Handbook for Generating Wealth

by

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He is not poor who hath not much
But he who craves much.
Thomas Fuller

Preface:

This is the second of three companion handbooks for the field worker. Most community development workers are concerned with the generation or creation of public or communal wealth (*access to human settlements facilities or services such as schools, clinics, roads, market-places, water supplies, sanitation*). The first companion handbook (*Handbook for Mobilizers*) concentrates on that. This one looks more at private (*individual or family*) wealth, how the reduction of poverty can include small scale or micro enterprise, and how a community mobilizer can contribute to its development.

It is the result of six years of mobilization and community management training in the CMP (*Community Management Programme*) of Uganda, executed by UNCHS (*Habitat*) and implemented by the Directorate of Community Development of the Government of Uganda. Many lessons were learned over the years, some by success, some by failure. Through it all we have seen the Potential strength and amazing resilience of the communities. What we have come to realise is that all communities, no matter how poor, have resources (*many that still need to be identified*) that can be tapped, so that they, and all of the country, can develop. To tap this huge national resource, mobilization and management training are needed. This handbook shows how those potential resources can be released for sustainable development. It is intended for Government, NGO, professional and voluntary mobilizers everywhere. It is not limited to Uganda. We pray that it is useful to you.

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Introduction:

This is the second of three companion handbooks for the community mobilizer. It is a companion to "*Handbook for Mobilizers*," and "*Handbook for Monitoring and Evaluation*." While the first of these is aimed at fighting poverty by the creation of wealth of a communal nature (*eg with public access and/or publicly owned*), this hand book is aimed at the creation of wealth (*to fight poverty*) for private ownership (*individuals and their families*) through micro entrepreneurship.

This is a "*how-to*" book for community development workers who aim to help to eradicate poverty. There are many different methods of promoting the generation of wealth; this is one. It begins with an analysis of poverty and its causes, leading to actions aimed at removing it. It then goes on to look at using a combination of credit and training to promote entrepreneurship.

Then some tips on organizing groups. The next part describes the skills you will need to transfer to those who would become entrepreneurs. Finally, the requirements for running a viable micro enterprise. This handbook aims to minimise theory, history, and narrative; it concentrates on what you, as a community mobilizer, need to know, and what skills you need, to promote poverty reduction.

1. Poverty and Wealth:

Our long term goal is the eradication of poverty. We will not eliminate it by temporarily alleviating the discomfort and pain caused by poverty. Those are symptoms. We must identify the causes of poverty, and counteract those powerful negative forces. We must devise methods to create genuine wealth as a sustainable process of growth.

Every great military leader will tell you that, to defeat the enemy, you need to know all about that enemy. If we are to defeat poverty, then we must know much about poverty (*not only its symptoms*) and about wealth. This handbook does not tell you everything about poverty; it introduces you to the main elements, and points you in the direction of your teaching more to yourself.

Take these ideas, write them in your journal, think about them, expand them, challenge them, discuss with friends and colleagues at workshops, seminars, and during your rest times. Use this handbook as a starter.

1.1. An Alternative perspective:

In understanding the nature and causes of poverty and wealth, we must first discard some common assumptions. Poverty is not merely the absence of money. Wealth is not merely the possession of money.

Poverty and wealth go far beyond the absence or presence of money. Money can be used sometimes as a measure of wealth, a means to store wealth, and a useful set of symbols for the exchange of wealth. But money is not wealth, and the nature of poverty is far more interesting and challenging than just the absence of money.

Once you start with this radical or revolutionary idea, that wealth is more than money, and that poverty is more than the lack of money, then you can learn how to more successfully attack the common enemy, poverty. This is not to belittle money. In our fight against poverty, money can be a very useful tool. Much of the "*how-to*" parts of this handbook shows how money can be used to fight poverty and generate wealth. Remember, money itself will not eliminate poverty.

You, as a community worker, need three things to contribute to the removal of poverty: (1) an understanding of concepts and principles (2) some skills in training, facilitating and organizing, and (3) personal characteristics, including integrity, motivation and creativity. Without being too theoretical, therefore, the first two chapters of this handbook point you towards the principles and concepts you must understand.

1.2. Wealth:

If money is not the same thing as wealth, and just adding money will not eliminate poverty, then what is wealth and how will it help to fight poverty? If we simply add some money to an economy (*eg printing more bills*), then we contribute to inflation, making all money worth less than it was. Inflation simply means that the costs of things goes up. If we just transfer money, from rich people to poor people (*alms, charity*), we do not create new wealth and we do not attack causes of poverty.

If we look at the economist's definition of wealth, we will come closer to seeing how it will be used in the fight against poverty. Economists talk about "*goods and services*" with value, but even "*goods*" have value only in the extent to which they provide a service. The key concept, here, is value. Something has relative value according to two attributes, (1) if it is relatively useful (*has utility*) and (2) if it is relatively scarce.

Any of us who have been short of cash feel that we know what poverty is. But the experience of individual poverty, which is alleviated by getting some money, is very different from the social problem of poverty, which a problem of the whole economy, not lack of cash. The social problem of poverty is lack of wealth, not lack of money. For low-income persons, poverty is also how wealth is distributed through the society. If you add money to the system, you only create inflation, and that does not rid society of poverty.

The answer to fighting poverty, the social problem, then, is not to add money but to create or generate wealth; that is why the title of this handbook is about wealth generation, not merely income generation. You can do three things with wealth: (1) consume it, (2) store it, and (3) invest it.

To illustrate this, let us take the example of an African farmer. Since the vast majority of farmers on the continent are women and girls, we will use "*she*," but will not discriminate against or forget males. Let us say she has just harvested a crop of corn. She can (1) consume, (2) store, or (3) invest it. She can cook and eat some, with her friends and relations; that is to (1) consume. She can put some away in a container; that is to (2) store. If parasites and pests destroy some of the stored corn, we will just call that an unfortunate form of consumption. She can also put some of the corn aside to use as seed, to plant and grow further crops in the future. This is (3) investment of her wealth, corn (*which is relatively scarce and useful*).

The clue to increasing wealth in an economic system, then, is investment, where immediate consumption is forgone in the present or short run, in order to make increased production of wealth in the future. Our modern complex world is not as simple as that of one farmer making three choices, but the principle remains the same, investment leads to increasing wealth, and fighting poverty.

1.3. Poverty:

What causes poverty? The social problem poverty. Lack of money is a measure and a symptom of poverty; not a cause. Treating the symptom will not cure the disease (*although it might temporarily alleviate the discomfort*).. The causes of the social problem of poverty lie in several factors, especially the big five: disease, ignorance, dishonesty, apathy and dependency.

Disease causes the labour supply of the society to be less productive. Sickness and death subtract from one of the three main factors of production, human labour. Disease itself can be reduced by a greater understanding of how to prevent disease, and ensuring that public wealth intended to be used to prevent and cure disease is not diverted for personal gain. Thus the factors of poverty are inter linked: dishonesty and ignorance contribute to disease, and all three contribute to poverty.

Ignorance, as mentioned elsewhere, is not a shameful thing, it is merely a fact. It is caused by isolation so that some people do not know some things simply because they have not heard of those things (*information*). Other factors of poverty can contribute to ignorance, including disease and dishonesty. Both those factors contribute to a lower availability of education and information.

Dishonesty, in turn, is a major cause of poverty as a social problem. When a person in a position of trust diverts a hundred units of value towards personal use, the society at large may lose much more than a hundred units of value that could contribute to development and to the reduction of poverty. That is part of what economists call the "*multiplier effect*." Dishonesty thrives in an atmosphere of apathy, ignorance and dependency, so here is another example of the inter-linking of factors of poverty.

Note that this is not a value judgement. We do not say dishonesty, disease, ignorance and apathy are bad. That is for our religious leaders to teach about good and bad. This is just a scientific analysis (*social science*) of the factors of poverty. To fight the social problem of poverty (*if that is the decision of the people*) it is necessary to identify and analyse the causes of poverty.

Further factors of poverty include lack of markets, lack of leadership, lack of supporting institutions, corruption and poor infrastructure. These factors, in turn, are the results of the five key causes: apathy, disease, dishonesty, dependency and ignorance.

Poverty, like wealth, comes in several varieties — related to ownership. The lack of communal human settlement facilities and services belongs to public or group ownership. These include lack of access to health facilities and educational facilities, lack of infrastructure such as roads, market places, electricity or telephone, and lack of other communal infrastructure such as sanitation, potable water and a dependable food supply.

These forms of communal wealth differ from personal ownership, where poverty is manifested in low or no wages, lack of land and other property, lack of privately owned capital (*tools, buildings, factories*), and lack of human skills. The attack on poverty in the communal sector is described in more detail in the first of these companion handbooks, "*Handbook for Mobilizers*." This handbook emphasises private capital formation and poverty reduction by stimulating private micro enterprise.

1.4. Investment:

This method initiates, at a very low level, private investment that, if it takes root and grows, contributes to country-wide wealth creation and poverty eradication.

Existing wealth can be directed towards consumption or investment. Corn, as a food, is an example of a consumption good. A garden hoe, used to prepare the farmland, is an example of a capital good. A capital good can not be directly consumed, but can contribute to increased further wealth. Investment means directing wealth towards the production of capital, which is needed to contribute to growth of wealth in the community and society. This handbook shows you how to initiate investment.

Small scale productive business, especially the initial processing of agricultural products, is most effectively carried out by individual entrepreneurs. That initial processing is highly needed throughout the continent, and is the most promising sector for reducing poverty on a wide scale basis. Your job as a mobilizer is to introduce low income individuals, especially women (*also unemployed youth, disabled, vulnerable*), to become creators of wealth, ie individual off-farm entrepreneurs processing agricultural crops.

2. Credit and Investment:

The method that is presented in this handbook is to introduce credit to would-be entrepreneurs, who then use other people's savings (*as loans*) to divert away from immediate conception, towards investment, and the creating of wealth.

When some one borrows money, it is not a gift; it must be paid back. If it is not paid back, the borrower has engaged in theft, and is dishonest. If there is a widespread attitude that borrowed money need not be paid back, that dishonesty is one of the big five factors of poverty as a social problem.

The causes of defaulting on a loan may be innocent enough: un-realistic high hopes, naïveté (*by both to lender and borrower*), and expectations that are not realistic (*at the time the loan is made*). Un-realistic borrowing can be a major cause of the breakdown of trust and the break-up of friendships. It has also made many governments bankrupt.

As a mobilizer, in your crusade against poverty, it is your responsibility that any loans intended for creating wealth are not un-realistically too high. You must be able to honestly say to yourself, about every loan you approve or recommend, that it can be re-paid (100%). If not, then you support the survival of poverty. As Eldritch Cleaver and Malcolm X said, "*If you are not part of the solution, then you are part of the problem*."

2.1. Value Added:

Remember the story above about the farmer and her choices of what to do with her corn harvest? There we mentioned she could consume, store or put aside some of it for seed. A fourth alternative is another form of investment, she could process it. Milled corn is more valuable than non-milled corn. By adding factors of production (*land, labour, capital*) she can add value to her (*or someone else's*) corn by milling it.

The processing of the corn creates wealth. It does not happen by itself; she must put in more inputs: capital (t*ools, including a milling machine*), land (*a place to mill*), and labour (*putting the corn in; taking the posho out*). If the value of the output, milled corn, is more than the combined value of the original un-milled corn and the production costs of milling it, then real wealth (*not just money*) has been generated by the activity. It is in this little story that we find the essence of fighting poverty on a continental scale. This is "*value adde*d."

Most of Africa, indeed most of the developing world, is agricultural. Some crops are exported for cash, most are consumed by the producers. One of the major elements lacking is the initial (*let alone subsequent*) processing of agricultural products. If we can find a way to fill this void, by helping women to fight personal and family poverty, then we support a revolutionary battle in the war against poverty. The important task is to identify a "*value-added*" sector when the value that is added contributes to eradicating the social problem of widespread poverty.

2.2. Using Borrowed Money to Create Wealth:

The money that is loaned by the lender and borrowed by the borrower, is credit. The "*principal*" of the loan is the amount loaned. The "*interest*" on the loan is the "*rent*" value of borrowing and using the loan. Service charges may be added as further costs of borrowing the money.

When we talked about the farmer investing by setting aside some of her crop as seed, she was investing her own real wealth. The target group you aim for (*beneficiaries*), low income women, may not have enough of their own wealth to invest. Other people may have stored wealth that they are willing to "*rent*" out (*for a price, the interest*) for others to invest. That is the credit which is an available resource.

Do not give your target group money (*grants*) as capital to invest; do not hand out free sewing machines; that trains them to become dependent on an unsustainable source as a factor of their production. Instead, you give them some skill training and assist them to obtain some credit. These must be realistically sized loans that they can use as investment in creating wealth, and pay back both the principal and interest out of the wealth they have created.

2.3. Why Credit and Not Grants?

The core handbook for which this is a companion (*Handbook for Mobilizers*), pointed out an important principle of empowering and strengthening. If your muscles do not exercise, they atrophy (*get weaker*); if you do push-ups, your arms will get stronger. If a community is given everything, it will not become self-reliant. If you give free money to a business person, you train her to become dependent upon gifts or charity.

If a person wants to start a business, she needs financial capital to get started. If you give her that money she gets training in dependency. That financial capital is valuable, and she should pay some rent for temporarily possessing and using it. That "*rent*" for the use of someone else's money, is the "*interest*" she should pay on the loan of that money. Just as some one pays rent for accommodation to the owner of a house, so a borrower should pay interest on the loan to the owner of that money.

She should also pay back the loan. It is not a gift, alms, or charity. It is a business input or resource, and is rented. It must be returned. The rented house, like the borrowed money, remains the property of its owner (*landlord, lender*).

If you allow an entrepreneur to default on a loan (*not pay it back*), you do two disservices: (1) to the individual and (2) to the community and society as a whole. The entrepreneur will get training that encourages dependency and dishonesty (*two major factors of the social problem of poverty*) and you contribute to mismanagement and loss of capital in the economic system. The entrepreneur will miss out on an important lesson of personal empowerment in running a viable business, while the society misses out on one more potential for economic growth and eradication of poverty.

Notice that a moral judgement about defaulting on a loan has not been made. The non payment of money back to its owner (*which is theft*) may be immoral or a crime, but it is up to our religious leaders and law keepers to attend to that. A social science analysis merely points to how it reinforces the social problem of poverty. The need to emphasise that grants should not be given, that loans should be repaid, and that they should be paid-for (*interest*), are all three good reasons why initial loans to inexperienced borrowers (*your target group*) should be small (*ie affordable*), and therefore more re-payable.

2.4. What Interest Rates?

If your objective is to train new entrepreneurs to become empowered, to create and run viable enterprises, then their loans should not be free, and the interest not subsidised. Many persons, on first hearing this, may object. "*But these are poor women! We should not force them to pay interest on loans! They are too poor!*" Their sentiment is charitable, but their analysis is weak. Do we want to train poor women to stay poor? Or do we want to empower them?

If we want to train them to become self reliant and to create wealth, then we need to train them to devise a profitable enterprise, one that makes a profit high enough to pay the market value of the "*rent*" (*interest*) for using other people's money. Better to guide them towards designing a smaller scale of business, to gain experience, to borrow less money, make an honest profit and pay back both the loan and its interest.

Make sure your target group, your participants, are trained from the beginning in being strong enough to pay a market rate of interest, the same as charged by a commercial or government bank.

2.5. What Sizes of Loans?

The prefix "*micro*" means tiny. This methodology is aimed at very low income persons who have no experience in business. Micro-enterprise. If someone is already successfully in business, and needs a 50,000,000/= ($50,000) loan, then they do not belong to this target group, and should look elsewhere.

This scheme is aimed at individuals who will initially borrow between 10,000/= and 100,000/= (*$10 to $100*) and use it to generate wealth. If they are successful the first time, make a profit, keep accurate records, pay the interest as well as the principal, then they can get a larger second loan. If the range is from 10 to 100, all the loans can not be 100. The average of all loans should be 50 to 60.

The second loan can be from two to twenty times larger than the first loan, depending upon how promptly they repay the first one, how much profit they make after paying all costs, including interest and their own labour. If they can not learn to make a profit on a loan of 100,000/= (*$100*), then we can not expect them to make a profit on 1,000,000/= (*$1,000*).

The third loan can be two to twenty times larger than the second loan, again depending upon the level of success the second time. You job as mobilizer is to challenge each participant who is a potential entrepreneur. This will be expanded in chapter five.

Very often the participant will be naively optimistic, and ask for a loan for greater than her capacity to use in generating wealth and making a profit. She must have a realistic business proposal that will establish a viable enterprise, not one based on ignorance and wishful thinking.

Keeping the initial loans small is an important contribution to viability.

3. Organizing Groups:

Remember that this handbook, like its companions, is aimed at community mobilizers, or animators. What is the most important skill of a mobilizer? It is the ability to organize a group for action. Now it may sound strange that our proposed method of generating wealth is aimed at the individual (*low-income entrepreneur*), yet we need the group facilitation skills of a community mobilizer. When we look at this overall all method more carefully, however, it looks less strange. Some essential elements of the whole method involves training individuals, other elements involve organizing groups.

You are already skilled and experienced as a community mobilizer (*see* "Handbook for Mobilizers") aiming at fighting communal poverty by promoting self help community projects. Now you can add to your tool kit the concepts, principles, and methodology of this handbook, and find further use for your mobilizing concepts and skills.

The pyramid you will organize has an umbrella group at the top, five to seven trust groups in the middle, and individual entrepreneurs at the base. Each individual belongs to a trust group, and everyone belongs to the umbrella group. The individuals play different roles as trainees and participants, at each level of the pyramid. They create the micro-business entrepreneurships that produce the much desired "*value-added*," and they are the participants and members of the groups that facilitate their businesses.

3.1. Trust Groups:

A trust group is composed of five to seven individuals, usually women, who know and trust each other. As a mobilizer, you build several trust groups out of a larger (20-40) community group. You give each participant a paper, and she puts her name on it, then a line, then the names of five others that she can trust to hold her money for her. It is helpful to have one or two assistants doing this. Then, confidentially, you take the slips of paper and group the participants into groups.

If a participant does not have her name on any list, then she can not join a trust group. She may complain, but you must be firm, that she needs at least four or five other women who trust her before she can belong to a trust group.

As time passes, some individuals may drop out; they lose interest, immigrate, find some paid occupation, or whatever. The trust group must then decide, by consensus, to take her name off the membership of the group. Conversely, a person may be, or become, known to a trust group, and wish to opt in. She can join that group so long as the maximum size is seven persons, and if she is unanimously accepted by the others. Although it is not necessary, you could ask each trust group to give itself a name: serious or humorous, as they wish. The choice of name should be by consensus among all members of a trust group. If another group has chosen a particular name, mention it, so as to avoid duplicate names.

Each trust group will choose, unanimously, one of their member to hold their money for them. She does not have to be literate, but must be trusted by the other member. Between meetings, this "*Trustee*" (*or treasurer*) holds the money of the whole trust group.

Each trust group should meet, preferably weekly, and each member deposits the same amount of money with the Trustee. One person can have two memberships, and then deposit twice the amount. Each trust group must agree that the weekly payment should be consistent with what the umbrella group chooses (*all trust group member are also members of the umbrella group*).

As with traditional credit rotation groups, the trust group may go on to do other things in their weekly meetings. That differs from group to group, community to community, country to country.

Your job is to organize five to seven trust groups for each umbrella group.

3.2. Umbrella Group:

Then you mobilize and organize a larger "*umbrella*" group (*composed of all the trust groups*) for bulk-breaking capital (*banks do not want to make small loans*) and for training in the necessary skills of investment, entrepreneurship and production. The umbrella group is at the top of the pyramid (*that you organize*). Every member of every trust group is automatically a member of the umbrella group. No one can be a member of that umbrella group unless they are a participating member of one of the constituent trust groups. As mobilizer you should not be a member of any trust or umbrella group. You organize.

Each umbrella group should have a name chosen by all its members: a slogan of encouragement, good luck, wisdom, prosperous future or similar positive phrase. Unlike the trust groups, the umbrella group should be a little more structured, perhaps with a standard executive of chair, vice, secretary, treasurer, other functional offices (*as deemed needed by the group*) and a member or two at large. The executive should have at least one member from each and every trust group.

The umbrella group should meet every three to five weeks, preferably on the same week day at the same time. All members of every trust group should attend. Members of the executive who miss more than two or three (*chosen by the group*) consecutive meetings, must be replaced with more participatory or active members. The main tasks of the umbrella group are to: (1) take regular deposits or contributions from the trust groups, (2) break a large bank loan into smaller loans that go to the trust groups, and (3) receive the repayments of the loans from the trust groups.

During umbrella group meetings, all such payments should be public, verbally announced, recorded, and as transparent as possible. Help each umbrella group to develop an open style of making payments in each direction. One designated member should announce very loudly where each payment comes from, what it is for, and where it is going. Simultaneously, another person (*eg treasurer*) records each payment in the appropriate place in the appropriate ledger. Each participant (*eg the trustee from a trust group*), should get up and bring the money across the floor and count it out for all to see. Make a public ritual of this.

Another responsibility of the umbrella group is to decide upon and set the amount of money and interval for contributions by individuals to trust groups.

The umbrella group then becomes the single "*legal individual*" or party that deals with the bank, opens up a savings account, makes savings deposits, negotiate a loan (*amalgamation of all the individual small loans to individuals, channelled through trust groups*), takes out a single large loan, and divides it into proportional medium sized loans for the trust groups to further bulk-break and distribute to their individual members. The trust groups and the umbrella group are composed of the same individuals, and complement each other in roles and functions. Jointly, they form a pyramid that is a vital bridge between the bank (*or other lending agency*) and the individual entrepreneurs.

3.3. Training Groups:

Training takes place at all three levels of the pyramid: the umbrella group, the trust groups, and the individual entrepreneurs. Each level has different kinds of training (*topics and methods*) for different purposes, while there is some overlap, and a functional relationship between the different levels.

Financial training is needed at all three levels of pyramid, although the specific aspects vary. Be sensitive to the expressed needs of the different groups as you set up your training plan.

Organize your training according to the needs of the pyramid. Do not hold workshops where individuals from outside the pyramid are present. Keep training groups as small as possible, 8-15 persons. Hire temporary trainers skilled in the various skills needed (*See Chapter 4, below*): management, planning, credit, communications; marketing and production. Train your trainers to use a facilitating approach rather than a lecturing approach. Ensure that training sessions are all conducted in a practical manner, where skills are not taught as theory, but with concrete examples taken from what the groups and entrepreneurs are doing.

4. Skills Needed for Generating Wealth:

What does an individual need to know, and need to know how to do, in order to create and maintain a successful, profitable, private enterprise? Remember that your target group is low income, usually illiterate or semi-literate, unsophisticated, having little general knowledge about the world, unskilled in any technical skill, un-informed about obtaining credit or managing money, people, things.

Almost anything necessary to run a business can be included in the skills needed.

The kinds of skills needed can be put into several categories:

Management skills: to manage people, physical resources, finance;
Financial skills: keep accurate records, make budgets, calculate profits and losses;
Communication skills: speaking, writing, reading;
Marketing skills; research, sales, entrepreneurship;
Credit skills: borrowing money, dealing with banks or other creditors, interest; *and*
Technical skills: the applied physics, chemistry, biology, craft and artisan skills of a chosen profitable and productive enterprise.

This chapter identifies some of those needed skills, and directs you, the mobilizer, to ways of imparting those skills to your target group.

4.1. Planning and Management Skills:

The small scale entrepreneur must know how to manage her business. She must know how to mobilize resources (*inputs*). She must know about people; not staff at first, if she is starting very small, but suppliers, family members, customers, investors, authorities. Skills in human interaction are necessary. For you, as mobilizer, many management skills were described in the construction and maintenance of communal facilities and services ("*Handbook for Mobilizers*"), companion to this handbook. Your challenge now is to convert that management training to this effort.

Management and planning skills include the identification of needs, the generating of goals and objectives, locating of resource, identifying constraints, devising possible strategies, choosing the most effective strategy, and determining important details such as budgets, monitoring methods, clarifying roles and tasks, devising work plans, and making changes in response to evaluation.

For an illiterate, small-scale entrepreneur, these need not be very elaborate, sophisticated, or written down, but they must be discussed and considered by her. Your job as a mobilizer is to challenge her to demonstrate that she has considered all these issues and made realistic decisions.

4.2. Credit Skills:

Most people assume that skills are needed in order to work in a bank. What many overlook is that skills are also needed to be a customer of a bank. To a low income person, especially if illiterate and humble, a bank is a very threatening and fearful place. The customs and expected procedures are foreign and incomprehensible.

Your target group (*beneficiaries*) are people who need to learn about the nature of credit, the institutions that provide credit, and the people in those institutions.

Informal loan sharks may charge up to and over 200% p.a. interest, without that being made explicit to a borrower. Banks loaning at commercial or government rates are far less expensive. Ignorance of skills to obtain credit is a barrier to overcome.

The skills your target group need are the understanding of credit, principle, interest, service charges and all the methods and procedures for borrowing and returning money. As with other skills, the best method of learning about credit is by doing.

4.3. Marketing Skills:

It is useless for a small scale entrepreneur to invest her resources in producing something of value, and then not be able to sell the product. Sales provide the cash for repaying the loan and any other debts, paying herself and others a fair wage, and paying for all the other costs of production before taking a fair profit. Marketing skills include knowing how to find interested customers (*including research skills for finding them*), and how to present the product in a manner attractive to buyers.

No matter how enthusiastic and optimistic an entrepreneur may be, her business will not be viable if she can not sell her product. Your job as mobilizer is to challenge her to demonstrate that she has a realistic marketing plan and strategy. See Marketing.

4.4. Financial and Accounting Skills:

Unless your target group participants can always know their financial position, and calculate their income and costs, they can get into serious financial trouble. The range of accounting and budgeting tasks needed is dependent upon the size and complexity of the enterprise.

The most essential skill (*and habit to be encouraged*) is in keeping a daily accounts ledger, no matter what the size of business. The first training in accounting, therefore, should be in keeping financial records. As with as it other training in capacity development, avoid lecturing, preaching, pontificating or dictatorial styles of presenting the material. See "*Handbook for Mobilizers*." Learning for capacity development should be by facilitation.

If you organize a workshop, keep it small. Limit the number of participants to a maximum of ten. Every participant should have a business planned, and, during the workshop, prepare financial documents specific to their planned or ongoing enterprise. These should start with recording (*eg ledger*) exercises, and go on to reporting (*eg financial statements*) exercises.

4.5. Technical Skills:

While you will not dictate to your target group participants as to what sector they choose, your advice to them is to guide them towards initial processing of agricultural products. For them to run a successful business, then, they must know a sufficient amount about the processing; technical knowledge.

Small scale enterprises in the following sectors should be encouraged: off-farm agro-processing (*milling, baking, fish-smoking*); artisans (*farm equipment repair and fabrication; brick-making, weaving, construction, tailoring, carpentry*), food preparation and petty trade or marketing. While the needed skills can be identified, how you go about transferring those skills to your target group must be appropriate.

Avoid classroom lectures, with a lecturer droning on about the processing. Seek creative innovative, unorthodox and relevant methods of training.

Emphasise practical activities (*we learn best by doing*). Visit operating processes and enterprises, different kinds and sizes; talk to owners and workers. Bring trainers in with practical, experience, but do not let them lecture; let them facilitate and demonstrate (*teach facilitating methods to your trainers*), where participants can get hands-on experience.

4.6. Training Methods:

Unlike "*training as mobilization*," or in mobilizing communities to solve communal problems (*Handbook for Mobilizers*), training in this chapter emphasises skill transfer. Nevertheless, it is not orthodox and institutional training. The central method is on-the-job training, and that means every participant (*trainee*) must be a full participant in creating and running her own enterprise.

Avoid inviting any non-participants, except trainers to any of your workshops. Run small, half-day workshops at the locations of each of your participants, using their enterprise sites as the venue and example of the training.

Prepare a flexible, rotating, participant-sensitive training plan. The major topics of your training should be as above: planning, management skills, skills in obtaining and using credit, marketing skills, financial and accounting skills, and technical (*production*) skills. Modify the plan according to your monitoring of the needs and weaknesses of your participants. Obtain experienced specialists in each topic, but ensure they take a facilitating and participatory approach (*you teach the trainers in those techniques*), and ensure that the participants all get hands on, supervised experience that is relevant and valid to their chosen enterprises.

5. Running a Successful Enterprise:

This chapter reviews some of the factors of or reasons for success and failure in running a productive enterprise. Remember that this handbook is intended for you, the mobilizer, who wants to fight the causes of poverty as a social problem. Keep these factors in mind while giving encouragement, training, advice and support to participants who want to generate wealth.

The success of a venture can first be measured by its viability. Can it survive? Is it sustainable or will it crash when outside support is withdrawn. Financially, viability means that the enterprise is profitable. That means, over time, that the income for the business is more than the expenses. The level of profit must be high enough that the entrepreneur will not decide some other activity is more worth while.

Two important characteristics that contribute to viability and profit are integrity and good will. Integrity means the business is run in an honest and honourable manner. If not, ultimately it will fail. Good will is a special concept in business; it means the total of all the non-materiel assets of a business: its reputation (*ie for quality service, for honesty, for dependability*), its popularity, its good name (*how well it is known to customers and suppliers*), how much credit it can attract, and how good an "image" it has in the public eye. A third characteristic is to be practical, had nosed and tough, not being cheated or misled.

These three contribute to viability, and your job as mobilizer is to get that simple but important message to your target group.

5.1. Viability:

The most important feature of a business that you help to set up is that is successful. It must be able to survive. If it can survive, it is considered "viable." Viability requires several things, but the foremost feature is that it makes a profit.

What is profit? After you add up all the costs of production (*land, rent, labour, wages, capital, including cost of credit*) and you subtract them from all the income (*eg from sales, rentals, fees*), and if it is a positive number, it is the amount of profit. If it is a negative number, it is the amount of loss.

A business can incur some loss, for some time, but, in the long run, must have profit to survive.

You, as mobilizer, want to do two apparently contradictory things: (1) encourage low income persons to create and run a business (*be optimistic*) but also (2) encourage caution to avoid too much enthusiasm (*be realistic*) for starting a business that might fail. As in any development work, start small, begin modestly, and win success; that will encourage others to join in. If you start big and have a failure, it will be more difficult to get other to join in. As the cliché goes, "*success breeds success*."

The key to resolving the paradox or apparent contradiction between optimism and realism is how you go about your mobilizing. You encourage your target participants to each start a business, but only a viable business. While you mention this from the start, you do not leave it to an introductory sermon. Throughout the organizing process you challenge your participants to plan for viability.

Practical examples of this planning are included in some of the appendices. Copy the forms and instructions for handing out in workshops, and require that participants each produce a realistic work plan to make a viable enterprise. Remember, workshops are not merely conferences; participants must be prepared to work at workshops and their outputs should be the production of realistic work plans for starting and maintaining viable enterprises.

Again, learning by doing, not just listening to speeches, harangues, lectures or sermons.

5.2. Integrity:

Think back to the big five of the many factors of poverty. Here is when you have an important role in the attack against causes of poverty. Dishonesty is one of the big five. Beware! Do not be a preacher to make sermons against dishonesty. That is for our religious leaders; moralising. No. In a calm, informed, and confident manner, you explain that business survival depends upon viability, variability requires profit, a profitable business must have integrity.

If a business person cheats her customers, they will not want to return, and sales drop. If she cheats her supplier, they will try to take their resources elsewhere. If she short charges her staff, the motivated and competent ones will leave, and only the incompetent and corrupt ones will stay, bringing the business down with a crash.

Remember, your job is to fight dishonesty, a major factor of the social problem of poverty, not by preaching against it, but by helping low income persons set up viable micro enterprises, which require integrity to survive. Incorporate the above logical reasoning into all levels of your organizing and training of the pyramid and the individual businesses.

5.3. Good Will:

The concept, "*good will*" sounds like what we call a "*warm fuzzy*" (i*e that it sounds attractive but is not very practical*). In the jargon of business, however, "*good will*" is a concrete characteristic of any business. It is composed of all the non material assets of the enterprise. It includes its reputation, and number of customers and suppliers, how well it is known. It includes values other people make about its honesty and integrity; will people trust the business or fear to get cheated by it? In big companies such as Coca Cola, Pepsi, Nile Lager, Sportsman, it includes the musical jingles that race around in our heads. It includes the degree to which the motto of a business is familiar to people.

All of these intangibles contribute to the value of an enterprise, and are assets.

How does this relate to your training and organizing? You ensure that your target group participants recognise that good will is a valid and important factor of business success, and it is consciously included in the training for running a viable enterprise.

Staff loyalty (*as well as customer loyalty, and supplier loyalty*) is important. An entrepreneur can plant the seeds of loyalty, and help it grow, on a daily basis, by genuine friendly concern for others. Be interested in them as total persons, not just factors of production. Speak to them respectfully and positively. Avoid criticism, but give positive and encouraging hints about how to improve performance. Recognise achievements often and before witnesses. Greet every one every day on arrival at the work site. Do not act haughty and superior to those with menial tasks and low wages.

Treat everybody with friendly respect. This is most important the message of your training.

Many small or new restaurants lose customers and go bankrupt, not because their food is bad, but because their good will is bad. Sometimes this is blamed on inadequate staff training. A restaurant entrepreneur should ensure that staff are informed that their job description includes the building of good will of the business. This is especially true in any enterprise in the service industry. Staff should be reminded that customers pay their salaries, and should be all treated as respected bosses.

A table attendant may be very obsequious to her boss, but be rude to customers when the boss is absent. When an item is not available, for example, an untrained table attendant will just say "not available." An attendant that understands good will, in contrast, will say please they are sorry that it is not available, and then offer one or two alternatives in a positive and pleasant manner. If staff are loyal to the boss (*because of her good will*) and she shows them that she wants their customers to be treated with friendly respect, the business will flourish as customers recommend it to others, and its good will increases.

5.4. Sound planning and Management:

While you are demonstrating and encouraging micro entrepreneurs to be pleasant, respectable and friendly, as above, you also show them how to be careful, cautious and thorough in running their business. Being friendly does not mean to allow suppliers, staff or customers to take advantage of you, or cheat you.

First this means having practical, viable, and well organized detailed plan and budget. Second this means sticking to it, or having good reasons to divert from it. Third this means good monitoring: watch the production and financial changes, in detail, daily. Always know what is going on. Fourth, when things go off track, take decisions , and act quickly, to get things on track again before they get worse.

As a mobilizer, your task is to impress upon your target group that they should not abandon their business. Staff and family members should not be expected to have the same motivation and desire as the entrepreneur to make the business a success. Delegate responsibility whenever possible, especially as the business grows, but monitor daily and show your interest in what is happening.

Concern pays dividends.

Illustrations:

In the printed version of this hand book, there are several illustrations of the process of forming and training groups for generating wealth. They consist of black and white line drawings by Julianna Kuruhiira, of the Ministry of Gender, Labour and Social Development of the Government of Uganda. Here they are collected in a separate file. If you are preparing a local handbook based on this one, and wish to use the illustrations, they can be downloaded from this site. To load the illustrations file, just click on this: Wealth Generation Illustrations and instructions for downloading and saving all or any of the illustrations will appear with the file.

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Most of the material in this handbook can be found as web pages in three modules: Principles of Income Generation, Micro Enterprise Training and Building a Credit Organization for Small enterprise. See: **http://www.scn.org/cmp/modules/a-mod.htm**

If you copy any part of this, please link it back to: **http://www.scn.org/cmp/**

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