



# **Developing entry-level entrepreneurship training in Western Kenya**

Using feedback as a tool to improve  
quality of future trainings

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## TIIVISTELMÄ

Tampereen ammattikorkeakoulu  
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AKSELI CAIRNS:

Kuinka kehittää perustason yrittäjyyskoulutusta Länsi-Keniassa?  
Palauteen käyttäminen tulevaisuuden koulutusten kehittämisessä

Opinnäytetyö 91 sivua, joista liitteitä 45 sivua  
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Opinnäytteen toimeksiantaja on avustus- ja kehitysyhteistyötä Suomessa ja kansainvälisesti tekevä ADRA Finland –säätiö. Yhteistyö ADRA Finlandin kanssa sai alkunsa alkuvuonna 2013, jolloin otin itse heihin yhteyttä ja pidimme helmi-maaliskuussa useita palavereja. Näissä tapaamisissa päätettiin, että alkuvaiheessa oleva nuoriso- ja vammaisryhmien työllistämiprojektin pilottivaihe Länsi-Keniassa tulee opinnäytteen kohteeksi. Työn luonne vaati matkustamista paikan päälle ja matka toteutettiin huhtikuusta heinäkuun loppuun 2013.

Opinnäytteen piti alunperin raportoida työllistämiprojektiin liittyvästä mikrolainakomponentin tuloksista, mutta tämä osoittautui myöhemmin mahdottomaksi, koska pilotin käynnistämiseen meni suunniteltua enemmän aikaa. Lisäksi pilottiryhmien valmiustaso ei mahdollistanut toiminnan nopeuttamista niiden siitä kärsimättä. Työn kohteeksi muodostui lopulta pilottiprojektin yrittäjyyskoulutus komponentti. Opinnäytetyö muodostuu varsinaisessa opinnäytteessä tehdystä palaute-analyysistä, ja siinä tehtyjen johtopäätösten jälkeen itse laatimastani yrittäjyyskoulutusten lisämateriaalipaketista.

Suuri osa kolmen kuukauden työstä meni kesäkuun puolessavälissä järjestettyjen yrittäjyyskoulutusten suunnitteluun ja organisointiin. Laadimme muun projektiryhmän kanssa palautelomakkeen, joka sisälsi numeraalista ja kirjallista palautetta koulutettavilta. Keräsimme palautetta jokaiselta osallistujalta jokaiselta neljän päivän koulutukselta ja tästä palautteesta tehty yhteenveto ja johtopäätökset muodostavat opinnäytteen rungon.

Erilaisia yrittäjyyskoulutuksia ja niihin liittyvää materiaalia löytyy internetistä ja kirjastoista runsaasti. Matkan aikana opin kuitenkin, että paikallisilla ei ole mahdollisuutta kumpaankaan, minkä lisäksi koulutukset olivat ensimmäiset ADRA Finlandin järjestämät. Jotta koulutettavat voisivat viedä oppejaan eteenpäin sekä palata tärkeimpiin asioihin myöhemmin, oli aiheellista luoda perustason materiaalia, jota voidaan tulostaa erikseen ja jakaa näin paikallisille, joilla ei ole tietokoneita tai mahdollisuutta ajaa yli sataa kilometriä lähimpään kirjastoon.

Työn suurimpana haasteena olivat kieli- ja kommunikaatiovaikeudet. Vaikka suurin osa paikallisista puhuu englantia, he eivät välttämättä osaa kirjoittaa sitä. Lisäksi monilla ei ole edes puhelinta joten tapaamisten järjestäminen on työlästä. Koska materiaalipaketti ja työ on tarkoitettu ADRA:n lisäksi koulutettavien käyttöön, tämän opinnäytteen kieli on englanti.

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Asiasanat: yrittäjyyskoulutus, mikrolaina, itsensä työllistäminen, Afrikka, Kenia

## ABSTRACT

Tampereen ammattikorkeakoulu  
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### AKSELI CAIRNS:

How to develop entry-level entrepreneurship training in Western Kenya?  
Using feedback to improve quality of future training

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The employer for this thesis is ADRA Finland, which is a Non-Governmental Organization that does development cooperation work in Finland and internationally. Cooperating with ADRA Finland was started in early 2013 when I contacted them myself. After several meetings we decided that an employment project for youth- and disabled people groups in Western Kenya will be the target for this thesis. The nature of the work required travelling to the location and this trip was executed from May to the end of July 2013.

Originally the thesis was supposed to report about results from a microloan component in this employment project, but this proved impossible because the pilot project took longer to start than had been planned. In addition it was impossible to speed up the activities without the pilot groups suffering. The work was eventually focused to improve an entrepreneurship training component in the pilot project. The thesis is composed of two parts. A feedback analysis of feedback collected at the trainings is the first part. The second part is a material package that I wrote myself, based on conclusions drawn from the feedback.

A large part of the three months of work went into planning and organizing entrepreneurship trainings in mid-June. Together with the project group we had designed a feedback chart that included numerical and written feedback from the trainees. We collected this feedback from each participant on each of four days of trainings and the summary and conclusions form the body of this thesis.

There is a lot of material about entrepreneurship trainings on the internet and in libraries. During the trip I learned that locals don't have access to either. In addition these were the first trainings that ADRA Finland had organized. To enable participants to spread their learnings and come back to the various topics, it was justifiable to create ground-level material, that can be printed separately and distribute to the locals who don't have computers and can't drive over a hundred kilometers to the nearest library.

The biggest challenges in the work were language and communication difficulties. Even though most of the locals speak English, they can't necessarily write in English. In addition setting up meetings is arduous because many don't even have a phone. Because the material package is meant for both ADRA and the trainees, the language of this thesis is English.

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Key words: entrepreneurship training, microloan, self-employment, Africa, Kenya

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**ABBREVIATIONS AND TERMINOLOGY**

ADRA	Adventist Development and Relief Agency
AFF	ADRA Finland Foundation
CBR	Community Based Rehabilitation
FORMIN	Ministry of Foreign Affairs in Finland
IGA	Income Generating Activity
NGO	Non-governmental organization
OD	Organization Development
SDA	Seventh Day Adventist

# 1 INTRODUCTION

## 1.1 ADRA / Background

This thesis was done by me for ADRA Finland Foundation (AFF). ADRA (Adventist Development and Relief Agency) is a globally operating humanitarian organization that was established in 1956 by the Seventh-day Adventist (SDA) Church to provide humanitarian relief and welfare. It was originally called SAWS (Seventh-day Adventist Welfare Service) and during the 1970s after broadening from disaster relief to providing long-term development, the name was changed to ADRA.

ADRA is a globally operating non-governmental organization (NGO). It has nine network offices to cover different areas in the world. ADRA Finland is one of 125 country offices and part of this network. It has been operating in Finland since 1968 and in foreign countries since 1978. In 2010 ADRA Finland was reformed into a foundation. AFF aims to improve societies by empowering individuals and communities (ADRA 2011, Annual Report, 8-13).

AFF has worked on projects in Africa, Asia, South America and Europe but the center of their work has been in Africa and Asia. In 2010 AFFs development work affected about 49 000 beneficiaries out of which Kenya had the most, about 28 000. In Kenya AFF has worked in various projects such as dental care, empowerment of disabled children, development of nature and water resources (ADRA Finland, Basic Information, 2014) and in 2012 they started a capacity building program for physically disabled children in Rachuonyo District in Western Kenya (AFF 2011, Project Plan, 1).

This program included a CBR (Community Based Rehabilitation) component that comprises of five separate components: health, education, livelihood, social and empowerment. The target project of this thesis falls under the livelihood component and focuses on self-employment and skills development (AFF 2011, Project Plan, 10).

## **1.2 NGOs in Kenya**

According to the Non-Governmental Organizations Co-ordination Board in Kenya, there were 5 929 registered NGOs in Kenya between May 2006 and October 2008 (National Validation Survey of NGOs, 24-25). Of the registered NGOs, 2029 were studied in a National Validation Survey of Ngos in 2009. 16 per cent of the NGOs were working in the former Nyanza Province, how Homa Bay County, where AFF is also focusing its efforts.

The large amount of non-governmental organizations caters to an important need. The Kenyan government has a development blue print called Vision 2030 that aims to improve the quality of life and eventually transform Kenya into a middle-income country (lähde 7). The NGOs Co-ordination Board states in the survey report that the government is not able to adequately fund or cater for the demands of all its citizens. Consequently NGOs that get their funding from their own sources or other governments compliments the Kenyan government's efforts by providing services and necessary facilities to those in need (National Validation Survey of NGOs, 16-17).

As one of the international NGOs in Kenya, AFF has been operating in Kenya and more specifically the districts of Kendu Bay and Kabondo in the Nyanza province from 1990 onward. The area is located near the shore of Lake Victoria and comprises of mostly Luo –people, who occasionally referred to themselves and were referred to by some other Kenyans I met as “lake-people” when interacting with me.

## **1.3 Employment project**

In cooperation with AFF, a group of students from Tampere University of Applied Sciences (TAMK) conducted a baseline study in the Kendu Bay area during 2012. The results and findings were reported in a bachelor's thesis later that year (Pelttari & Ristilä 2012). This study revealed a lack of industrialism which together with few other employment opportunities results in a high unemployment rate. Self-employment is one solution that was suggested though there are a few hindrances, namely lack of skills about running a business and availability issues regarding small scale financing.



These findings resulted in AFFs actions to plan and organize a partnership and collaboration program with local government authorities, the University of Eastern Africa, Baraton, the CBR team and students from Tampere University of Applied Sciences (AFF 2013, Project Document, 7). This collaboration program was to create a program to enable unemployed to successfully run their own businesses and ultimately improve livelihood for all persons involved. This employment program includes micro financing and training.

A graduate student from TAMK, Teemu Kuusimäki, was located in Kendu Bay for three months doing groundwork in early 2013. At this time in early 2013 I had also contacted AFF board member Peter Segersven in an effort to find a topic for my thesis. We had some meetings which quickly presented an opportunity to work with AFF to assist with this pilot project.

Based on our initial discussions, we originally planned to focus this thesis on the results of the first batch of micro loans dispersed to the participants. As a new project that is also funded by the Ministry of Foreign Affairs in Finland (FORMIN), the project needs to prove it can produce results. It was also decided that my presence in Kenya is necessary to be able to successfully integrate with the CBR team and to create tools to improve and start the pilot project.

I flew to Kenya in late April 2013 and started by planning the work to do with the CBR team. I partnered with Kenneth Okumu, who is the head of the livelihood component in the CBR program. During the first month, it became clear that we will be able to kick-start the pilot project by organizing initial trainings in entrepreneurship and get the first batches of loan applications for the micro financing component.

While working, it also became clear that the participating people will not be able to get to a point where they can start paying back the first loans during my stay in Kenya. We spent several weeks planning and organizing the aforementioned entrepreneurship trainings and also learned that these trainings are needed not just to increasing business skills of locals but also to help them understand what a micro loan is, how to apply for one and how it can help them get started.

This meant that the original plans to write a thesis about the results were not possible. Later while negotiating with AFF representatives, we made the decision to use this thesis to improve the training component in this employment project. A few reasons to reaching this decision are:

- This is the first time AFF has organized trainings of this level in the area
- The trainings are fairly expensive and it is necessary to maximize benefit for the money put into them
- The training included outside facilitators who can't be guaranteed to participate in all future trainings meaning that quality of facilitation could fluctuate later

By this time we had accepted eight groups in Kendu Bay and six groups in Kabondo to the pilot program. Five members from each group were invited to the initial trainings and in addition we also included two individuals from Kendu Bay as comparison to the groups. The total amount of invited participants was 42 in Kendu Bay and 30 in Kabondo.

I was given free hands to decide what to focus the thesis on. Together with the CBR team I drafted a sheet where the participants could give feedback on the trainings. I decided that once the first trainings are finished, I will use the feedback gathered and my own impressions and observations to decide how to proceed with the thesis.

#### **1.4 CBR**

While I was in Kenya, I was working with the AFF CBR team the entire period. This micro financing project also falls under the CBR program as stated earlier. The current CBR team is composed by five locals that work directly for AFF and are essentially employed by them. During my stay in Kenya, a local lawyer was in the process of drafting a working contract. Once that is completed and agreed to, the CBR team will become a more official partner for AFF regarding work legislation in Kenya.

The CBR model was chosen partly because it is widely used in Kenya. It was first started early 2012 and originally planned to last until March 2014. The five main components listed earlier support a wide variety of activities such as social mobilization, communication, self-help groups and health care (AFF 2011, Project Plan, 9-11). After

the employment project was started before and during my stay in Kenya, the amount of focus on the livelihood component grew substantially.

In many occasions, especially regarding the trainings, members focusing on other components worked to help me and Mr. Okumu with the employment pilot program. The CBR team has an office in the town of Oyugis which is located between Kendu Bay and Kabondo. This is a convenient location to work at due to having a relatively short commuting distance to both locations.

My own experiences about the CBR program as it functions right now are positive. It is providing full-time work for five people who are also getting a lot of experience in their field of expertise. The members are hardworking and manage their working time effectively. They don't spend too much time sitting in the Oyugis office and it functions more like a central hub of operation.

I also recommend AFF to give my partner, Mr. Okumu even more responsibility with the livelihood component than what he has right now. He proved a very reliable working partner and helped integrate me into the CBR team and also provided extremely valuable assistance when working with the pilot groups. If the employment pilot project is successful and continues to grow in the future, the CBR team and especially Mr. Okumu will need more assistance to be able to communicate and work effectively in the area of operation.

## **1.5 Methodology**

This is a functional thesis and is based on three months of daily work in Kenya. The work consisted of identifying, meeting and mobilizing target groups for the employment pilot program, developing selection criteria, budgeting, expense projections, creating of loan application-, evaluation- and attachment forms, organizing introductory training in entrepreneurship, creating of training material, meeting governmental partners, following up on trainings and evaluating business plans among others.

A large part of this work was planning and organizing introductory trainings together with the CBR team stationed near Kendu Bay. These trainings were organized to provide

participants in the pilot program information on how to plan and run a small business or start an income generating activity, IGA. The trainings were organized in collaboration with governmental representatives from the Sub-County offices of Rachuonyo North and Rachuonyo South.

The trainings provided first-time experience to AFF and the CBR team and this thesis is a result of feedback collected at those trainings. The overall feedback showed a positive atmosphere but also pointed out a need for further training and information in basic financial management and proposal development.

This thesis is a combination of a feedback analysis from the introductory trainings and an overview of a material package in the aforementioned topics of financial management and proposal development. The material package is attached to this thesis and can be used and printed out separately. I chose to separate the package from the thesis so that it can contain only the most important information in a compact layout and can be printed for participants in future trainings. The feedback analysis and background information is meant for AFF and the project organizers and it is irrelevant for the participating groups.

The material package is written completely by me. I decided to write the material myself because groups that are trained need something that they can read and refer to when attending to trainings or sharing information with their groups. They don't have access to internet or libraries and if they do, it's too expensive for locals to afford it on a regular basis. It is also difficult to find books that have practical and simple information that people with little education can understand. These findings were something I learned about during my stay in Kenya and interacting with locals.

## **2 TRAINING**

### **2.1 Introductory training in entrepreneurship**

AFF conducted an introductory training in entrepreneurship for five representatives from each group that was selected for the microloan pilot program. The number of members in all the groups selected for the pilot was over two hundred and the training venues in Kendu Bay and Kabondo could only hold 40 – 50 people at a time. Due to the limitations in size, I and the CBR team decided that we will invite five members from each group to participate in these trainings. The five representatives were to take the materials and lessons given at the training to train the rest of their group with the assistance of the CBR team.

The amount of trainees in Kendu Bay varied between 36 and 38 and the amount of trainees in Kabondo was a consistent 25. The trainings were held on following weeks and lasted four days in each location. After each day of training we passed a feedback sheet to each participant and the sheets were filled before they left the venue.

This was the first training that AFF had arranged and feedback was necessary to find out how well the participants understood different topics and how useful they considered the training. The feedback was also gathered to give AFF information on how to develop trainings in the future. Because the topics varied each day and there was a large amount of participants, it was decided to collect both numerical and verbal feedback on different areas.

The feedback sheet was anonymous and asked participants to numerically evaluate each topic of that day in relevance, objective achievement, effectiveness, facilitator presentation and usefulness of handouts given. The participants were asked to evaluate each area with a scale from one (1) to four (4) where 1 = excellent, 2 = good, 3 = average and 4 = poor. In addition to numerical evaluation, the participants were asked to decide was the time allocated for each topic short (S), enough (E) or long (L).

The numerical feedback was averaged and compiled into separate tables for each day of training by me after both trainings had finished.. The numbers were collected in order to give AFF information on how to develop specific areas or topics for trainings in the future.

Because the numerical feedback was averaged, we also included sections for written feedback in the sheet. The decision to collect written feedback was made so people could voice their opinions clearly and to provide comments on the positives and negatives of the trainings. It was more precise than the numerical feedback and its purpose was to point flaws or things that needed to be improved during or after the trainings and to help us understand how the participants perceived the atmosphere during the trainings.

## 2.2 Numerical feedback

The following charts present a sheet from each day of training in both venues. The numbers in these charts are averaged from all the collected feedback of each day. The amount of participants and answers varied between 34 and 38 in Kendu Bay and 24 and 25 in Kabondo. The first column shows the topics of each day in the order they were covered. The first row describes the evaluations for the participants.

Day 1	Relevance / usefulness of the topic	Achievement of stated objectives	Effectiveness i.e. command of the subject	Presentation skills of the facilitator	Usefulness of handouts given	Time allocated for the topic
Introduction	1,5	1,7	1,5	1,6	2,3	E
Overview of the week	1,6	1,9	1,6	1,5	2,4	E
Defining of OD, its focus and components	1,5	1,7	1,6	1,6	2,3	E
Defining IGAs, their objectives and identification	1,4	1,6	1,7	1,7	2,0	E

CHART 1. Day 1 of training in Kendu Bay

<b>Day 2</b>	Relevance / usefulness of the topic	Achievement of stated objectives	Effectiveness i.e. command of the subject	Presentation skills of the facilitator	Usefulness of handouts given	Time allocated for the topic
Recap of the previous day(s)	1,8	2,0	1,8	1,5	2,3	E
Organization / IGA cycle	1,7	2,0	1,9	1,7	2,6	E
The big 5 key points in choosing IGAs	1,6	1,8	1,9	1,7	2,3	E
Operation and marketing factors in IGAs	1,9	2,1	1,9	1,8	2,4	E

CHART 2. Day 2 of training in Kendu Bay

<b>Day 3</b>	Relevance / usefulness of the topic	Achievement of stated objectives	Effectiveness i.e. command of the subject	Presentation skills of the facilitator	Usefulness of handouts given	Time allocated for the topic
Recap of the previous day(s)	1,6	1,8	1,6	1,6	2,3	E
Practical capacity assessment tool on OD	1,9	1,8	1,9	1,7	2,4	E
Sources of capital for operating an IGA	1,5	1,8	1,8	1,5	2,1	E
Planning for an IGA & costing categories of IGAs	1,6	1,8	1,8	1,6	2,4	E

CHART 3. Day 3 of training in Kendu Bay

Day 4	Relevance / usefulness of the topic	Achievement of stated objectives	Effectiveness i.e. command of the subject	Presentation skills of the facilitator	Usefulness of handouts given	Time allocated for the topic
Recap of the previous day(s)	1,6	1,7	1,7	1,5	2,3	E
Cash control, allocation of cash and management of risks in IGAs	1,7	1,8	1,7	1,8	2,3	E
Financial sustainability / proposal development	1,8	1,9	1,7	1,9	2,5	E
Proposal development	1,9	2,0	2,1	1,9	2,6	E
Action plan	1,6	1,7	1,7	1,7	2,4	E
Workshop evaluations	1,6	1,5	1,7	1,3	2,4	E

CHART 4. Day 4 of training in Kendu Bay

Day 1	Relevance / usefulness of the topic	Achievement of stated objectives	Effectiveness i.e. command of the subject	Presentation skills of the facilitator	Usefulness of handouts given	Time allocated for the topic
Introduction	1,6	2,0	1,5	1,7	1,5	E
Overview of the week	1,5	1,8	1,7	1,7	1,5	E
Defining of OD, its focus and components	1,6	1,8	1,4	1,5	1,4	E
Defining IGAs, their objectives and identification	1,2	1,8	1,6	1,5	1,3	E

CHART 5. Day 1 of training in Kabondo



<b>Day 2</b>	Relevance / usefulness of the topic	Achievement of stated objectives	Effectiveness i.e. command of the subject	Presentation skills of the facilitator	Usefulness of handouts given	Time allocated for the topic
Recap of the previous day(s)	1,5	1,8	1,6	1,8	1,5	E
Organization / IGA cycle	1,5	1,8	1,6	1,6	1,4	E
The big 5 key points in choosing IGAs	1,5	1,7	1,6	1,6	1,5	E
Operation and marketing factors in IGAs	1,5	1,6	1,6	1,7	1,8	E

CHART 6. Day 2 of training in Kabondo

<b>Day 3</b>	Relevance / usefulness of the topic	Achievement of stated objectives	Effectiveness i.e. command of the subject	Presentation skills of the facilitator	Usefulness of handouts given	Time allocated for the topic
Recap of the previous day(s)	1,5	2,0	1,8	1,5	1,9	E
Practical capacity assessment tool on OD	1,6	1,7	1,7	1,4	1,7	E
Sources of capital for operating an IGA	1,5	1,8	1,7	1,4	1,9	E
Planning for an IGA & costing categories of IGAs	1,4	1,7	1,6	1,6	2,0	E

CHART 7. Day 3 of training in Kabondo

Day 4	Relevance / usefulness of the topic	Achievement of stated objectives	Effectiveness i.e. command of the subject	Presentation skills of the facilitator	Usefulness of handouts given	Time allocated for the topic
Recap of the previous day(s)	1,6	1,9	1,9	1,5	2,1	E
Cash control, allocation of cash and management of risks in IGAs	1,7	1,8	1,6	1,6	1,6	E
Financial sustainability / proposal development	1,6	1,7	1,6	1,6	1,7	E
Proposal development	1,8	1,7	1,6	1,6	1,7	E
Action plan	1,6	1,7	1,7	1,5	1,6	E
Workshop evaluations	1,6	1,8	1,5	1,4	1,7	E

CHART 8. Day 4 of training in Kabondo

### 2.3 Conclusions on the numerical training feedback

The first and most obvious conclusion of the trainings were that the participants were satisfied with the length of each topic and session. Every topic on every day in both venues had an average of “enough” regarding time allocated for the topic. The sessions for each topic lasted about 2 hours and 15 minutes and the feedback indicates that the participants perceived that length suitable for each topic.

Another general conclusion can be made about the overall satisfaction about the trainings. No single area scored between “average” and “poor” in either venue or any day. The lowest numerical feedback were two scores of 2,6 which are between “good” and “average”. Both of these scores were given in Kendu Bay regarding usefulness of handouts.

The handouts were also a clear differentiator between the participants in Kendu Bay and Kabondo. All participants in both locations were supplied with notebooks and pens at the beginnings of the trainings. Some topics included additional handouts in the form of printed assignments, pictures or blank forms. The handouts in Kendu Bay and Kabondo were the same but the feedback regarding handouts was more negative in Kendu Bay than

it was in Kabondo. Every score between “good” and “average” in the feedback from Kendu Bay was regarding handouts and in Kabondo there was only one result where handouts were not rated at least “good” by the participants.

In Kabondo there were several opposing instances where handouts were given an average score of 1,4 and 1,5 placing them more close to “excellent” than “good”. After the trainings were completed we discussed this with the CBR team. We came to a consensus that the age of the participants must have played a role in this difference.

The participants in Kendu Bay were mostly youth and between 20 and 30 years of age. In Kabondo all participants were parents and village elders who were in many cases representing children or young members in their group who couldn’t make it to the training venue due to school or the severity of their disabilities.

The older participants were distinctly more satisfied and happy about the trainings overall. They gave more scores that were better or around 1,5 than the participants in Kendu Bay. In Kendu Bay there were no scores that were better than 1,5 and the average result of all Kendu Bay feedback is 1,8 which is still between “excellent” and “good”. The total average from Kabondo is 1,6 and my own observations about the atmosphere there was confirmed by the more positive result. The participants there organized prayers and songs between sessions themselves and based on my perceptions seemed to enjoy the trainings more.

Overall the training was perceived as positive and although there were small differences between Kendu Bay and Kabondo, the numerical feedback indicates that there aren’t any single areas that need lots of improvement. The youth in Kendu Bay do need more rationalizing about the purpose of handouts though. Some face to face discussions with the trainees revealed that some of them thought originally that they would be getting a monetary allowance for participating even though they had never been told so by us. They were only reimbursed for their transport to and from the venue and some were disappointed about this until we rectified this misconception.

## **2.4 Written feedback**

Due to the large amount of written feedback and because it has already been provided to AFF prior to this thesis, I decided to leave out the breakdown of it. This section will provide a summary on the most important points that the written feedback brought forth. The written feedback was composed of an empty section for open feedback or comments and four questions that were:

1. What have you learned?
2. What were the positive aspects of the day?
3. What were your dislikes of the day?
4. What would you improve?

### **2.4.1 Day 1 of training**

A noticeably large amount of positive and encouraging feedback was given regarding facilitation and the style of learning. The facilitation and facilitators were considered professional and encouraging and their way of interacting with the participants was thanked several times in the forms and face to face after the sessions. A small difference between day one in Kendu Bay and Kabondo was in the fact that the youth in Kendu Bay thanked the style of facilitation and the participants in Kabondo commented on the personalities of the facilitators.

My own observations were the same: the facilitators were not school teachers but instead people who work with locals on a regular basis and know how to work with them. They were very expressive, lively and changed their intonation between almost whispering and shouting aloud. I would probably feel a little uncomfortable if Finnish teachers or coaches were as lively as that. The participants seemed to love it and were eager to ask both the main facilitators, the other organizers and me further questions on different topics.

In addition to the facilitators, people also gave positive feedback about the style of learning. The different topics had a various amount of handouts such as pictures or forms, and in many cases the handouts were given to groups that participants were divided into for group tasks. The feedback indicated that not only did people like group work but they

also felt that it gave them opportunities to share and gain new ideas from their peers instead of listening only to the facilitators.

Based on comments and replies to the questions, the topic that people felt they learned most in was Income Generating Activities or IGAs. This individual topic was by a good margin the most commented area in the written feedback and many comments thanked the facilitators for using a printed picture and a story to explain what IGAs are.

While helping the facilitators and groups during this topic, I noticed that group work helped bring this topic (and later others) to the same level with the participants. They got into enthusiastic discussions with their peers and reflected ideas that they then shared with the rest of the audience and the facilitators. This in turn got other peers to reply and comment bringing the learning to a very active and participating way instead of just listening to a teacher or in this case the facilitator of each topic.

I learned that this didn't just help the participants to understand the topic but they also started to think during the training about possible IGAs that they and/or their groups could do in the area. When these trainings were planned by the CBR team, me and AFF, one main objective was to make the trainings as useful and practical as possible because the trainings are part of the microloan program and not just training for the sake of training. In my opinion the methods used to interact with the participants and to cover different topics worked very well towards that objective.

Overall the positive feedback regarding the facilitation and topic of IGA was more numerous than negative feedback or constructive criticism. The positives distinctly outweighed the negatives meaning that from the participants point of view the training had started well and it was moving towards the objectives that AFF and us as the organizers had for it.

One thing that caught me by surprise more so than the CBR team was issues with time management. This was also noted several times in the feedback and was the single most common target for constructive or even negative criticism. The written feedback had a mix of positive and negative remarks about time management.

A majority of comments about time management told us to be stricter with the schedule and many noted that it was participants being late that forced us to start later than planned. Some participants didn't mind sessions starting late or the day dragging past the planned finishing time though and even commented like this: "excellent work on time management and the entire management team".

The feedback did have more critique towards time management than positive comments such as the quote above. Most of this critique was directed at overall time management meaning that the days topics and timetable didn't hold and both started late and also went on later dragging the whole first day past the planned ending time. Most of this was due to two reasons. The first one being that at the original starting time, there were less than half of the participants and we didn't want to start because of the composition.

The participants consisted five members from each group that AFF had chosen for the pilot program. At the starting time of day one there were groups that didn't have any representation yet, and we as the organizers made the decision to wait for more participants to arrive. This decision was done because without representation, some groups could be completely left out of a topic or the participants might have difficulty reflecting a topic to their group without the introduction to said topic.

The second reason for the problems with time management was more of a cultural trait than something we could try to fix. I had earlier learnt the meaning of "African time" which refers to many African cultures being more relaxed regarding timetables, agreed meetings and time in general. This became obvious to me as even government representatives whose transport and participation to the venue was paid arrived 30 minutes to an hour late. These government workers were invited to open the training because AFF is cooperating them with this project.

As mentioned earlier, despite critique towards time management, there were also comments reflecting satisfaction on time management. We did however decide during the first day of training to take some steps to improve on this area in the following days. One step was to invite the participants to arrive fifteen minutes earlier in the future in the hope of having more participants at the planned starting time so that we wouldn't need to wait past the starting time. Another step was to allow some flexibility regarding the topics and covering them. If the time slot for a topic seemed too short, we decided to include parts

of it in the recap session on the next day's morning which was the first section of each day.

Overall the written feedback confirmed the numerical feedback and my own observations. The trainings got off to a good start and the topics were covered in a practical way helping the participants understand and reflect on them. Our most important topics of day one, IGAs and Organizational Development (OD) both got positive comments especially regarding the understanding of the concepts.

The issues and points of critique from the participants were minor and not related to the facilitation or topics but rather practical arrangements and time constraints. We took steps to improve from these comments but also expected that due to the cultural conception of time and only four days to cover all the topics planned, it would be difficult to eradicate this issue. A few comments were directed at the venue and food that was served and we discussed these with the manager to improve them for the following days.

#### **2.4.2 Day 2 of training**

The second days topics in both Kendu Bay and Kabondo consisted of different areas of IGAs as can be seen in charts 2 and 6 in the previous section. This was also heavily reflected in the written feedback. A large amount of comments indicated that participants felt that they learned a lot in this area and were evidently satisfied with the practicality of the topic.

The IGA topic that got the most positive feedback was about the 5 key aspects of choosing an IGA. These aspects were brought to a local level and instead of talking about "marketing" as a topic, the facilitators brought it down to a practical level and gave the participants examples on how to do a simple survey in their village to find out if the IGA they are planning is viable. This practicality helped the locals understand the topics. Activities that they want or could do in the locality where they live in are possible as long as they are planned and considered from different angles.

I had some face to face discussions with the participants during the day at both venues and many of these discussions revealed that people had preconceptions of the training

being like going to school and listening to a professor. They told me that they were happy that the facilitators were people who work with locals on a regular basis and know what life is really like for them. This helped participants to relate to the facilitators and convinced them that we aren't there trying to prove our worth but to help them help themselves.

A second positive notion from the feedback was that people were clearly happier with our time management than they indicated in the comments on day one. There were still some comments noting that we could be more punctual, but this time there were also a good amount of feedback about the sessions flowing better and being on time. The feedback indicated that the steps we decided to take during day one paid off and improved the situation regarding time management and being late.

On the other hand while people enjoyed the schedule holding better and the day's topic IGA, there was some feedback about time allocation for the subtopics. This was namely directed at the fourth topic, operation and marketing factors of IGAs. As it was the last session of the day and people started to pack up to go home, this reflected in the feedback. Other participants who were not in a hurry to finish commented on this topic being too short and needing further elaboration.

The second day also had a clear differentiator between the venues. In Kendu Bay participants commented on the tea that was served in the morning and many said that they were disappointed at the way serving tea and sugar was handled. Feedback from Kabondo was the opposite. Several comments indicated satisfaction with the quality of food and the day's meals in general. While this feedback wasn't directed at the topics or sessions, we did listen to people and in Kendu Bay we asked the venue to handle meals and tea-time better in the future.

The participants in Kendu Bay also wrote several comments asking us to raise the amount of transport allowance we provided to them. The reason for this feedback was that many had originally thought that they would be getting sitting allowance i.e. we would pay them just for attending. Since they didn't receive sitting allowance and were only paid for transports after day one, they wanted us to raise that sum. We addressed this issue the following morning before starting the sessions.



It was a misconception that didn't originate from us as the organizers. We made it clear that AFF is already providing them with an opportunity to get help with starting their own businesses or IGAs and organizing training to increase their skills and chances of succeeding. In my own opinion this also comes back to the fact that people in Kendu Bay have gotten used to the fact that foreigners and NGOs often provide them with various allowances without expecting much in return. I learned about this while living in the area.

Despite the twofold feedback in Kendu Bay, my own observations of day two were positive. The participants in Kabondo didn't have the same misconceptions about handouts as the ones in Kendu Bay. We also still had some time management issues, but I felt that we had improved on the situation and the written feedback indicated that the participants felt the same. The most important area of the day was IGAs and a vast majority of positive comments was directed at learning about IGAs. The facilitation was still of good quality based on the feedback and I was also enjoying it more. People were also happier after day one because we had asked the facilitators to use the Luo language people in that area speak more and they did.

Using Luo made it more difficult for me to follow some of the topics and I used the present CBR members to translate some of the lessons to me. It also gave me the opportunity to observe the atmosphere like an outsider. After day two I felt even better about the facilitators and learning methods than I did on day one. During a few sessions the whole room that had about 50 people including the participants, facilitators and organizers, felt like a giant dialogue ring where everyone is bringing something to the table.

### **2.4.3 Day 3 of training**

The third training day in Kendu Bay resulted in a lot of negativity and feedback regarding the food served at the venue. The comments said that the food wasn't good, it wasn't well cooked and one comment even said that fish served was rotten. As mentioned in the rundowns of the previous days, we had gotten some feedback regarding the food or serving at Kendu Bay. That feedback however was just general dissatisfaction about the food or serving and not as numerous as the third day. During the third day we also got face to face feedback regarding the food.

This prompted us take action and we explained to the manager of the venue that if this continues, we will not be paying the venue the whole sum that had been agreed upon prior to the training. Uncooked or rotten food is unacceptable and we told them that this is a clear issue. They promised to rectify this issue on the last day of training.

We also continued to get some feedback regarding time management but as on day two, the amount of feedback about this area was decreasing in number. Most of it was directed at the amount of time allocated for the topics of the day. My own thoughts about this issue are twofold. Firstly I understand the participants wanting more time for the topics because the topics are important for the success of their future businesses or IGAs and they could benefit from as much information as possible.

On the other hand the trainings are not cheap to arrange and will need to be repeated in the future with new groups joining the microloan program. AFF is not a school and has limited resources. The purpose of these trainings was to improve basic skills and understanding in business for the groups selected for the program. Some training is definitely necessary but needs to be limited or AFF and its staff will become overwhelmed.

So in my opinion despite the feedback about time management being relevant, it was something we had to overlook and stand by our choices to decide which topics and areas we want the participants to learn about. Improvements to the topics and areas of training will be done based on the experiences and feedback of the first training. The program needs to be able to improvise and improve along the way and everything can't be planned ahead.

Despite the food issues in Kendu Bay and some feedback regarding time management, we received more positive feedback about the overall satisfaction about day three. The participants in both venues wrote that they are thankful to AFF for organizing the training. The written feedback also showed gratefulness towards facilitation and, particularly in Kabondo, the whole process of learning more about managing a business received comments.

Another positive thing of the day was that people wrote that they learnt about proposal writing. It was brought into the training after original plans and took some time from other topics. We decided to include proposal writing as the applications that the groups in the pilot project would need to provide AFF with included a proposal or business plan.

Prior to the training I and the CBR team had designed a proposal template to assist the groups with, and we used that template as a basis to introduce written planning of businesses to the participants. We also later provided each group with empty templates that they could fill in. This template provides the evaluating board of AFF a convergent tool to provide detail about the plans of different groups and helps them analyze whether the plans are realistic and sustainable.

Some comments from day three also asked us to add more time for proposal writing and go more in-depth on the topic. The fourth and last day of these trainings continued on this topic but this written and some face to face feedback prompted me to write a guide on the AFF proposal template. This guide and an empty template is part of the attachment to this thesis and will be covered in chapter four.

After observing these trainings for the first three venues, I arrived to a few simple conclusion. The youth groups in Kendu Bay have a very different mindset from the mostly older participants in Kabondo. They expect more handouts, better food and want us to give more than what we were doing. In turn the participants in Kabondo only complained about practical issues such as dirty latrines and were more satisfied with the fact that we provided these trainings at all.

Wants and expectations of the participants is not something that can be easily changed. However with the youth groups we need to be more specific about the purpose of the trainings. AFF also needs to spend time with all participating groups to make sure that they understand that it isn't an event that people can come to sit at and earn money and other handouts without doing anything.

AFF already provided participants with transport allowance to cover their costs. After staying and commuting in the local area with the same methods as locals for three months, I consider the transport allowance that was paid enough or in some cases even too high. It is necessary because many participants live by the day and might not be able to come

without any assistance. I also learned to understand that it's necessary to pay a fixed sum to each participant to avoid issues with jealousy and other problems. The participating groups split up their transport allowances and it would be unfair if one group would get more to split than another.

#### **2.4.4 Day 4 of training in Kendu Bay**

The fourth and last day of training included an official ending to the training with some government and CBR representatives. This was marked in the schedule but at both events went on longer than planned. Thus we decided to ask the participants to not fill in answers to the questions and only write comments of the day if they wish to do so. Every day of training some people said that they want to get home earlier and we decided that we had received plenty of feedback of earlier days and single comments would suffice as written feedback for the last day.

The written comments for day four in both venues were very similar. The largest amount of feedback was gratitude towards the training as a whole. In these comments participants thanked both the facilitators, organizers and AFF for organizing the training and educating them on different topics. The last comments also mentioned that we should continue to organize further trainings in the future for these participants or other groups. The overview of this feedback indicates that even though we had some issues with time management, food and handouts, the participants were still very grateful for the trainings and had their hopes up for a better future.

The second common feedback was the fact that many participants wanted more training especially with proposal development. As mentioned in section 2.4.3, feedback from the venues affected my decision to make part of my thesis as a guide to help the participants now or in the future to write their proposals. At this point I also decided that to make it as simple as possible, I will separate some sections of this thesis into an attachment which can be distributed as a separate file or printout to groups that AFF is working with.

After the last days of training I started thinking about the future and came to the conclusion that despite not being able to provide longer trainings, I still recommend AFF to continue organizing introductory trainings to groups that join the microloan program.

Many of the participants and group members I met heard about things like IGAs and proposals for the first time in their lives. Providing even a little information in business basics is key to achieve the goal of this project: to help them help themselves.

In addition to this recommendation, the numerical and written feedback and face to face discussions with participants helped form a picture of the next necessary steps regarding training these or new groups. My decision to write a guide to understanding AFFs proposal template was based on feedback. This guide explains what each section means and why AFF needs this information.

Another area of interest was financial management. There was little feedback regarding it as a topic because it wasn't one of the topics at these trainings. It was however several times mentioned face to face to me, the facilitators or the CBR team. After not including financial management in the first training and getting feedback about people not being comfortable understanding it very well, we decided to organize a one day training in financial management later.

These trainings were organized and held in both venues some weeks after the first trainings had finished. I wrote the material for those trainings myself based on literature, past experiences, studies at Tampere University of Applied Sciences and experiences while staying in Kenya and working with the locals. The financial management materials are a part of the attachment package that also holds the proposal guide and template.

### 3 FINANCIAL MANAGEMENT MATERIALS

During the first training that didn't include the topic of financial management, we received both oral and written feedback indicating a need for training on financial management. Different topics, especially IGAs, brought up simple terminology such as "income", "loan" or "investment" that the trainees had difficulty understanding and had to be explained before proceeding with the trainings.

During these explanations we entered into open discussion with the trainees and these discussion revealed that more than half of the trainees were unaware of the meanings of some terms that were used and never actually wrote down or monitored their sales or expenses when doing daily business. The lack of understanding of the concepts and management also meant that many of the trainees and their respective groups were not able to make financially sustainable decisions.

The trainers we partnered with for the first trainings didn't go into this topic nor did they have material that we could use. Learning material is also difficult to get for the trainees because Kendu Bay and Kabondo are poor areas and the closest encompassing libraries are hours away in Kisumu or Kisii. The trainees or residents in those areas can't afford computers or regular internet access to read and study about these things themselves.

We decided to include the topic of financial management in the initial trainings. We based this decision on the lack of available material, the distances and costs to study this topic by oneself, the trainees' lack of education in this topic and the written feedback we collected from the trainings.

Since the first training had been finished, we arranged one day trainings on financial management in both localities before I had to fly back to Finland. I offered to facilitate the trainings because I felt confident in that topic as at the time I had been doing bookkeeping, invoicing and financial planning for the past two years while studying and working with my teammates in a cooperative in Tampere, Finland.

The trainings I facilitated covered five topics in financial management. Each topic is arranged in the same manner and the training sessions followed this structure. First I introduce the idea, then give a definition of the topic, which is followed by discussion and

then a group task to give a practical view to participants. I chose this structure because from past experiences and feedback from the first trainings, I learnt that many participants had no knowledge of even the basic things such as what is the meaning of income.

The combination of definitions and group tasks helped me organize the actual training sessions. After going through a brief description and discussing it with the participants, I gave them a group assignment which they completed together with other members from their youth groups or groups of people with disability. During the assignments I and the CBR team members moved from group to group answering questions and helping the groups discuss the tasks.

All group assignments are written and designed by me and each assignment reflects what a local small business could realistically be doing. I designed the assignments based on my own experiences with local business owners. Each assignment is imaginary but portrays what could be a real business. The prices in the assignments are the same as they would be in reality.

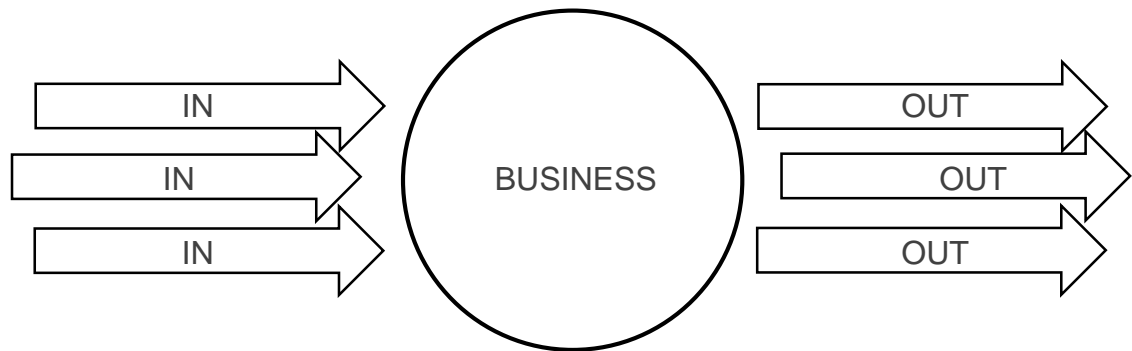
I made the decision to design the assignments myself for two reasons. Firstly they were used as learning material. I used print-outs out of the assignments to help teach participants about the topics we were going through. By designing the assignments myself, I could form them in a shape or length that is printable and can be handed out to the trainees.

Secondly I felt that to be able to bring the topic as close to the participants as possible, I needed to have assignments that they could relate to. Most case studies that I was reading about in various books about were about medium or large companies in the US and Europe. Multimillion dollar organizations in completely different circumstances would not provide the participants in a poor living environment in Western Kenya something they could relate to.

While the assignments focus on the local area in Western Kenya, they can be modified to any other area by changing the prices, currencies and names. The point of this is for AFF to be able use these materials in any context later with only small modifications without the need to redesign the material package or assignments.

### 3.1 Background Information

I started the material package from the very basics and attempted to keep every topic as simple and close to the participants as possible. This was due to oral feedback received at the first trainings and based on meetings that I and the CBR team had done with the participants prior to the training. This first section also introduces the following picture for the first time:



I used this picture throughout a few sections in the material package as a tool to illustrate what the different words or topics meant and how they affect an enterprise. The image here illustrates a potential or existing business. The circle is the amount of money it has and the arrows portray incoming and outgoing money. The image helped me to explain what I was talking about.

After a brief description and discussion about different sources for incoming money, I gave the participants one definition of income: “Income is money or its equivalent, earned or accrued, resulting from the sale of goods and services” (Gale, Cengage Learning 2012, *Business Plans Handbook* vol 22, 355). With the definitions in the materials, I used direct or only slightly altered quotes from my source material. Financial definitions are usually not very flexible and always mean the same thing even in different context.

After the definition the material introduces the first group task. It is a simple question about income sources for the participants and their groups. This task was used to further help participants understand what income is. With the groups, most answers would include sales, donations, salaries and group shares. Once the groups finished their answers, I went through each answer with the whole participating audience.



Part two of the first topic contains costs and expenses and are represented by the arrows pointing out from the circle. As with the first part, the materials start with a few examples and a discussion about these examples. After the initial discussion I briefly explain that costs can be separated into fixed and variable costs and then gave a definition on both:

“Fixed costs are costs that you must pay regardless of how well you do. They don’t vary much from month to month. This includes rent, insurance and other set expenses.” (McKeever 2007, *How to Write a Business Plan*, 37).

Variable costs are sometimes called costs of sales. “This is your direct cost of the product or service you sell.” (McKeever 2007, *How to Write a Business Plan*, 103). After discussing about costs, the material contains group tasks 2 and 3. The first one is a repetition from part 1 and is a simple question asking the participants to list different types of costs that their groups have.

Task 3 is a form asking groups to allocate ten words or short definitions into income, fixed costs (FC) or variable costs (VC). The words or descriptions can be placed into one or more of the three options. After deciding what it is, the form contains a few lines where participants can give reasons for their answer. This task combines both parts from the first chapter and works as a recap-task for the participants.

### **3.2 Bookkeeping**

After going through the basics of income and costs, the next chapter proceeds to introduce a starting point for bookkeeping. This section introduces the idea but doesn’t go further into things such as account variables because I felt that this would simply be too much for the participants. I aimed to give a tool that they could understand how to use and going further into this topic would confuse participants.

The bookkeeping section introduces the concept first from a costs point of view and then an income point of view. After that it combines both into a rudimentary example of bookkeeping. Participants can use this as a basis to learn how to write their respectable costs or incomes down.

During the financial management trainings facilitated by me, we distributed new ledger books to each group. Instead of the charts in the material package, we used a page from the ledger book for the group tasks so that participants could at the same time learn about both the idea behind bookkeeping and practice how to write their own books. This approach was received by a lot of positive verbal feedback.

The feedback and practicality of using a real book instead of a printed chart is something that I recommend AFF continue doing in the future. For many groups this was the first time they saw a ledger book and after the financial management training, they are capable of filling it. They can then continue to use it with their own businesses or groups. This gives them a good start on following their cash flow in real time.

### **3.3 Revenue, deficit and profit**

The third chapter goes introduces more basic terminology. The later chapters include new words and I chose to write one chapter about revenue, deficit (loss) and a profit or loss forecast. As with previous definitions, these are almost direct quotes from the respective literature because these terms won't change in a different context.

“Sales revenue consists of the total money from activity that you bring into your business each month, week, or year.” (McKeever 2007, *How to Write a Business Plan*, 37)

“An excess of liabilities over assets, of losses over profits, or expenditure over income” (Lico Reis 2012, *Dictionary of Financial and Business Terms*, 37)

“A profit and loss forecast is a projection of how much you will sell and how much profit you will make.” (McKeever 2007, *How to Write a Business Plan*, 102)

Another reason for using the same chapter to introduce these three is the included group task number 7. The task combines the new terminology in a simple case analysis. As with previous tasks, this is about an imaginary organization. It's about a Safari company that has some problems with finances and the participants are asked to give suggestions how they would improve the situation. This task goes further than previous assignments and

instead of a simple repetition of the topic, it asks the participants to go deeper and consider pros and cons for their suggestions.

It also doesn't have specific right or wrong –answers and gave me the opportunity to discuss the listed ideas and their benefits or shortcomings with the participants. Any other facilitator can do the same and depending on the schedule and needs, this topic can be made short or long. I planned the section this way so that AFF can decide whether this topic is a priority when facilitating further trainings in financial management.

### **3.4 Financial planning**

This chapter starts with a definition of what financial management does: “Financial management, focuses on decisions relating to how much and what types of assets to acquire, how to raise the capital needed to buy assets, and how to run the firm so as to maximize its value.” (Bringham Houston 2009, Fundamentals of Financial Management, 30). Even though financial management isn't the same thing as financial planning, they are part of the same process and I wanted to include a definition of financial management because that is the whole topic of this training.

I go on to explain what the planning process means. According to Brealey, Myers and Marcus (2001, 82-83), financial planning is a process where future choices regarding investments or finances are analyzed, deciding on the paths to take based on projections about the future and consequences of decisions, setting goals for the future and measuring performance against those goals.

The participating groups in the first and future training come from different circumstances and some already have ongoing business while others are looking to start an IGA. I designed the next group task (number 8) based on this and asked groups to discuss what of these functions are most relevant to their respective groups. Once they had answered the question, we went through the answers for all participating groups. This gave several perspectives to the same topic and, in my opinion, caused some very interesting discussing and debating among the participants.

This section and its group task was very short. I included it rather to give participants ideas on where to start when planning their own businesses or IGAs than to give a deep understanding of the topic. Further training in this and other topics would in my opinion be beneficial to the participants but as mentioned earlier in this thesis, AFF is not a school and has limited time and money and training is one component in the microloan program that they have started.

### **3.5 Budget**

The fifth and last section in the financial manage package handles budgeting. The definition: “a detailed schedule of financial activity, such as an advertised budget, a sales budget, or a capital budget” (Lico Reis 2012, 17) precedes my own explanation in this section. After defining what a budget is, the material package gives a few examples about where to start i.e. fixed and variable costs.

The most important part of the last section is an example budget I drafted myself. It is an imaginary printing company with costs and revenues that are similar to a printing shop I visited in Kendu Bay. This example goes through a few basic fixed costs, variable costs and some revenues that are typical to a local printing shop. It also includes separate columns for budgeted, actual and difference to give an example how to follow up on a budget.

The last group task, number 9, has seven questions that ask participants to analyze the budget. This task brings together the terminology from the previous sections. The questions are open and don't have specific correct answers. I chose open questions so the participants could express their views and learn from other participants who might have different answers.

In the training it worked well and caused some debating and controversy. I consider this a positive thing because in a few other tasks the more quiet participants would just copy the “correct answers” into their notebooks or printed assignments. The participants ended up asking a lot of questions and seemed to understand that the point of a budget isn't just to put numbers into a sheet. They also learned to put a budget into perspective as it can show an outsider a lot of information about a project or a certain timeline.

## 4 PROPOSAL MATERIALS

The CBR team and I designed a proposal template before the introductory trainings. This template was shared with a few groups and two individuals from Kendu Bay who were by that time selected for the microloan pilot program. The first groups and individuals who got the template were used as a test group to see if the template was easy enough to understand and if it was self-explanatory.

When we collected the first templates back from the test group, it was evident that there was a need for clarification and information regarding this template. The returned template had some fields that were left empty and some that were just covered with N/A meaning Non Applicable. This meant that the template was not clear enough and required improvement.

We proceeded to add a section for proposal writing in the introductory trainings and introduced the template there to all groups including the ones that were not part of the test group. Oral and written feedback from the introductory trainings indicated that the time spent and materials passed during the topic of proposal writing was not enough for the participants.

This and the unsuccessful testing prompted me to write a guide to help participants understand and fill in the proposal template. Because the template was not a copy from a book or download from the internet and required information necessary to the AFF microloan program, I wrote the guide myself and used our template as a reference point in each section of the guide.

A unified template is necessary to share information to the decision makers of the microloan program. Some of these people are located in Finland and they need to be given information about the applicants. Because reliable communication from Western Kenya to Finland can be difficult to achieve, a written and unified template was chosen to pass necessary information. I wrote the guide to ensure that all participants would be able to fill this template and provide the necessary information for AFF decision makers.

The guide is part of the material package that is attached to this thesis. It can be printed separately or as part of the attachment package to all necessary individuals or groups that AFF is dealing with in the pilot program or in the future. An empty template is at the end of the guide and each chapter in the guide refers to the same section in the template. Any reference in this part of the thesis refers to the attachment material package and its respective sections under the same headline.

#### **4.1 Background information**

The first section begins by asking the groups to fill in basic information that gives a quick overview on the project. This includes the name of the group (or individual), a title name, quick summary and time-frame. It also asks the group that is preparing the proposal to name the person writing it and three contacts that AFF and the CBR team can use to communicate with.

The purpose of the first page is to give information that can be glanced through to quickly find what the proposal is about, who is behind it and who can be contacted with questions or requests. The first section also includes an example to give the person(s) filling the template an idea what type of information AFF is looking for.

#### **4.2 Project summary**

The original test group had difficulty filling part 2 - the project summary. Later I and the CBR team edited the template to have questions instead of an empty field. The questions ask the participants to give information on why they are planning that project, what they are going to do, how are they going to do it, who will be doing it, where it will be done and how long will it take. Answering these questions provides the same information as a short summary and the questions are in an easier form.

### **4.2.1 Project background**

The governmental representatives of Rachuonyo North told us in a meeting that they have provided similar loans as AFF is doing in this project in the past. They also said that the groups that have been able to repay those loans are groups that have experience and who have been trained. This information meant that to be able to estimate the viability of a project, AFF needs to know if the group in question has prior experience in similar activities.

Section 2.1 asks the group to tell us if the project they are planning has any kind of history and do they have references. We also added a question about research such as a feasibility study. Not having references or experience does not mean that AFF will reject the loan but it means that the group in question needs to plan ahead and depending on the project, they should do a feasibility study. Feasibility studies were discussed in the introductory trainings with participants.

### **4.2.2 Project objectives**

One of the CBR team components and goals for AFFs microloan program is improving livelihood for people in the local community. Groups and individuals that AFF is working with have different kinds of backgrounds and their living circumstances vary. The subsection for project objectives asks the group to write what they want to achieve with the project in question. These objectives can vary but it is important for AFF to know what they are supporting.

## **4.3 Project methodology**

Section 3 in the proposal guide is composed mostly by examples to help the groups fill in the template. The questions in the template are self-explanatory and ask the writers to give information the people, team or cooperation organizing the project. This section also includes a breakdown on the work and estimating the task times.

The purpose for these questions are to give AFF more detailed information about the people who are actually going to do the project. A fifteen person youth group might be planning a farming project that requires only five of them to work on and this information affects the financial calculations that come later in the proposal template.

The last part of the methodology asks the group or individual to explain what deliverables are attached to the project. I added an explanation about what tangible and intangible goods are because during the introductory training, people asked what they mean. Intangible is something that can't be touched such as a service and tangible being a physical good such as a pineapple.

#### **4.4 Risk management**

To evaluate the whether a planned project will succeed, AFF needs to see that the people planning the project are aware of risks that the project could face. Risks are always estimates but there are certain similarities with typical projects in Western Kenya. Farming projects in general have two common problems: drought and diseases. Chicken farmers need to vaccinate their chicken or they will die without making profit.

In this section of the proposal template guide, I gave some tips to the readers as to how to start finding out about possible risks. The first step would be to ask people in the area who are doing or have done similar activities before. The second source for information are local information centers or other sources such as governmental workers in a specific field. The Sub-County has an agricultural officer who can guide groups in agricultural and farming activities and risks attached.

#### **4.5 Project finances**

The financial management material comes to use in this section as it has the same terminology. The proposal template (attachment, page 26) asks to make a list of costs attached to the project. While drafting the proposal template I learned from the CBR team that there has been incidences earlier where groups will apply for a loan (from another source) and make calculations that look good and realistic. These calculations have



unnecessary or even false costs attached to them and in some cases those loans haven't been able to be repaid.

To help avoiding these issues we added a section under the costing list, where these costs need to be defined and explained why they are necessary to that particular project. This will give the loan board reason to consider whether the information provided is realistic and truthful or unrealistic and false.

#### **4.5.1 Income projections and loan payback plan**

After costs, the applicants are asked to explain all income sources including ongoing business. This will help AFF evaluate their ability to pay the loan back and provide insight how the project will benefit them over time. This comes back to the goal of the microloan program – to increase livelihood of people in the community. If the loan can't boost income enough to generate extra money or other benefits, it won't work towards the goal of the program.

During the initial trainings I talked with the participants and learned that some groups selected for the pilot program already have ongoing business and are planning to expand or add to that business. A few other groups planned to use their other income sources in addition to the applied loan in order to give a large amount of initial capital for the planned project.

The last part of the project finances section (attachment, page 20) is a payback plan. The applicants that fill in the proposal template are asked to first explain how long of a grace period they will need because some projects, namely agricultural, can take months until they start generating income through sales. The standard grace period that AFF offers for the loans is one month because the loans are small and paybacks are expected within a year.

We negotiated about this over Skype with AFF board representatives in Finland and came to the conclusion that the grace period needs to be flexible because of variances in income as stated earlier. This flexibility extends to the proposal template but the applicants are

still asked to explain why they need a longer grace period if it goes past the standard one month.

This section also asks them to define how the new income generated by the business started or boosted by the loan will help them pay the loan back. The purpose of this project is not to make applicants or groups in debt to AFF but to create income that can pay the loan back and then continue to benefit the group or individuals working on the project.

#### **4.6 Conclusion**

The last section in the template (attachment, page 28) and guide (attachment, page 20) is an empty field for the applicants to explain why their project should be supported by AFF. All information in the proposal template aims to demonstrate that the project will create value for the people attached to it. To improve livelihood for locals, the loan needs to provide sustainability and the conclusion section is a place where they can give their final statements and demonstrate that the project is worth supporting.

## 5 CONCLUSIONS

The goal for my thesis was to explore opportunities to improve the trainings that AFF is organizing for youth groups and groups of people with disabilities in Kendu Bay and Kabondo. These trainings are new to Adra Finland Foundation and are at the same time an essential part of a new project whose groundwork has been laid for over one year in the region. I had the opportunity to work with their local CBR team and help them organize the first training for the microloan pilot program.

Prior to the first trainings I didn't know what to expect and I decided to see them through and then plan how to incorporate this thesis to improve the trainings. While organizing the first training, I decided that I will collect feedback and use that as a stepping stone. I originally planned to collect qualitative feedback but changed it to quantitative after we had selected 45 participants for the first training in Kendu Bay.

The CBR team helped me to collect this feedback in both venues and as a result we got almost 300 filled sheets with numerical and written feedback. I started by creating Excel sheets for each day at both venues and used a formula to count an average of the numerical feedback. I then listed all written feedback and compiled a training report with the CBR team. This report was sent to AFF within a week of finishing the trainings.

As a result of this feedback I made the decision to write material on two topics that were either not covered at all or very little during the initial trainings. Those topics are basics in financial management and proposal development. I wrote the material package myself to keep it simple and down to the basics in both areas.

The first part of this material package was already used and tested once before I flew back to Finland and now the compiled set can be given to facilitators or new participants in future AFF trainings. The material and included examples are also easy to modify with small changes to become suitable in other circumstances or people.

Before setting foot in Kenya, I decided not to study Kenya as a country or the Kendu Bay area too much. The groundwork for this project was done by students from Tampere University of Applied Sciences and a thesis made by Peltari and Ristilä (2012) includes

a baseline study revealing the need for self-employment in the region. My work is direct continuation to Pelttaris and Ristiläs work. I helped AFF start a pilot microloan program while staying in Kenya and this thesis focuses on improving the training component within that program.

In my opinion the first trainings were a success. Participants gave little critique about the topics covered and issues were mostly related to the tight schedule and some venue specific issues. They provided plenty of feedback via the sheets and face to face during and after the trainings. I have gone through that feedback and used the conclusions drawn from it to create further material that can be used to improve trainings in the future. I also consider the material from this thesis to be useful for the microloan program and possibly other training projects of this level in the future.

The limitations of this thesis are its lack of scientific methodology. I had to plan my actions while I was still in Kenya and while I was not able to access lots of books. This means that I had to use online notes and websites to help develop the material. As a result it is down-to-earth as I wanted but also not very professional.

The material is suitable for the basic level training that the groups in Kenya require. It is not professional enough to stand ground in higher level training. In my own words: “it does what it’s supposed to do and not much more”.

Based on the introductory trainings, the feedback and my material, I recommend AFF take following actions:

1. Continue organizing introductory trainings to all groups that apply for the microloan program.
2. Find one or two new students to do a thesis or organize a statistical study on the successful payback rates of the first groups.
3. Add a fifth day to future introductory training and use the financial management material as a basis for that new day.

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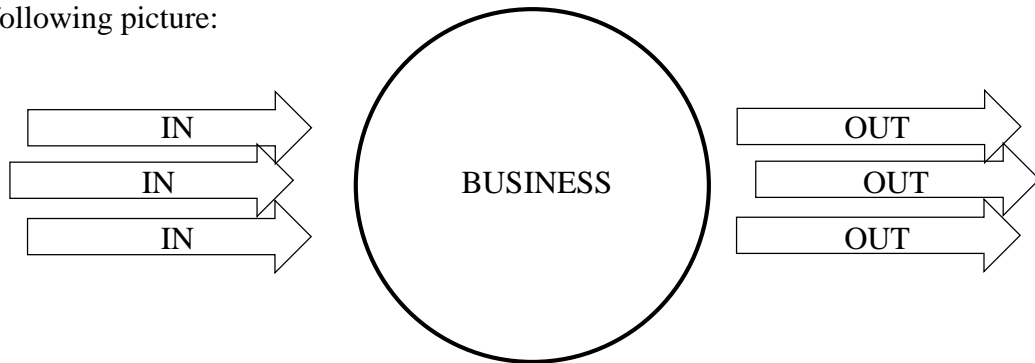
**ATTACHMENTS**

## 1. FINANCIAL MANAGEMENT

1 (45)

### 1.1. Background information

As a simple way of understanding how we manage our money, we need to start with the very basics. Our first topic is incoming and outgoing money demonstrated in the following picture:



#### 1.1.1. Incoming money

Money that we get can come in from many different sources and amounts. Some sources for incoming money are:

- Salary
- Customers
- Donations
- Contracts
- Interests
- Contributions

Since we are here to learn how to manage money, we will concentrate on Income Generating Activities or IGAs as sources for income. We will not go deep into sources of individuals such as pensions or grants. Salary however is interesting to us because as groups or individuals, we might have to take salaries into consideration in our planning.

One definition of INCOME is: “money or its equivalent, earned or accrued, resulting from the sale of goods and services”. This can also include returns from investments

- Income is consumed to fuel day-to-day expenditures.
- Most people below 65 receive most of their income as salary or wages.

- For retirees, pensions, social security and investments are primary sources of income.
- Most forms of income are subject to taxation.

Group task 1:

What kinds of sources for income does your group have?

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### 1.1.2. Outgoing money

Similar to income, outgoing money occurs in different amounts and places. Some ways to spend money are:

- Purchases
- Donations
- Legalities
- Interests
- Contributions

As you can see, in many ways incoming and outgoing money often occur in the same places. Sometimes we buy an item, perhaps food, and when we do we are spending. Money is going OUT. And sometimes we sell an item, perhaps handicraft, and when we do we are being paid. Money is coming IN.



Outgoing money can be divided into two categories: fixed costs and variable costs.

A definition of FIXED COSTS is: “Costs that you must pay regardless of how well you do. They don’t vary much from month to month. This includes rent, insurance and other set expenses.”

A definition of VARIABLE COSTS is: “Your direct cost of the production or service you sell.”

In business, costs are usually a monetary valuation for one or more of these:

- Effort
- Material
- Resources
- Time
- Utilities consumed
- Risks incurred
- Opportunity forgone in production
- Delivery of a good or service

The main difference between fixed and variable costs are that variable costs are values attached to producing a product or service and fluctuate depending on the quantities and variables in production. If you provide a cleaning service, the cleaning chemicals and equipment need regular refills and if you clean more, you will need more of these. Those are variable costs.

Fixed costs are expenses that are necessary to run a business or IGA and whose values don’t change or the changes from month to month or year to year are relatively small. You might pay for electricity to get light so that you can work after dark. The cost is usually very similar from month to month and isn’t tied to the amount of work you do. This is a fixed cost.

Group task 2:

4 (45)

What kinds of costs do your groups have?

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Group task 3:

Define whether the following things are income, fixed costs (FC) and/or variable costs (VC) and explain why.

1.	Salary Why?	Income	FC	VC
2.	Milk sales for one day Why?	Income	FC	VC
3.	Transport to pick up goods for selling Why?	Income	FC	VC
4.	A receipt book Why?	Income	FC	VC
5.	Cash from a customer for a Boda Boda ride Why?	Income	FC	VC
6.	The rent of a field Why?	Income	FC	VC
7.	Income tax Why?	Income	FC	VC
8.	A tomato for lunch Why?	Income	FC	VC
9.	Sitting allowance for attending a seminar Why?	Income	FC	VC
10.	Theft insurance Why?	Income	FC	VC

## 1.2. Bookkeeping

6 (45)

To be able to track incoming and outgoing money, it is a must to write or mark down when and how money is spent and how it is coming in. The word bookkeeping literally means what it says and the books are referring to a traditional way of having one or more empty books that are filled with details of how money moves.

These days bookkeeping is in many countries enforced by law due to taxation but it also brings other benefits due to it helping in tracking cash flow. Many financial institutions such as banks use other companies bookkeeping to decide whether they are profitable enough for loans and with big companies investors rely on information that derives from bookkeeping to make decisions whether to invest in a business or not.

For small scale business, the biggest benefit bookkeeping brings is that it enables anyone, even people without good mathematical skills to keep track of income and money spent. Since financial management is in essence monitoring and managing the differences

For our purposes and time constraints, we are not going to go into accounting terms but instead we will discuss the rough idea of what bookkeeping is all about. The most important things to remember are that when writing down purchases, expenditures or incomes, ALWAYS write on what day that action occurred and ALWAYS take receipts of purchases and give receipts of sales.

### 1.2.1. Costs

Earlier we have covered the topic of outgoing money and now it is time to put it into practice. We need to write down all expenses including transport costs unless they come from our own pocket or salaries. This means writing down each purchases date, number, expense and price. Because when talking about expenses, we are talking about money going OUT, we use the minus sign in front of the figures.

Example of how to write books on expenses:

7 (45)

Date	Cost	Number	Sum (Kshs.)
20/07/2013	Receipt book	1	-200,00
27/07/2013	Transport (Kendu – Oyugis)	1	-150,00
27/07/2013	Nylon sacks	20	-1 300,00
27/07/2013	Transport (Oyugis – Kendu)	1	-150,00
28/07/2013	Plough rent	3	-3 000,00

#### Group task 4:

John is an entrepreneur and he owns his small enterprise called John's carpentry. John uses his own skills to make different types of items and to be able to make items to sell, John must purchase different types of material. He has made a list of purchases to do in a period of one week and he even included some reminders why he needs these items:

- 2 planks of small sized timber on Monday 1<sup>st</sup> January 2013 from Katito. The price of one plank is Kshs. 50 and a Boda Boda to Katito costs Kshs 100. "I need this to carve small elephant statues that is popular among tourists who come by this area. I need to pay another Boda Boda to bring the timber back from Katito to my workshop."
- 1kg of 5 inch nails on Wednesday 3<sup>rd</sup> January 2013. These nails cost Kshs. 20 per 100 grams and I can buy them from a walking distance of my shop. "I use nails to put beds and other items together."
- 15 planks of 2by4 wood from Kisumu on Thursday 4<sup>th</sup> January 2013. The price of one 2by4 plank is Kshs. 200 and transport to Kisumu is Kshs. 200. "I will use these planks to make 2 full sized beds that I will sell in the following week for Kshs. 15 000 per bed. The planks are large so I need to pay for a Matatu to bring them to my workshop."
- 4 carpeting knives on Thursday 4<sup>th</sup> January 2013. One knife goes for Kshs. 30. The small knives are used in carving small statues and for general use in the daily activities and I can get them from the neighboring shop."
- 1 sharpening stone on Friday 5<sup>th</sup> January 2013 for Kshs. 200. "I need to keep my tools sharp to be able to work effectively. Sharp tools also enable me to work faster resulting in more items to sell. A good friend has promised to bring me one with no transport charge from Nairobi."



**1.2.2. Income**

9 (45)

In a similar fashion to expenses, it is also important to write down all sources of income to the business. With income it is usually not necessary to write descriptions unless the income is unusual in size or type but instead it is often good to write down unit prices and even though you might write one receipt that has many items, all items must be written down separately.

Example on how to write books on income:

<b>Date</b>	<b>Income</b>	<b>No:</b>	<b>Sum (Kshs.)</b>
21/07/2013	Mangos @ 40 per unit	5	200,00
21/07/2013	Guavas @ 20 per bag	8	140,00
23/07/2013	Loan from ADRA Finland	1	20 000,00
24/07/2013	Notebooks @ 50 per book	3	150,00
25/07/2013	Paraffin @ 100 per 500ml	3	200,00

Group task 5:

Because John uses his skills to make different types of items to sell and he doesn't have any debts, his business runs on the income from sales. Here is a list of sales in the following week after he did all the purchases in his list:

- 4 small wooden elephant statues for Kshs. 200 per statue on Monday 8<sup>th</sup> January.
- 1 full sized bed for Kshs. 15 000 and 3 more elephant statues for half price because the customer was a regular on Tuesday 9<sup>th</sup> January.
- 6 small wooden shelves that were done on the previous week for Kshs. 500 per shelf on Thursday 11<sup>th</sup> January.
- A 2<sup>nd</sup> full sized bed but after haggling I had to lower the price to Kshs. 11 000 on Friday 12<sup>th</sup> January.
- My whole stock of 30 wooden elephants were sold to a retailer who has a souvenir shop in Maasai Mara with a discount of Kshs. 50 per statue.





**1.2.3. Daily breakdown**

11 (45)

Bookkeeping enables keeping track of finances also on a daily basis. A smart entrepreneur will do a daily breakdown after each day in the books for easier monitoring. This breakdown can also be done weekly and monthly. To keep it simple, a breakdown can simply be done by drawing a line under all the activities of a selected period and then counting the costs and incomes together under that line. Here is an example what a daily breakdown could look like.

<b>Date</b>	<b>Income</b>	<b>Cost</b>	<b>Description</b>	<b>No:</b>	<b>Sum (Kshs.)</b>
21/07/2013		Transport	Going to Kisii to do purchases		
21/07/2013	Mangos @ 40 per unit				
21/07/2013	Guavas @ 20 per bag				
21/07/2013		Nylon sacks	50kg sacks for carrying sweet potato		
21/07/2013		Transport	Coming back from Kisii		
21/07/2013	Printer ink @ 150 per unit				
<b>Breakdown</b>	<b>Income total (Kshs.)</b>	<b>Costs total (Kshs.)</b>			<b>Overall (Kshs.)</b>
21/07/2013	1 240,00	1 600,00			-360,00



### 1.3. Revenue, deficit and profit

13 (45)

A definition of REVENUE is: “Sales revenue consists of the total money from activity that you bring into your business each month, week or year.”

In other words revenue refers to the total amount of income from sales put together before calculating any expenses.

Profit and deficit are terms that refer to the balance in bookkeeping. They can be calculated based on the expenses and incomes in different time intervals such as daily, monthly or annually. Sometimes the word “loss” is used in the place of “deficit”.

The definition of DEFICIT is: “An excess of liabilities over assets, of losses over profits or expenditure over income.”

In the above example the daily breakdown indicates a DEFICIT of Kshs. 360.00. It means that during that day of operation, the total expenses exceeded the total income. This means that more money was going OUT than coming IN. It is also common to use the word LOSS in place of deficit.

In business jargon, profit is used to describe the percentage or amount of money left after subtracting costs. There are various steps and terms used to report profit or earnings but for the purpose of this material, we will use a profit and loss forecast:

The definition of A PROFIT AND LOSS FORECAST is: “A projection of how much you will sell and how much profit you will make.”

As it states in the description, this forecast is an estimate of success. It also indicates whether an enterprise is sustainable or not. If an enterprise is constantly making a profit then it is more likely to be sustainable. If it is constantly making a deficit or loss, it means that the company is using the money of the owner(s) to run and depending on the financial situation of the owner(s), the money will sooner or later run out. It is not sustainable.

Within any enterprise regardless of size, in different periods of time, they can be doing profit during one period and deficit during another. Usually expenses are necessary to create revenue. As long as the overall financial situation of the enterprise is making a profit, then the business is sustainable and is generating money for the owners and employees.

The profit that an enterprise makes is affected by several things, here's a few examples:

Income

Profit margin

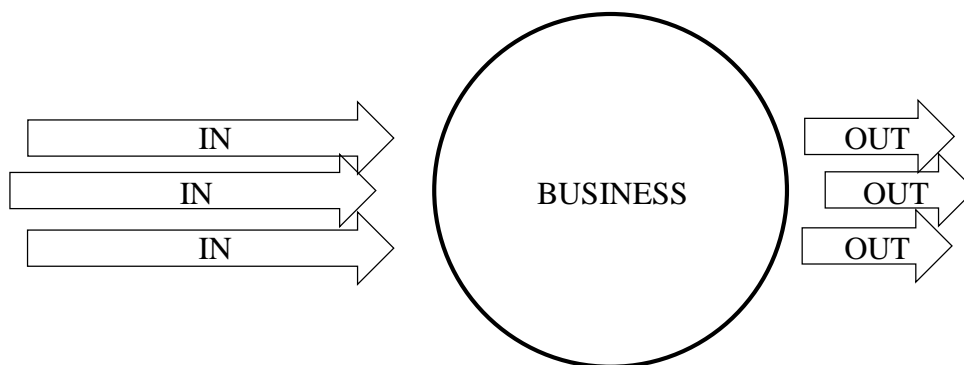
Salaries

Expenses

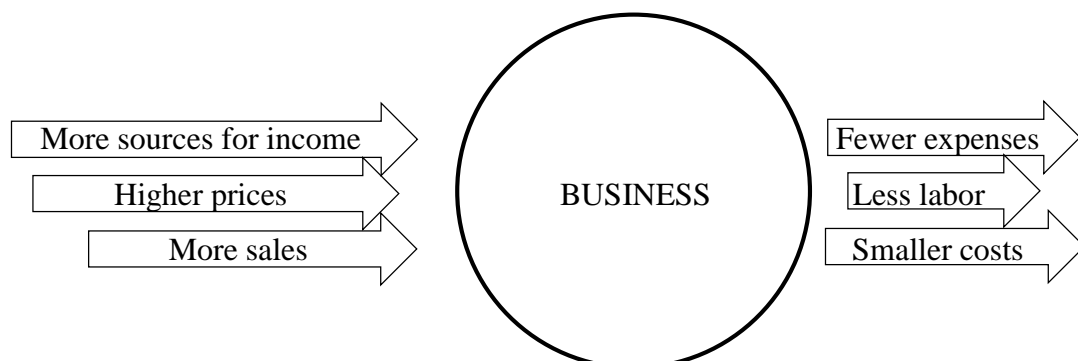
Investments

To go back to the beginning of the topic:

If the money coming IN is more than the money going OUT, then we are making a profit:



The amount of profit to be made can be increased by increasing the money coming IN and by decreasing the amount of money going OUT:



If we want our businesses or IGAs to be sustainable, we want them to make a profit. The more profit we make, the more salary we can pay ourselves or the more we can afford to grow our businesses. The profit we get is the money left of our income AFTER all the costs and expenses have been deducted. The money in our bank account or the cash left after a day of operating is not profit because those monies might be needed for some expenses that are not yet catered for.

Profit can be calculated for different periods of time: daily, weekly, monthly or annually. The shorter the timeframe, the less accurate the information is. If we calculate our daily profit, it might fluctuate a lot depending on expenses and costs. I.E. if we restock our enterprise every Monday, then our profit from Tuesday to Sunday will be higher and Monday might show a deficit due to purchases for a week. We should then look at our weekly profit to indicate how we are doing. The profit per month or annual profit provide more long-term information.

#### Group task 7:

East Africa Tourist Safari's is an enterprise that has been working in Kenya for the past 4 years. Here's a breakdown of how they operate.

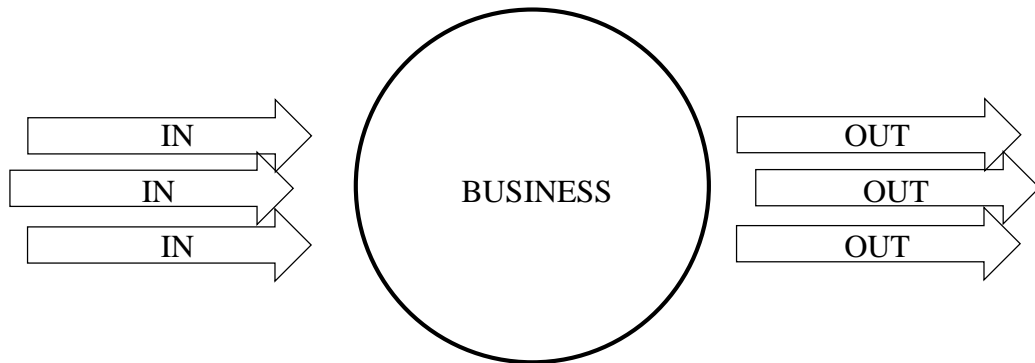
They focus on European tourists as those types usually come with good money. Occasionally they arrange safaris for other tourists too but they market themselves only in Europe. When they began operating, East Africa Tourist Safari's started competing with price because there was plenty of competition. During the years they have bought out 1 competitor and taken over 50% of the Safari business market in Kenya. Two years after opening, they decided that tourists like their affordable prices so they decided to stick with cheap prices.



## 1.4. Financial planning

17 (45)

One again we go back to the beginning. When we talk about managing or planning our finances, we are talking about the correlation of money coming IN and money going OUT. By definition Financial Management: “focuses on decisions relating to how much and what type of assets to acquire, how to raise the capital needed to buy assets, and how to run the firm so as to maximize its value.”



Financial planning is a process where among other things you consider the following:

### - Analyzing open investment and financing choices

- Sometimes a loan might have too high of an interest
- Accepting an investment might mean changes in ownership or it can change decision making
- A smart loan at the right time can boost business and income by a lot making it worthwhile even with interest

### - Making projections about the consequences of decisions in the future

- If you get a loan to start your IGA, will you be profitable while paying it back?
- Will expanding a business by introducing a new product to sell increase revenue enough to cover for the new transport or other expenses?
- Could a new employee bring more customers and more revenue?

### - Deciding what paths to take

- Will you bring in new products to sell?
- Do you want to lay off employees?
- Should you do business at a different location for better profit?
- Could seeking a venture capitalist bring new funds?

- **Setting goals for the future**

- Are you going to have a new employee in 6 months?
- Will you be the biggest fishing IGA in Kendu Bay in 1 year?
- Will you become the first group to employ an entire other group in 2 years?

- **Measuring past performance against set goals**

- Have your decisions boosted business as much as you planned?
- Were you able to employ a new person?
- Did you sell the whole crop in the time period you thought you would?

Group task 8:

Discuss together with group members and decide which of these are currently most relevant to your groups. Tell us WHY those functions are relevant. Are you in the stage of growing or starting a new IGA? Or are you perhaps reaping last year's benefits?

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## 1.5. Budgeting

19 (45)

To be able to estimate our finances we need to do learn how to do a budget. A budget is a detailed lists of sources of income and/or expenses. A budget for an enterprise usually consists of revenue and expenses which – in an ideal case – match the revenue or total income. A budget helps us to understand the cost and income structure of a business or project and it is a vital tool when approaching a third party – such as ADRA Finland – for a loan.

A budget can be created in different ways and the best way is the one which you are most comfortable with. Budgets can be done with a pen and paper, spreadsheet programs or business accounting software with computers.

The definition of BUDGET is: “A detailed schedule of financial activity, such as an advertised budget, a sales budget, or a capital budget.”

To emphasize, a budget is always an estimate. Many aspects of budgeting can be estimated very accurately based on past information. If an enterprise has done a total of Kshs. 200, 000.00 annual revenue for the past three years, without changing the structure of the company it is quite safe to estimate that the revenue of the ongoing year will also be close to Kshs. 200, 000.00.

In the same way if a business has in the past always bought certain stock from the same party for the same price, it is safe to estimate the cost of that stock. Budgeting always gets more accurate and easier over time. Budgeting is also one of the most important administrative tools. It serves as a plan of some sort of action for achieving certain quantified objectives. It works as a standard for measuring performance and it works as a device for coping with foreseeable situations.

As we know from earlier, revenue can come from multiple sources such as sales and interests and expenses are what we pay out for our needs such as rent, materials, salaries and marketing.

When we start budgeting, the first steps are to:

20 (45)

Input our unchanging expenses (I.E. rent, loan payments etc.) under “FIXED COSTS” and our changing expenses (I.E. utilities, supplies etc.) under “VARIABLE COSTS”.

If you aren’t able to use past experience or you aren’t sure of the actual costs, then a good idea is to do a bit of research such as asking around for the costs that you are looking at.

Next add your expected or forecasted income from earnings, sales and other sources under “INCOME”. Here it helps if you have done business before as you can use past figures to estimate how much you are able to make. If you are completely new to the business, then it’s a good idea to do market research and find out how much other enterprises are able to make within your field of operating.

In your budget create separate columns for “Budgeted”, “Actual” and “Difference”. Under “Budgeted” you list your estimates of expenses and income. Under “Actual” you write the final values for expenses and income after you have paid for those costs or gotten income from the budgeted timeline. Under “Difference”, as the name implies, you calculate the difference between your budgeted values and the actual values. This helps you to do more accurate estimates in the future.

A simple monthly budget can look like this:

21 (45)

<i>Budget for Bob's Paper &amp; Printing (August)</i>	<b>Budgeted</b>	<b>Actual</b>	<b>Difference</b>
<b>Fixed Costs</b>			
- Shop rent	300,00	350,00	50,00
- Electricity	100,00	80,00	-20,00
- Loan repayment	1 000,00	1 100,00	100,00
<b>Fixed Costs total</b>	<b>1 400,00</b>	<b>1 530,00</b>	<b>130,00</b>
<b>Variable Costs</b>			
- Salaries			
o Employee 1 (staff)	1 000,00	900,00	-100,00
o Employee 2 (owner)	1 500,00	1 500,00	0,00
- Stock			
o Printing paper	3 000,00	4 000,00	1 000,00
o Ink	400,00	250,00	-150,00
o Notebooks	500,00	700,00	200,00
- Airtime			
o Phone	500,00	800,00	300,00
o Internet	1 000,00	1 000,00	0,00
<b>Variable Costs Total</b>	<b>7 900,00</b>	<b>9 150,00</b>	<b>1 250,00</b>
<b>All Costs total</b>	<b>9 300,00</b>	<b>10 680,00</b>	<b>1 380,00</b>
<b>Revenues</b>			
- Sales			
o Printing	4 000,00	3 800,00	-200,00
o Photocopies	3 500,00	4 200,00	700,00
o Notebooks	2 000,00	3 750,00	1 750,00
- Loan from AFF	25 000,00	25 000,00	0,00
<b>Revenues total</b>	<b>34 500,00</b>	<b>36 750,00</b>	<b>2 250,00</b>

When drawing a budget for your enterprise, it is a good idea to use professional advice. You can as an example ask a bank to have a look at your budget and ask them to tell you if they see any problems or what their opinion on it is. Or you can use contacts that you might have to see

Group task 9:

Think about these statements together with your group and answer the following questions:

1. This company is getting a loan of Kshs. 25, 000.00 and in the same month it is doing loan paybacks worth of Kshs. 1, 000.00

- What can you tell us about the purposes or usefulness of the loan?

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2. Why do you think the enterprise is starting paybacks the same month as it is receiving the loan?

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3. There is some difference in the budgeted money (estimates) and the actual figures

- Do you think the company has been long established?

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4. Why do you think some of the figures are off? 23 (45)

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5. This is a small sized enterprise  
- Is it profitable? State some reasons.

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6. Can you suggest ideas to make it more profitable?

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7. If you were deciding, would you give a loan to this business? If yes or no, why?

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## 2. PROPOSAL GUIDE

24 (45)

To begin with, let's start with what a business proposal actually is. In the context of making a proposal to a potential financier such as Adra Finland Foundation, a proposal is a written document that describes your business idea and gives them an idea what the business idea means in practice, who is involved and what kinds of risks and finances are involved. It gives the reader an overview on the business plan(s) and tells them whether it's worth the time and money that you are planning to put into it. It is also necessary for you to create a more comprehensive and in-depth Business Plan but the point of a proposal is to give the receiver quickly and easily readable information on the following things:

- What the project is
- Who is involved
- Why are you planning this particular project
- What types of activities and goods are required and sold
- What are the most important risks
- Whether the project is financially sustainable or not

For both your and our convenience, Adra Finland Foundation has or will provide you with an empty template for a proposal. A copy of the template can also be found at the end of this section of these training materials. We have designed the template to help you give us some necessary information on your business ideas before you start drafting a more comprehensive business plan. Our template is composed of questions about areas we feel necessary and the questions are simple so the template should be easy to fill in.

In the following chapter we will go through our proposal template and what kind of information we need you to write about. The proposal is not the final version of your business plan and its purpose is to give Adra Finland Foundation basic information about your business ideas so that we can consider and decide what kind of cooperation from our part can best help you make the project turn from an idea into reality. The examples in this guide are imaginary and the prices might not be what they would be in reality. The examples might also lack information. The point of them is to demonstrate what type of information we are looking for.

## **2.1. Background information**

25 (45)

In this section you should explain who is proposing a project (a group or an individual) and a very quick explanation of the name and idea of the project. Also tell us who the person who has prepared the proposal is – is it one of the project members or someone from the outside who is helping you to write this down? Include information for one or more persons who we can contact to ask information regarding the project or planning of it. The contacts can include the same person who has prepared the proposal if this person is also involved in the project and not just planning it.

Example - a project to increase group income through a new motorbike taxi:

It could be named “Boda Boda business” and the quick summary could say: “we want to get 1 new motorbike to increase our Boda Boda business income by 200 kshs. per day”. Under time-frame it could say 2 years or as long as an average motorbike lasts until it can’t be repaired.

## **2.2. Project summary**

Here we have listed questions that we need to know about the project to evaluate it. This should be more in depth than the “quick summary” in section 1. Every question should be answered as well as you can. Keep it simple and don’t make it sound more complicated than it is, we need to understand what you are planning to do.

Example - an individual’s project to start fishing to support their own family:

“I want to start this project because I am a skilled fisherman and my wife is a good vendor so she can support me by selling the fish I catch. We plan to improve our family’s daily income.”

“I will be fishing for the common fish in Lake Victoria. The fish I plan to catch most is Tilapia.”

“I will rent a boat and buy fishing equipment and go out to the lake 6 days a week to fish. Then I will bring the fish I catch and my wife will dry and sell it.”

“I will do the fishing and my wife will do the fish mongering. Our children will occasionally help us if necessary.”

“The boat isn’t big enough to go out to the open part of the lake so I will fish within the Kendu Bay area of the lake. My wife will get a spot at the Kendu Bay harbor and sell the fish there.”

“The project will run from one year up to 3 years. It will last as long as the fishing gear is intact but if the Kendu Bay area is too covered by Hyacinths, I will need to re-evaluate if it is still financially worthwhile to continue.”

### **2.2.1. Project background**

Here you should explain why you have decided to do this project and have you done something similar before. Have you done any research on the competition or the needs of the market or prices that you could sell your products or services for? Attach any research results or reports you have to the end of the proposal.

Example – a group project to grow rice

“Rice has been grown in the area before but due to the dry seasons not providing enough water, growing rice has decreased and farmers have started farming other products such as Sukuma Wiki. If we would be able to use an improved watering system, we could grow rice for six months each year.”

“Our group has a plot in the area and we have farmed various crops for the past two years and we have most tools and skills necessary to grow rice also.”



“We have found that there is a watering system that we can use which goes next to our plot. In addition we have consulted with other farmers about building a system to pump the water into a tank that would then drip-irrigate our plot. This system should provide sufficient water to grow rice during the rainy seasons. We have also carried out a market survey between Kendu Bay and Homa Bay area’s and we found that there is a market for rice but barely any vendors within this area. The results of the market survey are attached at the end of this proposal.”

### **2.2.2. Project objectives**

In this section we need you to explain the motives for the project. What are you attempting to gain by doing the project? The objectives are not the same thing as goals – a goal would be to gain more money but the objective behind that goal could be to improve living conditions, generate daily income for group members, to learn new skills or perhaps to keep the young members of the group away from the streets and hanging around with the wrong company. The objectives are what motivate you to complete the project successfully.

Example – a group project to bring and sell Kisii sugar cane at Katito.

“One objective is to provide our members with a stable monthly income that they can use to improve their daily lives. Another objective is to teach the young members in our group how to work and the third objective is to provide our group with some savings that we can use for the benefit of the entire group at a later time.”

## **2.3. Project methodology**

28 (45)

The third section in our proposal template asks for straightforward information about the work and people needed to make the project possible.

Example – a project to grow and sell pineapples at Olare.

“The project requires a team of 8. It will be organized into 2 teams of 4 and each team has 3 farmers and 1 person who is responsible for watching and monitoring the plot for thieves or animals.”

“We need to form a partnership with an agriculture shop in Oyugis to supply us with pesticide every month for a regular price.”

“It will take 21 months to grow the first harvest and after selling the produce within a period of 2 weeks we will evaluate the profitability and pricing of the pineapples. We will do constant evaluation of our groups work at the plot and if needed, we will increase the amount of farmers.”

### **2.3.1. Work breakdown and task time estimates**

In this section you can list answers to the questions about the tasks required. You don't need to be extremely detailed as long as you include everything that the project requires.

Example – a project to grow and sell pineapples at Olare

“This project requires purchasing suckers to plant the first crop. It also requires us to constantly water the growth and guarding of the plot. Once the first harvest is ready for harvesting the pineapples will be harvested by all project members. These tasks will be carried out by 2 groups of 4 members. 3 of them are responsible for planting and watering the pineapples and 1 is responsible for guarding. The groups will rotate the roles once a week and the activities required are one in every two week period for each group. In other words the first group of 4 is in charge for 1 week, the second group is in charge the second week and the groups keep changing shifts every week.”

“Our short term goals are as follows:

29 (45)

- First to have all pineapples planted after the first month
- To establish a growth which will be evaluated every month. The flowers are estimated to show up after the first 13 months.
- The first harvest after 21 months.
- Selling of the first harvest in the period of 2 – 4 weeks
- Completing a second planting within a period of 2 weeks after the first crop is harvested.”

### **2.3.2. Project deliverables**

Under this section we want you to list goods or services that are involved in the project. If you need to buy something then list it here and include information where, when and how you will do the purchases. After listing required purchases, list the products or services that you will be selling. Again tell us when, where and how you will sell them. In the template we use the words tangible and intangible. The explanations for these are:

**Tangible:** Something that you can touch. A physical good or product. A pineapple is an example of a physical product.

**Intangible:** Something that you can't touch. Non-physical things such as services belong under this description. If you are doing Boda Boda business, you aren't selling the motorbikes. You are selling a service to take people from point A to point B.

Example – a project to grow and sell pineapples at Olare.

We will require the following things:

- Renting a plot from Olare. The rent is 300 kshs. per month and we will rent it from a local contact who owns land there.
- Buying tools to turn the soil and grow the pineapples. The tools will cost 3 000 kshs. at the beginning of the project and they will last for at least 2 years. We will purchase them from Kisumu before planting the pineapples.

- Buying suckers for the first harvest at the beginning of the project. The second crop will be planted from the mother plants of the first harvest.
- Pesticide for 100 kshs. per month. We will purchase it from an agriculture store in Oyugis on the first weekend of each month.
- Paying group members 500 kshs. per month to look over and guard the plot from thieves or animals.

We will be selling the following things:

- Ripe pineapples for 10 kshs. per pineapple at the Olare market along the Homa Bay road.
- A delivery service with our own Boda Bodas for local schools to supply them with pineapples. The delivery service will cost customers 10 kshs. per kilometer and we will negotiate long-term deals with schools after we are able to establish regular harvests.

#### **2.4. Project risk management**

It is important to be aware of different risks that a project could potentially be facing. If you need help in understanding or finding out risks, you have some options such as:

- a) You can ask other people or groups who have done similar activities – they have experience and are the best source of information about risks.
- b) You can talk to informative sources that are related to the project. For example farming projects can learn about risks from agriculture centers or local agriculture officials.
- c) If you have access to, you can read about different projects in books or magazines.
- d) You can ask us or the council officials for advice.

Once you have defined at least the most important risks, you need to decide the importance of them. Some risks will be more likely to happen or cause a bigger problem if they occur. And other risks will be less likely to happen and if something happens the impact won't be so big. And lastly you need to find ways to address or control risks. It is often impossible to negate risks completely but you can have a strategy in place to help if and when something happens. This section might look short because it only covers one page in our template but it is very important to understand the most important risks and ways to avoid or control them. This information is also vital for Adra Finland Foundation when we evaluate the probability for success in any project.

Example – a group project to start growing Sukuma Wiki at a rented plot

“The risks that this project faces are:

- Drought
- Plant and soil-borne disease
- Inattentive or slow labor
- Animals and other vermin

The likelihoods from high to low are:

- Plant and soil-borne disease
- Drought
- Inattentive or slow labor
- Animals and other vermin

We will address these risks by the following ways:

Risk 1: We will purchase a stable amount of pesticide on regular intervals. The pesticide will be bought from an agricultural shop in Homa Bay and will be spread by our group members as per instructions that we get with the pesticides.

Risk 2: We are building a drip-irrigation system that gathers water from rainwater and a local watering channel. The system will provide our plot with regular slow watering even when there are no rains. In the case of rains we can turn the system off and save the water for later.

Risk 3: We will only take participants from our group – people that we know personally. We are paying each participant a monthly fee for working with the project and if we find they aren't doing their job, we will replace them with another group member. The fees will be paid upon work done and not just to be part of the project. We have five reserve members to help in cases of bad working or if we need more hands at any given time.

Risk 4: We will pay a third party – the owner of the rental plot – to guard and fence the plot from animals. We will inspect and destroy vermin if necessary by our own hands. This risk is of low importance because the area where our rental plot is has a good reputation of not having vermin.”

## 2.5. Project finances

For any project to have a chance to succeed, you need to understand and be able to explain to your financiers the finances related to the project. This section includes information about both costs and income. Costs can simply be listed with a sum that they require during the whole project and you need to justify to yourself and us why all expenses are necessary for the project.

Example - a project to increase group income through a new motorbike taxi:

“Expenses	Sum (Kshs.)
1. New Boda Boda	70 000
2. A new helmet for the driver	2 000
3. Safety bars	1 000
4. Fuel (50 kshs. twice per day for one year)	30 600
5. Repairs (400 kshs. once per month)	4 800
6. Drivers salary (300 kshs. per day)	91 800
Total for the one year duration of the project	206 100

The expenses are necessary because in addition to the actual motorbike, we need to provide the driver with safety in the form of a helmet and safety bars that aren't pre-installed. The motorbike needs to refuel on average twice per day and we already do regular maintenance once per month to our other motorbikes to keep them in driving condition. The driver will be fully employed so we have to pay him salary every day.”

### **2.5.1. Income projections**

After the expenses we need to know how you will sustain yourselves and the project before and after it starts generating income. First list all the sources of income and include the amounts. This means that we also want to know whether your ongoing business, savings or other activities can help you generate income especially at the beginning before the project starts paying itself back. Then explain the income generation of the project you are planning – be specific and if the income is daily, then break it down to daily, monthly and annual amounts. Also let us know if the project requires providing salaries to one or more people. This is important information for us because the purpose of our loans is to improve the livelihood of people in this area and salary is one way to gain regular income.

Example - a project to increase group income through a new motorbike taxi:

“Our sources for income are:

Group savings that generate kshs. 3 000 per month.

Our ongoing business from three other Boda Bodas is kshs. 38 250 per month.

The new Boda Boda will bring kshs. 12 750 per month.

This project will generate daily income of an average kshs. 500 per day. The driver works 6 days a week and the expected monthly income from the new motorbike is kshs. 500 per day and 12 750 per month. In the one year duration of this project we expect the new motorbike to bring kshs. 153 000.

The project will provide one driver with a salary of kshs. 300 per day for six days a week. The salary is then kshs. 7 650 per month and 91 800 per year.”

Once it starts generating income, the expected daily income for six days a week is kshs. 500. We base this sum on our experience on our ongoing Boda Boda business. The new bike will add on average kshs. 12 750 per month to our ongoing business and in the period of one year

### **2.5.2. Loan payback plan**

Since you are applying for a loan from Adra Finland Foundation it is important that you explain how and when you are to pay the loan back. The same information can be explained to any other potential financier also.

First explain how long it will take until the project starts generating income and if that period is longer than one month explain why. The standard grace period for our loans is one month but we acknowledge that some projects, especially agricultural projects, take longer to begin generating income and we will consider grace periods according to each project. Then tell us how the generated income will enable paying back of the loan – in other words you need to show that the project generates more money than is required to run it. After that you can decide how often you will pay installments – more installments mean less paybacks per installment and fewer installments means that each installment is larger in size.

Example - a project to increase group income through a new motorbike taxi:

“It will take one month to order and get the motorbike, set it up with the safety equipment, do a first mechanical check-up and train the driver. After one month it will generate income six days a week. This project doesn’t take more than a month to start generating income so we are applying for a grace period of one (1) month at the beginning of the project.



After the first month the new motorbike will generate an average of kshs. 12 750 per month. The necessary monthly expenses are kshs. 2 550 for fuel, 7 650 for salary and 400 for maintenance bringing the monthly expenses to 10 600. We will cover the maintenance and fuel from our ongoing business. This leaves us with kshs. 5 100 per month to repay the loan. We will hold kshs. 100 for risk management and we plan to pay kshs. 5 000 per month bringing the payback plan to a total of kshs. 60 000 per year.”

## **2.6. Conclusion**

You should think about what you write in the last section of our template. This part doesn't require numbers or analyzing but instead we want you to explain why we should consider supporting this project. Adra Finland Foundation is granting loans to project to help groups and individuals employ themselves and to improve the lives of them and people around them. We want your project to bring long-term value to this area and in the conclusion you should tell us how this project achieves this. Does it bring financial benefits or stable income? Does it keep people off the streets and bad habits? Is it an effective way to employ yourself and/or others? Can it provide others with salary? Does it have potential to grow? Can this project provide the region with cheaper and more accessible food or other necessities? Tell us why we should support this project in your own words.



**ADRA FINLAND FOUNDATION**  
**COMMUNITY BASED REHABILITATION PROGRAM – RACHUONYO**  
**DISTRICTS (North and South)**  
**P.O. Box 20, Kendu Bay**

# Proposal

## 1. BACKGROUND INFORMATION

Name:

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Project Title:

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Project Quick Summary:

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Project Time-frame:

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Proposal Prepared by:

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Project contacts:

*List those individuals who are involved with the project and can be contacted. Be sure to include their name, title, role in the project as well as phone numbers and email addresses.*

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**2. PROJECT SUMMARY**

37 (45)

Why are you doing this project?

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What will you be doing?

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Who will be doing it?

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Where will it be done?

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How long will it take?

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**2.1. Project Background**

What kind of history does this project have?

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Do you have references in these types of activities?

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What kind of research have you done for this project?

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**2.2. Project Objectives**

*State explicitly what goals this project is aiming to achieve.*

Objective 1

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Objective 2

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Objective 3

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Objective 4

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### 3. PROJECT METHODOLOGY

Does this project require a team?

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How will the team be organized?

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What kind of partnership or collaboration does this project require?

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How and when will you evaluate the activities in this project?

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#### 3.1. Work Breakdown and Task Time Estimates

What tasks does this project require?

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#### 4. PROJECT RISK MANAGEMENT

What kind of potential risks does this project face?

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Make a priority list of the above mentioned risks. List them in order from high likelihood to low likelihood to occur.

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How do you plan to address these risks?

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**5. PROJECT FINANCES**

42 (45)

Make a list of costs and the total sums attached to this project.

	Expense	Sum (Kshs.)
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3.		
4.		
5.		
6.		
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9.		
10.		
11.		
12.		
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Explain why these expenses are necessary.

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**5.1. Income Projections**

List all sources for your income and the amounts expected.

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Define how and when this project will generate income and the amounts expected.

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Will this project provide salaries? If it will, how much and how often are salaries paid?

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**5.2. Loan Payback Plan**

How long will it take until this project starts generating income?

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If this period is longer than one month, explain why.

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How will the generated income enable paying back of the loan?

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How often will you pay installments?

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