

The Field Facilitator Guidelines: Supporting the start-up phase of the enterprises

MODULE 4



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phase of the enterprises

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Symbols used in the FFGs:



Key information the trainer should understand in depth before facilitating the training session



Detailed instructions on organizing a training session



Learning objectives of a workshop



Training material necessary for the session
(to be prepared and adapted from the training tools)



Training tools available from the tool section of the FFG and needed for the session



Facilitation tips



Useful information or advice



Reference to the Field Facilitator Guidelines



Reference to the MA&D manual



Field form for use by entrepreneurs and explained by the facilitator during the workshop or meetings



Tools used by the facilitator during the workshop or meetings



Theoretical information on topics dealt with during the workshops or meetings



Activity to promote gender balance

PHASE 4: SUPPORTING THE START-UP PHASE OF THE ENTERPRISES

Introduction

By now, some entrepreneurs or groups of entrepreneurs have been identified and their EDPs have been accepted. The project management team and the entrepreneurs have an understanding of training and assistance needs, which generally include:

- initiating contact with financial providers;
- initiating technical preparation;
- linking with services providers;
- developing the capacities to monitor the performance of the enterprises.

The objective of Phase 4

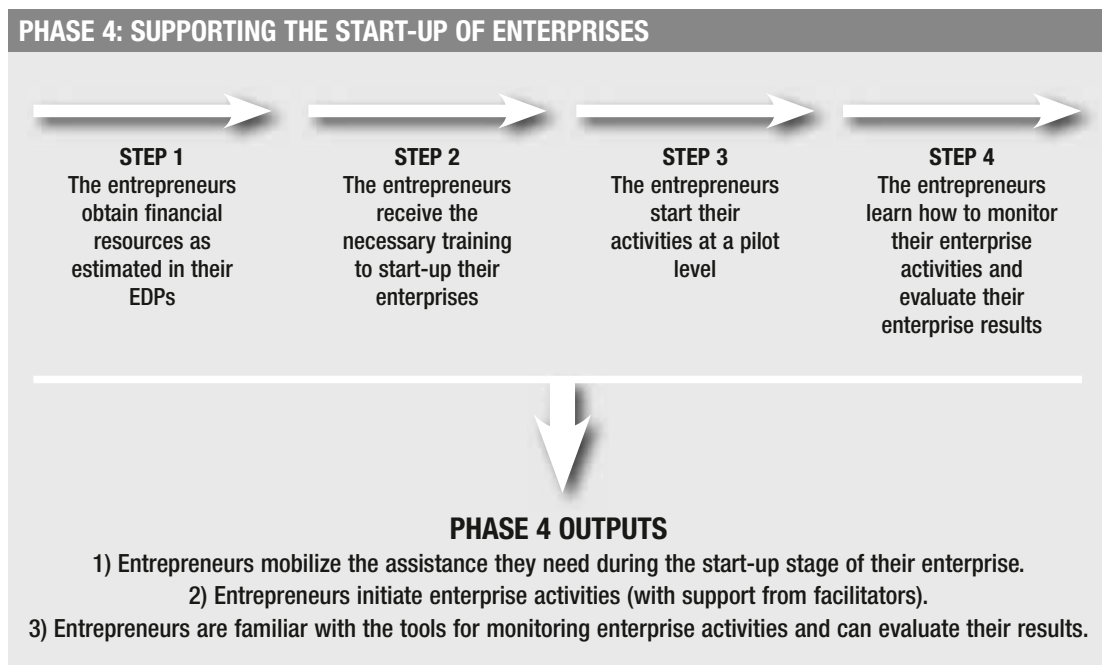
The objective of Phase 4 is to help the facilitator identify ways to support the entrepreneurs during the start-up phase of their enterprises.

Phase 4 will be focused on helping the new enterprises move ahead by providing support to address constraints such as:

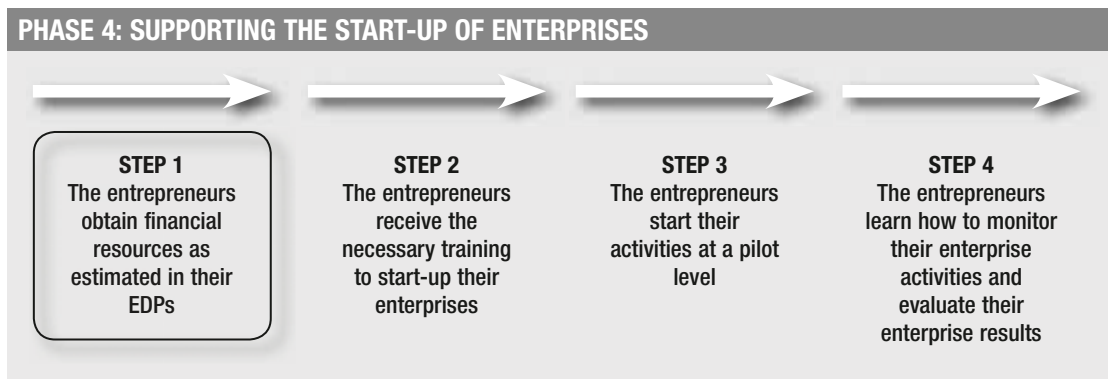
- lack of interest by financial institutions in microenterprises;
- shortage of technical skills;
- insufficient market information;
- poor knowledge of available support services.



While supporting entrepreneurs (or/and groups of entrepreneurs), the project management team and the facilitator will continue to act in a neutral way, facilitating the process rather implementing it on behalf of the entrepreneurs. The entrepreneurs remain the decision-makers and the main actors in their enterprises, while the facilitator and the project team provide guidance and support to enable the entrepreneurs to successfully turn their EDPs into reality. This role is so important that it is advisable to bring in external service providers if the facilitator and the project team do not have the skills to provide the required support.



STEP 1: The entrepreneurs obtain the financial resources as estimated in their EDPs



While conducting the survey during Phase 2, the entrepreneurs collected information about possible funding sources for their enterprises (FFG 2, Tool 6). They also learned the importance of credit and became aware of the options available to finance their enterprises after taking part into the activity “Managing Money, Managing Groups” (FFG 3, Tool 6).

During Phase 3, the entrepreneurs evaluated the potential profitability of their enterprises and indicated in their EDPs how much money will be needed to launch their businesses and meet short-term financial needs and how these funds will be obtained.

As a facilitator, you also have to be aware of the entrepreneurs (or groups of entrepreneurs) who are:

- applying for grants;
- investing their own funds in the enterprises;
- creating saving and credit groups;
- applying for short-term loans;
- applying for long-term loans.

You should also know how much money is required by the entrepreneurs for each type of activity and when the funds will be needed.



Organize your training session on “Obtaining the financial resources as estimated in the EDPs”

	<ul style="list-style-type: none"> • The process of helping entrepreneurs to obtain financial resources may last from a week to a month (or more), according to the type of credit and the number of entrepreneurs involved. • Follow-up activities once the enterprises are operating will require regular support during the first year, probably requiring a few additional days of work.
<p>Learning objectives</p>	<ul style="list-style-type: none"> • At the end of the session, the facilitator will be able to list the activities necessary to assist entrepreneurs in obtaining the financial resources required for the start-up of their enterprise operations.
<p>Learning materials for the session</p>	<ul style="list-style-type: none"> • MA&D process map; • outputs of Phase 3 listed on a flipchart; • the main results of the EDP analysis.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 1 – Basic principles for creating Savings and Loans Groups (SLG), rules and regulations; • Tool 2 – Managing a revolving fund; • Tool 3 – Managing savings accounts in a bank.

Facilitating the session

At the project level

Review the project’s financial policy in order to communicate realistic expectations to the entrepreneurs. You need to understand the extent to which the lead institution is willing to support the entrepreneurs. Is the institution willing to contribute to inventory credit (a part of the harvest is used as a guarantee) or to commit set-up funds to the compulsory savings account required to access loans?

Summarise the results of the analysis of financial needs in the EDPs:

- list the enterprises/enterprise groups in need of financial support;
- list the different legal statuses and number of enterprises for each type of legal status;
- count the number of enterprises per product;
- summarise the total projected sales volume and income for the first season, month and year;
- list the main market segments and their geographical locations.

With the financial services providers

Get in touch with potential financial services providers in order to:

- find out about the financial services available, their conditions and criteria for eligibility;
- present the entrepreneurs and their financial requirements. You will emphasise that the entrepreneurs have

Continued on next page

already gone through a detailed planning process and that the project team will continue to support the entrepreneurs during the initial phase of their enterprises;

- negotiate beneficial conditions for groups of entrepreneurs as they can frequently represent a larger market than individual entrepreneurs;
- convince them to visit some of entrepreneurs.

Get in touch with other potential financial providers such as project/programmes, donors offering soft loans or grants and provide them with the same information.

With the entrepreneur groups

When you are ready, call a meeting with the representatives from the entrepreneurs' groups. During this meeting, you will:

- Introduce the objectives, the steps and the outputs of Phase 4;
- Share the outcomes of the analysis of the EDPs;
- Explain the main components of the assistance strategy such as:
 - Linking entrepreneurs to financial services;
 - Organizing technical or managerial training courses;
 - Linking with service providers.
- Describe the principles and means of providing support:
 - The project team will only provide limited direct support but will help connect the entrepreneurs with the services they need to start up their enterprises.
- Clarify any doubts and questions in order to prevent inappropriate expectations.
- Explain that you will work with each entrepreneur group to plan training and assistance activities, starting with financial services.

Note that as in Phase 3, you may decide to organize individual workshops for each group of entrepreneurs dealing with the same product or to form small groups of people working on the same product within a single workshop.

Prepare each group to access financial services according to their status and needs

Facilitators often over-emphasise the importance of external credit sources, which may delay entrepreneurial activities. Entrepreneurs often wait for funds before starting their activities. Obtaining financial resources may take a long time, and the entrepreneurs might have forgotten many of their MA&D skills by the time funds become available. In locations where external credit is difficult to obtain, you should emphasise alternatives such as Saving and Loans Groups (SLG).



During the preparation of the EDPs (Phase 3), it was explained that entrepreneurs can start their activities with limited capital, investing their profits progressively in order to increase their enterprise capacity. For example, instead of constructing a storeroom or a processing hall immediately, they might choose to rent these buildings initially.

1. For groups in need of internal sources of credit:

- Review the possibility of setting up SLGs in order to acquire experience in finance management at the start-up of the enterprises. Financial institutions are more willing to provide credits to groups that have some experience with credit management.

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- The SLG is often the best solution for microenterprises working in situations where it is difficult to access formal financial services.
- The SLG is generally created when there is a need to manage money collectively in order to make the most out of the existing capital.

Note: Generally, microfinance interventions and assistance are provided by non-governmental organizations, which already have network and project staff. When such services are available, it is advisable to collaborate with them rather than the project trying to establish new SLGs. As a facilitator, you will need some background knowledge about the basic principles for establishing SLG. For this, see Tool 1, Principles for establishing SLGs, rules and regulations. Detailed guidelines on how to establish a self-managed group for collecting savings and granting loans are available in a separate publication by FAO (Group management of finances, Handbook for micro and small tree and forest product enterprises.) Visit <http://www.fao.org/forestry/enterprises/25498/en/> for more information.

2. For groups receiving revolving funds:

- Ensure that entrepreneurs benefiting from revolving funds receive the appropriate training to use them.
- See Tool 2, Managing a revolving fund, for further detail.

3. For groups looking for external credit from financial institutions:

- Describe in detail the criteria that entrepreneurs will have to meet in order to get credit from financial institutions.
- According to these criteria, you will help the entrepreneurs to:
 - adjust their EDPs to ensure that all required information is included;
 - formulate their loan applications and fill in the necessary documentation.
- Explain the basics of managing bank deposits using Tool 3, Managing saving accounts in a bank.

4. For groups who have identified donors that are willing to provide a soft loan or grant:

- Review in detail the process that entrepreneurs will have to go through to apply for the grant and assist them to complete the application forms and adjust their EDPs to donor specifications.

5. For all groups and regardless of the type of credit chosen:

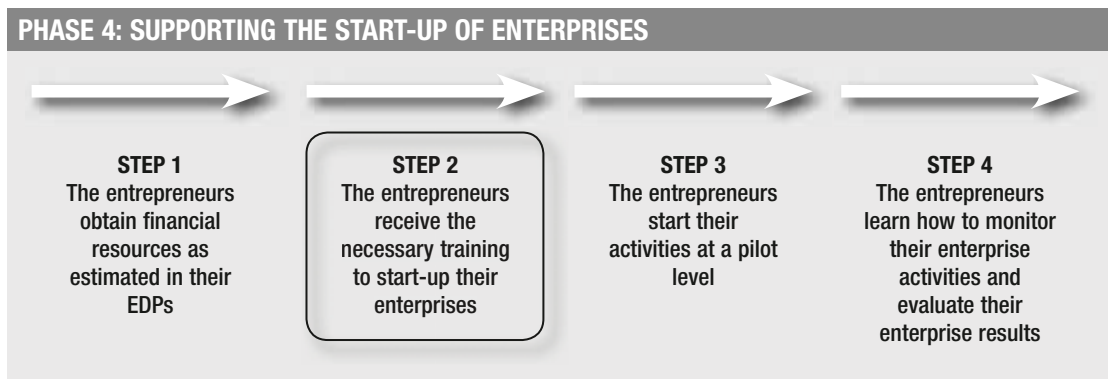
- Emphasize that all funds needs to be managed properly.
- Provide training in basic finance management, including bookkeeping and relations with financial institutions.

Provide support during the initial operations of the enterprises:

It sometimes happens that when entrepreneurs receive their first income, they forget to keep money for running costs or loan reimbursement and spend it immediately. While this behaviour is quite normal, a lack of funds to cover running costs can lead to businesses failure and for this reason, it is important to stick with the entrepreneurs during the initial phase of their operations.

Be present when they make their first sale and recommend that they immediately put aside the funds needed to operate their businesses and pay off their debts.

STEP 2: The entrepreneurs receive the training necessary to establish their enterprises



At this stage, entrepreneurs will have purchased the equipment and raw materials they need to start operating their enterprises. Even if some entrepreneurs do not yet have all the funds they need for these purchases, go to Step 2 so that they can continue to move ahead with their activities.

While developing their EDPs, some entrepreneurs may have recognised certain gaps in their knowledge and skills. It is imperative to provide training to address these gaps before they start their enterprises. Step 2 is about helping entrepreneurs to gain these necessary knowledge and skills.

Note: It is sometimes difficult to differentiate between training activities of Steps 2 and 3. The training activities presented in Step 2 are essential for the entrepreneurs before establishing their enterprises. The activities presented in Step 3 can take place later and after the enterprise is already up and running.



Organize your training session on “Receiving training necessary to establish the enterprises”

	<ul style="list-style-type: none"> • The process of guiding entrepreneurs in obtaining the skills they need to establish their enterprises may take from a week to a month (or more), according to the training needs, the number of entrepreneurs, the logistics and financial resource available for assistance.
<p>Learning objectives</p>	<ul style="list-style-type: none"> • At the end of the session, the facilitator will be able to list the activities they need to conduct in order to assist the entrepreneurs in getting training necessary to establish their operations.
<p>Learning materials for the session</p>	<ul style="list-style-type: none"> • MA&D process map; • outputs of Phase 3 on a flipchart; • main results of the EDP analysis; • table listing local, regional, and national service providers per topic as determined during Phase 2.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 4 – Identify training providers; • Tool 5 – Example of a list of training providers; • Tool 6 – Negotiating the provision of training services.

Facilitating the session

At the project level

- Summarise the results of the EDP analysis related to training assistance:
 - List the topics for which training needs have been identified.
 - Estimate the number of entrepreneurs or enterprise groups that need training.
 - Evaluate the number of entrepreneurs who may have similar training needs even though they didn't mention them in their EDPs.
- Review possible training providers by using Tool 4, Identifying training providers.
- Refer back to the table listing local, regional, and national service providers per training topic as determined in Phase 2. (FFG 2, see Checklist 4, Tool 13 and in Checklist 6, Tool 16).
- Complete the table using Tool 5 – Example of a list of training providers.

With the entrepreneur groups

Prepare each group to receive training according to their needs by:

- Reviewing and updating the list of training needs identified in the EDPs;
- Discussing practical issues related to the organization of the training courses with the entrepreneurs in order to determine:
 - availability of the participants;
 - number of participants per course;
 - any constraints such as language, training materials, etc.

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With the training providers

1. Consider the options for training in each of the five areas of enterprise development:

- **Marketing:** Training may include topics such as enterprise related vocabulary, budgeting, book-keeping, management of cooperatives and savings funds, inventory and stock control, customer liaison, product development, quality control, production management, or identification of market opportunities.
- **Resource management:** Training may include topics such as harvesting, cultivation, community mechanisms for resource control, management of common property resources, use or property rights on local resources and products or resource management planning.
- **Social development:** Training may include topics such as group formation, reinforcement and facilitation.
- **Institutional:** Training may include topics such as conflict resolution for resource management or advocacy on policies, laws and regulations related to tree and forest products.
- **Technology:** Training may include topics such as processing and storage technology related to the enterprise products.

Several methods can be used to build capacity among the entrepreneurs. A review of these methods is presented in Tool 6, Negotiating the provision of training services.

2. Contact experts that can provide training for your project in order to:

- gain an overview of their training programmes and their conditions;
- explain the training needs of your project and the type of training required
- (a checklist of the points to consider while negotiating with training providers is given in Tool 6 – Negotiating the provision of training services);
- negotiate beneficial conditions for training the entrepreneur groups;
- convince them to visit the entrepreneur groups in order to finalise the training needs assessment.

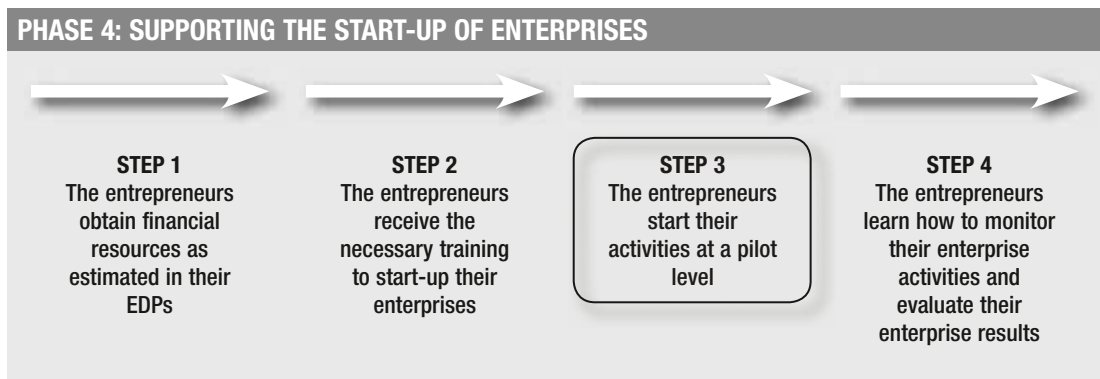
Facilitation tips

- The training needs assessment is done before the entrepreneurs establish their enterprises and should be repeated when their skills are deemed insufficient to operate the enterprises successfully. For example, technical training is needed when adopting a new production process and should be repeated when a new technology emerges. Additional technical training and training in bookkeeping or management can take place before or after the pilot period (Phase 3, Step 3).



- Access to training is an important issue for women. Ensure that women can attend training courses for example by holding them near their homes and at times when they are able to attend. Childcare also could be provided.

STEP 3: **The entrepreneurs start pilot activities**



The entrepreneurs have now secured financial resources and received training. They are now ready to start their activities. Nevertheless, they will be better off starting their production and marketing efforts on a small scale during an initial pilot period before producing and selling on a larger scale.

As a facilitator, your role during the pilot period will be to assist entrepreneurs to test the strategies developed previously. This will also allow you to identify entrepreneurs who are really serious and committed. In addition, you will encourage the entrepreneurs to network and form business-oriented groups. As a facilitator, your role will be to strengthen these groups by providing them with business development advices and linking them with the appropriate service providers.



Organize your training session on “Starting pilot activities”

	<ul style="list-style-type: none"> • During the pilot period, the facilitator will regularly visit groups of entrepreneurs. This step can last anywhere from 3-9 months, depending on the production and sales calendars of the enterprises.
<p>Learning objectives</p>	<p>At the end of the session, the entrepreneurs will:</p> <ul style="list-style-type: none"> • have tested their production, management and market strategies with the support of the facilitator; • formed entrepreneurs’ networks or groups; • understand how they can become stronger in their markets.
<p>Learning materials for the session</p>	<ul style="list-style-type: none"> • MA&D process map; • EDPs and work plans for the pilot period.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 7 – Introducing the trial period facilitation; • Tool 8 – Suggested timetable for planning the pilot period; • Tool 9 – Possible mistakes and obstacles that may arise during the pilot period and corresponding corrective measures; • Tool 10 – Supporting initial productions; • Tool 11 – Supporting initial entrance on the market; • Tool 12 – Encouraging entrepreneurs to create business-oriented groups; • Tool 13 – Creating a participatory Market Information Systems (MIS); • Tool 14 – Business rules and appropriate behaviour; • Tool 15 – Establishing contracts; • Tool 16 – Developing the negotiation skills of the entrepreneurs.

Facilitating the session

Trial period

During the early stages of enterprise development, entrepreneurs will not know whether the targets they have set are realistic and will deliver the expected results. Therefore, it is very important that you work closely with them and, if possible, organize frequent short workshops.

During this period, your role will be to:

- review and correct the production process as needed in order to produce a first batch of products for market testing;
- ensure that the first production batch is sold on the market in order to check the quality of the product and obtain customers’ feedback;

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- integrate feedback from market testing into enterprise development (adjust the product quality, obtain contracts, review price strategy, design advertising methods, etc.);
- identify additional studies and training necessary before moving on to a larger scale production.

Organize a workshop with the entrepreneurs to define the procedures during this pilot period as well as the modalities of your assistance. This workshop is described in Tool 7 – Introducing the trial period facilitation.

During the trial period

1. Define the assistance needed

Your assistance may be needed in the five areas of the enterprise development. In the case that meeting the needs of the entrepreneurs goes beyond your capacity, your role will be to link entrepreneurs up with commercial business development service providers (BDS) such as experienced entrepreneurs, equipment suppliers, NGOs or facilitating agencies, etc.

2. Production

See Tool 10 – Supporting initial productions.

3. Bring the product to the market

Your role will consist in linking up the entrepreneurs with commercial partners and customers. See Tool 11 – Supporting initial entrance on the market.

4. Examples of business support to assist entrepreneurs during the start-up stage of their enterprises

There are numerous business support activities able to support entrepreneurs during the pilot phase. The ones presented in these guidelines are particularly relevant for small forest and tree entrepreneurs and include:

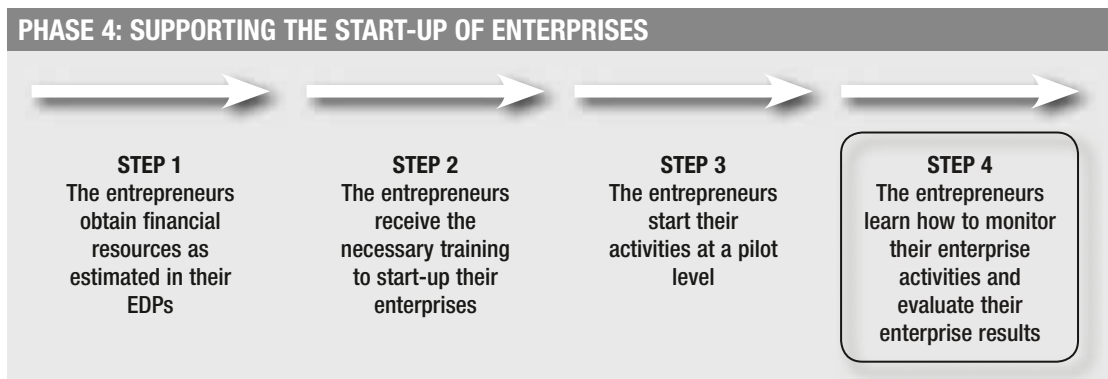
- Encouraging entrepreneurs to create business-oriented groups (see Tool 12);
- Encouraging entrepreneurs' groups to:
 - Develop simple participatory MIS (Tool 13);
 - Define and respect business rules (Tool 14);
 - Negotiate contracts with suppliers or/and sellers (Tool 15);
 - Strengthen their positions on the market (Tool 16).

Facilitation tips



- Visit the entrepreneurs frequently to evaluate their progress and prevent them from making irreversible mistakes.
- Entrepreneurs may find it difficult to take decisions on their own and will need your support to continue.

STEP 4: **The entrepreneurs learn to monitor their activities and evaluate the results**



To gain independence from the project staff and become empowered to act on their own, the entrepreneurs will need to be able to monitor their enterprises and react to changes that will inevitably affect the market environment.

In this step, your role will be to assist entrepreneurs to establish a simple monitoring system for their enterprises.



Organize your training session on “Learning to monitor enterprise activities and evaluate the results”

	<ul style="list-style-type: none"> • The facilitator will regularly visit the entrepreneurs during their pilot periods. This may last from 3-9 months, depending on the production and sales calendars of the enterprises.
<p>Learning objectives</p>	<p>At the end of the session entrepreneurs will have:</p> <ul style="list-style-type: none"> • selected the tools and methods to monitor and assess their activities.
<p>Learning materials for the session</p>	<ul style="list-style-type: none"> • MA&D process map; • EDPs and work plans for the pilot period; • operation and account books of the enterprises.
<p>Training Tools</p>	<ul style="list-style-type: none"> • Tool 13 – Creating a participatory Market Information Systems (MIS); • Tool 17 – Facilitating the assessment of the performance of enterprises; • Tool 18 – SWOT analysis; • Tool 19 – Analysing changes and preparing next; • Tool 20 – Follow up forms for start-up phase; • Tool 21 – Follow-up forms used in Mali; • Tool 22 – Follow up enterprises used during start-up phase and operations.

Facilitating the session

1. Organize a workshop with the entrepreneurs or representatives of the groups of entrepreneurs to define a monitoring system:

Explain that enterprise monitoring includes a early assessement of the performances of an enterprise to formulate realistic objectives and address potential problems for the coming year.

2. Assessing performances

The entrepreneurs need to look back at the past year of operations. From this, they will learn what went according to plan and what did not go as expected. As a facilitator, your role will be help them understand:

- what needs to be assessed;
- what questions should be raised;
- where and how the resulting information should be recorded.

This assessment should be done at least once a year, but it is even better to do it semi-annually as it allows the entrepreneurs to take better informed decisions.

Continued on next page

Refer to Tool 17 – Facilitating the assessment of the performance of enterprises, to facilitate this session.

After a brief analysis of the performance of their enterprises, entrepreneurs may realize that they were not able to meet some of their targets or that they faced obstacles due to changes in the market environment. As a result, they might conclude that they cannot define realistic plans if they do not assess their market environment regularly.

3. Assessing the business environment to identify problems and deal with changes

Entrepreneurs need to monitor their market environment because they need to be aware of changes and how those changes might impact their enterprises. This will be addressed in the second session of the workshop.

Together with the entrepreneurs you will:

- Review baseline information on the business environment used in Phase 3 for preparing the EDPs.
- Develop a system for gathering regular information on the business environment.
- Review how to analyse that information at least on an annual basis in order to detect the any changes that could impact the enterprises.
- Set realistic targets for the next cycle's enterprise plan.

The business environment of an enterprise is not only about the market. It also includes all areas of enterprise development. To succeed, enterprises need to adapt to new legislation and social, ecological or technical changes.

To raise the awareness of the entrepreneurs you will:

- Organize a field study of the current business environment (like in Phase 2, but in less depth). The types of information collected will be similar to that which was gathered when preparing the marketing plans for the EDPs (see Phase 3, Steps 1 and 2);
- Facilitate a discussion of the results of the study. Organise a SWOT analysis (see Tool 18);
- Discuss the possible means for collecting information. Explain that setting up a participatory Market Information System (MIS) is one of the most useful methods. Refer to Tool 13 - Creating a participatory Market Information Systems (MIS);
- Discuss how to analyse any new information regularly using Tool 19 - Analyzing changes and prepare next plan accordingly.

4. Following up the enterprises

You may need to use different tools in order to summarise the information related to the progress of the enterprises at regular intervals. Examples of tools developed by some projects are presented in Tools 20 to 22.

Action plan

10 DETAILED WORK PLAN FOR MCHUKU TAMBOR DISTRICT

ACTIVITY	WHO'S RESPONSIBLE	WHAT RESOURCES REQUIRED	INTERNAL DURATION	IMPACT/PROGRESS	INDICATOR/OUTPUT
1. Holding meeting with other interest group members	Trained members and front line staff	Invited for community meetings	1/10/18	13 logs for	Registration forms for group
2. Filling of forms for registration	Champion and staff	Registration forms	Transport to and from	Form 2002/105 to 2002/108	Registration of the group
3. Organize collection of logs	Group members for the day and forestry staff (one)	Planes, Gun, can, saw, Pumps, etc. Also fuel, saw, etc. Paper and Ink	Transport for the fuel	1/10/18 to 2/10/18	Logs collected
4. Sawing of logs	Fore workers at the field sites	Hand saws		2/10/18 to 3/10/18	Logs sawn
5. Setting of traps	Mr. T. Mwachira			3/10/18 to 4/10/18	Traps set
6. Holding meeting with group members	Champion and staff			5/10/18	Group meeting

Tools to facilitate the training sessions¹

“By crawling, a child learns to stand.”

African Proverb

¹ Tools should be adapted to the local context, language(s) and specific needs of the project.



Tool 1 – Basic principles for creating Savings and Loans Groups (SLG), rules and regulations

The main principles behind an SLG

- An SLG is a self-selected group of individuals who to decide pool up their savings and keep them in a safe place for an agreed specified time (“cycle”) in order to make loans to its members.
- The group sets its own rules in a democratic and cooperative manner.
- The group meets regularly to collect savings and manage loan activities.
- The group has the capacity to save and the need to access loans.
- At the end of the cycle, funds are redistributed or another cycle is established.
- The value of the savings fund increases over time thanks to service fees paid on loans.
- Each member has an equal voting right regardless of the amount of their contribution.
- Group members can use funds for emergencies and/or to fund community activities through the Emergency/Social Fund.
- Until the capital is redistributed, the funds are owned by the group communally.
- Each cycle has its own management committee elected by all group members.

SLG are created to raise working capital for enterprises

Savings and loan groups are generally created to manage money collectively in order to optimise available capital. These groups will teach their members good saving and management practices and, in the long term will improve their access to loans. When SLGs are set up to support the creation of enterprises, their goal is to gather working capital.

This means that:

- group members already saving for other purposes will now save towards enterprise development activities, and may be unwilling to take on the risks associated with lending;
- group members may want to define rules setting limits on savings and loans services for individuals, since the primary purpose is to serve the group enterprise;
- group members may want to include savings and loans responsibilities and obligations for members as part of the rules governing the group enterprise.

SLGs may also be used for risk management

Risk management might be the most compelling reason to set up a savings and loans group and, if so, this purpose should be explained clearly in the Constitution (see hints on savings and loan and savings activities for further explanation).

Savings and loan regulations

The group is in need of working capital

The following factors must be taken into consideration when establishing an SLG:

- the cost per unit of production, taking account of issues like the time before financial yields are obtained, cash flow volumes, seasonality, source of the resources for making the product and processing timeframes;
- the type of activity being carried out and the product being made as a result;
- the financial needs of small forest-based enterprises dedicated to tree and wood products are usually fixed capital investments in the initial years and long-term working capital investment because of the long period of time between harvests;
- the financial needs of small forest-based enterprises dedicated to non-wood products usually are low fixed capital investment (mainly for processing) and short-term working capital investment.

Activities eligible for loans

Since diversification of income sources is a plus, limiting the type of activities that are eligible for loans can be a mistake. Moreover, household and productive activities are activities that are highly interdependent in most small-scale enterprises, so limiting the activities that are eligible for loans could be unrealistic. Based on this, entrepreneurs should set their own rules for accessing loans.

Service fees

Entrepreneurs should consider two main criteria to define their service fees: the market interest rate and the projected income from activities.

Compulsory savings amounts

Compulsory savings should be decided according to the realistic amount each member of the group can save (including during low-cash periods).

The group needs a risk management tool

The table below summarises the various factors that must be taken into consideration when creating a SLG with the purpose of managing enterprise risk.

TERM OF CYCLES	
SLGs are not banks	<p>SLGs can be considered as a step in the financial evolutionary process of the entrepreneur group. In time, they should allow groups to reach formal financial institutions.</p> <p>SLGs should NOT become permanent banking institutions.</p> <p>SLGs should not be established when there are already formal financial institutions willing to serve the same segment of the population.</p>

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TERM OF CYCLES	
Common experiences with cycles	<p>Generally, most small entrepreneurs cannot save large quantities of money. It is suggested to set the first cycle between 9-12 months in order to generate enough savings and loans activity to increase group capital and at the same time avoid the power struggles and governance problems that can arise during longer cycles.</p> <p>It is desirable to set the cycle period in such a way that it will finish during a period of the year when group members usually need cash, such as during festivities, celebrations, etc.</p> <p>The term of the cycles should also be determined depending on the productive activity of the group enterprise. For example, it would be advisable to have the redistribution process coincide with the low-liquidity period of the enterprises.</p>
GOVERNANCE	
Importance	Because managing capital is such a fundamental issue when establishing an enterprise, there are serious implications for governance when setting up savings and loans groups and group enterprises.
Offices and responsibilities	The group enterprise and the savings and loans group will coincide in the majority of cases, so offices and responsibilities should be well distributed to avoid power struggles. Management committee members within savings and loans groups should not hold any other office within the entrepreneur group. Avoid duplication of work, i.e. the treasurer of the group enterprise could be the treasurer of the saving and loan group enterprise as well.
Democratic and participatory methods	Both SLGs and group enterprises should be managed in a democratic and participatory way, so that each member is aware of the rules and participates in decisions concerning common activities.
Time and workload	It is crucial to distribute the workload of the SLGs and group enterprises among all group members equally to avoid conflicts and omissions.
MEMBERSHIP	
Members: from the enterprise, outside of the enterprise?	<p>The group enterprise and the savings and loans group will coincide in terms of membership in most cases, so membership rules will not be very complicated. However, granting access to the SLG to individuals who do not belong to the same group enterprise, might be part of a risk management strategy. For example, having group members who are dedicated to a multiplicity of productive activities might create complementarities in terms of seasons, loan terms, earnings and emergencies.</p> <p>At the same time, it is wise to avoid having groups that are too heterogeneous, especially in terms of economic and social background, because such differences can threaten the bonds of trust that need to be established in order for the group to work well. If new members enter the group, attention must be paid to group dynamics and integration.</p>

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MEMBERSHIP	
Gender balance	<p>At the end of the first cycle, membership rules can be modified.</p> <p>It is advisable to avoid having family members in the same group, even if most small enterprises are household based.</p> <p>Because there are gender imbalances in accessing financial services, it is common for savings and loans groups to be divided along gender lines, i.e. all women or all men groups. In this case, since group enterprises can be mixed in terms of gender participation, savings and loans groups must carefully respect gender balances. The management committee should include at least one woman.</p>

Detailed guidelines on the legal issues relating to the SLGs (elections, general assembly, management committee and main rules and constitution) and on how to set up a self-managed group for collecting savings and granting loans are available in a separate publication by FAO called *Group management of finances, Handbook for micro and small tree and forest product enterprises*. Visit <http://www.fao.org/forestry/enterprises/25498/en/> for more information.



Tool 2 – Managing a revolving fund

Characteristics of a revolving fund

- An institution decides to allocate funds as a grant to a group of entrepreneurs.
- The group of entrepreneurs decides to use these funds to grant loans to its individual members.
- The institution sets the criteria for selecting the entrepreneurial group to finance but not necessarily the regulations for managing the revolving fund.
- The institution can decide to provide a facilitator to maintain the relationship with the group or to have one member of the group representing the group to the institution.

Purposes of setting up a revolving fund

- To ensure access to capital for small enterprises managed by people who would not have access to formal financial institutions to support their income-generating activities;
- To ensure that the funds are used wisely;
- To create a capital basis for the future endeavours of small enterprises.

How do revolving funds work?

- As the group of entrepreneurs repays the loans, the revolving fund grows and can be used for additional loans or as investment capital for the small enterprises.
- Groups should be able to manage this money wisely following strict rules on loan activities.

How can the SLG model be adapted to revolving funds?

A revolving fund can be managed as an existing deposit in the cashbox of the enterprise group. The group must figure out how to grant the loans and possibly how to contribute additional funds from individual members.

In order to properly manage a revolving fund, the group should think of the existing money as their own, and not as a “present” from someone else. A sense of ownership is crucial to ensuring good repayment rates.

After a first cycle, when everyone in the group has accessed and repaid a loan, the group should decide what to do with the fund, according to a) grant rules and b) group’s decisions taken in a democratic way.



Revolving loan funds, the capital of which is entirely supplied by an external source, have been shown to be risky financial mechanisms that might prevent the group enterprise from succeeding because of poor internal management processes.

Considering the high failure rate of revolving funds, it might be helpful to add a savings component to the fund, in order to avoid unsustainable attitudes in terms of financial management (low repayment rate, lack of professional management of the funds, etc.).

The facilitator will find that adding group savings to revolving funds partly helps to make them more successful and hence more reliable as financial sources. In fact, having entrepreneurs participate in the “risk” of the loan fund with their own savings can improve their commitment to the fund. Nevertheless, it is also true that asking the entrepreneurs to incur debt at the beginning of their entrepreneurial activity is a risky operation, especially if they are not used to loans and cannot dispose of a significant amount of savings.



Tool 3 – Managing savings accounts in a bank

The benefits of savings accounts

- security of funds;
- established a stable relationship which can lead to better access to other services in future;
- increase of credit worthiness of the group (building of credit history);
- potential for accessing more bank operations (loans, payment services, etc.);
- potential for using savings and loans regulations as internal group rules;
- relatively simple procedures;
- three members involved in managing the relationship (in rotation), so less work for each individual group member.

How do bank deposits relate to SLGs?

- To manage a savings account properly, a group should go through a process of training.
- Look into the specific requirements from the formal financial institutions.
- Opening an account in a formal financial institution entails costs, so be sure that all members of the group are aware of these expenses.

This option might be of interest to mature SLGs who want to deposit their funds in a formal financial institution rather than to keep them in their own cashbox. In this case, there is no need to go through any training because the group is already capable of managing its own funds.

According to the experience of some of the most successful savings and loans groups (i.e. self-help groups in India), there are cases where group needs cannot be fulfilled by internal lending activity and group savings alone. Group members, for example, might express the need for larger loans and believe that formal financial institutions such as unions, banks, microfinance institutions etc. can offer greater support. However, while there have been successful cases of self-help groups in India linking to cooperatives and other financial institutions, this could be problematic in other countries. Nevertheless, it is worth investigating the option of local financial institutions interested in supporting SLGs, mainly because it means a potentially wider range of financial services, an alleviation of work for group members, and an increased security of funds.

One must not forget that savings and loans groups are work-intensive activities, and that more sophisticated products and services can only be delivered by formal financial institutions (payment services, transfers, remittances, leasing etc.).

How can the SLG model be adapted to bank deposits?

- The group account will be managed by a management committee elected by the group;
- The procedures for collecting savings will be the same as in the SLG described in Tool 1, except that the funds are deposited in the savings account instead of in the cashbox.



Tool 4 – Identify training providers

The objective of this exercise is to establish a comprehensive checklist of training providers and tools available to support entrepreneurs.

Setting the context:

- The analysis of EDPs emphasised that entrepreneurs needed training in different areas.
- Gaps in their knowledge and skills have been discussed with entrepreneurs and training sessions need to be organized accordingly.
- The project is looking for the best way to provide marketing expertise at a reasonable cost.

Different options to identify training providers:

- Ask successful entrepreneurs (from the group or outside the group) to explain their marketing strategies to the new entrepreneurs.
- Invite a representative from a local business development centre to explain the services they can provide.
- Invite a (potential) client for your entrepreneurs' products to explain their requirements in terms of product quality, quantity, delivery schedule, packaging, price, reliability, etc.
- Invite a speaker from a research and development institute or from a machinery supplier to explain new developments in production technology.
- Send representatives of the entrepreneur groups on study tours to institutes, firms, or equipment suppliers in order to learn about new technologies.
- Send representatives of the entrepreneur groups to a marketing course with the understanding that they will share their newly acquired skills with other entrepreneurs.
- Invite an expert from or send representatives of the entrepreneurs to visit an export promotion agency, chamber of commerce or employers' federation to help them explore new markets.
- Contract an association, a government institute or a business service provider agency to provide training and follow-up.
- Link with private or governmental training organizations as well as various support programmes established by donor projects and NGOs that can provide technical training. For example, the International Labour Organization often provides subsidised services for improving business skills.
- Services provided by buyers can be a way to develop entrepreneurs' skills. Buyers will usually not charge for these services as they enable them to buy better quality products. For example, a factory that processes rattan furniture might provide training on quality production of rattan poles or woven rattan parts.



Tool 5 – Example of a list of training providers

Type of training		Institution or organization	Contact person	Address, telephone, email	Brief description
Finance and basic enterprise management	Bookkeeping				
	Basic calculation				
	Organization of SLG				
Technical training	Shea butter soap production				
	Beekeeping				
	Berry jam production				
	NWFP storage methods				
	Food preservation methods				
Marketing training	Contract negotiation				
	Market Information System				
	Business plan				
Group creation and management					
Resource management	Resource management planning				
	Tree or specific NWFP nursery and planting				
	Appropriate harvesting techniques				



Tool 6 – Negotiating the provision of training services

While trying to negotiate the provision of a training course with an institution, organization or individual, you should consider the following:

Training approach	Theory versus on-the-job
Location	At the project site or at a training centre
Duration	<ul style="list-style-type: none"> • A half day, a few days in a row or a sequence of sessions spread over time • One time training versus initial training plus follow up
Number of participants	Maximum/minimum number of participants per training course
Training materials	<ul style="list-style-type: none"> • Provide basic technical tools if needed or /and basic written materials in the appropriate language
Language	Trainers/participants can adjust to different vernacular languages
Training costs	<p>Lump sum training package or à la carte training programme costs based on:</p> <ul style="list-style-type: none"> • number of trainees; • daily training duration; • daily training fees; • daily allowances for staying on the site; • transportation costs; • costs of study tour.

Training programmes with the following characteristics are usually more suited to the MA&D approach:

- designed specifically for the project and that will address the specific needs of entrepreneurs rather than ready-made training programmes;
- on-the-job training with limited theory;
- training done at the project site (own context and reality);
- several sequential training sessions;
- appropriate number of participants (not too many that individuals cannot fully participate, not too few in order to reduce costs);
- trainers who can speak the local languages;
- availability of training materials in local languages.



Tool 7 – Introducing the trial period facilitation

Testing the strategies and preparing the entrepreneur group

Organize a workshop with the entrepreneurs in order to define the procedures of the pilot period and the modalities of the assistance provided by the project.

During this workshop, entrepreneurs will:

- discuss the benefits of a pilot period during which the enterprise will only produce limited quantities and will also consider the risks of not going through a pilot period;
- update the initial work plans they made at the end of the EDP formulation phase, using Tool 8 - Suggested timetable for planning the pilot period.

At this stage all entrepreneurs should have finalised a detailed work plan before proceeding further.

The outcome of this review exercise is a timetable with a list of activities (see Tool 8).

- Reflect on the possible mistakes or obstacles that may occur during the pilot period:
 - In small groups, consider possible measures to prevent mistakes and overcome obstacles;
 - Use Tool 9 – Possible mistakes and obstacles that may arise during the pilot period and corresponding corrective measures' outcomes.

Your role as a facilitator will be to:

- Explain that participants need to record what happens during the initial production, processing and marketing campaigns (quantities, market values, customer feedback, etc.).
- Organize a workshop at the end of the pilot period in order to review results and prepare the work plan for the first year of full-capacity production.
- Provide simple advisory services depending on your own skills. For more complex services, your role will be to link the entrepreneurs with commercial BDS providers (such as experienced entrepreneurs, equipment suppliers, NGOs or facilitating agencies, etc).
- Explain that contact with local authorities (to get permits, licences etc), financial institutions or other service providers should be undertaken by entrepreneurs themselves even though you may be able to accompany them.



Tool 8 – Suggested timetable for planning the pilot period

This timetable should indicate when the presence of the facilitator is needed (for example, first delivery of products to the buyer, formulation of business contract, etc.).

Activities	Person responsible	Skill & knowledge required	Partner to involve	Date and duration	Facilitator assistance need



Tool 9 – Possible mistakes and obstacles that may arise during the pilot period and corresponding corrective measures

POSSIBLE MISTAKES AND OBSTACLES	POSSIBLE ACTIONS OR CORRECTING MEASURES
Equipment for production is not completely installed.	Check whether it is possible to rent similar equipment from other entrepreneurs during the pilot production period.
Clearance from the hygiene and sanitary office has not yet been obtained.	Check whether it is possible to obtain a temporary permit to produce a limited amount during the pilot period.
Raw materials are not available in sufficient quantities.	Check whether it is possible to buy extra raw materials from other suppliers, even at higher cost.
Production workers are not fully trained in using the new technology.	Check whether more experienced entrepreneurs can assist in producing trial items
The items produced by the enterprise do not have a high demand on the market.	The enterprise should change plans even if it means delaying the start-up.
Packaging materials are not yet ready.	Check whether it is possible to borrow/purchase from other enterprises or suppliers (even at a higher cost).
Products will only be ready after the high demand season has ended.	Wait for the next season; otherwise the market feedback will not be realistic
Products cannot be delivered on time.	Check whether is possible to deliver with a delay (with associated costs). Check whether products can be purchased from other entrepreneurs (at high price)?



Tool 10 – Supporting initial productions

Entrepreneurs need to produce a first batch of products with a satisfactory quality in order to test their market and check whether customers will buy and appreciate their products.

During this phase, your role as a facilitator will be to:

- visit entrepreneurs who are ready to start production to review possible problems and discuss the potential solutions or corrective measures;
- visit less experienced entrepreneurs shortly after they have started production to identify possible problems. Discuss the potential solutions or correcting measures adapted by experienced entrepreneurs and suggest visits to the more experienced entrepreneurs as needed.

As a facilitator, you are not expected to be a technical expert in all the different types of enterprises you need to support. However, most rural enterprises use simple processing methods and equipment and a visit to an experienced entrepreneur may give you an understanding of the process. In other cases, you will have to arrange for the services of a technical expert.



Tool 11 – Supporting initial entrance on the market

In the MA&D approach, interventions don't focus only on the entrepreneurs but also involve the direct actors (e.g. commercial partners) with whom entrepreneurs will be linked.

Your role a facilitator includes the following functions.

At the client level

Visit potential clients to help entrepreneurs find markets for their products and prepare the first delivery. During these visits, you will discuss the quantities of product to be sold, the quality requirements, the delivery schedule and potential sales development. You should also explore the possibilities of commercial contract if clients are satisfied after the test production.

At the entrepreneur level

Before sales

- Review the entrepreneurs' marketing plan to ensure that they have selected the easiest and most profitable market segments to conduct market tests.
- Work with the entrepreneurs to ensure that they know the quality requirements, the delivery time, and the quantity of products required.

Entrepreneurs commonly fail because they don't respect the requirements of their customers, lack discipline, or forget basic business rules (lack of honesty on quality or quantity, disrespect of delivery time etc.).

During sales

Be present before and during the first delivery to ensure that client requirements are respected. Return regularly to ensure that the entrepreneurs respect the terms and conditions of their contracts.

After the sales

Organize a meeting with the entrepreneurs in order to:

- Assess the results of market testing:
 - the results of the first sales in terms of timing, quality, quantity, etc;
 - clients' reactions to the products and delivery process;
 - clients' feedback on the products and sales methods compared those of competitors.
- Reflect on how the products and sales methods might need to be adapted to be stronger on the market.

- Review the profitability of the first sales by measuring revenues, expenses and profits to-date.

The main purpose of the market test is to train entrepreneurs to respect business rules and check clients' reaction to the products, not to get a high profit. Entrepreneurs may even lose money because of the low volume of production.

- Revise the entrepreneurs' strategies (revise prices, target additional or larger clients, send more salespeople during deliveries, place more advertising, etc.) and help them adjust their workplan for the first season or year of the enterprises.



Tool 12 – Encouraging entrepreneurs to create business-oriented groups

Entrepreneurs may be located on sites far away from their potential customers and, as a consequence, not know them or understand their needs. The MA&D approach encourages networking among individual entrepreneurs or groups of entrepreneurs. By joining together, smaller entrepreneurs can better meet their family's basic needs, while controlling access to resources and ensuring their sustainable management.

Facilitating networking among entrepreneurs

Experience shows that small entrepreneurial associations often fail due to lack of market and legal information, poor management, social conflict or when they are used to serve personal interests.

Careful facilitation is needed to establish successful networking. Networks can be of different natures: producers' associations, traders' associations, manufacturers' organizations, etc. and can take various legal forms according to the context, objectives and preferences of the entrepreneurs themselves (see FFG 2, Step 3).

Initially, rural entrepreneurs tend to favour groups that they form themselves around specific resources or products and that are based on members' affinities. This usually proves to be a good place to start as it encourages group dynamics and social cohesion (both of which are consistently mentioned as key benefits of using the MA&D methodology).

However, the ultimate goal of the entrepreneurs is to be successful on the market and for that they need to network with other groups in order to reach higher levels of production, obtain better prices for their products or negotiate better prices and conditions with suppliers. Associations/federations should be large enough to ensure sufficient production capacities.

The creation and facilitation of groups and associations are not the focus of these guidelines. For further information, you can consult existing documentation such as:

- ILO, *Managing Small Business Associations, Trainer's Manual*, Geneva, International Labour Office, 2006;
- FAO, *Group management of finances, Handbook for micro and small tree and forest product enterprises*.

Enhancing capacities of the entrepreneur groups to access market information

The entrepreneurs learned the skills to collect information during the second MA&D phase and they will need to continue collecting information to keep on top of market changes and adjust to them. Your role as a facilitator will be to encourage them to collect additional market information, particularly at the national level.

To this end, you should encourage the entrepreneurs to develop a simple participatory Market Information System (MIS). See further explanations in Tool 13 – Creating a participatory Market Information Systems (MIS). Additional information is available in FAO publications such as:
(http://www.fao.org/fileadmin/templates/nr/images/comdev/PDFs_projects/RKNFlyers_04_hires_nomarks_5.pdf)
(<http://www.ifad.org/rural/firstmile/index.htm>).



Tool 13 – Creating a participatory Market Information Systems (MIS)

This tool explains how to create a MIS but is not enough to actually facilitate the creation of a MIS.

As explained previously, the development of market linkages and improved communication between producers and market actors is a key to the success of the MA&D approach. One way forward is to establish a participatory Market Information System.

MIS is an organized procedure for collecting, analysing and distributing predetermined types of marketing information for informed decision-making and increased bargaining power. There are a wide variety of market information systems or services, including those from local participatory MIS to national level systems. Several projects have demonstrated the impact that Internet information can have. The introduction of internet kiosks or cafes that provide information on wholesale prices have improved the functioning of rural markets by increasing the competitiveness of local traders. Studies have also demonstrated the impact of cell phones in reducing price variations on the markets.

In general, a MIS will collect information related to:

- the prices of products (differences between retail, wholesale, or farm-gate prices);
- the explanation for changes in price or demand;
- the names and locations of traders;
- the volume, quality and packaging requirements of various markets and traders for different products;
- the price variations for products by market;
- the alternatives sales and marketing channel alternatives (direct sales, middlemen, cooperatives, wholesalers, retailers, marketing boards);
- the various distribution channels available (transportation alternatives, storage facilities);
- the promotion opportunities (product shows, advertisements, incentives, packaging);
- the payment alternatives (barter, credit, cash, labour).

The procedure to develop a participatory MIS includes:

- The design of the MIS describes:
 - the goals and objectives of the MIS;
 - the beneficiaries of the information;
 - the types of data collected;
 - the sources of information;

- the stakeholders analysing the information;
- the process for sharing the information;
- the training needs of the concerned entrepreneurs.

Ensuring the participation of the entrepreneurs in the design of the MIS will ensure that the information gathered and the collection methods are appropriate to the project circumstances. This will also increase ownership of the MIS and commitment to its sustained operation.

- The implementation of the MIS consists of:
 - organizing the collection and the analysis of the data
 - establishing the monitoring and evaluation process;
 - designing training to enable users to analyse and use the MIS.
- The follow-up of the MIS consists of:
 - regular meetings with entrepreneurs in order to assess the MIS, measure its impact on business practices and evaluate the confidence of users in being able to manage it autonomously.

The following changes can be expected from a MIS

- Entrepreneurs have enhanced ability and willingness to work together.
- Discussions of the MIS provide opportunities to discuss enterprises, and highlight the benefits of collaboration in purchasing raw materials or selling goods. These discussions usually reinforce the decision of the entrepreneurs to create groups or associations.
- Improved responsiveness to consumer interests:
 - Entrepreneurs understand customers' needs and can adapt their products accordingly.
 - Entrepreneurs feel more comfortable in asking customers what other products, colours, shapes or sizes of products they would like.
 - Entrepreneurs observe how their products are used and are able to adjust them accordingly.
 - Entrepreneurs can better estimate levels of production.
- Increased ability to target market segments:
 - Entrepreneurs can target customers with higher purchasing power.
- Basis for setting prices:
 - Entrepreneurs have access to more information to decide on their prices.

Managing a MIS

Experience has shown that rural entrepreneurial groups are usually able organize data collection and dissemination among themselves. However they have a hard time adjusting the MIS by themselves.

Consequently, to ensure that a group of entrepreneurs is able to use and manage the MIS independently, the following actions should to be taken during the project:

- Assist the groups to assess their MIS regularly. This will give them the confidence that they can adjust it themselves.
- Link the groups with other organizations that can help to facilitate the MIS in collaboration with the entrepreneurs.
- Consider how MIS might become financially sustainable.





Tool 14 – Business rules and appropriate behaviour

There are general rules, regulations, and standards that market actors must obey in order to participate in the market chain. In rural areas, such rules usually take the form of agreements between buyers and suppliers. However, more sophisticated business standards and rules (such as standards for export products) tend to prevent rural entrepreneurs to access more developed markets. Even though some business rules may be informal, it is important to write them down and to make sure that the entrepreneurs and their workers understand them.

In local markets, rules and standards related to product quality, grading, and business practices are loosely enforced. Traders often provide limited information to producers as a way of obtaining supply at low costs. Rural producers often don't understand rules related to product quality or characteristics or other commercial requirements.

Business rules may serve as good management tools to help the enterprise achieve its goals, avoid losing clients, reduce costly mistakes, improve communication, comply with legal requirements and increase customer loyalty. Without basic business rules, no long-term consistent market relationship can be maintained.

Organize a session on the benefits of business rules.

	1.5 hours
<p>Learning objectives</p> 	<ul style="list-style-type: none"> • Raise awareness of the benefits of respecting business rules and adopting appropriate behaviour. • Provide entrepreneurs with an understanding of some important business rules to respect and appropriate behaviours to adopt • Develop charts of rules that can be used in their enterprises.
<p>Facilitating the session</p> <p>Before the first delivery of products to clients, gather the entrepreneurs to discuss the following questions:</p> <ul style="list-style-type: none"> • Do any of the entrepreneurs have knowledge or experience of a failed business? • Can they explain the reasons for the failure? • Ask one of the participants to record the reasons that are related to disrespect or ignorance of business rules on the left column of a table on a flipchart. • Ask all participants to complete that column (see table below for additional information). 	

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- Split participants into small groups and ask them to draft proposed rules to overcome the reasons for business failure.
- Share the results in plenary and facilitate a discussion on the proposed rules and the possible outcomes when those rules are ignored.
- Ask each group to identify which rules are relevant to their own situations and explain that there are several types of business rules:
 - Rules adopted by a group to enable them to function better as entrepreneurs. These rules usually involve agreements between buyers and suppliers within the market chain.
 - Rules decided outside the value chain (e.g. quality standards for a specific product). In general, the standards imposed on producers who are willing to export are a lot more complex than rules governing local and national markets.
- Entrepreneurs should first focus on understanding and respecting their own rules and local commercial rules. Only after they have shown that they are able to respect these local rules, should they think of expanding towards export markets.

USUAL REASONS FOR BUSINESS FAILURE	CORRESPONDING BUSINESS RULES
Late delivery of goods	Fix clear delivery schedules with the client and respect them.
Late delivery of goods because of delays in supplies of raw materials	Establish contracts with suppliers of raw materials (see Tool 15).
Insufficient quantity delivered	Deliver requested quantity even if this means acquiring missing items from other producers.
Lower quality than specified in the order	Set clear quality standards for each item. Write these down and respect them under all circumstances (see Tool 16).
Inconsistent quality.	Ensure that quality standards are respected.
Clients not informed about late delivery or changes in packaging	Agree on how best to communicate with clients before, during and after transactions.
Goods contaminated with fungus	Establish a contract with an external agency (sanitary office) and show certificate to client.
Transport costs added without informing the clients <i>or</i> Prices are higher than agreed upon	Always respect conditions agreed with clients. It is better to lose money on a consignment than to lose a client forever.
Poor packaging leads to damage or breakages during transportation.	Have provision for replacement or purchase an insurance policy.

Failing to abide by business rules generally leads to a loss of clients and a damaged reputation.





Tool 15 – Establishing contracts

Establishing trusting relationships with resellers and suppliers is critical for enterprise success and establishing contracts is very helpful in achieving that goal. Contracts with suppliers of raw materials enable processors to have greater control over the quantities delivered and the quality, time of delivery and prices of their raw materials. Contracts with processors list quality requirements, ensuring that post-harvest handling and storage are done correctly.

However, contractual agreements work only when parties respect them, requiring a high level of trust and understanding.

Organize a session on establishing contracts.

	<p>1.5 hours</p>
<p>Learning objectives</p> 	<ul style="list-style-type: none"> • Raise awareness of the benefits of establishing contracts as a way to improve relationships with other business actors. • Provide entrepreneurs with guidelines on negotiating contracts. • Encourage entrepreneurs to design their own contracts.
<p>Facilitating the session</p> <p>Before the first delivery of products to clients, gather the entrepreneurs with the objective of helping them to develop contracts.</p> <ul style="list-style-type: none"> • Refer back to the outcomes of the exercises done on the business rules (Tool 14) and introduce the session by stressing that a number of problems encountered by enterprises can be solved by establishing contracts. • Identify among the participants: <ul style="list-style-type: none"> – An experienced entrepreneur who has experience in establishing contracts with suppliers or clients. If no one has this experience, invite an entrepreneur from another site. – An entrepreneur who has experience in supplying raw materials to clients without a contract. • Ask both participants to describe the business relationship they had with their clients: <ul style="list-style-type: none"> – How long did it last? – When and how were prices set? – Were there controls and inspection procedures? – Was there a written contract or an oral arrangement? – Why did they enter (or not) into a contractual relationship? <p>Ask the participants to list down the main points on a flipchart.</p>	

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- On another flipchart, prepare a table with one column headed implications of having a contract and another column headed consequences of not having a contract. Discuss and fill in the column.
- Facilitate a discussion about the importance of contracts for developing trust with suppliers and clients, possibly leading to long-term business relationships and their reputation as reliable suppliers.
- Review the usual terms of a contract:
 - A request for a contract should be prepared by the buyer and submitted to the supplier. It would specify:
 - * the products to produce with detailed quality standards;
 - * the quantity;
 - * the mode of delivery (transport means, location);
 - * the frequency /schedule of delivery.
 - Additional terms may be added:
 - * minimum demand guaranteed by the buyer;
 - * compensation paid to the supplier when minimum demand is not bought by the buyer;
 - * compensation paid to the buyer when minimum demand cannot be delivered.
 - Once the terms of a contract have been agreed, the buyer submits a preliminary proposal to the supplier who then has the right to add, remove or change any of the clauses.
 - Long-term contracts regulating relationships between suppliers and resellers should include the following elements:
 - * the identity of the parties with their addresses and contact information;
 - * their goals and intent;
 - * detailed description of the goods;
 - * buyer's rights and obligations;
 - * supplier's obligations;
 - * attestation (date, location and signatures).



Tool 16 – Developing the negotiation skills of the entrepreneurs

While collecting and analysing market information in MA&D Phase 2 (FFG 2, Step 1) or using an MIS, entrepreneurs have developed their capacities and willingness to work together. They now also understand the benefits of collaboration, such as lower production costs, or higher prices.

Your role as a facilitator will be to help entrepreneurs to contain their production costs and improve their negotiation positions by:

Organizing entrepreneurs so that they can purchase raw materials or packing materials supply in bulk

Gather the entrepreneurs that are working on similar product(s) and ask them to:

- List all the raw materials or/and packing materials they need (volumes, schedule).
- List their suppliers, the supply modalities (prices, special conditions, transportation mode, delivery location etc) and the maximum supply a supplier can provide.
- Compare suppliers and identify those capable of supplying large quantities of materials.
- Identify one or two entrepreneurs to visit the selected suppliers in order to discuss favourable conditions for bulk delivery.

Note: Favourable conditions don't mean only lower prices but also, better payment conditions.

Your role will be to facilitate contract negotiations between the group of entrepreneurs and the selected suppliers.

Setting common pricing:

Frequently, individual entrepreneurs disrupt group price decisions by selling their own goods at lower prices. To reduce this risk, you will:

- Ask participants whether they have experienced situations in which prices were set but the agreement was later broken by individuals.
- Discuss the possible consequences of such behaviour (e.g. the group loses a market, mistrust is created in the group, unfair competition is created between group members, etc);
- Discuss what can be done to avoid this type of behaviour stressing that:
 - It is critical to reinforce the strength and the governance capacities of the group. If group members are organized enough to decide on group purchases, they should also be strong enough to establish common prices and respect them.

- Encourage the entrepreneurs to set a price range for their products and issue internal rules to ensure enforcement.
- Pricing can be governed by the business rules adopted by the group. Appropriate pricing relates to the product quality as defined and accepted by all the group members.

Encouraging group selling

Group selling has proven to be a powerful way to increase the income of rural entrepreneurs. It is beneficial to producers as well as to buyers who can get higher volumes in one location, reducing their transportation costs.

To assist entrepreneur group to organize group selling, you will:

- Identify buyers that are able to buy in large quantities (information available from EDPs or local and national market surveys conducted in Phase 2).
- Invite two or three representatives of the entrepreneur group to visit potential buyers in order to find information on:
 - quantity and quality requirements;
 - price and conditions (ensured transport, mode of payment);
 - preferred location to pick up goods;
 - yearly schedule of supply;
 - the possibility of long-term contracts;
 - possible visits by the buyers to the entrepreneurs locations.
- Organize a meeting with all entrepreneurs of to communicate the findings of the visit.
- Be present at the project site when the first delivery takes place.

Encouraging product certification

Worldwide, there is an increasing demand for products with specific quality labels ensuring environmental protection and social respect, opening up new markets to small entrepreneur groups. Such certifications have benefits but they also have costs (such as the requirement for inspection by an independent certification body) and constraints that entrepreneurs will need to understand.

MA&D projects usually focus on enterprises linked to specific geographical locations and which can develop a reputation by a Geographical Indication (GI) reflecting the unique combination of local natural resources (climate, soils, local breeds and plant varieties, traditional equipment, etc.) and cultural specificities (traditions, ancestral know-how and skills) These products can meet a specific and valuable demand.

If the entrepreneurs try to target these markets they should know that that a certification system with the following characteristics needs to be put into place:

- agreed common rules to maintain product specificities, avoid misuse and foster consumer confidence;
- agreed Code of Practice (CoP) to define the product in relation to its geographical origin,
- recognition of the Geographical Indication of product by public authorities. Producers may decide to apply for a GI registration, according to the legal and institutional framework of their country or/and have the product protected by intellectual property rights as provided by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) of the World Trade Organization;
- careful marketing of the GI product, traceability along the supply chain, a high level of responsibility and accountability of producers and processors and, generally, a number of technical or management innovations.

Obtaining a GI can only be achieved through a collective effort as it requires substantial work.

For more details on how to develop origin-based quality certification refer to:

LINKING PEOPLE, PLACES AND PRODUCTS

A guide for promoting quality linked to geographical origin and sustainable geographical indications

This guide has been jointly produced by the Food and Agriculture Organization of the United Nations (FAO) and SENER-GI – FAO 2009

Website: www.foodquality-origin.org



Tool 17 – Facilitating the assessment of the performance of enterprises

Objective

Assist the entrepreneurs to assess the performances of their enterprises so that they are able to readjust their strategies and goals and formulate realistic objectives for the next EDP.

Method

After the first season or year entrepreneurs will need to:

- review past activities and results and check them against the initial plans;
- analyse this information in order to readjust strategies and goals and to set realistic objectives for the next season or year of operations.

As a facilitator your role will be to organize a workshop to help the entrepreneurs to understand the benefits of monitoring:

1. the benefits of monitoring;
2. which elements of performance should be assessed and what questions should be asked;
3. where and how data can be found, recorded and stored.

1. The benefits of monitoring

The following is a checklist that can serve as a guide for conducting an interview.

- Ask participants why it is important to monitor enterprise activities.
- List their answers on a flipchart in two different columns based on whether they can be related to the enterprise performance or the enterprise environment.
- Common answers are as follows:

ENTERPRISE PERFORMANCE	ENTERPRISE ENVIRONMENT
<ul style="list-style-type: none"> • to formulate realistic objectives for the next year's EDP 	<ul style="list-style-type: none"> • to help the enterprise stay competitive in a changing marketplace
<ul style="list-style-type: none"> • to measure the progress of the enterprise 	<ul style="list-style-type: none"> • to identify problems that arise

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ENTERPRISE PERFORMANCE	ENTERPRISE ENVIRONMENT
<ul style="list-style-type: none"> • to ensure that the enterprise can judge its performance on an annual basis according to the progress made in reaching stated objectives. 	<ul style="list-style-type: none"> • to develop new strategies to correct or overcome these problems • to ensure that the enterprise has the ability to foresee unexpected events and is prepared to cope with them.

2. Elements to be assessed and questions to be asked

- Explain that when assessing the performances of their enterprises, entrepreneurs should:
 - refer to their EDPs and initial work plan targets;
 - look at the actual enterprise activities and results.
- Divide participants into small groups and ask them to list the indicators and information they need in order to monitor their enterprise activities.
- Compile their inputs using the following checklist:

PRODUCTION AND SALES RESULTS	
<ul style="list-style-type: none"> • What were the production targets and estimate of sales revenue? • How much was actually produced? • How much was sold? • How much revenue was obtained from sales? 	
If production and sales targets were met	<ul style="list-style-type: none"> • What worked well? • Would it have been possible to produce goods? Explain.
If production and sales targets were not met	<ul style="list-style-type: none"> • Was equipment capacity underestimated? • Was equipment installed too late? • Were there problems with packaging? • Was quality insufficient and if so why? • Did some buyers cancel orders and, if so, why? • Did some buyers refuse to pay the price and, if so, why? • Was delivery late? • Did customers change their preferences and, if so, why?
MANAGEMENT	
<ul style="list-style-type: none"> • What legal structure was chosen? • Was the legal structure registered as planned? • What was the expected management team structure? • Who is part of the actual management team? 	

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PRODUCTION AND SALES RESULTS (CONT.)	
If the management team worked well	<ul style="list-style-type: none"> • Identify what was successful.
If the management team didn't work well	<ul style="list-style-type: none"> • Identify management problems. • List their impacts on enterprise operations.
RESOURCE MANAGEMENT	
<ul style="list-style-type: none"> • What were the plans for resource management? • Was the resource management target achieved? 	
If yes	<ul style="list-style-type: none"> • Would it have been possible to do more in term of resource management? Explain.
If not	<ul style="list-style-type: none"> • Explain why not.
SOCIAL DEVELOPMENT	
<ul style="list-style-type: none"> • What were the plans for social development? • Was the social development target achieved? 	
If yes	<ul style="list-style-type: none"> • Would it have been possible to do more in term of social development? Explain.
If not	<ul style="list-style-type: none"> • Explain why not.
RISKS MANAGEMENT	
<ul style="list-style-type: none"> • Did the enterprise face unexpected problems? • Was it prepared to overcome those problems? How? 	
PROFITABILITY	
<ul style="list-style-type: none"> • What was the expected profit at the end of the first season/year? • How does it compare with profit and losses projection in the EDP? • Did the enterprise make a profit? 	
If the enterprise didn't make profit	<ul style="list-style-type: none"> • Were their unexpected fixed costs? For which amount? • Were their unexpected variable costs? For which amount?
CASH FLOW MANAGEMENT	
<ul style="list-style-type: none"> • Did your cash flow follow the initial projection? 	
If the enterprise ran out of cash was it because of	<ul style="list-style-type: none"> • Late availability of loan? • Delayed payment of capital by some group members? • Delayed payment by customers?

3. Where and how data can be found, recorded and stored

Most of the information on enterprise performance will be available from the EDP and past season operations. In case some entrepreneurs have difficulties in finding information about the past season, review the different types of books that were used and explain where to find the necessary information.

The cash book	The cash book is a descriptive and chronological record of day-to-day financial transactions: all money received from sales, all money paid out for purchase, sales and purchase credits notes, salaries, maintenance costs, etc.
The ledger	The ledger takes account of each transaction from the daily cash book and serves as a tool for recording every transaction under the correct type of account.
For entrepreneurs who have bank accounts	
A book of bank account transactions	This book records all bank transactions.
A petty cash book	The petty cash book records all transactions made by cash.

- Facilitate a discussion on the information needed to assess progress on resource management. In general for forest product based enterprises, a resource management plan is developed in parallel with the EDP to ensure proper monitoring of the resource stock. The management plan should include the indicators and monitoring modalities specific to each case.
- Facilitate a brief analysis about enterprise performance to help the entrepreneurs realize whether they did not meet some of their targets because of changes in the market environment. As a consequence, they will surely conclude that they cannot set up a realistic plan without a system to regularly assess their market environment.



Tool 18 – SWOT analysis

Objective

Conduct a SWOT analysis to help the entrepreneurs assess the performance of their enterprises after their initial operation (season or year) and to refine the planning exercise for the next phase.

Method

- Prepare a SWOT table on a flipchart
- Participants have 20 minutes to write the answers to the following questions on cards (one idea only per card, text should be written large enough to be readable):

<p>STRENGTHS</p> <p>What are the internal strengths of their enterprises and how they did these strengths influence their results:</p> <ul style="list-style-type: none"> • Did the staff have the right skills? • Were workers motivated and efficient? • Did the network or the alliances support them? • Was the equipment adequate? • Did the equipment function properly? • Was funding adequate? • Etc. 	<p>WEAKNESSES</p> <p>What are the internal weaknesses of their enterprises and did these weaknesses influence their results:</p> <ul style="list-style-type: none"> • Which skills were missing? • Was their judgment about the market correct? • Did they estimate the raw material supply in the right quantities? • Did they face management problems? • Did they run out of cash? • Etc.
<p>OPPORTUNITIES</p> <p>What are the opportunities for their enterprises as identified from recent studies:</p> <ul style="list-style-type: none"> • Did they identify additional support from the local government or NGOs that they can tap into? • Did they identify other groups of entrepreneurs they could collaborate with to obtain better selling prices or better supply conditions? • Did some policies change in their favour (e.g. decrease in tax, etc.)? • Etc. 	<p>THREATS</p> <p>What are the threats to their enterprises as identified from recent studies:</p> <ul style="list-style-type: none"> • Are there powerful traders that do not want the entrepreneur groups to be organized (for fear of losing control over prices, etc.)? • Are there investors who are trying to restrain their access to resources? • Are there possible community conflicts over the resources? • Does the community feel there is a prejudice against their products? • Is the price of their product decreasing due to an excess in the offer. • Etc.

- After 20 minutes (or more if needed), participants should stand up and place their cards on the corresponding cell of the table.
- Review the table and discuss the input.
- Discuss possible actions and recommendations to address weaknesses and threats.



Tool 19 – Analysing changes and preparing next steps

10. DETAILED WORK-PLAN FOR MISUKU TIMBER BUSINESS GROUP

ACTIVITY	WHO'S RESPONSIBLE	FINANCIAL SUPPORT REQUIRED	INPUTS REQUIRED (EQUIPMENT)	NON-FINANCIAL SUPPORT REQUIRED	TIME FRAME (PERIOD)	INDICATOR (OUTPUT)
1. Holding meeting with other interest group members	-trained members and front line staff	-Meeting for community members	-Sawing tools -Flip charts -Markers -Measuring tape	-Staff hire	13/03/08	-More members joining the group
2. Filling of forms for registration	-Discussion with TA, BFO and B.C.		-Registration forms	-Transport to and from	From 20/02/08 to 30/02/08	-Registration of the group
3. Organizing of equipments	-Group members for the and forestry purchasing staff (BFO)		-10 Sawing Equip-ment -Saws, Flanges, files -Ropes, Band Saws, File -Axes and Workwear	-Transport for the equipments	From 01/03/08 to 10/03/08	-Listed equipments purchase
4. Sawing of logs	-Fore workers of Producer in the Piece rates				10/03/08 to 30/04/08	-Availability of sawn planks
5. Selling of Planks	-Mr T. Mwangi				01/05/08 to 31/05/08	-Cash received
6. Holding meeting with group members	-Chair person, members and forestry staff			-Sawing Equip-ment	05/06/08	-Business success achieved

Action plan

Entrepreneurs will analyse information collected during the study (see Tool 17) to readjust their strategies and objectives for their next season or year of operation.

The objective of this activity is to identify what has changed in the market environment over this period (the five areas of enterprise development) and to understand why the enterprise may not have delivered the expected results. Plans for the next season or year will then be adjusted to become more realistic.

Ensuring the participation of the entrepreneurs in this process will help them better understand the mechanics of their enterprises and will contribute to more realistic objectives.

MARKET/FINANCE ANALYSIS

One of the functions of the financial projections (or budgets) included in the EDP is to serve as a basis to measure performance against set targets. Using this information, progress can be evaluated according to the reported expenses, the marketing mix, planning assumptions, sales forecast, pricing and so on.

Ask entrepreneurs to:

- discuss their previous budget and see how it could be made more accurate for the next year or season;
- compare forecasted sales, gross profits and expenses with actual sales, gross profits and expenses. Are there any major differences? Actual data will be used to compile the next operational plan;
- identify errors in judgment that led to poor results, and use them as learning experiences to update the next operational plan;
- prepare statements for the next operational plan.

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RESOURCE MANAGEMENT ANALYSIS

Monitoring must measure whether an enterprise have a negative impact on the resource stock and on the ecological environment. An initial rapid assessment the resource base was conducted before starting the enterprise operation and should be repeated regularly to detect any changes.

Ask entrepreneurs to:

- Analyse any changes between the initial survey and the last survey (after operations have started) to determine whether the resource is sustainable.
- Estimate the impact of harvesting.
- Discuss possible corrective measures.
- Plan the implementation of the corrective measures and estimate the corresponding costs.
- Assess the relationship with the local forest development officer in order to ensure their support in forest resource monitoring, issuance of permits, and to negotiate in the case of an unclear ruling.
- Identify how to improve relationship with resource management service providers including the forest office.

SOCIAL/CULTURAL ANALYSIS

Ask entrepreneurs to:

- Assess the social impact of their enterprises against the set of indicators used to gather information for the preparation of the EDPs, including:
 - the role of women in decision-making on the selection of products, pricing and distribution of income;
 - the impact of the enterprise activities on marginalised groups;
 - etc.
- Evaluate the capacities of enterprise staff members.
- Assess the relationship of the enterprise with the local authorities, NGOs and other social groups.
- Suggest how to improve relationship with local authorities, NGOs and other social groups.

INSTITUTIONAL/LEGAL ANALYSIS

Ask entrepreneurs to:

- Assess whether they have monitored national and international policy and are aware of all policy changes since their enterprises started.
- Discuss how to get regular information about national and international policy.
- Assess whether they have maintained a close relationship with the local forest officer, banks, tax office and other official bodies to be informed of policy changes and to negotiate in the case of an unclear ruling.
- Discuss how to improve relationships with the aforementioned parties and influence policies in their favour.
- Discuss how to respond rapidly to new national or international rules that would affect their enterprises

TECHNOLOGY ANALYSIS

Ask entrepreneurs to:

- Assess whether they are informed about new technologies that will allow them to remain competitive.
- Discuss how they can remain informed about these new technologies and identify potential links with other organizations.
- Discuss how they can lobby for better infrastructure in the community (additional telephone lines, road extensions, etc.).



Tool 20 – Follow-up forms for start-up phase

For the start-up phase (two weeks after financial resources have been obtained)

I. INVESTMENTS DONE

A. Use of credit (if financial resources consist of credit)

Date of credit: ____/____/____

Initial reimbursement (month):

End of reimbursement period (month):

Periodicity of reimbursement:

Expenses	Actual cost	Cost forecasted in the EDP*
Total		

B. Other financial resources

Expenses	Actual expenses	Expenses forecasted in the EDP*
Total		

* Fill in "0" if the expense wasn't planned.

C. Progression of forecasted investments:

.....

II. ACHIEVEMENT OF PRODUCTION OBJECTIVES

	Total Quantity (kg)	Production	Collection	Purchase
Forecasted in the EDP				
Achieved				

III. DIFFICULTY EXPERIENCED BY THE GROUP

.....

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IV. ADDITIONAL COMMENTS

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.....

V. ACTIONS TO BE TAKEN

By the group	
By the facilitator or other partners	
By the project team	

For regular follow-up

I. CREDIT REIMBURSEMENT

Last amount to be reimbursed		
Last amount actually reimbursed		
Remaining amount to be reimbursed		

Explanation in case the entrepreneur is having difficulties reimbursing his/her credit:

.....

.....

II. PRODUCTION OBJECTIVES

	Total Quantity (kg)	Production	Collection	Purchase
Forecasted in the EDP				
Achieved at the time of the previous follow-up visit				
Achieved to date				

Explanation of gaps:

.....

.....

III. SALES OBJECTIVES

	Average price per unit	Total quantity (kg)	Total sales revenue
Forecasted in the EDP			
Achieved to date			

Explanation of gaps:

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IV. CAPACITY DEVELOPMENT

Training sessions followed up to now	
Training sessions as planned	
Additional training needs	

V. GROUP DYNAMIC

Group members who left or joined:

.....

Number of meetings held in the previous month:

.....

Contribution from the members:

.....

Respect of internal rules:

.....

Conflicts experienced by the group:

.....

VI. GROUP INITIATIVES

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.....

.....

VII. ACTIONS TO TAKE

By the group	
By the facilitator or other partners	
By the project team	

Source: Ludovic Conditamde, Burkina Faso.



Tool 21 – Follow-up forms used in Mali

SITE	Villages	Product	Name of entreprise	Turnover (in CFA)	Number of members		
					M	F	Total
FARAKUNNA	Pakan Bobo	Shea nuts	GNOUBOIRISSIN	136 500	0	13	13
		Honey	PARISSIN	1 120 000	8	0	8
		Tamarind	MOUGNOUSSI	216 000	0	9	9
	Sub-total	3	3	1 472 500	8	22	30
	Tiéblénikuy	Shea nuts	PARISSIN	156 800	0	14	14
		Honey	PARISE	980 000	7	0	7
	Sub-total	2	2	1 136 800	7	14	21
	Bambara	Shea nuts	PARISE	168 800	2	13	15
		Honey	WE HAN HIRO	980 000	13	0	13
	Sub-total	2	2	1148800	15	13	28
	Fifini	Shea nuts	SENIWE	352 800	0	18	18
		Honey	PARISE	1 400 000	10	0	10
		Mead	PARI TCHIMI-TCHAMA	393 750	0	5	5
	Sub-total	3	3	2 146 550	10	5	33
Siradié	Hydromel	BENKADI	392 000	0	9	9	
	Honey	DJEKAFO	700 000	5	0	5	
Sub-total	2	2	1 092 000	5	9	14	
Pakan Kado	Hydromel	BENKADI	224 000	2	18	20	
	Honey	KAFASSOBONOGOLA	350 000	6	4	10	
Sub-total	2	2	574 000	8	22	30	
GRAND TOTAL FARAKUNNA	14	14	7 570 650	53	85	156	

Source: Ludovic Conditamde, Burkina Faso.



Tool 22 – Follow-up forms used during start-up phase and operations

Site:

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Updated on:

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Group	Village	Product	Current staff members	Starting date	Financial resources for start-up			Troubles with credits	Fore-casted collection	Actual collection	Fore-casted production	Actual production	Fore-casted turnover	Actual turnover	Fore-casted price	Actual price
					Credit	Auto financing	Other									

Training

Group dynamics	Follow-up of EDPs	Management of credit/savings	Marketing	Book-keeping	Supply	Planning	Technical

Source: Ludovic Conditamde, Burkina Faso.

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