the competitors for this business? Are they many in the area? Am I able to compete?					
<b>CONDITIONS:</b> Is it allowed by law to deal in this business? What are the legal requirements? Am I able to comply with such requirements?					
<b>COMPENSATION:</b> Is the business profitable? Is the profit able to expand the business? Is the profit able to lift me out of poverty? – income					

## Step 5:

### Introduction of Think About

Explain to the participants that this training 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 home assignment that all participants will be asked to think about over the next week. 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.

## Step 6:

### Closing

Allow participants to recap on the Six Important Points by enumerating together using their left hand. Request participants to think about the IGAs that they can undertake for their income generation and wealth creation. 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.

### Think About

- Tell the participants to conduct an in-depth scan of their priority products or services
- Request participants to come to the next training with adequate information about their priority (one top most) IGA.
- Instruct them to visit the market to know more about their IGAs or to talk to their household members about it – especially skills, costs, customers, and profits.

Finally, conclude the session after giving the 'think about' and remind the participants about the date and time of the next week's training session.



## MODULE 3: MARKET ANALYSIS OF SELECTED IGA

### Objectives:

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

- Determine whether they are able to sell the products or services from their proposed IGAs.
- Explain the importance of examining their attitudes, knowledge, skills and time availability, as well as the seasonality of the IGA, before selecting the IGA.
- Explain the importance of analyzing market issues for the products or services offered by the IGAs they have selected to start and operate.
- Categorize the different types of costs incurred in IGA operation.
- Calculate accurately the income from their IGAs, Profit and Loss.

Time:	Tools	Methods	Materials
3-4 hours	Calculator Mobile phone	Discussion. Story telling Chart Demonstration.	Flip chart, marker pens, masking tape. Sticks, leaves, papers, stones, etc.

### Explanation for the trainer:

Participants should come to this session with the various factors that should be considered 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 module discusses in detail the below of the **SIX IMPORTANT POINTS** identified in Module 1:

- 2 Can I start and operate this IGA?
- 4 Will people buy my products or services?
- 6 Is this IGA profitable?

The trainer should be sure to continue the technique started in the last session of demonstrating the **SIX IMPORTANT POINTS**.

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: Start-up Costs and Working Costs.

This Module 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.

## **THE TRAINING PROCESS**

### **Step 1:**

#### **Opening of the training**

Open the training by asking the participants how they had been over the past week as this makes them become relaxed and friendly. Ask them to mention the FIVE IMPORTANT POINTS one must consider before deciding on any suitable IGA. They should demonstrate using the fingers of their left hand:

- 1) Can I start and operate this IGA?
- 2) Will people buy the products and services I want to sell?
- 3) Is the IGA profitable?
- 4) How much money do I need to start and operate each of my IGA?
- 5) Will the income from my IGA, when added to other sources of family income be enough to meet my household expenses?

### **Step 2:**

#### **Our possible IGAs**

Remind the participants about the '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 at least one of the IGAs that they have identified, 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 training on time.

Give the participant time to discuss the list of the three IGAs suitable for them. Allow them to explain if they carried out environmental scan by examining the preliminary question; What Product or Services are lacking in this Community and critically thought of the **FIVE IMPORTANT POINTS?**

### **Step 3:**

#### **Operating an IGA and selling the products or services**

Explain that, the factors considered under the first two important points are the operational



and marketing aspects of IGAs. Ask the participants to recite the first and second important points:

2

Can I start and operate this IGA?

4

Will people buy the product or service I want to sell?

With reference to the IGAs identified, ask the participants who named these IGAs if they consider any of the factors relating to operation or marketing of the IGAs suitable to them.

Next, ask the other participants who have not contributed to the discussion so far whether they think it is really important to examine these two points with due attention and discuss the effect if we do not examine them.

After the participants have expressed their opinions, tell the story below:

### AKELLO AND THE TABLE CLOTHS

Akello, a mother of four lives in a village near this one. One of her major concerns is her children. She would like them to go to school, but she cannot afford the school fees, exercise books and uniforms that they would need as they join secondary school. She had also liked to have better food and health care for her family. This all costs money. Akello has been wondering about how she can solve these problems.

She has saved a little money. Akello has saved 20,000/= and she wants to use this money to start an IGA or an activity that will generate more money. Other women she knows are making tablecloths.

Akello also decides to make table clothes. She decides to make four (4) table clothes and sell them at 7,000/= each. She will make 28,000/= and she is very excited about the idea.

Akello goes to the trading center and buys cloth and cotton threads she needed. To her surprise this uses all her 20,000/= that she has saved hence she had to walk home.

As she walks home she feels happy thinking about the money she will make from her tablecloths. As soon as she gets home, she starts on her work. She has very little experience of sewing tablecloths and is not sure about some of the stitches. It took her a lot of time to make the 4 tablecloths.

Her sewing took her a lot of time that, Akello has been neglecting other areas of her life. Her children have been neglected and her work in the house and garden has not been properly done for weeks.

Akello thinks that, her husband will forgive her and he will be very pleased when she makes 28,000/= from her tablecloths.

Akello finishes making her tablecloths and takes them to the market to sell. She feels excited that she will get money for all her hard work and sacrifice.

She is dismayed when she gets to the market. There are many women selling tablecloths and they are all beautifully made and finished. Akello's looks very poor and beside them her sewing is very bad.

She had hoped that she can sell her tablecloths for 7,000/= however the best tablecloths are selling for that price and Akello will get 5,000/= each, if she is lucky enough to sell them at all. Akello stays at the market all day and she is very discouraged.

After presenting the story, explain that, the story provides an example of the effects of failure to consider the operational and marketing aspects of an IGA and ask the participants to discuss the learning from it. The following questions may guide the discussion:

- Why was Akello's initiative not successful?
- Which important factor did she not consider when deciding on the IGA to engage in?
- What lesson can we learn from this story?

Then, guide the participants to discuss the first important point while referring to Akello's story. Probes more on the aspects of:

- Knowledge.
- Skills.
- Experience.
- Time.
- Seasonality.

Then, ask each of them to think about the IGAs they have selected and make critical assessment in the following operational aspects:

Equipment	Raw materials and other inputs
<ul style="list-style-type: none"> <li>• What equipment and tools will be required?</li> <li>• How many do I need of each?</li> <li>• Where can I get these?</li> <li>• Do I need to buy all these items?</li> <li>• Can they be borrowed or rented?</li> <li>• Will the equipment need repair?</li> <li>• Do I know how to do this?</li> <li>• Or can I find someone who knows how?</li> </ul>	<ul style="list-style-type: none"> <li>• What raw materials and other inputs will be required?</li> <li>• What quantity and quality do I need?</li> <li>• Can I get these inputs locally?</li> <li>• How will I transport these items to the production site?</li> </ul>
Production method and production site	Labor
<ul style="list-style-type: none"> <li>• What will be the production method?</li> <li>• Am I experienced with this method?</li> <li>• Do I know how to solve any problem that might arise?</li> <li>• Do I know where to get help?</li> <li>• Where will the activity operate?</li> <li>• Is this site suitable?</li> <li>• If any energy source is needed, is it available?</li> </ul>	<ul style="list-style-type: none"> <li>• How much time is required for this activity?</li> <li>• Can my family members and I spare this amount of time?</li> <li>• Will I need any workers with special skills?</li> <li>• If so, are these people available?</li> </ul>
Others	
<ul style="list-style-type: none"> <li>• Can the IGA operate year-round?</li> <li>• If it is seasonal, what alternative do I have for the off season?</li> <li>• Do I need to communicate with the Government or any other offices?</li> <li>• If so, do I know where to go, whom to talk to and what to discuss?</li> </ul>	

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 4:

#### Selling or Marketing of IGA products or services

Discuss point # 3 Will people buy the products or services I want to sell? Try to generate a positive attitude among the participants when assessing the marketing aspects of the IGA before the startup. Tell the participants to answer the market potentiality of the IGA, they must think about various things including the following:

Products	
<ul style="list-style-type: none"> <li>What product or products or services do I want to produce? <ul style="list-style-type: none"> <li>Are my products or services necessities or luxuries? <ul style="list-style-type: none"> <li>Are they familiar to the people or new? <ul style="list-style-type: none"> <li>What is their quality?</li></ul></li></ul></li></ul></li></ul>	
<p>Buyers or customers</p> <ul style="list-style-type: none"> <li>Who are the buyers of my products or services?</li> <li>Where do they live? Close or far from your location?</li> <li>How much income do they have? Are they rich, middle income, hardly any money at all?</li> <li>What quality do buyers want? Can I provide this quality?</li> <li>What else do you know about them?</li> <li>Will they continue to want the products &amp; services you want to sell?</li> <li>What quantity does each buyer generally buy?</li> <li>How frequently do they buy? Daily, weekly or monthly?</li> <li>Does their demand vary in accordance with season?</li> <li>Does their demand vary according to their wealth?</li> <li>How will they know about your product or service?</li></ul>	<p>Sellers/competition</p> <ul style="list-style-type: none"> <li>Are there any other sellers of the same products in the area I want to serve? How many?</li> <li>Who are they?</li> <li>Where do they sell?</li> <li>How do they attract customers?</li> <li>What is the price charged by other sellers?</li> <li>What special advantages do any of the competitors have?</li> <li>What special advantages do I have?</li></ul>

Note: Emphasize that “if you are going to make a product or provide a service, then you must be sure that customers will want to buy it” You need to find answers to the questions discussed above through market research.

#### Step 6:

#### Profit concerns of IGA

Introduce point #5: IS MY IGA PROFITABLE? While demonstrating with the third finger of your left hand.

Explain that in order to establish the profitability of an IGA, one has to figure out if there will be any money left at hand after paying all the expenses. To estimate the income one will get from the IGA, you should:

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

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

The trainer then, mentions that; the first step in finding out the income from an IGA is proper categorization of the costs. There are two basic categories of costs: **Start-up Costs** and **Working Costs** .

**Explain that; Start-up costs:** Are incurred only once - before starting up the activity - or very infrequently. These costs are incurred before your first sales and the business begin to generate its own money. Examples of costs that are incurred only once are; buying equipment, which 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.

**Explain further that; Working costs:** Are incurred during each production cycle. It is the money needed to keep the business going. These costs vary with the level of production. Examples are raw materials, transport, labor 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.

**Defines income** as the money available for personal use after the working costs have been subtracted from the sales value of all the products and by-products. Explain that, the startup costs will not be added when calculating income because the items under startup costs will be used for many production cycles before replacing them.

Then, get a participant to estimate the income from his or her proposed IGA.

After this, conclude by explaining that, **income is estimated by subtracting the costs required to produce and sell a given quantity of products or services from the expected sales value.**

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

2 Start-up costs mainly fixed costs

<sup>2</sup>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.

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Add that, the income estimation will be correct only if, the costs incurred for both the production and sale of the products namely Start-up costs and Working costs are accurately calculated.

### **Step 6:**

#### **Calculating the income from the proposed IGA**

To start the process, suggest one IGA as an example e.g. roadside table and ask the participants to identify the costs they would incur to run the IGA. Ensure they mention a table, stool, tins, a box, sweets, biscuits, matchbox, and cigarettes.

- Tell the participants that **items, which need to be purchased only once, or from time to time, are known as start-up costs**. They normally last for many production cycles. Ask them which of the items would they buy once in a while and which items very often from the list above? The response would include; table, tins, stool and box. Ask participants for some examples of start-up costs of other IGAs.
- Explain to the participants that, **items, which 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 items, which we purchase and then re-sell**. Ask them identify from the list above. Their list should include; sweets, biscuits, match box and cigarettes. Let the participants identify 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.

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.

Ask participants to collect local materials (stones, charcoal, sticks, leaves, papers).

#### **Then follow the procedures below to calculate the income from the IGA**

##### **Start by:**

- Arranging the participants so that they are sitting in a circle and inform them that, they will use the local materials like stones, leaves, bottle tops, etc. to represent different units of money of the IGA the group is going to demonstrate.
- Ask one volunteer to come and draw the table below as you guide him/her. It should be drawn without the list of items in the examples below.

Item	Quantity	Total Cost Price	Total selling Price
Bicycle transport	50 kgs		
Cigarettes (10 packets of 5 different brands)	10pckts(2pkt / brand)		
Sweets and gum	1 pkt of @		
Matches	1 pkt.(10b)		
Batteries	1dozen		
Paraffin	20 liter		
Tea	1 pkt.		
Salt	10kg		
Soap	10 bars		
Sugar	10kg		
Other selling expenses			
Total			

- Ask the participants to name the items that will be sold at the roadside table as they mention each item, ask them to draw a picture or put a local material to represent that item on the mat. Be sure that the participants do not confuse the working costs with the start-up costs.
- 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 the table).
- 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.
- Ask a participant to count out the sticks, leaves or stones representing the correct amount of money, and place this money on or next to the correct picture.
- 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 expense incurred to find out the total amount of money needed to pay the working costs.
- Ask participants to sum up the sales for all the pictures.



**Next:**

- Ask them to calculate the total sales price of the first item that was purchased in the preceding step.
- Ask participant to take the sales value in money and put it next to the picture.
- In the same way, find out the sales value of all the other items that will be sold at the road side table and place the correct amount of money next to each picture.
- Finally, ask a participant to sum up the costs for all the pictures of the products, add it up to determine the total sales and keep it at the bottom row of the total sales column.

**Step 7:****Profit and Loss Calculation**

Tell the participants that now they will learn how to calculate the income of an IGA. Using the example above: (Total sales – Total costs/ expenses = Income).

Explain that:

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

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

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

**Next:**

- Ask a participant to remove money from the total sales pile that is equivalent to the working costs.
- Then ask her or him to count the money remaining in his / her hand. Tell the participants that is the amount that was earned from the road side table IGA.

***Tell them that: If working costs are larger than the sales value, then you know that the business is a loss.***

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 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.

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

Before concluding, 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 six important points and to tell at least the three points that they have understood well and then move to give the Think About.

## **THINK ABOUT**

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 start up costs, working costs and sales for each IGA, given the level of production desired.
- The expected income from each IGA.

If they have any difficulty in calculating, advise them to seek help from another member of the group.

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 4: DETERMINING BUSINESS START-UP CAPITAL NEEDS

### Objectives:

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

- Determine the total amount of money required to start-up and operate the proposed IGAs.
- 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 six important points to select the most suitable IGA from a group of alternatives.

Time:	Tools	Methods	Materials
3-4 hours	Calculator Mobile phone	Discussion. Story telling Role plan Chart Demonstration.	Flip chart, marker pens, masking tape. Sticks, leaves, papers, stones, etc.

### Explanation for the trainer:

As mentioned in previous module, the decision on which IGA to select depends on a number of factors, including the operator's knowledge, skills and attitude, the market situation and potential profitability. This module starts by reviewing previous concepts. Points #5 and #6 which determine the cash needs of your IGA and whether the IGA will help meet the set goal. ***The capital requirement: How much money does the IGA need to start-up and operate? Where will we obtain these funds?***

Smallholder farmers obtain their required money from various sources; their own savings (in cash or assets), from Village Savings and Loans' Associations (VSLAs), relatives, local moneylenders, government or NGOs. One source may also not supply the total amount of money required for the IGAs. This module tune participants to use their VSLAs as a channel of mobilizing savings for investment capital formation.

However, before obtaining money from any source, participants should think carefully about their total capital requirement. Sometimes funds are fully spent on start-up costs, leaving insufficient funds for paying working costs thereby constraining profit maximization and leaving the participant worse off (cash trapped). Accurate calculations of both start-up costs and working costs is essential for all IGAs.

Since the main objective of an IGA is to raise income, 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. This module further introduces the fifth important point that needs to be considered before selecting an IGA: Does the income from the participant's IGA meet the cost of the goal set (fully or partly)?

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 Six Important Points.***

## TRAINING PROCESS

### Step 1:

#### Review of possible IGAs

Begin the session by greeting participants and thanking them for their cooperation and continued 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 costs, sales and income of their possible IGAs and 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?
- Have you calculated the amount needed to start up the IGA you have chosen?
- Have you thought about the sources of the capital?
- Have you calculated the costs, sales and income for each of our possible IGAs?
- Have any of us dropped any IGAs from consideration based on the findings?
- If yes, could you please tell us the reasons?
- Has anyone added any new IGA?

After the discussion, remind the participants about the Six Important Points (questions). Ask them to list what they have now covered – Goal setting, IGA selection, Knowledge-skills-attitude assessment, market analysis, and income assessment.

Now mention that today we will assess the capital needs and sources of the business. Then, move to the next step.

### Step 2:

#### The total money needed to start up and operate the family’s IGAs

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 start-up costs and working costs. Ask the participants if they can remember the difference between start-up costs and working costs. Clear this point before continuing by explaining that:

- Start-up costs: Are incurred only once - before starting up the activity - or very infrequently. These costs are incurred before your first sales and the business begin to generate its own money. Examples of costs that are incurred only once are; buying equipment, which 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. It is the money needed to keep the business going. These costs vary with the level of production. Examples are raw materials, transport, labor and other inputs.

Next, ask the participants to suggest one IGA e.g. Pan Cake making. Ask them to identify the required items and raw materials and guide them to demonstrate it in a table as in the example below. Tell them that in order to find out the total capital required, they will cost these items to get the total startup costs and working costs of this IGA.

Startup items	Startup costs	Working Items	Working costs
Frying pan	5,000/=	Banana Leaves	From Garden
Fork/spoon	From Home	Cassava Flour (3kgs)	2,400/=
Rolling Board	5,000/=	Banana	1,200/=
Basin	2,000/=	Cooking oil	3,500/=
Total	12,000/=	Total	7,100/=

**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.**

Then, 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 start-up costs, then there won't be enough to pay the working costs and the business may fail.
- 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 start-up and working costs.
- If all the family's savings is invested in IGAs, then it will be difficult to cope during an emergency such as sickness or crop failure.

### Step 3:

**Now present the following story to the participants.**

#### THE STORY OF OKELLO'S FAMILY

Okello and his wife Akumu live in a small trading center in Nebbi District. Okello is a tailor and has had a successful tailoring business ever since he learned this skill from his father at an early age. His wife Akumu raises vegetables that she sells at the weekly market. Some of these vegetables are also consumed by the family, which includes three sons and two daughters still living at home.

Their oldest son Onen has recently returned home to start a new life, after his contract work with Kakira Sugar Works ended. Onen appealed to his parents for a loan to start up a drug store in the trading center. He decided on this business because he was fairly knowledgeable about medicine, having done some part-time work in a drug store while in Kakira. He also observed that there were no other drug stores nearby and he lacked his father's tailoring skills, because he went to work in Kakira when he was still young rather than learning tailoring from his father. Amina grew up in town she does not have the knowledge of vegetable growing like her mother-in law Akumu. Okello and his wife are reluctant to lend their son the one hundred thousand requested because they noticed recently that their sewing machine, which has served them well for many years, is no longer working properly. They have taken it to Arua several times to have it repaired and were recently told that the next time it stopped working it might be impossible to fix it. Therefore, Okello and his wife do not want to withdraw money from their joint savings account at the Centenary Bank until they need it to buy a new sewing machine. They also need to keep some money there in case there is a

family emergency.

They know that their son Onen spent the terminal benefits provided to him by the Sugar Corporation rather than investing it in some new business. So they wondered why they should support their son's business idea. However, Onen is now hanging around town unemployed. As a result, Okello and his wife have to provide food and lodging for Onen, his wife Amina and their two small children. They are all living with Okello and Akumu until they can start earning for themselves.

Onen has recently attended the training on IGA Selection, Planning and Management organized by the ALENU project. He assures his parents that he has learned some skills that will help him to manage the business successfully. One thing that, the AFARD has taught him is to think about all the family's needs for capital rather than just the new activity that is being started. He tells his parents that he would like to discuss this with the family before his parents makes a decision about the loan.

Tell the participants to form small groups to discuss the situation and make a decision about what is best for this family. Each person in the small group should take the role of one of the people in the story: Okello, Akumu, Onen or Onen's wife Amina. This means that, each person in the small group should present the point of view of the family member whose role he or she is playing. After presenting the various points of view, they should come to an agreement about the right course of action.

Break the participants into small groups of four persons each. Allow each group about 30 minutes to decide what the family should do. At the end of the given time, have all the participants come back together into a large group. A spokesperson for each small group should tell the large group what they decided, and why. After each presentation, discuss the decision taken, answering all these questions:

- 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?

#### **Step 4:**

#### **Sources of capital**

Tell the participants to:

- List all the different sources of capital that they know of or have ever used to start a business (list in the column of the table like below).
- List what factors they consider when taking a loan (list on the top row like below).
- Discuss from among the list (column) which source meets which factor (row).
- Collect 7-10 stones/sticks according to the number of sources of capital listed by the members.
- Place the stones/sticks in their preferred sources of capital.
- Count the number of stones/sticks per source of capital and rank accordingly

List of sources of capital	Interest rate	Easy to get/ Access	Duration for paying back	Frequency to pay back	Preference Scores	Ranks
Personal savings						
Borrowing from a relative						
Loan from VSLA						
Loan from the Banks						
MFI e.g. FINCA, PRIDE Uganda						
Business men/women						
Borrowing from money lenders						

### The points below must be covered:

- Loans from moneylenders usually have high interest. This makes it more difficult to earn a profit from the IGA.
- Banks may have a lower interest rate, but have a lot of requirements that poor people have trouble fulfilling.
- Funding from VSLA should be emphasized with a clear explanation on the common basic requirements such as: local ownership, flexible repayments
- Loans from all sources must be repaid. If the business fails, the borrower will lose some of his assets.
- Loans from a revolving fund. Using own savings is less risky than using loans.

### Step 5:

#### Calculating business income suitability for goal

Tell participant to know that once the IGA income is known and the capital cost is also known then it is time to know how much income the business will generate in order to make a decision on whether or not it will enable you achieve your goal.

Use an example below:

Annet planned to buy a goat worth UGX 150,000 in the next 6 months. She identified pan cake business as what she can do – skills, customer, capital etc. But she finally made a decision to go into that business she needs to know for sure that the income will enable her buy the goat

	Month 0	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Start-up cost (A)	12,000	-	-	-	-	-	-
Working capital (B)	7,100	7,100	7,100	7,100	7,100	7,100	7,100
Weekly sales (C)	15,000	60,000	60,000	60,000	60,000	60,000	60,000
Income (D=C-B)	-	52,900	52,900	52,900	52,900	52,900	52,900
Monthly loan cost (E)	-	10,000	10,000	10,000	10,000	10,000	10,000
Net income (F=D-E)	-	42,900	42,900	42,900	42,900	42,900	42,900
Cumulative income	-	42,900	85,800	128,700	171,600	214,500	257,400



## **Step 6:**

### **Making a Decision**

Explain that, they have now learned the Six Important Points that should be considered before deciding to undertake an IGA. Ask the participants if they can name all the Six important points: Goal, IGA, Knowledge/skills, Market, Capital, and Income

Tell the participants that, they are now at the point in the course when they should make a decision about which IGA to undertake, based on an analysis of the Six Important Points. Tell them that this week's **THINK ABOUT** will help them to make this decision.

From the calculations, it is clear that Annet will be able to buy her goat after 6 months. If Annet does not turn this income into feeding the family (by separating business and family income) and saving earned income, she will be able to buy the goat, expand the business, and set a bigger goal. SO, the decision here will be to select the business.

### **THINK ABOUT**

In the coming week, participants should think about making a final decision about the most suitable IGA they have been examining in the last 4 weeks, based on an analysis of all the six important points.

**ALL PARTICIPANTS SHOULD DECIDE BY THE NEXT MODULE 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 ON THEIR SELECTED IGA**



## MODULE 5: PLANNING FOR IGA START-UP

### Objectives:

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

- Confidently explain why they have chosen a specific IGA, with reference to all the six 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 quantity of resources needed for the startup and operation, and the total capital requirement.
- Develop operational plan for the start of the IGA.

Time:	Tools	Methods	Materials
3-4 hours	Task – duration calendar	Presentation by participants Discussion. Chart Demonstration.	Flip chart, marker pens, masking tape. Sticks, leaves, papers, stones, etc.

### Explanation for the trainer:

Given that every participant is coming to this session with a firm decision about the IGA that s/he want to start up, each participant should be able to state the Six Important Points, and explain how his or her decision was reached using these points.

Given the in-depth reflection, it must be expected that some participants will want to change their IGAs.

After the presentation by at least 5 people and correction of areas of gaps, the training then moves into the area of basic planning and management. Planning is presented in a very simple way, as the sum of two parts: resources and tasks.

**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 inputs.

**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.

Planning can be thought of as the process of organizing the resources to perform the tasks. Ask and support the participants to draw (or visualize) the task duration calendar with the tasks/activities column on the left and resources column in the middle and duration column on the right of the calendar. The resources column is further divided into three to cover equipment, the person who should carry the tasks, and cash required. The duration for the IGA should be decided by the participants in terms of hours, days, weeks or months. This exposes the participants to the two main areas of planning.

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: Start-up costs and Working costs. The planning part of the training course thus returns to the key financial concepts introduced during Module 2.

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

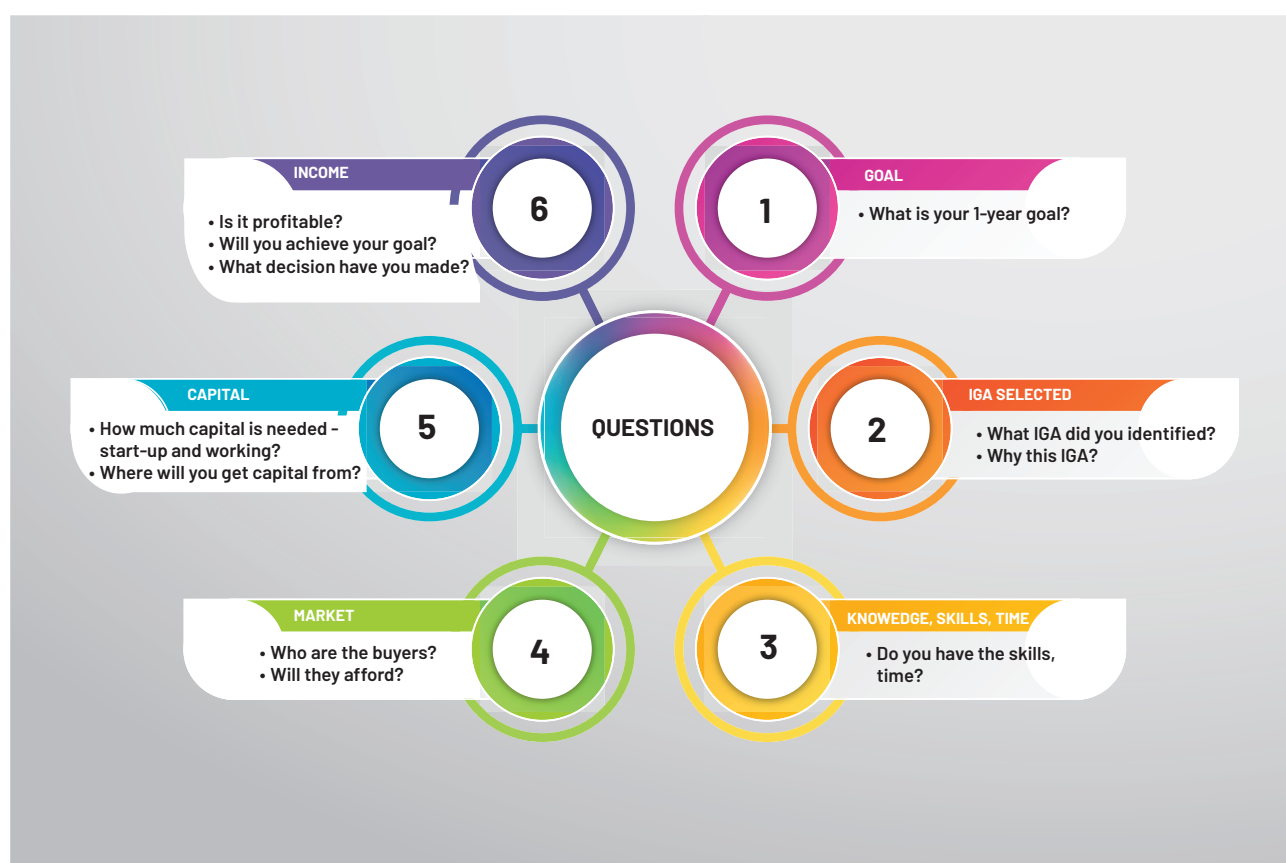
## TRAINING PROCESS

### Step 1:

#### Final selection of IGA

Tell the participants that the first four sessions looked at their Goal and IGA Selection and now they will look at how to plan their selected IGAs.

Ask those who already made some progress on the Think Through of last week to volunteer. Call upon at least 3-5 volunteers who is willing to tell the group about their selected IGA to do so. Use the questions below to guide the participant and the discussion.



After the first presentation, ask who else has chosen this same IGA. Invite these participants to add other points they did not consider in their decision.

Continue with a participant with a different IGA, using the same technique for about three to five different IGAs.

Ask for participant feedback on which of the 6 Important Points need more emphasis.

## **Step 2:**

### **Introduction to planning**

Explain that, planning is a process that comprises two main areas, namely, resources and tasks.

Resources refer to all the things we need to obtain to get the IGA started up and running like money that must be spent on equipment, raw materials and other inputs.

Tasks refer to all the things that must be done, from buying the equipment and raw materials to production and selling of the finished product or service.

Conclude by saying that, planning is the process of organizing the resources to perform the tasks.

## **Step 3:**

### **Detailed planning of the IGA**

Explain to the participants that, prior to detailed resource and task planning, it is essential to decide on the quantity and quality of production: the decision can be made by answering the following questions:

- What products or services do I want to produce?
- How much of each item do I want to produce?
- What quality should I produce?

Ask the participants why it is important to determine the quantity and quality of products or services first. Make sure they understand the relationship between production quantity and quality, resources and tasks as explained below before continuing:

- Working costs are directly related to quantity; as quantity rises, so do working costs
- Similarly, greater quantity and better quality means that, more efficient equipment and technology must be acquired and time must be allocated for completion of the tasks.

Explain how detailed resource planning is done

Explain that, resource planning relates mainly to answering the following questions in line with the quantity and quality of the products or services you intend to produce:

- 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?
- What raw materials are required? Quantity? Quality? Cost?
- Other inputs are needed? How much do these items cost?

- Do I have to pay market dues?
- Do I have to transport the products to the market?

#### Step 4:

#### Exercise on Detailed Resource Planning

In a joint group, take the participants through the following procedures to complete a detail resource plan for growing 1 acre of cabbage:

- List and agree on all the inputs (and type) needed to grow cabbage and sell (Fill under resources needed) by separating start-up inputs and working inputs
- Estimate on the quantity of inputs needed to be produced. (Fill under Quantity needed)
- Determine the unit cost of each input.
- Estimate the total cost by multiplying the unit cost by the quantity needed.
- Add up the total costs and fill under Total costs should be stated as the sum of two separate parts: The start-up costs and the working costs.

Resource needed	Quantity needed	Unit cost	Total cost
Start-up cost			
Land			
Spray pump			
Sub-total			
Working cost			
Labour hire			
Seeds			
Sub-total			
Total			

#### Step 5:

#### Exercise on Detailed Task and Resource 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 or service before undertaking task planning.

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 or service.
- 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.

Tell them that, they must also do person planning which involves identifying the family member/s who is or are most likely to do the first task and place a local material/ picture of this family member/s next to the task. Explain that, person planning involves answering the following questions:

- 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?

Tell participants that, they will now undertake task and resource planning using the task duration calendar for one of the IGA which is familiar to them (cabbage growing). The participants should do this as one joint group. The process is described below:

- Make the participants to collect local materials like charcoal, ash, stones, sticks, leaves, seeds, etc.
- Prepares ground for the graphics in the middle of the training venue.
- Draw the task duration calendar with the tasks/activities, resources and duration as below.
- Decide on the quantity and quality of the product to be produced.
- Identify the tasks to be accomplished from land selection to selling of the final product.
- Decide on the resources required at each stage.
- Decide on the person who will perform the task.
- Agree on the timing of the task and place a local material accordingly in the column.

### Example of a plan for cabbage growing

Tasks	Resources		Persons responsible	Months											
	Inputs needed	Amount		1	2	3	4	5	6	7	8	9	10	11	12
Land selection	-														
Land clearance	Hand hoe														
	Panga														
Primary digging															
Buying seeds															
Nursery Mgt.															
Second digging															
Transplanting															
Weeding															
Harvesting															
Packing															
Transportation															
Selling															

Conclude the joint exercise on detailed task and resource planning by explaining that, the key point that should come out of the 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 6:**

Now divide participants into four groups and ask each group to perform a similar exercise for one IGA selected by any group member.

As the groups work on the exercise, move around to each group to observe their work and help them as necessary.

After the group 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 group can then share their work too.

Before finishing the, reinforce the learning from the module.

#### **Step 7:**

##### **THINK ABOUT**

Request the participants to:

- Finalize their operational plans, including production levels, start-up costs, working costs, and task planning.
- Decide how they will obtain the capital required to pay both start-up 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 6: IGA MANAGEMENT

### Objectives:

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

- Explain the importance of managing the cash that flows into the IGA from the sales
- Minimize risks to their IGA, by understanding the importance of controlling credit to customers and of saving money on a regular basis.
- Keep simple records, if possible.

Time:	Tools	Methods	Materials
3-4 hours		Situation analysis Discussion. Chart Demonstration.	Flip chart, marker pens, masking tape. Sticks, leaves, papers, stones, etc.

### Explanation for the trainer

Module 6 identifies cash management and risk management as the most important areas of management for owners of IGAs. Loan management is considered to be another key area but is discussed fully under the VSLA manual.

The intermingling of business funds and household funds is a common practice but often leads to decapitalization of the IGA. 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 this module. 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 three core categories: **Working costs, loan repayment, and savings**. Furthermore, funds should be allocated to the **loan repayment and working costs** before setting aside money **for savings**. This is the central concept of cash management that the trainer must stress which can be done by allowing the participants rank how they would expend their cash from sales.

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.

Emphasis should also be put to instil financial discipline of deferring consumption until the money for loan repayment and working costs has been set aside.

## TRAINING PROCESS

### Step 1:

#### Review of the sources of capital

Welcome the participants to Module 6, and 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 start-up 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.

### Step 2:

#### Important elements of cash control

Begin by explaining that the Module 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 IN ATIM'S SHOP?

Six months ago Atim started a small grocery shop in her village with Ush. 100, 000/= obtained by selling some of the goats owned by her family and produce which she had grown. The start was fine and promising. In order to expand her business, she got a loan from a revolving fund 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 restocking. She also used money from the same cash box for family expenses.

One day a staff from AFARD came to visit Atim to see how her shop was progressing. The Community Based Trainer noticed that stocks of many items were low and that many of the tin boxes used to stock items such as biscuits and popcorn were completely empty. The Community Based Trainer tried to find out from Atim whether the shop's condition was due to a low profit that made her reluctant to restock the items. But from the conversation, the Community Based Trainer realized that the income earning prospect from the shop was still excellent. She should have plenty of money in the cash box to restock her shelves on a regular basis, to expand the business and pay necessary household expenses.

Atim asked the Community Based Trainer to refer her to AFARD and Centenary Bank's Loans Officer. She said that she needed another loan so that she could restock the shop. But the Community Based Trainer was confused. He wondered why Atim needed a loan when she was apparently making a good profit.

After presenting the story, allow the participants to discuss the causes of Atim's problems and come up with a number of possible answers.

Their responses might include the following:

- Atim 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 shop.
- 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.

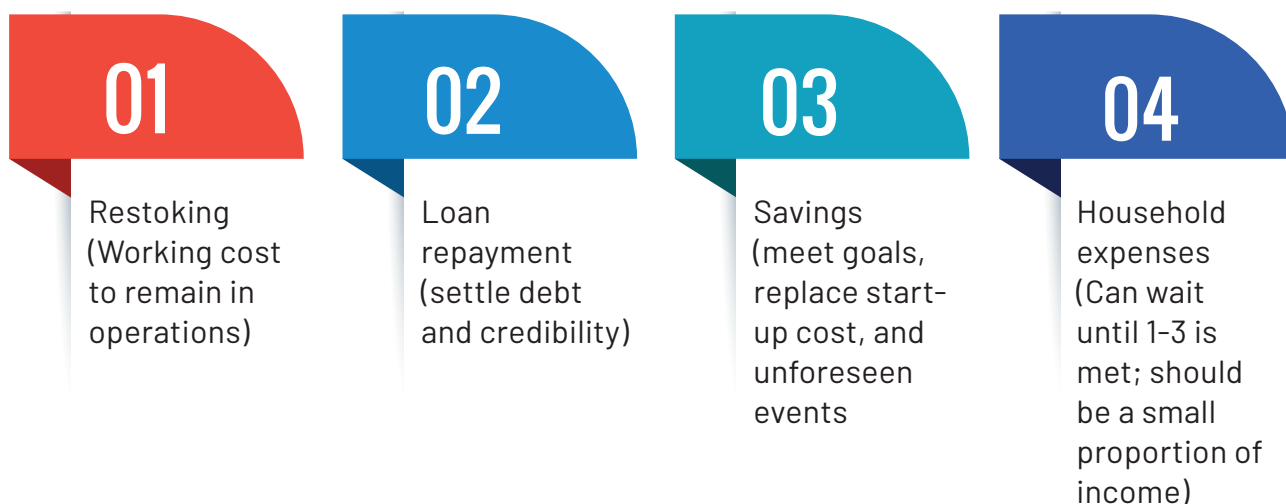
If the participants do not mention all the above points, outline them yourself. Then, explain that these problems are common for IGA operators. For this reason, they need to effectively manage the cash and credit from their IGAs. Tell the participants that this is the most important aspect of management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

Remind the participants that at the time of IGA start-up, cash flows into the business from a combination of personal savings and loans, which are used to pay the start-up 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.

Ask the participants to explain how they allocate the cash they receive from their IGAs.

Tell them that there are four important areas they need to allocate their cash in before spending on order of priorities are as summarized below. Briefly discuss each of these areas and make sure the participants understand and appreciate each of these categories before moving on.



Ask participants why priority should be given to 1, 2 and 3. 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 Atim'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 VSLA, by the bank or by NGO.
- She may lose membership in the savings and credit group.
- Even if she remains a member, s/he will lose her/ his 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.

**c) Setting aside money for savings**

Savings is important because:

- She will achieve her goal.
- She will grow the business.
- She will not need to rely on credit.

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 and savings.

Then remind them of the discussion about Atim's Grocery Shop. Tell them that Atim'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 Atim'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.
- Atim'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 Atim'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 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.

### Step 3:

#### Allocating the money received from sales

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

#### OCHANDA'S HOTEL

Ochanda is running a hotel at the nearest trading center. This hotel is the only earning source for Ochanda, his wife and their four children.

To start the hotel, Ochanda sold a cow and used the money for buying tables, plates and other requirements of the hotel and the hotel was doing well. In order to expand he took a loan of UGX.50, 000/= to increase the amount of supplies of cassava flour, meat, oil and beans. He needs to pay back 6% of the loan every week.

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

<b>Millet flour:</b>	50 Kg. @ Shs 3,000 /= per Kg.
<b>Meat:</b>	10 Kg. @ Shs 1,000 /= per Kg.
<b>Cooking oil:</b>	5 Liters. @ Shs 1,000 /= per Liter.
<b>Beans:</b>	10 Kg. @ Shs 3,000 /= per Kg.
<b>Fire wood</b>	UGX: 5,000/=
<b>Others (tomatoes etc.)</b>	UGX: 2,000 /=

Ochanda has just counted his money and found that he has UGX: 50,000 /= in the cash box that came in from the sales throughout the week. Please help him to answer the following questions:

- How should Ochanda 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?

Form four groups and instruct each group to collect some stones and any other local material that they can use to represent Ochanda's cash. Tell the groups that they should first count out 50, 000/- as the amount of money that Ochanda has just counted. Explain to the groups that they should divide the money according to the process that they have just learned, and then discuss possible ways to keep the different categories of money separate.

Give them sufficient time to complete the exercise. If necessary, provide the groups again with the financial information on loan repayment and cost of the hotel supplies that was presented in the story.

**After finishing the group work,** have the participants gather around Group 1. Ask Group 1 to explain how they allocated the money. If they failed to allocate the cash to loan repayment and working costs before household expenses and savings, invite a discussion on this point. If there is any error in the calculation, this should also be pointed out, preferably by one of the participants. Finally, get their suggestions for keeping the different kinds of money separate.

**Then have Groups 2 through 4:** explain their allocation. Each group should have the same allocation for loan repayment (A) and working costs (B). However, they will have different allocations between household expenses and savings. Have each group explain how they made their decision. Tell the participants that the importance of savings will be discussed in more detail later in the session.

#### **Step 4:** **Managing risk**

The trainer leads discussion on the common risks and unforeseen events that can affect an IGA. Ensure the following are mentioned:

- Loss customers
- Giving out items on credit then the customer fails to pay back
- Spending a lot of time going to these customers to ask them for repayment. This is time that could have been spent on the IGA.
- Theft of stock.
- Spoilage.
- Forgetting how much credit is owed to you.
- Natural disasters like drought, hailstorm, sickness of a family member, fire out break and accidents

Discuss with the participants the results of the risks and unforeseen event mentioned on the operation of the IGA. They need to mention the following:

- 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).
- Uncontrolled credit could eventually lead to failure of the IGA.
- Sickness will force you to use money set aside for working costs to pay for the doctor's visit and for medicine.

Tell participants that unforeseen expenses and events are out of our control while risks are things that we expect will happen to our IGAs.

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

Ask the participants if these risks and unforeseen events can be managed. If any participant thought it was possible, ask how s/he would do that. S/he 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.

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. The importance of saving is emphasised to cater for unforeseen events.

## **Step 5:**

### **RECORDS KEEPING**

#### **OPTIONAL**

For participants who can read, demonstrate to them how to keep a daily record that will help them establish their total sales using the table below (Daily Record)



Date	Type of goods	Cash Sales	Credit Sales	Expenses

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

### Step 6: Evaluation

Allow the participants to speak, now through the assessment of the training.

1. What worked well? \_\_\_\_\_  
\_\_\_\_\_
2. What did not work well? \_\_\_\_\_  
\_\_\_\_\_
3. What module was understood well? \_\_\_\_\_  
\_\_\_\_\_
4. What module was least understood? \_\_\_\_\_  
\_\_\_\_\_
5. What should be done to improve future learning? \_\_\_\_\_  
\_\_\_\_\_

### Step 7: CLOSING

Allow the participants to speak, if they so wish.

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



