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ABSTRACT

This manual is intended to assist Peace Corps trainers in providing preservice technical training in small enterprise development. The manual includes a total of 40 training sessions divided among 10 learning modules. The following topics are covered: the main principles of small enterprise development; Peace Corps volunteers as small enterprise development consultants and trainers (business in a cultural setting, small business volunteers as extension agents, and training principles for small enterprise development volunteers); the business/project identification process (business/community assessment models and problem solving and goal setting in a crosscultural context); feasibility/viability assessment (the importance of feasibility/viability assessment, basic marketing concepts, the role of intermediaries in marketing, market information gathering, product costing and pricing, and quality control); project planning; basic budgeting; recordkeeping (recordkeeping in a cultural setting, record systems and cash books, noncash recordkeeping, income statements, and accounting for nonliterates); financial analysis; and proposal presentation; and evaluation. All materials included are targeted toward individuals who do not have academic backgrounds in business but who have become involved in local income-generating projects. All of the individual sessions have both a theoretical and practical basis in that they review important business principles and apply them specifically to host-country situations. (MN)

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SMALL ENTERPRISE DEVELOPMENT
PRE-SERVICE TRAINING MANUAL

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SMALL ENTERPRISE DEVELOPMENT TRAINING MANUAL

PRE-SERVICE TRAINING

TABLE OF CONTENTS

INTRODUCTION TO THE TRAINING MANUAL

This manual was designed in response to Peace Corps' growing need for technical training in small enterprise development. It is targeted for trainees who already have academic backgrounds in business, but who need to adapt those skills to work with host-country small businesses/income-generating projects. The manual is applicable for Volunteers who will be working with on-going businesses/projects, as well as for those who will be involved in the establishment of new entities.

Although the sessions were designed to provide a continuous process of skill development, they can also be adapted for use independently of one another. Conducting needs assessments before the pre-service training programs would allow individual countries/training programs to choose the topics which are most appropriate for their projects and trainees.

The sessions have both a theoretical and a practical basis, in that they review important business principles and apply them specifically to host-country situations. Trainers are encouraged to make use of the practical exercises as much as possible, as they will enable the trainees to immediately apply their skills in the local context. Some of the important exercises include the establishment of a trainee-run store, local business observations/consultations, and business assessments.

It is assumed that the trainers who will utilize this manual have strong technical backgrounds/experience, but not necessarily strong process training experience. Activities, therefore, are laid out very explicitly to enable the trainers to follow the sessions with relative ease. It is highly recommended that the trainers review the "Trainer Guide" carefully before the start of the program, as it provides information on the manual format and basic principles of experiential training.

The authors would like to thank Gary Laidig, Linda Spink, and Michael Mercil for their guidance and input during the development of the manual. Appreciation is also expressed to the Volunteers and staff of Togo and Honduras for their participation in the pilot testing and their valuable feedback.

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TRAINER GUIDE

I. INTRODUCTION

In order to effectively utilize this training course, the instructor needs to be familiar with the format of the modules and the training methodologies included. This Trainer Guide contains very specific instructions regarding the planning and delivery of the training program, as well as the steps to follow when facilitating the sessions. All instructors are encouraged to read the Trainer Guide thoroughly before the start of the training course.

Included are the following topics:

II. MODULE FORMAT
An explanation of how each session is organized; including title, time, content overview, objectives, trainer preparation, materials, and procedures.

III. ADULT LEARNING PRINCIPLES
An introduction to the ways in which adults learn best, and the role of the trainer in facilitating the process.

IV. EXPERIENTIAL TRAINING METHODOLOGIES
An overview of the learning process which actively involves the participants and helps them to apply what they have learned to their actual work situations.

V. TRAINER's ROLE
An explanation of what functions the trainer assumes when working with adult learners and creating an effective learning environment.

VI. TRAINING TECHNIQUES
An introduction/explanation of the steps utilized in a variety of training techniques, such as: lecturette, role playing, group discussions, and brainstorming.

VII. PLANNING TRAINING
An overview of issues to consider when planning a training program or workshop, including participants, purpose, and time.

VIII. ARRANGEMENTS FOR DELIVERING TRAINING
An introduction to the logistical considerations needed to effectively set up a training program.

IX. CONDUCTING TRAINING
An explanation of the key things the trainer must consider when actually running a training program.

X. EVALUATING TRAINING
An overview of the types of evaluation which can be conducted during, and after, the training program.

II. MODULE FORMAT

Each of the modules has an overview sheet which gives the module title, the approximate amount of time required to complete the module, and an overview of the module content.

Each of the modules has a number of individual sessions which have been organized according to the following format:

A. SESSION TITLE

Each session is numbered and titled for easy reference. The sessions within each module should be done sequentially as the sessions build on one another toward the overall module goals.

B. TIME

The total anticipated amount of time required for each session is indicated on the first page of the session. Times needed to complete various segments are indicated throughout the sessions to make it easy for the trainer to keep to the schedule. The times given are approximations of what will be needed to complete the session. Should it be necessary for the trainer to use an additional few minutes for a segment, that should be factored into the overall schedule.

C. RATIONALE

The rationale explains the general purpose of the session in one or two paragraphs. It also give an overview of the types of activities which will be utilized in the session.

D. OBJECTIVES

The session objectives state, in behavioral terms, what the participants will be doing during the session. They also indicate the skills the participants should have attained at the completion of the session.

E. TRAINER PREPARATION

This section indicates the preparation the trainer should have completed before the session actually starts. It includes the background materials to be read, the flipchart to be prepared, and the background information which needs to be gathered.

F. MATERIALS

The necessary materials--paper, pens, flipchart, markers, etc.--are listed in the section. The trainer should have all of them available before the session begins so that there will be no need to interrupt the flow of the session.

When flipchart (large sheets of paper) is prepared, care should be taken to ensure that it is clearly written, has large enough print to be seen from a distance, and is

placed where all the participants can see it. If the flipchart is prepared carefully, it could be used for a series of workshops--thereby conserving paper and avoiding the necessity of frequent preparation.

To allow participants the opportunity to review their work, it is helpful to tape their flipchart on the wall around the room for easy reference. One of the responsibilities of the trainer is to check the walls each morning for flipchart that is still important to the up-coming work. Flipchart that is no longer needed should be removed, and folded on a table for future reference. (Do not throw away any flipchart until the course is concluded in case participants want to refer back to it.) Keeping the walls and tables neatly organized throughout the training workshop is essential for ease of movement and ability to refer quickly to important information.

All the handouts which will be given to the participants are listed in this section. They should be Xerox copied before the session starts, and ready for distribution at the appropriate time.

H. PROCEDURES

The actual steps of the session are indicated, and the approximate time required for each step is given. The procedures follow the Adult Learning and Experiential Training process explained in the next sections.

Many of the sessions require both large- and small-group work. For small groups, the trainer should pay close attention to the membership to ensure that the same individuals are not working together all of the time. Some techniques for dividing participants into small groups are:

- According to technical specialty;
- Having the participants count off and assigning the same number (all the 1's, all the 2's, etc.) to the same group;
- Counting off the participants and assigning numbers 1-5 to work together, etc.

In using small groups, be sure that the groups are far enough apart to allow them to work without interference (in separate corners of the room, in adjoining rooms), yet close enough to make it easy to reconvene the large group. For short, small-group exercises, keeping everyone in the same room will facilitate the process.

I. TRAINERS NOTES

These notes give additional information on the session content or the specific learning points presented in the Procedures section. They give the trainer information on the types of information the participants should be able to generate during different exercises, and provide general guidance on what points to stress in the exercises.

The notes also provide background information the trainer must have in order to fully understand the content of the session, and things to pay close attention to when giving directions or leading discussions.

III. ADULT LEARNING PRINCIPLES

The training modules focus on the development of the skills, knowledge, and attitudes necessary to be effective supervisors in Kenya. To facilitate the development and application of these competencies, the training approach is based on Adult Learning Principles, which state:

- Because individuals are unique, particularly in regard to the way in which they learn best, a training curriculum must utilize a variety of learning approaches in order to accommodate the different ways that people learn.
- Learning is not something which can be "injected" into people; it emerges from their experiences.
- Learning is most effective when the goals and objectives have relevance and meaning for the trainees in terms of their own lives, what they already know, and their personal goals.
- Learning is an inherent product of living. Training is most effective when it facilitates learning by focusing on issues and problems that are relevant to the trainees.
- Learning is meaningless if it is confined to the acquisition of facts and figures. Information must be supplemented by an understanding of why it is important, and how it can be used productively. Effective training facilitates this process.

Training based on the above Adult Learning Principles emphasizes the following:

- The role of the trainer as a facilitator of learning, rather than only as a provider of information.
- The use of a variety of educational methods, including:
  -- role plays
  -- small/large-group discussions
  -- brainstorming
  -- lecturettes, etc.
- The trainees' assumption of responsibility for their own learning.
- The participation of the trainees in activities aimed at meeting the learning objectives.

IV. EXPERIENTIAL TRAINING METHODOLOGY

Based on the concept that adults learn best when they are actively involved in the learning process, the training modules utilize an experience-based training approach. (See attached chart.) Following is a description of the components of the sessions:

A. CLIMATE SETTING

- Develops interest in the topic and stimulates thinking.
- Gives a rationale for why the subject is important to the participants and how they can use it after training.
- Links the session with previous sessions and places it in the overall context of the workshop.

B. CLARIFICATION OF OBJECTIVES

- States what will be accomplished during the session.
- Allows the participants to obtain any needed clarifications about the objectives.

C. EXPERIENCE

Consists of an activity that allows the participants to "experience" a situation which is related to the objectives of the session. Types of activities which may be included are: role plays, case studies, etc.

D. PROCESSING

- Allows the participants to share their reactions to the above experience.
- Provides for analysis and reflection by the group, guided by the trainer.

E. GENERALIZING

Provides the opportunity for the participants to see the similarities between the training experience and their outside lives.

F. APPLYING

Consists of identification of how the things learned from the training experience can be used in their lives outside of the workshop.

G. CLOSURE

- Summarizes the training session.
- Links the session to previcus and future sessions.

Following are some key points for each of the stages:

Preparing:

Familiarize yourself enough with the material so that your presentation will be clear and relevant.

Make an outline of the points you want to cover, and put them on flipchart as a guide. Avoid writing down every word and reading it as this discourages participant involvement.

Starting:

Use a climate-setting activity to get the participants interested in the subject you will cover.

Tell the participants what you are going to talk about, and that you would like for them to participate in a discussion of the subject with you.

Presenting:

Use examples from the participants' work environment as much as possible.

Use simple, easy-to-follow, visual aids.

Summarize what you have said to be sure the participants understand.

Solicit comments and ideas from the participants throughout the lecturette.

Be natural in your presentation; use humor and enthusiasm.

Maintain eye contact with the participants to see if they are following the ideas and understanding them.

Closing:

Briefly summarize the main points you have covered.

Ask the participants to relate the points of the lecturette to their own work situations.

V. TRAINER's ROLE

In using the experiential training methodology, the trainer's role is primarily facilitative. This means that the trainer has the responsibility to provide the participants with an appropriate and effective learning environment, and to facilitate an active learning process. This includes:

- Encouraging the active involvement of all the participants.
- Promoting an atmosphere of cooperation.
- Adapting training activities and exercises to the specific needs of the participants.
- Providing linkages to other training sessions, and assisting the participants in doing so.
- Encouraging the participants to constantly relate training experiences to "real life" situations.
- Directing the participants toward materials and human resources they may need.
- Being available as resources, but not acting as "experts" who have all the answers.

VI. TRAINING TECHNIQUES

During the management training workshop, a number of training techniques are used, including:

- lecturette
- role playing, and
- group discussions

Following are brief descriptions of each technique:

LECTURETTE

A lecturette is different from a formal lecture given by some teachers in traditional academic settings. It is short, usually not more than 10 or 15 minutes. It involves the participants in discussion as much as possible. It has four stages: preparing, starting, presenting the major points, and closing.

Following are some key points for each of the stages:

PREPARING

- Familiarize yourself enough with the material so that your presentation will be clear and relevant.
- Make an outline of the points you want to stress, and put them on flipchart as a guide. Avoid writing down every word and reading it as this discourages participant involvement.

STARTING

- Use a climate-setting activity to get the participants interested in the subject you will cover.
- Tell the participants what you are going to talk about, and that you would like them to participate in a discussion of the subject with you.

PRESENTING

- Use examples from the participants' work environment as much as possible.
- Use simple, easy-to-follow, visual aids.
- Summarize what you have said to be sure the participants understand.
- Solicit comments, ideas from the participants throughout the lecturette.
- Be natural in your presentation; use humor and enthusiasm.
- Maintain eye contact with the participants to see if they are following the ideas and understanding them.

CLOSING

- Briefly summarize the main points you have covered.
- Ask the participants to relate the points of the lecturette to their own work situations.

ROLE PLAYING

Role Playing is a training technique in which participants act out a situation in front of the rest of the group. In order to decide what they will say or do in the role play, participants are given a situation described in detail and assigned a specific role to play. The key elements of the role play involve learning through: doing, imitating, observation and feedback, analysis. In summary, role playing represents a form of experiential learning.

Role playing can be used to examine problems, to explore solutions, and to provide insights into attitudes which are different from those of the participants.

TYPES OF ROLE PLAYS

STRUCTURED ROLE PLAYS

In this type, the trainer selects both the situation and the roles to be played, and specifies the goals of the activity. Written materials describing the situation and the roles are given to the participants.

SPONTANEOUS ROLE PLAYS

In this type, the role play arises from a group discussion, without advanced planning by the trainer.

HOW TO DEVELOP A ROLE PLAY

A. Choose a situation that is realistic to the training participants and consistent with the objectives of the session.

B. Define the problem or issue in the situation to be played.

C. Determine the number of role players needed.

D. Develop the specific roles for each person by answering these questions:

- What is the person like?
- What is important about the person's background?
- How does the person feel about the other role player(s)?
- How does the person feel about the situation?

These role questions should be written, or given orally, to the role players.

HOW TO SET UP A ROLE PLAY

Regardless of the number of role plays and the types of participation, the trainer should start the role play in the same way:

A. Describe the purpose of the role play. (All participants.)

B. Describe the situation briefly and clearly, even if prepared written roles are used. (All participants.)

C. Ask for volunteers to play the roles, or select individuals. (Be careful not to select individuals who might have situations very similar to the problem, or who might feel too embarrassed to role play.)

D. Brief the role players. Allow enough time to understand or read the roles. Tell role players to create facts or information either not explained or forgotten in the roles. Tell them to try not to overact.

E. Tell the observers what to look for during the role play.

F. Set the scene by arranging the chairs.

HOW TO MONITOR A ROLE PLAY

A. Start the action by telling the role players to begin their conversation.

B. Observe quietly on the sidelines; do not interrupt.

C. Monitor the time, and stop the role play at the appropriate point. Don't continue too long; often the role play will arrive at a natural ending point.

D. Thank the role players, using their <u>real</u> names. This removes them from their roles and provides a transition for the discussion which follows.

HOW TO PROCESS A ROLE PLAY

A. Allow the role players to comment on the experience before the observers. Between the players, allow the person who had responsibility for "solving the problem" to speak first.

B. Ask for comments/observations from the audience. Review the way the situation and interaction developed; why the role players behaved the way they did; how it might have been done differently to achieve better results.

C. Encourage the observers to describe their own feelings as certain events occurred, rather than only analyzing the behavior of the role players.

D. Summarize the major issues as they relate to the purpose of the role play. DO NOT evaluate the acting abilities of the role players. Keep the focus on what the role players contributed to the understanding/resolution of the problem in the situation.

GROUP DISCUSSIONS

Discussion is an important way in which the participants involve themselves in training. They will measure the success of a training event by their own involvement in it, and the satisfaction they received from participating in meaningful discussions. Communication is a two-way process. Lectures are never as satisfying as sessions in which everyone is allowed to participate.

There are two types of group discussions in training:

LARGE-GROUP DISCUSSION

When leading a large group discussion with all of the participants, your responsibility is to keep the discussion moving, ask questions, and ensure that the discussion stays on the subject. Each time an exercise requires a large-group discussion, the trainer has been provided with specific questions to use.

One of the challenges is to establish an enviroment in which the participants feel free to disagree, try out new ideas, discuss their own experiences, and propose solutions/ conclusions/strategies.

SMALL-GROUP DISCUSSION

In small-group discussions, the trainer's responsibility is to make the instructions clear and let the groups work on their own. A natural leader will usually emerge in each small group. However, the trainer should quietly move from group to group to make sure the assignment is being done correctly. At the end of the small-group discussion, the conclusion or ideas from each group are usually reported to the large group.

At the conclusion of every small-group exercise, there is a series of processing questions to ask the large group. The trainer's role is to ask the questions, listen carefully to the responses, and help the participants draw conclusions about what they learned. It is important to ask <u>open-ended</u> questions that make people think about their responses rather than merely replying with a simple "yes" or "no".

DISCUSSION LEADERSHIP GUIDELINES FOR TRAINERS

In group discussions, the role of a trainer is to:

- Stimulate discussions with provocative questions that are used to initiate thinking and promote a lively exchange of ideas.
- Keep the discussion meaningful and relevant to the majority of the participants and the objectives.
- Get as many participants involved in the discussion as possible.
- Provide facts, policy, and other subject matter expertise as needed (from the trainer or from other participants).

In essence, a trainer is a catalyst--stimulating and guiding discussion, suggesting directions rather than pushing or pulling, talking <u>with</u> participants rather than <u>at</u> them, serving as a resource.

One of the most frequent use of questions is in directing the group's attention to issues they have not considered. Following are some suggestions about how questions can be used to stimulate thinking:

ASKING QUESTIONS

When possible, ask questions that are: open-ended, describe processes or procedures, require thoughtfulness, focus on feelings/reactions values, are perceived by the participants as helpful. For example:

Situation	Sample Question
All available information has not been given; you want to encourage the participants to think more.	"I wonder if we've received all the information needed to reach a decision?
The discussion is wandering from the topic; you want to bring it back on track.	"What point are we now considering?
A summary of group consensus is needed before continuing.	"I wonder if someone could summarize the points where we agree and disagree?"

CHECKING FOR CLARITY

Participants tend to be more motivated to learn when they feel that the trainer understands them. Understanding the participants means understanding both what is being said and what is being felt. Using the following phrases can be helpful:

"If I understand you correctly, you're saying that...."

"Let's make sure everyone understands the point you're making. Would you summarize it for us? (Restatement by the participant.)

"I'm not sure I understand the point that Mr. X is making. Would one of you clarify it for me?" (Restatement by another participant.)

"What you're saying raises a question in my mind. For example, do you...? (Direct questioning.)

How do the rest of you feel about Ms. Y's comments? (Other participants give reactions.)

BRAINSTORMING

Brainstorming is a special type of discussion. It is commonly used in real problem-solving situations. As a training technique, it has two purposes:

- To teach participants not to make judgments until a maximum number of ideas have been developed.
- To train participants to listen positively to the ideas of others, without making negative comments that discourage creativity.

Brainstorming is based on the theory that groups can develop more ideas than individual members can alone. The basic principles of brainstorming are:

1. Generate ideas without evaluating them. There will be time for evaluation later in the process. In brainstorming, quantity is the goal: the more ideas the better. This doesn't mean that quality is unimportant--only that when people stop to challenge quality during the creative process, they inhibit creativity.

2. Create new ideas by offering alternatives (adding, deleting, reversing, consolidating, etc.) those already suggested.

3. Put all the suggestions on flipchart in front of the room during the exercise. This reinforces and encourages the participants to develop ideas.

The total brainstorming exercise includes three phases: development of ideas, analysis, and action planning. In the second phases, participants ask for explanations of strange terms or unfamiliar ideas. They establish criteria for selecting the best ideas, then test the ideas against the criteria. As ideas are rejected because they don't meet the criteria, the group is left with a list of workable options. From these, they can select the "best" solution. Finally, the group moves to the final phase, action-planning. This consists of outlining the steps needed to put the adopted solution into operation.

VII. PLANNING TRAINING

Although there are many structured exercises available to a trainer, it is important that the trainer adapts each one for the particular group of participants. Some basic questions to consider when planning a training program or workshop are:

- WHO are the participants? Education level? Experience on-the-job?
- WHAT is the purpose of the session or workshop?
- HOW much time does the trainer have for the training?

Select the activities carefully. What has worked once may not necessarily work again. If using a design which has already been developed, be sure to spend enough time in preparation to be comfortable using it. Look for gaps in the explanation of procedures, and decide what must be done to ensure that the flow is smooth and logical.

VIII. MAKING ARRANGEMENTS FOR THE DELIVERY OF TRAINING

Every training situation has its unique characteristics, but, in almost every case, the following areas will need to be considered:

PLACE:

When choosing a location for a training event, consider the following:

- Is it conveniently located?
- Is it available at the appropriate time?
- Is there enough space?
- Are there extra rooms/places for small groups to meet?
- Are eating places nearby?
- Can films or other audio-visual material be used?
- Is there the possibility of noise or other distracting activity?
- Can seating arrangements be altered?

When setting up a place, consider the following:

- Seating arrangements--the ability to move chairs around, and to put them into circles/rows, etc.
- Blackboards/easels, etc.
- Availability of refreshments
- Ventilation
- Projector and screen

SUPPLIES:

Arrange to have necessary items on hand, such as:

- Name tags
- Pencils/pens/magic markers
- Flipcharts
- Notepaper
- Paper cups, coffee, sugar, tea, etc.
- Masking tape
- Projector, tape recorder, etc.
- Chalk

MATERIALS:

Prepare or obtain materials to be used, such as:

- Flipcharts
- Handouts
- Case Studies

TRANSPORTATION:

Arrange transportation for the participants, if necessary, or provide instructions for reaching the training place. Be sure the instructions are clear to everyone, and that they can get to the location at the appropriate time.

CONSULTANTS:

All of the resource people the trainer plans to use during the training should be contacted in advance. Make certain that they understand the role they are to play, and can fulfill expectations; discuss with them their part in the training and offer assistance, if necessary, in planning what they will do and how it will fit into the overall design planned.

TECHNICAL PREPARATIONS:

Any equipment needed should be tested before the course to ensure that it is working properly, and that someone is available to operate it.

IX. CONDUCTING THE TRAINING

When the session begins, it is too late for the trainer to plan what must be done. The process is already underway, and the trainer is expected to facilitate the training process of the participants. Following are some helpful hints to make a trainer's role an easier, better organized one.

REHEARSE INSTRUCTIONS:

Clear instructions are critical. Giving step-by-step instructions is preferable to giving a list of instructions at once. It is important not to overload the participants with instructions; give the directions as needed.

ARRANGE THE ROOM:

For the training to proceed smoothly, it is important to have the room arranged effectively. Easels, blackboards, etc., should be placed where all the participants can see them easily. Chairs, tables, etc., should be arranged in a manner which allows for easy interaction among the participants, and good eye contact with the trainer/other group members.

Formal seating arrangements, with the chairs and tables in rows, should be avoided as it tends to encourage a lecture environment with little interaction with the participants. If possible, separate tables with a small number of participants at each. If this cannot be done, arrange the tables in a horseshoe design so that the participants can see each other and the trainer.

BRIEF THE OBSERVERS:

Many structured experiences require observers who need to know what and how to observe. The value of observation is considerably enhanced when observers are sure of their task.

KEEP THE SESSION MOVING:

There is a natural pace to training sessions. How quickly or slowly it proceeds depends on the participants, the task, the material being covered, and the trainer. Although the first two elements will probably influence the trainer's judgment on such things as timing and the sequencing of events, the trainer alone will know what can be most comfortably done.

GIVE TIME CUES:

Remain in charge of starting, stopping, or interrupting the exercises. Cues (such as, "When I give the signal...."; or, "Take five more minutes....") keep the exercise well-paced and focused.

INSIST ON ATTENTION:

The trainer needs the group's full attention when giving instructions and directions. Focus the group's attention by waiting for quiet, using charts, and writing out directions when necessary.

REVIEW REGULARLY:

Review the material learned from each activity when it is appropriate and practical. This helps the participants to be clear about their learning progress and skill development. Also, it gives them time to discuss what they have learned and integrate it into their own behavior.

CLOSURE:

This is a very important part of the experiential training process. It provides for the following:

- Review of all of the experiences of the session or the workshop up to that point.
- An opportunity to sum up what has been learned thus far.
- An application of the session content to the regular work setting to which the participants will return.
- A linkage of the session to previous material covered, and to that which will be addressed in future sessions.

X. EVALUATING THE TRAINING

In using the experiential training methodology, the trainer has constant feedback about how the participants are doing. Through the use of group exercises, large/small-group discussions and presentations, the participants immediately apply what they have learned and receive comments from the group and the trainer. This gives the trainer an opportunity to reinforce what is being learned, and to assist the participants in clarifying any misunderstandings.

This, combined with a more formal written evaluation exercise at the end of the workshop, should provide valuable information on what the participants have learned and the effectiveness of the training design.

MODULE 1: OVERVIEW OF SMALL ENTERPRISE DEVELOPMENT

SESSION 1: EXPECTATIONS OF SED TRAINING

TIME: 1 HOUR, 30 MINUTES

RATIONALE:

As unmet expectations are one of the most frequently expressed frustrations in training, this session will give the trainees the opportunity to examine their own expectations of SED training and to see how these concerns/needs fit into the goals and objectives of the training program. It will also give them an opportunity to determine how they can best fulfill individual technical interests outside of the formal training setting. Finally, the session will set the stage for how the trainees and staff will work together during the remainder of the sessions.

OBJECTIVES:

1. To identify and share individual expectations of technical training, and relate these expectations to the overall goals and objectives of the program.
2. To understand trainer expectations of the training program and of trainee performance (including assessment dimensions, as appropriate).
3. To establish group norms for participation in the SED training program.
4. To share information regarding the skills, knowledge, and experience of trainees as potential technical resources to the training program.

TRAINER PREPARATION:

1. Brief other staff on expected outcomes of the session.
2. Go over the schedule for clarity.
3. Establish trainer norms to include during segments on norms.
4. Review the training assessment dimensions.

5. Prepare newsprint for the following items:

   - session objectives

   - training schedule (must be able to be seen from a distance)

   - over-all program training goals

MATERIALS:

1. Newsprint and magic markers

2. Note paper and pens; tape

TRAINEE HANDOUTS:

1. Assessment Dimensions (if used)

PROCEDURES:

Introductory Statement: (5 min)

1a. Explain to the trainees that one of the most frustrating experiences trainees can have during training is not having their expectations met. This session will provide an opportunity to identify the trainees' expectations and match them with the prepared training schedule. It will also be used to establish norms for this training program that will ensure harmonious operation and expedite learning. Finally, it will provide an opportunity to share information regarding skills and knowledge, thus starting to identify resources within the group.

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Expectations of Training: (45 min)

2a. Ask the trainees to individually write down their answers to the following: What Would I Like to Learn During Technical Training. Have them rank the items according to their importance.

2b. Solicit each trainee's top two expectations for technical training and put them on newsprint, obtaining any needed clarifications as you proceed. (For similar expectations, put checks next to the statement to indicate agreement.)

2c. Pass out copies of the technical training goals and schedule (already on newsprint) and match them with the trainees' expectations, identifying those items which will be addressed and those which (due to limited time) will not be formally handled.

> **TRAINER NOTES**
>
> Share your own expectations of the technical training with the group, and add them to the composite list on newsprint.
>
> Suggest that expectations not being formally addressed during the technical training may be dealt with informally by the trainees during free time.
>
> Included in the goals of the training program could be the following:
>
> - To introduce and practice small enterprise development skills.
> - To enable the trainees to effectively transfer these skills to counterparts/clients in the host country.

2d. Introduce any assessment dimensions which will be used during the technical training program. Allow sufficient time for the trainees to review the dimensions and ask any clarifying questions. (Sample assessment dimensions are attached as a guideline.)

2e. Explain to the trainees that there will be periodic checks of trainee expectations against the overall goals and schedule to ensure that the training program is relevant throughout.

Group Norms: (15 Min)

3a. Explain to the trainees that, in order to work together effectively, staff and trainees should determine a set of mutually agreed upon norms. Ask t e trainees to suggest any norms they feel are desirable for the training program and put them on newsprint.

3b. Ask the staff if they have any norms they would like to add to the list.

> **TRAINER NOTES**
>
> Included in the norms could be:
>
> All sessions start on time.
> Everyone must attend all sessions.
> Appropriate dress for SED Volunteers on fieldtrips.
> Quiet times and places for study.
> Responsibility for sharing knowledge, resources, and skills with each other.
> No talking during presentations.
> Respect for those people with whom trainees interact.

3c. Explain to the trainees that these norms will be left on the wall as a reminder of decisions that have been made collectively on working together; norms may also be added as the circumstances arise.

Sharing of Resources: (20 Min)

4a. Point out to the trainees that the technical training is meant to be a sharing of skills they already have, in addition to learning new areas of expertise. Now that they have a clearer understanding of the goals and schedule for training, and know which of their own expectations can be met in the sessions, the next step will be to discover more about the skills and experience they have brought with them to the training.

4b. Have the trainees spend the next five minutes individually writing down their knowledge, skills, and experience in business, as well as any other resources which could be helpful during the training program.

4c. Have each trainee give a 1-minute summary of the most important areas identifed above.

4d. Lead a short discussion of the trainees' overall impression of the resources that exist in the group, and how they might utilize them throughout the training program.

Closing:

(5 Min)

5. Close the session by reinforcing the fact that the skills and knowledge of the trainees will be called upon during the up-coming sessions and by encouraging the trainees to utilize each other's technical strengths throughout the training.

ASSESSMENT

DIMENSIONS * DEFINITIONS * INDICATORS

1. SELF INSIGHT
2. CROSS-CULTURAL SENSITIVITY
3. CULTURAL HUMILITY
4. PROBLEM SOLVING
5. PERSONAL FLEXIBILITY
6. NEGOTIATIONS SKILLS
7. PATIENCE

SELF-INSIGHT

Operational Definition:

A strong sense of one's own identity during training is necessary to cope successfully with the stress of the training environment. Possession of a healthy attitude about him/herself enables the trainee to accept change and move through Maslow's Hierarchy of Needs: Survival, Safety, Belonging, Competency and Self-Expression.

Indicators:

- Sees oneself accurately
- Takes responsibility for his/her behavior
- Recognizes own strengths and weaknesses
- Evaluates oneself fairly
- Accepts feedback, both positive and negative
- Is able to laugh at self
- Is able to recognize the need for support
- Is able to build support system to meet needs
- Is secure in professionalism to be creative and innovative

CROSS-CULTURAL SENSITIVITY

Operational Definition:

The ability to decipher others' values reflects the perceptual and behavioral skill which enables a trainee to move attitudinally from tolerance to acceptance of differences.

Indicators:

- Is able to decipher values, motives, aspirations and basic assumptions
- Demonstrates the ability to listen
- Demonstrates ability to observe
- Is able to identify and relate to others' feelings
- Demonstrates a willingness to explore the complexity of development issues nonjudgmentally

CULTURAL EMPATHY

Operational Definition:

Looking at one's own cultural values and exhibiting the ability to see one's own values as not necessarily better or worse than those of others. Able to adopt, or adapt to, behaviors that express respect for others' values without necessarily sharing the beliefs of another culture.

Indicators:

- Describes own cultural values as different, not better
- Gives importance to what others think and value
- Is able to give nonjudgmental feedback
- Is able to read and understand nonverbal cues
- Adopts greeting patterns of host country
- Adopts host country etiquette and manners
- Demonstrates an awareness of different concepts of time and punctuality
- Demonstrates a need for support from counterparts
- Demonstrates appropriate behavior in face-to-face encounters
- Demonstrates an awareness of when to adapt and when to retain one's own cultural mores
- Respects the traditional beliefs of host country
- Respects others, demonstrating this in speech and behavior
- Demonstrates a sense of responsibility and accountability

PROBLEM SOLVING

Operational Definition:

The ability to solve problems requires many skills, as well as the capability of transfering these skills. A need for increased awareness to solve problems, set goals, communicate, identify problems, seek solutions, explore available resources and analyze or synthesize and evaluate alternatives is emphasized during the training period.

Indicators:

- Listens without interrupting
- Demonstrates ability to verbalize areas of frustration (different from complaining)
- Is able to explain negative aspects of others' ideas or actions, without damaging relationships
- Is motivated to identify and work on problems, even when these fall outside individual responsibility areas
- Is able to describe the symptoms of a problem, causes of the problem, and contributing factors to the problem
- Is able to develop alternatives and evaluate alternatives

PERSONAL FLEXIBILITY

Operational Definition:

The ability to adopt different responses and approaches as needed by situational contingencies. Strength in this dimension is exhibited by an ability to adjust to new people, environments, foods, tasks, and the "unknown".

Indicators:

- Is able to alter own behavior to adjust
- Develops a repertoire of face-to-face behavior
- Copes with ambiguity effectively
- Demonstrates self-reliance
- Demonstrates self-sufficiency
- Is able to build confidence in one's self
- Is able to change assumptions
- Is able to admit one may have been wrong
- Demonstrates the self-confidence to make concessions
- Is able to develop alternative strategies

NEGOTIATION SKILLS

Operational Definition:

The ability to explore differences creatively to locate some common ground, and to solve problems or reach understanding on issues before they become problems.

Indicators:

- Displays sensitivity to others
- Demonstrates humility
- Is able to elicit information
- Demonstrates verbal articulation skills
- Is able to communicate trust
- Is able to compromise
- Is able to collaborate
- Is able to empathize

PATIENCE

Operational Definition:

The ability to exhibit patience in the face of adversity, bearing trials calmly, while undergoing rapid change in unfamiliar surroundings.

Indicators:

- Exhibits tolerance
- Is able to suggest alternatives rather than complain
- Perceives others' difficulties
- Is able to rationalize the conduct of others in view of cultural differences

MODULE 1: OVERVIEW OF SMALL ENTERPRISE DEVELOPMENT

SESSION 2: INTRODUCTION TO SMALL ENTERPRISE DEVELOPMENT

TIME: 2 HOURS

RATIONALE:

As Small Enterprise Development is a relatively new concept to the Peace Corps, it is not uncommon to find SED Volunteers feeling technically isolated in their countries of assignment. To assist these PCVs in seeing how their assignments fit into the overall development of their host countries and the three goals of the Peace Corps, this session will provide a countrywide and worldwide overview of Peace Corps Small Enterprise Development programming.

With this information as background, it is anticipated that the trainees will be able to perceive their job assignments in a broader programmatic context, recognizing that their business consulting skills have a wide application within a variety of sectors in their host countries.

OBJECTIVES:

1. To discuss the trainees' job assignments within the overall context of the Small Enterprise Development program in the host country.

2. To relate the host country program to a worldwide Peace Corps programming effort in SED, including an overview of the types of projects that exist in other countries.

3. To explore the importance of Small Enterprise Development programming in the attainment of the three goals of the Peace Corps.

4. To complete an Individual Skills Inventory Questionnaire regarding business/management/consulting skills already developed and skills which need additional work during training.

TRAINER PREPARATION:

1. Gather as much specific information as possible concerning Small Enterprise Development in the Host Country, in Peace Corps, and in donor agencies.

2. Review the trainee job assignments with the PCD or APCD.

3. Familiarize yourself with the handout "Individual Skills Inventory Questionnaire".

4. Brief the APCD on his/her responsibilities, areas to be covered, specific country information, and expected outcomes of the session.

5. Prepare newsprint for the following items:

   - session objectives
   - the 3 Goals of Peace Corps and SED
   - worldwide 1985 charts
   - lecturette outlines
   - discussion questions

MATERIALS:

1. Newsprint and magic markers

2. Notebooks for the trainees to use as training workbooks

3. Pens, paper, and tape

TRAINEE HANDOUTS:

1. Peace Corps' Small Enterprise Program

2. "Individual Skills Inventory"

3. "Is Business Still A Dirty Word?"

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by explaining to the trainees that, since Small Enterprise Development is relatively new to Peace Corps programming, it is important for them to understand how their jobs fit into the overall programming emphasis of the agency---both in their host country and worldwide. One of the goals of this discussion is to allow them to see their jobs in a broader developmental context, recognizing that their business skills can be used with other sectors as well.

1b. Review the objectives for the session (already on newsprint) and clarify any questions the trainees may have regarding them.

SED Activities: (15 Min)

2a. Ask the trainees to brainstorm the types of SED activities they know from the States. Record the activities on newsprint as the trainees list them. After an extensive list has been generated, ask how these activities might be different in the host country.

TRAINER NOTES

One difference between the host country and United States SED activities is that, in the host-country, most small-scale producers will be their own retailers. In the United States, in contrast, producers are large scale and rarely sell their products directly to the consumers.

The implications of this difference in the host country are that the small scale producer needs to know a great deal more about marketing.

Overview of SED In-Country: (40 Min)

3a. Have the APCD present an overview of host-country SED programming efforts and Peace Corps involvement in the area.

TRAINER NOTES

Be sure that the overview includes the following areas:

- SED Peace Corps history in the host country
- Full description of trainees' job assignments
- Ministries involved
- Private sector institutions involved
- Donor agencies involved
- Future programming directions

3b. Allow the trainees the opportunity to ask the APCD questions regarding the presentation.

Lecturette On SED Worldwide Effort: (20 Min)

4a. Deliver a lecturette on Peace Corps Small Enterprise Development programming worldwide, based on the attached chart. Be sure the following points are stressed:

The Goal: To promote local economic development through self-sustaining income-generating activities in developing countries:

- self help
- grassroots philosophy
- sensitivity to local customs and tradition
- Volunteer skills in business management
- collaboration and liaison with public and private sector development organizations

Program Strategy and Implementation

- Small Enterprise Development Programs
- Extension programs
- Rural Non-Farm Enterprises
- Urban Income-Generating Projects
- Pre-Cooperatives
- Credit programs
- Cooperative programs
- Intersectoral Income-Generating programs
- Collaboration with USAID
- Liaison with private organizations
- Training

4b. Relate the three goals of the Peace Corps to the SED programming .

TRAINER NOTES

Peace Corps' three goals are:

1. To promote world peace and friendship by making available to interested countries Americans willing to serve overseas who will help people of these countries to meet their needs for trained manpower;

2. To help promote a better understanding of the American people on the part of people served;

3. To promote a better understanding of other people on the part of the American people.

4c. Allow the trainees to ask any questions they may have regarding these areas and their specific job assignments.

Individual Handbook: (5 Min)

5. Explain to the trainees that there will be many handouts and many notes to keep for use during the Volunteer experience. There will be sessions which will require the use of previously gathered information to complete tasks. Though no one will check their personal training handbook, it is to their advantage to put as much information as possible in it. Pass out binders with blank paper.

Individual Skills Inventory: (20 Min)

6. Introduce the Individual Skills Inventory. State that this information will help training staff continue to identify expertise within the group, areas of skill strengths, and areas in which skills need to be strengthened. Ask trainees to fill out the questionnaire and hand it in before they leave the room.

TRAINER NOTES

It is possible that you may have passed out this questionnaire previously. If technical training comes at the end of a more extensive program, you may want the information earlier to identify trainees whose expertise would allow them to do some of the training or at least t involved in some aspects of the training.

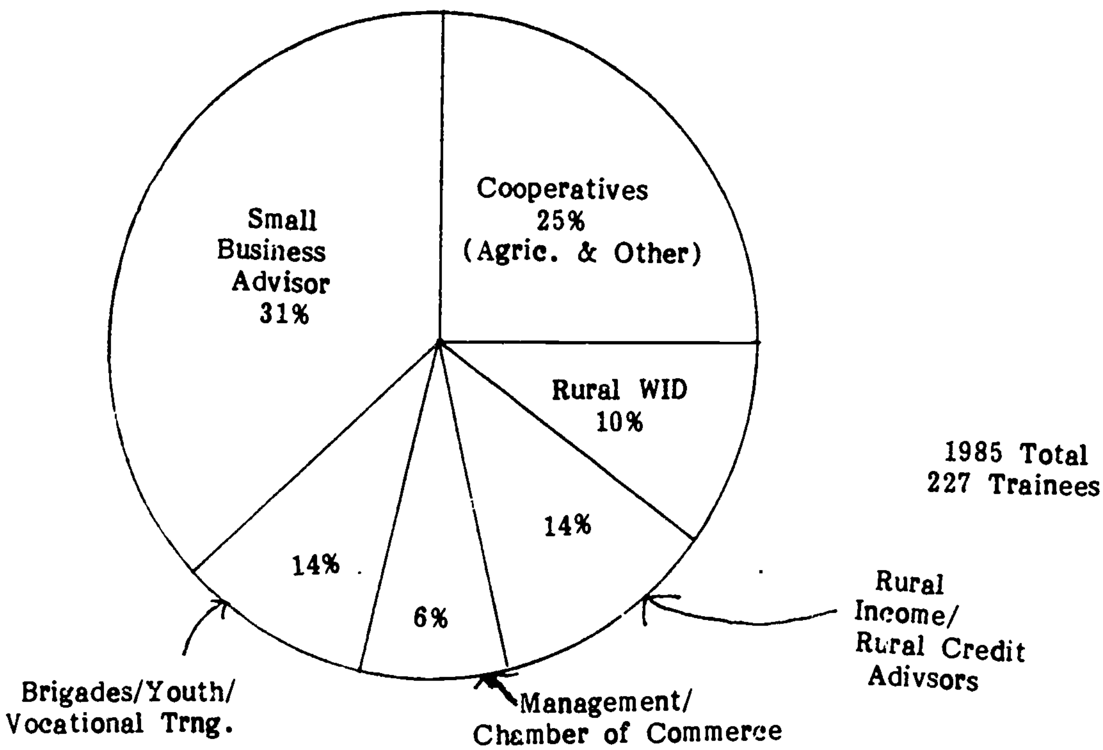
Closing: (5 Min)

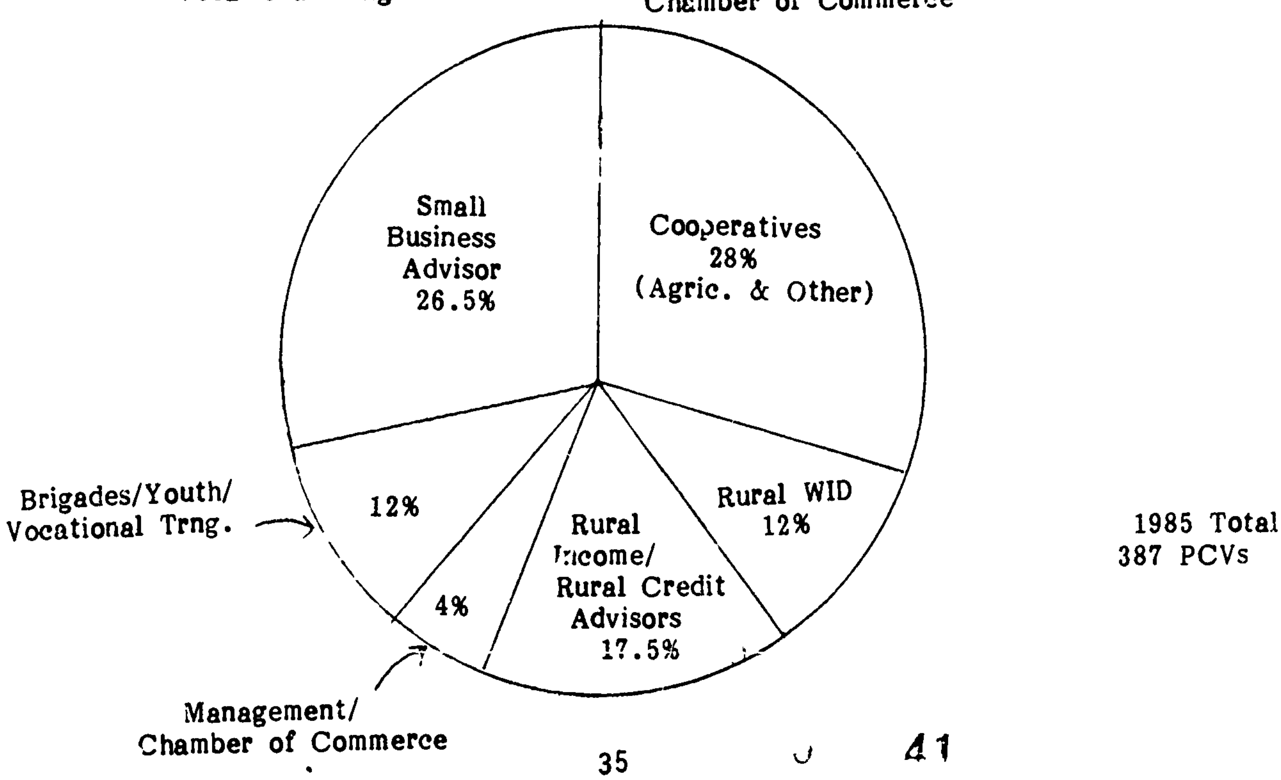
7a. Go over the objectives for the session to see if they have been met and link them to the next session.

7b. Distribute the handout "Is Business Still A Dirty Word"? for the trainees to keep as reference.

Peace Corps' Small Enterprise Program

As a Small Enterprise or Cooperative Trainee, you are now part of a worldwide effort by Peace Corps to promote income generation projects and business training. While the Program continues to evolve, the following charts demonstrate the breakdown in terms of Trainees and Volunteers as of January 1986.





Module 1
Session 2
Handout 2, p.1

Name ______________

Date ______________

INDIVIDUAL SKILLS INVENTORY QUESTIONNAIRE

The following is a skills inventory. By filling out this instrument, we will be able to identify expertise within the group, areas of skill strengths and the areas in which skills need to be strengthened.

Please check column that most closely reflects your skill level in the following areas.

	Proficient	Familiar With	Vague About
1. Ability to do a needs assessment	____	____	____
2. Ability to clearly explain basic business terms	____	____	____
3. Ability to develop a step-by-step action plan	____	____	____
4. Ability to encourage others to accept responsibilities	____	____	____
5. Ability to inspect a product for flaws	____	____	____
6. Ability to lay out a store	____	____	____
7. Ability to organize an inventory	____	____	____
8. Ability to explain the need for depreciating assets	____	____	____
9. Ability to identify costs and separate them into relevant categories	____	____	____
10. Ability to do a basic break-even analysis	____	____	____
11. Ability to make brief presentations	____	____	____
12. Have effective interviewing skills	____	____	____
13. Have good observation skills	____	____	____
14. Ability to analyze a budget	____	____	____
15. Ability to consider all alternatives	____	____	____
16. Ability to perform a community inventory	____	____	____
17. Ability to break a problem into its components	____	____	____
18. Ability to relate theory to reality and applications	____	____	____
19. Ability to explain the role of the extension worker	____	____	____
20. Ability to recognize the warning signs of a marketing problem	____	____	____
21. Ability to recognize the warning signs of a financial problem	____	____	____
22. Ability to identify potential projects	____	____	____

INDIVIDUAL SKILLS INVENTORY QUESTIONNAIRE
(continued)

	Proficient	Familiar With	Vague About
23. Ability to troubleshoot with ongoing projects	____	____	____
24. Ability to explain the role of documentation and recordkeeping	____	____	____
25. Have established or run a successful business	____	____	____
26. Have supervised people	____	____	____
27. Ability to set goals and objectives	____	____	____
28. Ability to conduct a feasibility study	____	____	____

What was your technical concentration at school? ____________________

What additional work experiences do you have that will be useful in SED?______

____

What subject areas would you be comfortable teaching?____________________

____

43

Is Business Still a Dirty Word?
by Michael Goldberg

There was a time, not long ago, when Peace Corps was exclusively a rural development organization, and "business" was part of another world. "Profits" were considered something only the rich could accumulate, and business concepts had no role in grassroots development work. Yet, in time, all organizations take new directions, especially those involved with developing nations. Situations change, as do the perceived needs of the people as expressed by private and governmental organizations.

For example, demographic changes in many developing countries show that approximately 50 percent of the population now lives in urban centers. So the need for Peace Corps business assistance is beginning to shift from agricultural and handicrafts cooperatives to include urban craftsmen and family businesses as well.

The reason that business management concepts have become relevant is that many projects succeed in producing goods and services beyond the local level of demand, thereby providing the producers with a chance to market the excess and put profits toward other necessities.

One problem encountered, however, is that the market continues to change, accepting more of some goods, less of others, with some being replaced entirely by substitutes. Whether the producers are in a rural town or a large city, the problem of keeping up with changes in demand, and trying to become more efficient, is a challenging one.

Business-related education has a special role to play. Education will allow business owners to keep up with market activities and plan activities for the future. This education does not offer a crystal ball, but it can help people learn from the past, providing a recorded history of costs, prices, seasonal changes and output levels. Accounting can help us separate profitable from losing activities, organize future cash and labor commitments, and just keep track of what we have in the project.

Market and feasibility studies help the group to avoid costly mistakes by asking questions such as these:

- Will anyone buy it?
- Can we get the goods to those who want them, when they want them?
- Can this project be done technically?

The challenge of the Small Enterprise Development program is in making American experiences fit the developing host country's reality.

It takes only a little imagination to figure out how the SED Volunteers might be able to help with projects involving other Volunteers. They can help with everything from feasibility studies to establishing record systems and project evaluation.

The Small Enterprise Development Program represents a new resource that can enhance other programs and help stabilize small-scale business activities in all countries hosting Peace Corps programs.

MODULE 1: OVERVIEW OF SMALL ENTERPRISE DEVELOPMENT

SESSION 3: GOING INTO BUSINESS

TIME: 4 HOURS

RATIONALE:

In order to introduce the trainees to the practicalities of small business in their host countries early in the program, the trainees will establish and maintain a small store at the training site. As this will involve ordering supplies, keeping an inventory in close quarters, handling local currency, and maintaining a simple record system, the management experience should provide excellent introductory skills to the realities of small business owners in their host country. Processing this experience throughout the training program should also allow the trainees to better understand the cultural context within which the local businesses operate.

OBJECTIVES:

1. To practice the essential small business principles needed to set up a store, including: needs assessment, record development, inventory set-up, assignment of roles and responsibilities for day-to-day management, etc.

2. To practice group decision-making skills as related to the establishment of a small business.

3. To practice presentations to other trainees about the benefits and resource requirements in the training store.

TRAINER PREPARATION:

1. Locate a site for the trainees to set up a store:
   - On or near the training center
   - Able to be secured with lock

2. Prepare other trainees at the site for the necessity of contributing money to the start of the store.

3. Assign one host-country person to act as an advisor on locations at which goods can be purchased.

4. Arrange for time in the training schedule for the business trainees to present their store plans to the rest of the training community.

4. Prepare newsprint for the following items:

   - session objectives
   - activities in setting up the store

MATERIALS:

Space for the store

TRAINEE HANDOUTS:

N/A

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by explaining to the trainees that in order to understand the practicalities of operating a small business in the host country, they will establish and maintain a small store for the training site. This will involve ordering supplies, keeping an inventory in close quarters, handling local currency, and maintaining a simple record system. The management experience will provide a base for working in the host country. The store will be used as a laboratory learning experiment, and will be analyzed in many of the up-coming technical sessions.

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Setting up the Store: (3 Hours)

2a. Explain to the trainees that the remainder of the session will be devoted to making the necessary decisions involved in setting up the training store. Have them brainstorm an initial list of the topics which need to be discussed, and put the items on newsprint.

TRAINER NOTES

Included on the newsprint should be the following:

Design store
Assess needs for inventory
Make decisions regarding roles and responsibilities, management systems, etc.
Decide on day-to-day management of the store within the realities of this culture AND THE OVERALL TRAINING SCHEDULE
Determine amount of money needed from each trainee for "setting up money"

2b. Instruct the trainees to take the next 3 hours to complete the following task (already on newsprint):

- conduct a survey of items for the store to carry.
- make the necessary decisions about the store operations and the physical lay-out.
- prepare a presentation to the other trainees in the program regarding necessary contributions and items which will be offered in the store.

TRAINER NOTES

Unless trainees are about to do something that will be culturally insensitive, let them make mistakes; these will become apparent to them and serve as learning opportunities.

Do not answer questions for which the trainees can get the answers themselves.

Presentation Review: (15 Min)

3. Reconvene the trainees to review their prepared presentation of the store to the training community.

Presentations: (30 Min)

4. Have the appointed trainees present their store concept and financial resource needs to the training community. (If the training community is composed only of SED trainees, have them make the presentation to the training staff.) Allow sufficient time for questions.

Large Group Discussion: (15 Min)

5. Reconvene the SED trainees and lead a large group discussion of the key points learned from this exercise by asking the following quesions:

   - Did the decision-making process seem easy/difficult?
   - Were there any things you would do differently to facilitate the process in the future?
   - Were there any surprises in how much is required to set up a small business?
   - How do you see the manager/investor relationship unfolding, based on the presentation you made to the training community?
   - How do you plan to monitor the business once it is in operation?

Closing:

6. Close the session by pointing out to the trainees that the store will be used as a learning tool for a variety of sessions during the training program and that they will have opportunities to present profit/loss information to their investors (other trainees) throughout the training program.

MODULE 1: OVERVIEW OF SMALL ENTERPRISE DEVELOPMENT

SESSION 4: SMALL BUSINESS OBSERVATION VISIT

TIME: 2 HOURS, PLUS FIELDTRIP

RATIONALE:

To begin the process of relating their skills to the realities of the local business environment, the trainees will participate in observational and information-gathering visits to local small businesses. A variety of types of businesses will be pre-selected by the training staff to illustrate different organizational structures, management types, and product emphases. It is anticipated that this experience will assist the trainees in their understanding of the impact of local culture on business procedures and practices.

OBJECTIVES:

1. To begin the development of business observational and information-gathering skills.

2. To develop a list of key issues to observe and questions to ask during an initial information-gathering visit to a small business.

3. To discuss the cultural implications of seeking information regarding small businesses within the local culture.

4. To participate in an information-gathering visit to a variety of types of small businesses in the local environment.

TRAINER PREPARATION:

1. Pre-select sites that will illustrate different organizational structures, management types, and product emphases.

2. Arrange with proprietors or managers for trainees to visit and conduct information-gathering interviews, giving them background information on Peace Corps and the trainee jobs.

3. Arrange for host-country language trainers to accompany the trainers as language informants if necessary. Brief them on their roles before the session.

4. Develop a list of important cultural protocol considerations when gathering information in the host country through discussions with the training staff (host-country and RPCVs).

5. Review the handout on interviewing for the lecturette.

6. Prepare newsprint for the following items:

   - session objectives
   - interview outline
   - small group instructions

MATERIALS:

1. Newsprint and magic markers

2. Tape

TRAINEE HANDOUTS:

N/A

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by explaining to the trainees that, in order to begin relating their skills to the realities of the local business environment, they will participate in observational and information-gathering visits to small businesses. Tell them that a variety of small businesses have been selected for the visits to illustrate different organizational structures, management types, and product emphases.

1b. Review the objectives for the session (already on newsprint) and clarify any questions the trainees may have regarding them.

Lecturette/Discussion on Interviewing: (20 Min)

2a. Deliver a lecturette on interviewing, using the interviewing handout as a basis for the lecturette. Stress the following points (already on newsprint):

   - Purpose of interviewing
   - Methods of interviewing
   - Open/close ended questions

2b. Have the trainees give examples of different types of interviewing questions and probes, based on the handout.

Small Group Work: (30 Min)

3a. Explain to the trainees that the purpose of the initial small business visits will be to become more familiar with different local organizational structures, the differences between small business and income-generating projects, and the cultural realities of the local business environment.

3b. Divide the trainees into small groups, and assign the following task (already on newsprint):

- Develop a list of key questions to be asked during an initial information-gathering interview. (Have one group develop a list for a small business and one for an income-generating project.)
- Record the interview questions in the training workbooks for future reference.
- Post the list in the large room for other small groups to review.

Interview List Review: (10 Min)

4. Reconvene the trainees and have them review the lists developed for small businesses and income-generating groups. Identify common questions for each group, as well as those which are specific to each. Have the trainees make any necessary additions/deletions to the lists in their notebooks.

Panel Discussion: (30 Min)

5. Convene a panel of training staff members (including RPCVs and host-country nationals) to discuss the cultural, behavioral, and communications issues to be considered when approaching a small business person in the host country. Allow sufficient time for the trainees to ask questions of the panel and to note the key points covered in their training workbooks.

Fieldtrip Preparation: (20 Min)

6a. Divide the trainees into pairs for the fieldtrip and assign the specific business or income-generation project each pair will be visiting. (Be sure to tell them that they are expected.)

6b. Have each pair spend the next 15 minutes reviewing the interviewing questions and cultural issues in their workbooks, and deciding how they will conduct their observations and interviews. Stress to the trainees that it is important for each member of the pair to take an active role in the process, and that they should decide on techniques at this point.

6c. Tell the trainees that they should be recording the information gathered during the interviews for discussion and review during the next session. Wish them good luck.

Fieldtrip: (3 Hours)

7. This session concludes with visits to small businesses.

MODULE 1: OVERVIEW OF SMALL ENTERPRISE DEVELOPMENT

SESSION 5: PROCESSING OF SMALL BUSINESS VISITS

TIME: 2 HOURS

RATIONALE:

In order to ensure the maximum learning and sharing possible from the small business visits in Part I of this session, time will be devoted to processing the experiences and making generalizations about the possible implications for the trainees' future work in the field of Small Enterprise Development.

OBJECTIVES:

1. To discuss the variety of business types observed during the field visit, focusing on the similarities and differences in each situation.
2. To begin to develop a composite picture of the "business culture" of the host country and the role of Volunteers within that environment.
3. To discuss the observation and interviewing skills which are useful for a consultant in obtaining information about a small business.
4. To develop an initial listing of the cultural mores observed in the local businesses.

TRAINER PREPARATION:

1. Review the process questions to be asked during the session.
2. Have the host-country and RPCV training staff members present to reality-test trainee observations and conclusions/generalizations about their visits.
3. Prepare newsprint for the following items:
   - session objectives

MATERIALS:

1. Newsprint and magic markers

2. Tape

TRAINEE HANDOUTS:

"Mr. 'Anti' and Mr. 'Pro'".

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce this part of the session by telling the trainees that, in order to maximize the amount of information learned from the business visits, time will be devoted to processing the experiences and making generalizations about their implications for future work in the field of Small Enterprise Development.

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Small Group Task: (60 Min))

2. Have the trainees return to their small groups in the first part of the session for the following task (already on newsprint):

- report on findings during business/income generation project visits.

- develop a list of common features observed across the variety of businesses/income generation project.

- be prepared to present the common findings in the large group.

Small Group Presentations: (30 Min)

3. Reconvene the trainees and have each small group present their common findings. Note similarities/differences among the groups.

Large Group Discussion: (10 Min)

4. Lead a large group discussion of the approaches which were helpful for the trainees to use in interacting with the small business persons. Use the following questions to guide the discussion:

- Was it easy/difficult to obtain information during your business visit? Why?
- Based on your observations, what do you see as the main differences between a small enterprise in the host country and one in the United States?
- Was it helpful to review the issues you wanted to address before you went to the business?
- Were there any cross-cultural/communication patterns you observed in your interactions with the small business persons?
- How did you use your language informant?
- Are there any new things you now see in your role as a PCV?
- What were the overall phases of the onset?
- What would you do differently in a future visit to a small business?

Pro/Con Discussion: (15 Min)

5a. Distribute the handout "Mr. 'Anti' and Mr. 'Pro'" and allow the trainees sufficient time to read over the material.

5b. Have the trainees consider the small businesses and income-generating projects they have just visited in light of the philosophical debate in the handout. Lead a large group discussion based on the following questions:

Did Mr. 'Anti' or Mr. 'Pro' make a more convincing argument from your point of view? Why?

How could you reconcile the arguments of the two based on what you have seen on visits to small businesses and income-generating projects?

What additional supporting arguments could you add to those offered by Mr. 'Anti' and Mr. 'Pro'?

5c. 3xplain to the trainees that they will encounter the doubts expressed by Mr. 'Anti' frequently. Some people may openly question whether what they are doing is helping one small business at the expense of another, and others may consider working with small businesses inappropriate in a given situation.

Closing:

6. Close the session by pointing out to the trainees that the interviewing techniques introduced in this session will be practiced throughout the remainder of the training program and into their Volunteer service.

"Mr. Anti" and "Mr. Pro"

Mr Anti: You believe we should encourage and assist the small businesses in our country, don't you?

Mr Pro: Yes I do.

Mr Anti: Well, I disagree. Our country's goal is to develop the economy so that we can be as wealthy as the industrialised countries. They are rich and successful because of big firms, many of which operate in different countries; these firms are big enough to afford the latest machines and techniques; how could a mechanic in one of our villages ever make a car to compete with Ford or Volkswagen?

Mr Pro: Our market for cars is not big enough to support a large car factory. We need products which are appropriate for our stage of development.

Mr Anti: You are condemning our people to second-rate and old fashioned products and working conditions, which can never compete on world markets. Have you never heard of economies of scale?

Mr Pro: In industrialised countries, firms are big because they have to be. Only a big company can afford to buy or operate the machines that they must have because labour is so expensive. Look at all our unemployed people and look how short we are of the foreign exchange which is necessary to buy machinery. Small businesses are the best way to make the most of our most plentiful resources, willing workers, without using much of our scarcest, foreign exchange.

Mr Anti: Foreign companies will build big factories here if we encourage them to do so, and they will employ our surplus labour in safe factories.

Mr Pro: Foreign companies come here to make a profit; in the end they will want to take their profit out, which is only reasonable since they put the original investment in. We need foreign firms for some activities, but if it is possible to use local management, local money and local labour we should do it. Small businesses are the best way to do this. They employ five, ten or more times as many people for each unit of output. Perhaps their wages are lower and the roof may leak during the rainy season, but experience in industrial countries has shown that people are happier working in small units where they know everybody and are involved in the whole manufacturing process. Physical comfort may not make up for loneliness and lack of satisfaction. In any case is it better to employ one person in ideal conditions or ten in slightly less comfort?

Mr Anti: Big businesses will build their factories in our cities and provide jobs for the thousands of unemployed who live in shanty towns on the edge of every large town. Small businesses are scattered all over the country and are quite impossible to control.

Mr Pro: We need jobs in the city but even more we need jobs in the country to encourage people to stay at home. Every time you create a job in the city, two or three people come to the city to try and get it, so that it creates more urban unemployment in the end. Small businesses can be scattered across the country as our people are.

Mr Anti: But what about the products and services of small businesses? They are so often poorly designed and made of scrap material like old tins. Compare the sandals made by a village shoemaker out of an old car tyre with the ones made in the factory out of plastic. No wonder the rough village sandals are half the price.

Mr Pro: Did you know that the shoe factory spends more money on imported raw materials than it does on wages, that most of its managers are foreigners and that they need three thousand dollars worth of imported machinery for every man they employ? A village shoemaker uses material that would otherwise be thrown away and his only machinery is a hammer, a pair of pliers and a piece of old iron he uses as an anvil; he probably employs at least one relation and possibly another assistant and people who could never afford the plastic sandals can pay for his. The finest product in the world is no good to the person who cannot afford it.

Mr Anti: What about the risks? We all know how many small businessmen fail; they lose their money, their employees lose their jobs and if any one has been foolish enough to sell materials to them on credit, they never get paid. Is this good for the country?

Mr Pro: Haven't you heard of the survival of the fittest? We need our own entrepreneurs and managers who can run big businesses as well as small ones and the best way to learn is in the hard school of experience. Businesses fail because their competitors do better; this is good for the general public and the standards of products and service are improving all the time.

Mr Anti: That may be, but a successful businessman may become very rich; are we not committed to a policy of redistribution of wealth?

Mr Pro: Rich men become rich because they create wealth, for themselves and the community. Heavy taxation can redistribute the wealth once they have made it but if we never let them make it, society will be all that much poorer. Small enterprises can also be owned by co-operatives or village groups too, they don't have to be private.

Mr Anti: What about their designs though? How can a small business match the efforts of a large corporation with hundreds of scientists?

Mr Pro: Large research laboratories develop products for large scale manufacture. Our country is made up of many different types of people growing different crops and having different needs; we may all be threatened by the diseases and it is reasonable to fight diseases with the standardised drugs developed in big laboratories. We may need large numbers of different shapes of hoe, or different types of cart, or different types of service from shops. Only small businesses are flexible enough to change and adapt when our needs change. Really new things are invented by individuals not by committees. In the same way, small businesses come up with good ideas far more quickly and far more often than large ones do. If they fail the individual cost is small, but big firms cannot risk failure; this means that they often fail to introduce new ideas at all.

Mr Anti: What about capital and management? Big firms can go to the banks and try to influence government investments and they can train or hire the best managers from around the world. How can our small businesses compete for management or for money?

Mr Pro: As you know, our society is based on the family; progress is destroying many of the links and loyalties on which we have relied but small businesses can actually strengthen the family. A typical small business can be managed and staffed by a family and how else can all the capital or the human ability which is hidden away on our farms and villages be put to profitable use? Many people do not trust banks and they have no access to stocks and shares. They will, however, invest their savings in their own businesses and people will even sell surplus cattle or land to raise money for a business.

Mr Anti: Yes but how can government possibly control all these small businesses? We are trying to plan the development of our country and officials can personally speak to a few big business managers to make sure that they conform to the national plan. Nobody even knows how many small businesses there are in our country so how can we control what they do?

Mr Pro: Government represents the people and maybe thousands of small businesses owned and managed by our own people are more likely to reflect national goals than a few large businesses which may be largely foreign owned and managed. When we set our own businesses up we still have serious problems; when the government tries to set up large national corporations they are, as you know, often inefficient or corrupt. If government directs and encourages the activities of small businesses by assisting them to develop in certain areas or activities, it can have a greater effect on the nation as a whole than can be achieved through a few large enterprises.

Mr Anti: Most of the industrialised countries have moved towards small numbers of large enterprises. Why should we be trying to encourage large numbers of small enterprises?

Mr Pro: All the industrialised countries reached their present prosperity because large numbers of small scale business people started new enterprises and developed new techniques. There is no reason to suppose that our country can jump direct to large scale enterprises; many industrialised countries are now regretting the large proportion of their economic activity which is in the hands of large companies and are trying to reverse this trend.

Mr Anti: Small scale business people are often dishonest and in our society we tend to despise them as thieves rather than looking up to them as leaders in economic development. Why should we try to help these people?

Mr Pro: I do not think you will be able to give me many examples of dishonest business people who have succeeded for very long. Let me ask you a question; quite apart from the poverty of our country, what sort of personal failings have prevented our country from developing and prospering as it might?

Mr Anti: Well, I suppose people tend to be cautious, to lack initiative, to delay making decisions, to refuse to face up to problems, they are unwilling to take responsibility or to show imagination and self reliance and are unwilling to work together. Nowadays people always seem to expect someone else, usually the government, to solve their problems for them. It is often said that our public and private sector managers are not as effective as they might be because they are always looking for short term returns.

Mr Pro: Yes that is a reasonable list of human failings. You will find that a successful small-scale business person suffers from few or none of these weaknesses. He *has* to make decisions, to take calculated risks, to face up to and solve problems and to take responsibility for what he is doing because otherwise his business will fail. Success in small business very often involves investing money in the business rather than withdrawing it for personal expenditure. Qualities of this sort, such as self restraint, imagination, initiative and self reliance are present in every successful small business. Small businesses can provide a school for this type of behaviour, a source of effective managers and an example to the rest of the community.

1. *Capital* -- Most good business people are short of capital, since they have more ideas than they have money to put them into effect. Nearly all small business people think that their main or even their only problem is their shortage of capital, and we shall see later that they are not always correct. There are, however, particular reasons why small businesses find it difficult to raise capital. Banks may be anxious to help, but it often takes as long to assess a loan application from a small business as from a large one, and it may cost more to administer the loan, even if there is no risk that it will not be repaid. The bank's profit depends on the amount of money lent on each loan, and they will obviously prefer large loans, to larger businesses, if the demand for loans exceeds the supply as is so often the case. The family may be willing to lend money, but when this source is exhausted the small business owner may be at a disadvantage when compared with his large competitors; it may fall to government to solve this problem by providing subsidised loan programmes, through the existing banking network or through a specially created lending institution.

2. *Customers* – Every business needs customers, but small business people often find it particularly difficult to sell enough of their products to keep them busy and earn a reasonable living. They cannot afford to hire salesmen or to advertise, big international companies are now competing in remote rural markets, and small businesses are at a disadvantage even in their own villages. They are far less able to sell their goods into the urban areas which are growing so fast, and where people often need the products of small businesses, because the large firms can afford to use every modern marketing tool in the city. Governments can help by helping small business people to obtain their share of public contracts, but business people themselves must play the major role, by learning how to sell and market their goods, and by combining with other businesses when this can enable them to reach out to more customers than they can on their own.

3. *Joint Activities* – Small business people often need to co-operate with one another, in order to obtain reliable and economical supplies of raw materials, in order to market their goods or in order to present their point of view to government and the general public. They cannot easily do these things on their own, but any form of co-operation requires initiative from an experienced individual who has the time and ability to organise it. If none of the small businessmen themselves have the time or ability to do this, some outside organisation may have to organise some form of co-operative effort. Only in this way can small businesses compete with large ones for sources of supply, for markets, and for government attention.

4. *Management* – Finally, and most importantly, small business people are in need of assistance in management. They must compete with managers and management techniques which have been tried and tested elsewhere; we have already defined small businesses as those where management is in a sense a part-time activity, carried on by someone who is mainly a craftsman or a shop assistant. Small businesses cannot earn enough to pay for full-time managers, so that their owners have to learn for themselves how to manage while they are carrying out their normal jobs in the business. Small businesses which are owned and managed by indigenous people are often a quite new development in many developing countries. There has, therefore, been no opportunity for children to learn from their parents or for young people to learn through a system of apprenticeship, and every small business has had to start from the beginning. Some form of training is obviously needed to make up for this disadvantage, but because of their size individual small businesses are unable to organise this for themselves. It is therefore necessary for an outside organisation to take a hand, and the purpose of this manual is to enable a really useful form of management training to be made widely available.

5. *Information* – Small businesses are often unable to take advantage of services provided by Government or other organisations simply because they do not know about them. Small business people often infringe the law because they are not aware of it. In the same way that small business people are unaware of services or regulations which affect them, Government and others are often ignorant about the numbers, locations and problems of small business people. There is a need for a communication system which conveys information in both directions.

Why Do Small Businesses Need Help?

Even if we are convinced that small businesses can play a valuable role in a country's development, we still have to justify any particular attempt to assist them. Many things are valuable, but this does not necessarily mean that they need help.

Businesses need capital, suppliers, equipment, buildings, customers, employees and above all proper management. We shall investigate later how we can find out the needs of any specific group of small businesses,

TRAINER NOTES

The following review of the key problems faced by small business operators should be useful in helping you lead the discussion mentioned in Activity #5b.

Consultancy for Small Businesses, by Malcolm Harper, Intermediate Technology Publications, Ltd., London, 1976, pp 3-5.

MODULE 1: OVERVIEW OF SMALL ENTERPRISE DEVELOPMENT

SESSION 6: SMALL ENTERPRISE DEVELOPMENT ISSUES

TIME: 2 HOURS

RATIONALE:

In order to work effectively as SED Volunteers, trainees must have a realistic appreciation of the issues and constraints facing small business owners in the host country. Assuming that the infrastructural realities are the same as those within the United States would seriously hamper the PCVs' abilities to provide relevant and timely assistance with problems faced by local business owners and operators. This session will help the trainees to identify important considerations such as price controls, exchange rate fluctuations, shortages, balance of payments, infrastructure restraints, import regulations, etc., in the operation of small businesses.

OBJECTIVES:

1. To identify the potential problems which face small business owners and operators in the management of their small enterprises.

2. To discuss the implications of these problems for the role of the Volunteers in the provision of outside assistance to these businesses.

TRAINER PREPARATION:

1. Research the local small enterprise development issues needed for the lecturette.

2. Arrange for local small business owners or current SED Volunteers to be available for the discussion segments of the session, if possible.

3. Review the development game and become familiar with the purpose and the rules to ensure smooth operation.

4. Prepare newsprint for the following items:

   - session objectives
   - lecturette outline
   - discussion questions
   - game rules

MATERIALS:

1. Newsprint and magic markers; tape
2. Development game, with instructions

TRAINEE HANDOUTS:

Introductory Comments for the Leeper Game

PROCEDURES

Introductory Statement: (10 min)

1a. Introduce the session by explaining to the trainees that small business owners in the host country face numerous constraints, based on local conditions. Making the assumption that the infrastructure realities are the same as those within the United States would seriously hamper the PCV's ability to provide relevant and timely assistance to local business owners and operators.

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Lecturette on Local Regulations/Constraints: (20 min)

2. Deliver a lecturette on regulations facing small business operators in the host country, stressing the following areas:

   - Price controls
   - Exchange rate fluctuations
   - Shortages
   - Balance of payments
   - Infrastructure restraints
   - Import/export regulations
   - Institutional realities

TRAINER NOTES

If possible, have host-country small business representatives discuss these issues, have current SED Volunteers participate, or provide personal experience regarding the effect of these issues on their host-country businesses.

Simulation Game: (45 min)

3. Introduce the simulation game to the trainees by explaining to them that the game is designed to identify and internalize the constraints and problems facing local entrepreneurs.

   Explain the rules of the game, and begin playing.

TRAINER NOTES

Included in the purposes of the game are the following:

- to experience the problems faced by small businesses and community projects.
- to appreciate the lack of control that many of those groups face.
- to better understand the role of the consultant in assisting small businesses or projects.

Processing of the Game: (15 min)

4. Lead a large group discussion of the simulation by asking the following questions:

   - Did you move forward as fast as you originally anticipated? Why/Why not?
   - What types of constraints did you face in trying to move ahead?
   - What kinds of reactions did you experience when confronted with obstacles during the game?
   - How might the same types of obstacles affect local business people and community groups in the local culture?

- Did the game give you any additional insights into your role as a PCV assisting local businesses? What were they?

Panel Discussion: (25 min)

5. Lead a panel discussion of the following issues related to the operation of small businesses in the local culture. If possible, have local business people and current SED Volunteers sit on the panel as the "experts" in the field, and allow the trainees to ask questions of them after their presentations. Discussion points should include the following:

   - How do price controls affect business in this country?
   - How will Volunteers be able to find out about regulations?
   - Which institutions can help?
   - What are the major obstacles to compliance with regulations?
   - Do other factors (i.e., weather, crop production) really affect SED?
   - What cultural demands might affect SED?

Closing: (5 min)

6a. Thank the host country participants and the PCVs for their work on the panel.

6b. Review the objectives for the session to see if they have been met.

INTRODUCTORY COMMENTS FOR THE LEEPER GAME

In this session, you will have an opportunity to confront many of the frustrations that small business people and community project participants face. There will also be a chance to ask the visiting host country entrepeneurs about ways in which they have avoided or survived such problems, or taken advantage of the surprises that pop up from time to time.

To give you a warning, some of the problems involve agricultural projects, while others are tied to non-farm activities. These include sudden changes in the way the government treats your project (with regard to taxes, price controls, exchange rate changes that push up imported raw material costs, etc.). Other surprises may be related to Mother Nature. Some may reflect the problems related to communications, transportation, and the overall physical infrastructure of the country.

The object of the game is to complete your project by reaching the end of the playing board. You will pick one of the cards out of a hat at the start of the game. Since projects vary in length, so do the playing boards.

To move your playing piece ahead, you will have a chance to pick cards during your turn. There are two kinds of cards -- the green "luck" cards and the red "chance" cards. If you want a luck card, you have to ask the person who last took a "luck" card for approval. If you ask the right person, they must say "yes". However, if you ask the wrong person, you automatically lose a turn.

If you want a "Chance" card, you must raise your left hand. Should you forget to "ask" correctly, you <u>automatically</u> lose a turn. The game moderator is the final judge as to whether someone has asked for a card legitimately.

When you draw a card, read it aloud to the other players, and move your playing piece accordingly.

If you lose your turn three times in a row, you lose all your "credibility" and will have to change sites. Select a new playing board from the hat and start over.

To begin the game, pick a small playing piece. Select a playing card from the hat, unfold it and set it in front of you. The person with the longest card begins the game by "asking" for the card of their choice and moving their piece accordingly. Play continues with the player to the right selecting a card. If all cards in one of the piles are used, shuffle the cards well and replace them on the table.

There are a few additional rules to the game which the trainer will enforce. However, the trainer is not able to tell you about those rules until later in the game.

Good luck!

TRAINER'S NOTE FOR RUNNING THE GAME

The training objectives of the game are:

1. To have the trainees experience some of the surprises that can affect the success, timing and utility of a small business or income-generating project.

2. To demonstrate the importance of keeping calm in the face of many unexpected and frustrating events.

In addition to enforcing the rules of the game presented in the introductory statement, the trainer will have some "hidden" rules to enforce. It is critical that these rules NOT be explained as they are being enforced. Many projects encounter ARBITRARY decisions, inflexible bureaucrats, and other unexplained obstructions.

While it would be best to adapt these "rules" to culturally acceptable or culturally offensive behavior in the host country, the following are examples of some of the arbitrary rules that could be included in the early stages of the game.

1. If a player is wearing glasses, ask him/her to move forward five spaces before taking his/her first card.

2. If a player has his or her arms or legs crossed as it becomes his/hir first turn to select a card, stop the game and inform the player that he or she loses a turn.

After the game, explain that your decisions, when enforcing the "hidden" rules, were not arbitrary from your viewpoint. Remind the trainees that they need to be aware of hidden cultural constraints, such as "body language," when they are working as advisors to businesses and projects.

ADJUSTMENTS TO THE GAME

The game may have to be adjusted to accommodate a larger or smaller number of SED trainees. Ways of adding more participants to the game include the following:

1. Adding more "Med-evac" and "Psych-vac" Cards and bringing in new players accordingly.

2. Beginning with more playing boards.

3. Having the participants form teams of two people.

Make 3 X 5 cards for the following problems and pluses:
(PROBLEMS)

Rats find the seeds Lose turn	Ministry evaluates your project and no one shows up for the meeting Lose turn	No one remembered to turn off machine and it burned out Move back 1
Worker forgets to lock up tools and the tools "walk away" Lose turn	President & Vice President of group fight over land titles Move back 1	Chief dies -- no trade for a week Move back 1
Fence falls down and cattle trample the communal garden Move back 1	Church withdraws offer of free workshop space Lose turn	Market burns to the ground Lose turn
Chickens get "chicken rot" and die en masse Move back 1	Initial budget inadequate and no donors appear willing to help more Move back 1	No permit -- unable to harvest firewood Lose turn
Leader opposes the project and 2 members pull out Move back 1	Health inspector forces closing of workshop for a week Move back 1	Lack of water 50,000 seedlings die at tree nursery Move back 1

Treasurer falls for baker's son; Both disappear at night with group's funds Move back 1	Machine breaks, no spare parts readily available Lose turn	National debt renegotiated; all input prices go up Move back 1
		New labor law enacted; price up Move back 1

(PROBLEMS)

Drought hits crops -- low yield Lose turn	New tax levied on on locally made goods Lose turn	Main customer moved to the capital city Lose turn
Import tax on raw materials raised 100% Move back 1	Lack of fertilizer -- poor crop production Move back 1	Intermediaries double prices as gas price doubles Move back 1
Government Minority reorganized Move back 1	Well goes dry Move back 1	Seven-year locusts arrive a year early Lose turn
Raw materials not available from usual source Lose turn	Poor economy no demand for services Lose turn	You thought they'd weed--they thought you would. Crop yield 20% Lose turn
Inflation jumps 10% Lose turn	Unable to get bank loan to purchase raw materials Move back 1	Land title lost in the Ministry Office Lose turn

Price control removed on your product Lose turn	Imports flood your market Move back 1	Your counterpart quits and no one else knows what's going on Lose turn
Comr tition increases in your area Lose turn	Govt changes foreign exchange laws. Foreign imports you need excluded Move back 1	

(PROBLEMS)

Drought hits crops -- low yield Lose turn	New tax levied on on locally made goods Lose turn	Main customer moved to the capital city Lose turn
Import tax on raw materials raised 100% Move back 1	Lack of fertilizer -- poor crop production Move back 1	Intermediaries double prices as gas price doubles Move back 1
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Inflation jumps 10% Lose turn	Unable to get bank loan to purchase raw materials Move back 1	Land title lost in the Ministry Office Lose turn

Price control removed on your product Lose turn	Imports flood your market Move back 1	Your counterpart quits and no one else knows what's going on Lose turn
Competition increases in your area Lose turn	Govt changes foreign exchange laws. Foreign imports you need excluded Move back 1	

(PLUSES)

Receive large order for product, can be filled Move ahead 2	Demand for product increases Move ahead 1	Counterpart wants to go to an In-Service Training Move ahead 3
Able to buy raw materials at reduced price Move ahead 1	Business expands due to demand Move ahead 2	Peace Corps Grant Review Committee approves proposal Move ahead 4
Govt decides not not to allow import of a competing product Move ahead 2	Availability of fertilizer increases crop output Move ahead 1	Your group gets title to Boardwalk and Park Place; puts up a hotel Move ahead 1
Abundant rain bumper crops Move ahead 1	New irrigation system increases crop output Move ahead 2	Town Meeting approval of new market stalls section--including the group Move ahead 1
New market develops for your product Move ahead 2	New business breaks even first year Move ahead 1	Nearby town asks you to give a talk on how to organize a cooperative Move ahead 1

New machine purchased product capacity increases Move ahead 1	Counterpart begins his own extension program Move ahead 1	The savings and loan reports increased profits per share Move ahead 2
Son returns from school able to help with business Move ahead 1	Accountant of the group balances the books Move ahead 1	The savings and loan reports increased profits per share Move ahead 1

EXAMPLE OF PLAYING BOARDS:

The playing boards should be between eighteen and twenty-five blocks in length. It is important that the playing boards vary in length. They appear as shown below:

Self-sufficient project
Start the project

Self-sufficient project
Start the project

MODULE I: OVERVIEW OF SMALL ENTERPRISE DEVELOPMENT

SESSION 7: B''SINESS CASE STUDY, MODULE WRAP-UP

TIME: 2 HOURS

RATIONALE:

The role of government intervention in the area of Small Enterprise Development is a very sensitive one. For the SED Volunteer to work effectively at his or her site, recognition of this factor is a prerequisite. This session will use case studies in which government actions have threatened a small business operation and will provide trainees with an opportunity to consider alternative culturally acceptable ways of dealing with such upheavals.

OBJECTIVES:

1. To present two case studies that illustrate the central role which government policy decisions can play in small business decision-making in the host country.

2. To identify the potential frustrations PCVs might experience in working with businesses which are facing these constraints.

3. To review the skills developed in the first module of technical training and set the stage for upcoming sessions devoted to business skills development and transfer techniques.

TRAINER PREPARATION:

1. Review the issues raised in the case studies and read the accompanying analyses in order to lead a large-group discussion.

2. Prepare discussion questions based on host country examples and circumstances.

3. Prepare newsprint for the following items:

   - session objectives

   - discussion questions

MATERIALS:

1. Newsprint and magic markers

2. Tape

TRAINEE HANDOUTS:

Case Studies

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by explaining to the trainees that a realistic appreciation of the issues and constraints facing small business owners in the host country is essential if they are going to provide relevant and timely assistance with problems. Appreciating important government policy-related considerations such as exchange rate fluctuations, shortages, balance of payments, import regulations, price controls, etc. is crucial to their success as PCVs.

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Case Study Analysis: (20 Min)

2a. Introduce the case studies by explaining to the trainees that the role of government can be considered one of the most important of the external forces affecting small businesses. The following case studies will illustrate this point.

2b. Distribute the case study "A & B Soap Manufacturing Enterprise" to half of the trainees; give the case study "Talk of the Town Beer Parlour" to the other half. Instruct the trainees to read their study individually and identify the following:

- how the government impinged on the small enterprise

- how the business responded to the situation.

Pair Discussion: (30 Min)

3. Have the trainees form pairs (one from each case study analysis) and assign the following task:

   - discuss the role of government in the two case studies.
   - develop a list of strategies that businesses can use to compensate for the restrictions and sudden changes.
   - be prepared to discuss the analysis in the large group.

Pair Presentations: (20 min)

4. Reconvene the trainees and have the pairs volunteer to present their analyses and recommendations to the large group for comments and critique.

Large Group Discussion: (20 Min)

5. Lead a large group discussion related to the role of government and other environmental pressures (as shown in the case studies and the Leeper Game previously presented), based on the following questions:

   - How do you think the business culture and practices reflect the external forces in the host country?
   - Do these practices seem functional?
   - What are some of the reasons that a small business operator or a community group member might be hesitant to take your advice? What can you do in such situations?
   - Are there reasons that you would have to be more careful when asking about information and business practices related to legal restrictions and government actions than about other areas of business management? What are they?

Closing: (10 Min)

6a. Explain to the trainees that the keys to being a useful advisor to a small business operator or a community project member are an ability to communicate clearly and a strong grasp of the technical areas in business management.

6b. Point out that the technical sessions up to this point have dealt with the first key to success as an advisor: the ability to communicate. This training has focused on the development of observation skills, interviewing techniques, and the construction of a general framework in which the business tools which will follow can be applied creatively in agreement with the host-country business culture.

6c. Ask the trainees to summarize the skills they have begun to develop during the first Module of technical training. Explain that, with the background of the first module, they are ready to cover standard business topics, such as accounting, budgeting, marketing, business planning, and feasibility analysis.

6d. Ask for any final questions, comments, and observations concerning the materials presented in this session or any other sessions in the first Module.

A&B SOAP MANUFACTURING ENTERPRISE
(Ghana)

Local Currency: 10 Cedis=US$7.50[1]

The A&B Soap Manufacturing Enterprise was established by two brothers in 1973. Though soap-making was their basic objective, they also planned to produce other products, such as face powder and perfume, in the future. The business has not yet been registered either as a partnership or a limited liability company.

The initial capital investment was 2,000 Cedis and the business employed four people. Soap is produced by the traditional labor-intensive methods, and although production was very small in the early stages, it started to pick up rapidly in 1975 when the Government restricted the importation of soap and other detergents. At this time, working capital became a major constraint which prevented the business from responding to the increased demand for soap.

In 1976, the management of the enterprise approached the Ghanaian Business Bureau, a division of the Management Development and Productivity Institute, to seek advice on sources of financial assistance. The Bureau introduced the partners to two commercial banks, and to the Ghana Enterprises Development Commission, which operates a Government-sponsored small credit scheme giving loans for the purchase of raw materials and other working capital requirements. At about the same time, the two most important raw materials for soap-making--palm oil and caustic soda--were becoming very scarce, and the Bureau allowed for these materials to be stocked for a minimum of six months.

In January 1977, one of the commercial banks approved and released a loan of 8,000 Cedis and two months later the Ghanaian Enterprises Development Commission's loan approval also went through and the partners drew 9,000 Cedis from this source. They also obtained advance payments of 3,400 Cedis from various traders who had ordered soap from them.

Without the knowledge of the Bureau's office in charge of this enterprise, the partners took the following steps:

1. They purchased a secondhand saloon car for 5,000 Cedis.
2. They started to build a temporary building for about 6,000 Cedis in order to accommodate the increased expansion program.
3. They employed an additional 25 people, mainly girls for cutting and packaging the soap. Two of the 25 new employees were friends of the two partners, who had 'helped' them during their times of difficulty.

[1] The local currency conversion figures given in this and subsequent case studies are very approximate and are only intended to give the reader some idea of the scale of the enterprise.

All seemed well with production and marketing of the soap until mid-July when the two newly-employed friends, who had been permitted to join the business, disagreed over the distribution of shares in the company and left to set up their own soap manufacturing company in the same city. An acute shortage of palm and coconut oil then set in and the business had very limited stock to rely on for continuous production. To make matters worse, the Governemnt liberalized the importation of many goods, including soap, in its August 1977 budget. This decision led the traders to demand the return of their advance deposits in order to purchase imported items instead.

As the partners waited for the palm oil supply situation to improve, they decided to diversify into face powder production.

COMMENT

The history of is business illustrates the disruptive effects of changes in government regulations; the import restrictions in 1975, and subsequent liberalization in 1977, created far more rapid changes in demand than normal market forces would ever have done. Small, newly-established enterprises are ill-equipped to cope with changes of this sort.

There does not appear to have been any coordination between the authorities in charge of import regulations and those responsible for small enterprise development, and this perhaps not surprising given the complexity of modern government. It should, however, have been possible for various institutions involved in small enterprise promotion to coordinate their activities more effectively. Owners of small enterprises often fail to make use of all the sources of funds which are available to them but these entrepreneurs successfully exploited the lack of coordination by obtaining loans from the Ghana Enterprise Development Commission and from a commercial bank, in addition to substantial deposits from their customers.

Their success in obtaining new capital encouraged them to make over-optimistic investments which in the event led to more serious problems, and their decision to diversify into new products may further strain their financial and managerial resources.

This situation illustrates the need for a coordinated approach by government and other agencies concerned with financing and advising small business. If one institution, and one individual within it, had been responsible for coordinating the 'package' of assistance offered to this company, and for ensuring that it was correctly used once it had been provided, the entrepreneurs and the country would have benefited from the sound expansion of a necessary and basically well-conceived business.

TALK OF THE TOWN BEER PARLOUR
(Nigeria)

Local currency: Naira (N)=100 Kobo=US$0.75

Jack Okafor is the type who has an eye for business. He is full of energy and has a great deal of confidence in his ability to succeed in any small-scale business venture. One evening he talked to his friend who was a salesman for a brewery about the feasibility of his opening a beer parlour. His friend assured him that adequate supplies of beer would be available at a good price.

John, therefore, decided to open a beer parlour and started to look for a strategic location. He was determined to have a considerably higher class beer parlour than the other bars. In January 1974, he found a site in a perfect location on the corner of Liberty Road and Trans-Ekulu Avenue quite near the bus turnaround. The rent for the special building was rather high (N60.00 a month) but John was confident he could still make it. Besides, he thought, he could always close down if something went wrong. After all, to make it one must take a small risk.

He proceeded to furnish the place, putting in cushioned chairs and centre tables and building an imposing drinking counter with high bar stools. By the time he had finished decorating the place, he found out, to his amazement, that he had spent about N3,000.00 which was all the money he had. He still had to get the place licensed by having it inspected by the Ministry of Health and the Police. By the time everything was ready, he was so completely out of money that he did not bother to have the opening ceremony which would have involved a big fanfare with free drinks for everybody passing by. He simply started selling beer.

The response was tremendous. He attracted many customers from the first day. He realised that an opening ceremony was not really necessary. People were attracted by the good facilities and more especially by the low price. He was selling beer at 55 Kobo a bottle while the other beer parlours were selling at 65 Kobo a bottle. His customers increased day-by-day and at times his three helpers were completely overwhelmed. People were sitting on the counter, on the window ledge, and even on the floor. Some even brought their own chairs and sat outside. The place became the talk of the town and that is how it got its name--The Talk of the Town Bar.

This dramatic success, however, was a mixed blessing, and the business was almost out of control. His three employees could not cope with the situation and he hired a fourth. He increased the price to 65 Kobo a bottle in a vain attempt to limit the number of customers, but without success. People kept coming. With people standing outside and drinking beer like a street party, his neighbours became alarmed and on several occasions called in the police. Fortunately, the police came from the

local post whose staff were regular customers of the bar and so did nothing. His biggest problem, however, came from the landlord who also owned a hotel about two hundred metres from the bar. This hotel had lost most of its customers to the Talk of the Town, and the landlord retaliated by sending John a notice to quit six months after his opening. John pleaded with the landlord and asked his friends to talk to him but the landlord was adamant. John braced himself for a fight and contacted his lawyer., A threatening letter from the lawyer brought the landlord back to his senses, and he stopped harassing John.

The boom continued. The bar was netting an average of N500.00 a month. John's friend from the brewery arranged a direct allocation from the factory for him and he also put him in touch with the other breweries' salesmen who gave him direct allocations from their breweries. Under normal circumstances, the beer supplies would have been more than enough but there were still too many customers.

John put one of his boys in charge of the sales and devoted his entire time to collecting more beer. He arranged for a dealer to deliver a large quantity of fried meat, a delicacy which increased the thirst of his drinking customers, and this increased his profit to N650.00 a month. After nine months of operation, he was doing so well that he started thinking of finding a bigger place, but before he could do anything real trouble started.

A price control edict was enacted setting the wholesale price of beer at N5.00 per carton of 12 bottles and the retail price at 50 Kobo per bottle. This meant that John's profit was now only N1.00 per carton which made little difference so long as he was getting enough beer. However, almost simultaneously with the promulgation of the edict, his salesman friend was transferred to Lagos, a distance of some 350 miles. Although his official allocations were the same, he was unable to procure additional supplies since the beer distributors started evading the edict by selling on the black market. For the first time, he was unable to satisfy the demands of his ever thirsty customers. At first, John refused to buy on the black market but when he started to have problems even with his official allocations he entered the black market. He knew this was very dangerous because the price control inspectors were always on the lookout. Sometimes his beer parlour had to be closed for a whole day when his informants reported the presence of price control officials in the neighbourhood. His business went from poor to dismal, and he did not even make enough sales to pay for the rental. He hung on for a while hoping that business would improve but instead things got worse and in frustration he simply closed down, disregarding the advice of his friends. After auctioning his furniture and fittings, he had saved N6,000 in a year and a half of operation.

COMMENT

This case study describes one venture of a typical entrepreneur, who seized an opportunity when he saw it, took a calculated risk by going into the business and then withdrew from the market when the prospects declined. Entrepreneurs of this type will continue to seek out opportunities regardless of whether or not they receive support from the government, and it may be argued that a beer parlour is not a suitable industry for government support. Nevertheless, economic activity of any sort which is not illegal contributes to development and employment, and governments should avoid rapid price changes such as occurred in this situation when these are likely to cause major problems to indigenous small-scale entrepreneurs who distribute the product.

It may be possible for breweries and other suppliers of staples to promote and train indigenous distributors since this increases their own sales. Many of the best small business assistance programmes are in fact run by manufacturers of shoes, beer, fats and other staple products.

It should also be noted that entrepreneurs of this type are perhaps the scarcest commodity of all in most developing countries, and it may be possible through judicious advice and encouragement to turn their attention towards industries which are more directly beneficial to the economy in terms of the product they produce and the numbers they employ. All too often, entrepreneurs of this type are regarded as 'cowboys' or quasi-criminals rather than as partners in the process of economic development.

MODULE 2: PCVs AS SED CONSULTANTS AND TRAINERS

SESSION 8: BUSINESS IN A CULTURAL SETTING

TIME: 2 HOURS

RATIONALE:

One of the most common mistakes that Volunteers make is assuming that their technical skills alone are sufficient for successful job performance in their host countries. Avoiding this pitfall is particularly crucial for SED Volunteers, whose primary w. . is consulting and training. Without an understanding of the cultural environment of the small businesses with which they will be working, many of the Volunteers' suggested improvements and changes may go unheeded or even be damaging to the local situation.

During this session, the trainees will focus on the similarities and differences between small businesses in the States and the host country and will begin to identify the necessary adaptations they will need to make in order to work successfully in their assignments.

OBJECTIVES:

1. To identify the common behaviors/values/beliefs found in entrepreneurs in the States and in the host country.
2. To analyse the commonalities/differences in the American and host-country business cultures.
3. To discuss the implications of .orking in a business culture different from that in the States, and begin to develop techniques for .cessfully adapting to that environment.

TRAINER PREPARATION:

1. Check with the local Peace Corps staff, PCVs, AID, and other local organizations regarding common characteristics of the host-country business culture (should you not be familiar with them yourself). Be sure to find out what the local realities are regarding such issues as blackmarket goods, smuggling, etc.

2. Prepare newsprint for the following items:

   • session objectives

   • small group instructions

MATERIALS:

1. Newsprint and magic markers for the small groups

2. Paper and pens for the trainees

3. Tape

TRAINEE HANDOUTS:

N/A

PROCEDURES:

Introductory Statement: (10 Min)

1a. Introduce the session by asking the trainees the following question: How many of you have ever tried to give advice or guidance to someone, only to discover that the person never acted upon it? (Ask for a show of hands,) What might have been some of the reasons why that happened? (Put the reasons given on newsprint.)

Explain to the group that experiences like this are common in situations in which there has been a communication gap or a lack of common cultural understanding. Remind them that, in their role as small enterprise consultants, understanding the local business culture and communicating effectively within it will be two extremely important skills for them to have.

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Lecturette on Cultural Assumptions: (5 Min)

2a. Give a brief lecturette, stressing the following points:

All cultures have their own systems of beliefs, values, and behaviors. These systems are not inherently "good" or "bad"; they are simply the ways in which life is conducted in that environment.

Each of us has been born and raised within a culture, learning the expected behaviors and communication patterns needed to function succesfully. In order to apply our talents within another cultural environment we need to spend time examining the values, beliefs, and behaviors we already have, the similarities/differences in the values of the host country, and what adaptations are needed to effectively work cross-culturally.

The increased level of understanding that this examination will provide can be of immeasurable assistance in working as Peace Corps Volunteers with local communities and businesses.

Individual Work: (10 Min)

3. Ask the trainees to individually spend the next fifteen minutes on the following task (which is already written on newsprint): Looking back on your experiences, make a list of the values/beliefs/behaviours that you believe are basic to the business culture in the United States.

> TRAINER NOTES
>
> Included in the list might be the following items: efficiency, profitability, satisfied customers, hard work, timely delivery, quality products, competition, discipline, good management, etc.

Small Group Discussion, Part I: (20 Min)

4. Have the trainees divide into small groups (4 - 5 members in each) to discuss their lists, and ask them to develop a composite list on newsprint under the title, American Business Values, Beliefs, Behaviours.

Small Group Discussion, Part II: (20 Min)

5a. Ask the small groups to think about the host-country culture and develop a list of the business values/beliefs/behaviours they know about so far. Have them put this list on newsprint and identify which of the items are similar to or different from the ones they listed for the American business culture.

5b. Ask the small groups to focus on the host-country value/beliefs/behaviours they have identified which are different from their own, and have them discuss ways in which they can deal with these differences during their PCV service. Have them put this information on newsprint and appoint someone to report out to the large group.

> **TRAINER NOTES**
>
> Included in the list might be the following items:
>
> - working more slowly and making an effort to understand the local business person's situation.
> - modifying outward behavior to more closely approximate the local culture (without necessarily changing inner values).
> - using the ability to laugh at oneself and maintain a sense of humor about issues.

Small Group Reports: (30 Min)

6. Reconvene the large group and allow ten minutes for each small-group representative to report on their work. Solicit comments/critiques from the large group.

Large Group Discussion: (15 Min)

7. Review the work of the groups, looking for commonalities they have all identified, and lead a large group discussion of the ways in which they have noticed these similarities and differences affecting them during the training program (using the trainee-run store to generate discussion).

Closing: (5 Min)

. Close the session by explaining to the trainees that the next step beyond understanding how our two business cultures are alike and different is learning how to effectively apply that understanding in their work as SED Volunteers. Tell them that the up-coming sessions will begin to focus on that issue.

MODULE 2: PCVs AS SED CONSULTANTS AND TRAINERS

SESSION 9: ENTERING A CONSULTANT RELATIONSHIP

TIME: 4 HOURS

RATIONALE:

In order to successfully function as consultants to host-country small businesses, SED Volunteers must possess a number of communication and facilitation skills. The ability to accurately hear what is being said, filter information, and provide guidance in a culturally appropriate manner is important for the trainees to develop and apply to their consulting work.

During this session, the trainees will focus on the identification of the helping skills they already possess and those which they need to develop further. They will then apply these skills to the necessary facilitation and communication they will be doing in their work within the host-country. Finally, the session will focus on the application of the helping and communication skills to the business consulting relationship.

OBJECTIVES:

1. To identify individual trainee helping skills and determine which skills are most appropriate in the host country and which need more development.
2. To discuss the six stages of the consulting relationship and the techniques that are most helpful in stimulating motivation and interest.
3. To develop effective listening and communication skills to ensure accurate understanding of local business issues.

TRAINER PREPARATION:

1. Read the attached handout, "The Consulting Relationship," as background for the lecturette.
2. Check to see if the trainees have already done the "Helping Skills Inventory" and exercise in CREST/CAST or in another component of the training program. If so, review the inventory briefly and move into the second half of the session.

3. Arrange for host-country trainers to play the roles of business persons during the second half of the session, and brief them on their parts.

4. Prepare newsprint for the following items:

   - session objectives

   - small group instructions

5. Check with the Peace Corps staff and current PCVs regarding any particular problems SED Volunteers have had in working with small business people---particularly in the provision of consultation services.

6. Xerox the trainee handouts.

MATERIALS:

1. Newsprint and markers

2. Paper and pens

TRAINEE HANDOUTS:

1. Helping Skills Inventory

2. Helping Skills Observation Sheet

3. The article, "The Consulting Process"

PROCEDURES:

Introductory Statement: (5 Min)

1a. Remind the trainees that, during the last session, they looked at the differences between the U.S. business culture and that of the host country. They also identified some of the ways in which their own styles and behaviors might have to be adapted in order to successfully function as PCV small business consultants. During this session, they will look more at what constitutes different kinds of consulting styles and how it feels to both give and receive help from someone else.

1b. Review the objectives for the session (already on newsprint) and clarify any questions the trainees may have regarding them.

Helping Skills Inventory:

2a. Pass out the Helping Skills Inventory to the trainees and allow 15 minutes for them to complete it individually. (The instructions are self-explanatory so you should not need to clarify any of the items.) (15 Min)

TRAINER NOTES
Helping Skills Inventory used to identify current skills and future needs. This is applied in second half.

2b. Ask the trainees to form groups of 3, with each member of the trios identified as A, B, or C. Give the following instructions (already on newsprint): (45 Min)

There will be 3 rounds of conversations regarding the results of the inventory. Each conversation will last a total of 10 minutes.

During the first round, A will be the "client", B will be the "helper," and C will be the "observer." Each trio member will have the opportunity to play all three roles. Explain that the "clients" will talk about their self-inventories in any way that seems appropriate, and the "helpers" will assist the clients in the process.

The observer will be charged with noting the skills and techniques the "helper" uses with the client. The Helping Skills Observer Sheet will assist in this process.

2c. Begin Round 1 and inform the trainees when 10 minutes have elapsed. Allow 5 minutes for the "observer" to report on his/her findings and for the trio to discuss the interaction.

2d. Continue the process through Rounds 2 and 3, with the observers writing their comments down on their sheets without any discussion.

Group Processing:

3a. Provide each trio with newsprint headed "Helping Behaviors" and "Hindering Behaviors." Ask them to reflect back on the conversations that have just concluded and list the behaviors that facilitated or blocked effective communications. Tell them to put their completed lists on the wall in front of the large-group room. (15 Min)

3b. Reconvene the large group and allow a few minutes for the trainees to silently review each other's lists. (Depending on the size of the group, this may be done from their seats or by walking around the room.) (10 Min)

3c. Ask the large group if they have any general observations to make about successful helping relationships, based on the experiences they have just had in trios. Use the following questions to prompt comments:

- How did it feel to be in a position of being helped? To be a helper?
- Was one role easier than the other? Which one? Why?
- What would you expect to be the same/different if this were a cross-cultural situation?

Closing: (5 Min)

4a. Close this portion of the session by reminding the trainees that giving and receiving help will play a major role in their up-coming Volunteer experiences. Suggest that they spend some time during the break thinking about their personal motivations for wanting to help others.

4b. Tell the trainees that, after the break, they will focus on the application of helping skills to the consulting relationship.

BREAK: (15 Minutes)

Introductory Statement: (5 Min)

5. Introduce the second half of the session by writing the word "Consultant" on newsprint. Have the trainees brainstorm all the words they can think of to describe the characteristics of a good consultant, and put them on the newsprint.

Lecturette: (20 Min)

6. Deliver a short lecturette (see attached handout) covering the stages of the consulting relationship. (Have the headings on newsprint for easy reference):

- Establish trust and rapport
- Assess the client's needs
- Gather information
- Establish recommendations
- Develop an action plan
- Follow-up and evaluate

Small Group Work: (40 Min)

7. Divide the trainees into small groups. Assign each group two of the stages outlined above, (a/b; c/d; e/f), and have them do the following task (already on newsprint):

- Considering the helping skills you have discussed, and what you know from your backgrounds, develop a list of the specific actions you would take to successfully complete these stages of the consulting process. What skills would you need, and how would you demonstrate them?

- Develop a short role play (10 minutes maximum) involving a PCV consultant working with a host-country business person. It should demonstrate the actions involved in completing your two phases of the consulting process, and should reflect the realities of the host-country business culture identified during the previous session.

Role Playing: (45 Min)

8. Reconvene the large group for the role playing (having a host-country trainer playing the business person) allowing 5 minutes at the end of each session for comments/questions. (Process as you would any role playing situation.)

Large Group Processing: (30 Min)

9. Generalize from the above experience by asking the trainees the following questions:

   - Were there any skills that seemed to be needed throughout the consulting process regardless of the stage? If so, what were they?

   - What types of communication techniques seemed to work best? (Closed or open-ended questions; paraphrasing; summarizing; careful listening). Why?

   - What types of issues arise when consulting across cultures? With clients who are older or more experienced? In another language?

   - Has your view of your role as a PCV changed much as a result of this experience? If so, how? If not, what was re-affirmed for you?

   - In what other forums, besides the small business environment, can you see yourself using these skills?

Closing: (5 Min)

10. Close the session by reviewing the objectives to see if they have been met, and telling the trainees that the next session will look at the problem-solving aspect of consulting in more depth.

11. Pass out the handout "The Consulting Process" for the trainees to keep as reference material.

HELPING - SKILLS INVENTORY

This check list is designed to help you think about various aspects of the behaviors involved in helping. It gives you an opportunity to assess your skills and to set your own goals for growth and development. To use it best:

1. Read through the list of activities and decide which ones you are doing the right amount of, which ones you need to do more of, and which ones you need to do less of. Make a check for each item in the appropriate place.
2. Some activities that are important to you may not be listed here. Write these activities on the blank lines.
3. Go back over the whole list and circle the numbers of the three or four activities at which you want most to improve at the present time.

General Skills	OK	Need To Do More	Need To Do Less
1. Thinking before I talk	______	______	______
2. Being comfortable with my educational background	______	______	______
3. Being brief and concise	______	______	______
4. Understanding my motivation for working in a helping profession	______	______	______
5. Separating personal issues and work	______	______	______
6. Listening actively to others	______	______	______
7. Appreciating the impact of my own behavior	______	______	______
8. Being aware of my need to compete with others	______	______	______
9. Dealing with conflict and anger	______	______	______
10. Building an atmosphere of trust and openness	______	______	______
______________________	______	______	______

Sensing and Diagnosing	OK	Need To Do More	Need To Do Less
11. Helping clients to discover their own problems	______	______	______
12. Asking direct questions	______	______	______
13. Inspiring the helpees confidence in my ability to do the job	______	______	______
14. Willing not to be needed by the helpee	______	______	______
15. Offering to find answers to questions	______	______	______
16. Drawing others out	______	______	______
17. Expecting people to use my solutions	______	______	______
18. Helping people generate solutions	______	______	______
19. Accepting the helpee's definition of the problem	______	______	______
______________________	______	______	______

Job Relationships	OK	Need To Do More	Need To Do Less
20. Saying no without guilt or fear	___	___	___
21. Working under pressure of deadlines and time limits	___	___	___
22. Setting realistic goals for myself and the client	___	___	___
23. Working comfortably with authority figures	___	___	___
24. Letting someone else take the glory	___	___	___
25. Working with people I do not particularly like	___	___	___
26. Giving in to client restrictions and limitations	___	___	___
___	___	___	___
Problem Solving			
27. Stating problems and objectives clearly	___	___	___
28. Summarizing discussions	___	___	___
29. Selling my own ideas effectively	___	___	___
30. Helping people maintain a logical sequence of problem solving	___	___	___
31. Challenging ineffective solutions	___	___	___
32. Asking for help from others	___	___	___
33. Evaluating possible solutions critically	___	___	___
34. Contributing various techniques for creative problem solving	___	___	___
___	___	___	___
Implementing			
35. Attending to details	___	___	___
36. Helping people make use of their strengths and resources	___	___	___
37. Taking responsibility	___	___	___
38. Changing plans when emergencies come up	___	___	___
39. Building and maintaining morale	___	___	___
40. Requesting feedback about the impact of my presentation	___	___	___
41. Controlling my anxiety while I am performing my task	___	___	___
42. Intervening without threatening my colleagues or the people I am helping	___	___	___
___	___	___	___

HELPING - SKILLS OBSERVER SHEET

Instructions: Check the phrases that describe what you observe.

The helper:

______ 1. Helps the helpee to analyze problems.
______ 2. Helps the helpee to generate solutions.
______ 3. Acts as a clarifier to the helpee.
______ 4. Acts as a summarizer.
______ 5. Contributes suggestions from experience and knowledge.
______ 6. Gives the helpee ready-made answers.
______ 7. Assumes that the helpee has presented the problem accurately.
______ 8. Indicates that he is listening.
______ 9. Picks up on nonverbal cues.
______ 10. Talks more than the helpee does.
______ 11. Shows interest in the helpee.
______ 12. Paraphrases.
______ 13. Confronts and/or challenges the helpee.
______ 14. Collaborates with the helpee to define problem areas.
______ 15. Helps plan follow-up and next steps.

What seemed the <u>most</u> helpful thing the helper said or did?

What behaviors seemed least helpful?

Other Comments:

4.1 THE SIX STAGES OF AN ASSIGNMENT

There are two conditions that must be met if a consulting assignment is to be successful: there has to be a relationship of openness, trust, and respect; and the consultant must provide workable, effective solutions to problems. Effective communication skills (listening, questioning, and responding) are required every step of the way. The key steps involved have been broken down into six stages as shown in Table 4.1.

Table 4.1 - The Consulting Process

1. Establish trust and rapport - let the client know you are on his/her side and can help.

2. Assess needs - the client's perception of problems are your starting point, but your own observations and information gathering can uncover other problems as well.

3. Gather Information - use open-ended questions to find out what you need to know.

4. Establish Recommendations - analyze the problems and develop alternative solutions, then select those best suited to the client.

5. Develop Action Plans - lead clients to their own conclusions and develop an Action Plan together.

6. Follow-up and Evaluation - encourage implementation, evaluate results, and identify new problems requiring attention.

Although each stage in this process is shown as distinct, they are not so neatly defined in practice. There is overlap between stages. Consulting is a dynamic process and not easily broken down into sequential steps. However, as a process, there are definite tasks to perform along the way - this is what the model tries to show.

4.1.1 Skills to Use

Although communication skills are important in every client contact, a consultant also needs other skills to develop workable and effective solutions. When it comes to developing and selling recommendations and following up on implementation

efforts, the consultant has to develop and use analytical skills, training skills, selling skills, and planning and organizational skills. Each stage of the consulting process requires a different set of skills. These are shown in Table 4.2.

Table 4.2 - The Skills to Use In the Consulting Process

Consulting Stage	Skills to Use
1. Establish Trust and Rapport	- Communication
2. Assess Needs	- Communication (listening, questioning)
3. Gather Information	- Communication (listening, questioning)
4. Establish Recommendations	- Analytical - Training
5. Develop Action Plans	- Selling - Planning
6. Follow-up and Evaluation	- Organizational

Consultants have to use different skills as the assignment progresses.

4.1.2 When to do Each Task

The model shows six stages. This does not mean that each stage takes one or more visits - several stages are often combined. For example, the first visit normally covers the first three stages. In simple assignments with receptive clients, the first visit may be sufficient to develop an Action Plan and get the client started.

> A consultant was called to visit a new bakery shop that had only been open for one month. Sales were better than expected and the bakery was clean and well organized. The owner said that her biggest problem was finding a way to keep track of sales, expenses, and cash. She asked the consultant for help in setting up a record keeping system. Fortunately, the consultant had a training module that was designed to show small businesses how to set up a One Book accounting system. The consultant explained how this

training module worked and outlined the One Book system. The client was pleased with this recommendation and agreed to use this training module to help set up her records. The consultant made an appointment to return ten days later to answer any questions and make sure the system was working properly.

Not all consulting assignments are as straightforward as this one and not all clients are as receptive to change or as enthusiastic about suggestions. In more complicated assignments it may take more visits and the stages may have to be repeated as new problems are tackled.

On another assignment with a bakery, the consultant was faced with a larger, more established operation. The bakery was hot and the workers seemed to be in a frenzy. The delivery van waited for 2½ hours to get enough stock to begin the route. On discussion with the owner, the consultant discovered that he had a simple cash book but no other organized records. He didn't keep track of bills he had to pay, but he did keep little slips of paper in his drawer to keep track of sales made on credit. When asked what his main problem was, the owner said he wanted help to get a loan because he was always short of cash. The consultant suggested that he might be able to find the cash he needed inside the business. The owner liked this approach, but was skeptical. The consultant suggested that they analyse what he had in the business and look at how much money he was making. The consultant outlined the information they would need, but the owner did not have sufficient records to provide this information. He said that if he thought about it for a while he could probably give pretty good estimates. The consultant left him with a list of information required and they set up another appointment.

In the end, it took this consultant several visits to get the owner to understand his need for better records and to help him set up a system. After this was completed, they began working on production organization in the bakery. Several problems in these areas were tackled and six months later the bakery was flourishing.

4.2 THE NEED FOR RECORDS

A small business consulting service should be economical and simple - it should be run like a small business, providing a working example of the principles and practices it tries to teach others. This suggests that there should be minimum of administrative overhead - consultants should be spending time in client businesses, not their own offices. There should be very few forms or reports, since these need secretaries, filing cabinets, photocopy machines, and all the other aspects of large bureaucracy. However, just as a small business needs records to improve its management, so does a consulting service.

4.2.1 Records Can Prevent Problems

A consultant visits a client only to discover that he was expected the following day. The owner thought the consultant was in error; the consultant thought the owner had made a mistake.

A simple appointment form can help prevent this kind of problem.

A consultant asks for certain information during his second visit, only to be told that he had asked the same question on his first visit. In another case, the consultant referred to something he thought had been discussed on the previous visit, only to discover that this topic had been discussed with a different client.

A simple report after each visit helps to prevent misunderstandings.

In his second visit, a consultant begins by summarizing the problems the client had outlined last time. The client gets confused. These are not the problems he sees. The consultant has mixed up his own views with those of the client. They resolve this misunderstanding and the consultant starts to tackle a problem they have both agreed to look at. Although the consultant felt certain that he knew what to do, he had difficulty convincing the client. He didn't have his facts clear and he was unable to explain how the proposed solution would benefit the business. The client is concerned about how long it will

take to implement and the consultant cannot give a definite answer.

A Problem Analysis Report helps to focus discussions.

> The consultant asks a client how he is getting on with his progress of stock reduction. The owner looks surprised - he had never been advised to reduce his stocks! The consultant then remembers that it is his next client who had been advised to reduce his stocks. At this next appointment he asks the same question only to discover that their target date for completion of this project was two weeks later. In fact, the client was waiting for some training modules on stock management from the consultant, but the consultant had forgotten them!

A Recommendations/Action Report helps insure that both the client and the consultant know what they have agreed to do.

> As he was driving through an outlying village the consultant remembered an assignment he had done with a poultry processor. The owner had been only marginally profitable and they had developed a new layout to improve production efficiency and reduce costs. He decided to stop in and see what the results were. He discovered that nothing had changed - the owner had lost the new plan but had tried to rearrange things on his own. He lost two days of production time and the workers got confused. Finally, he reverted back to his old system.

A Follow-up and Evaluation Report measures results and leads to modifications or new assignments.

4.2.2 Minimizing Forms and Procedures

Although some forms are necessary to keep the work flow orderly and efficient and to measure the results of consulting activity, administration and reporting activities can quickly eat up a consultant's time if they are not carefully monitored. Every administrative task and every reporting form should be examined regularly to see if it is really necessary. If the consulting service would be more effective if the time, effort, and expense involved in completing this task were devoted to some other

activity, such as more consulting or field supervision, then the task should be dropped. When in doubt it is always better to reduce administrative responsibilities, at least for an experimental period. This experiment may show that the task was in fact valuable and should be reinstated, but in many cases nobody will notice the difference. The underlying priciple should be that less time spent in administrative tasks means more time with clients.

4.3 RECORDS OF CLIENT PROGRESS*

The bulk of record keeping and reporting should focus on the successful and efficient completion of assignments with clients. In this Guide, we suggest six simple forms that can be used to guide a consultant through each assignment. Different consultancy services may choose to change or adapt these forms, but at least the forms proposed in this Guide provide a basis for these revisions. These six forms are shown in Table 4.3.

Table 4.3 - Client Records

1. First Visit Report Form
2. Appointment Form
3. Problem Analysis Report
4. Recommendations/Action Report
5. Follow-up and Evaluation Report
6. Client's Report

These six reports provide the guidelines for carrying out assignments efficiently.

4.3.1 First Visit Report

The First Visit Report serves as a guideline for introducing yourself to the client, explaining the service, and gaining the client's confidence. It also serves as a questionnaire guideline for gathering information about the business, for reporting the problems as seen by the owner, and for any observations or comments by the consultant. This is the longest of the six forms because the first visit is the most important.

4.3.2 Appointment Form

This simple form should be completed at the end of each visit if there is to be a subsequent visit. We are all prone to forgetting from time to time

* Samples of all these forms and records are included in the last module of this Guide, entitled "Consultancy Procedures Manual."

and this form serves to confirm the agreed date and time and shows that appointments are to be taken seriously.

4.3.3 Problem Analysis Report — This form is designed to help the consultant distinguish between the problems seen by the owner and those seen by the consultant. It helps to identify common problems and assign priorities. It can also be helpful for planning the discussion of problems with the client - it brings together the relevant facts, shows the benefits that will arise, and outlines possible alternatives. This report provides a guideline for analyzing and discussing problems.

4.3.4 Recommendations/Action Report — This report is used to summarize the discussion with the client. It lists the proposed action steps and expected completion dates, identify those actions to be carried out by the client and the consultant. In addition to the all important guidelines for action, this report serves as the basis for follow-up and evaluation.

4.3.5 Follow-up and Evaluation Report — Problems often arise during implementation. Clients may need assistance to modify their Action Plans. Results are often different from what was expected. The greatest satisfaction in consulting comes from seeing results. We all learn best when we get to see the results of our actions. Thus, this report is an important one - it helps to improve consulting skills and develop new assignments.

4.3.6 Client's Report — The client should receive a short written report from the consultant at the completion of each assignment or at the end of three months, whichever comes first. Although a consultant will normally leave other documents and notes with clients during the course of the assignment, this formal report serves to summarize the problems that were tackled, the action that was implemented, and the results achieved. This report outlines what has been done and suggests areas for further development.

4.4 RECORDS OF CONSULTANTS' RESULTS

The organizers of any consultancy service need to be able to measure the results of these activities. Managers and supervisors need to evaluate the performance of each consultant so that they can provide encouragement and assistance where required. Although forms of this type can easily come to

dominate the organizations they are intended to serve, in this Guide we recommend only two internal forms.

4.4.1
Time Log

A detailed record of time spent on various activities is a basic document that every consultant should keep. Independent professional consultants have only their time to sell and if they don't keep a record of this, they have no basis for billing clients. In these situations, the Time Log serves not only as a basis for billing, but also as a basis for establishing the productivity of each consultant, i.e., how much time was spent working for clients and how much in promotion or administration? The situation is similar in other consulting organizations. Time Logs show the number of clients covered, the number of calls made, the time spent travelling, with clients, doing administrative work, and other activities. Every consultant should get in the habit of recording how his/her time was spent at the end of each work day.

4.4.2
Work Summary

A monthly summary report from each consultant is common practice in most consulting organizations. This report summarizes the work done and the results accomplished. It includes the following:

- number of active clients
- number of clients visited
- new clients
- assignments completed this month
- number of recommendations made
- number of recommendations implemented
- results (increased employment, increased sales, increased profits, others)
- analysis of time (hours spent in the office, travelling, with clients, in other activities)

The Work Summary helps consultants and clients assess activities and results as a basis for rewarding good performance and improving weak areas.

4.4.3
Other Reports

Supervisors or managers may, from time to time, request additional information for special purposes. For example, they may want to survey all the consultants to identify the most common business problems encountered. They may want to gather information on the nature of businesses in a given area in order to plan future activity levels. There are a variety of very reasonable requests that can be made of consultants, but it is important to minimize the administrative and reporting time of

THE CONSULTING PROCESS

consultants - their main job is to be with clients and provide assistance.

Each of these forms will be shown in detail in upcoming modules. Table 4.5 shows the forms to use for each stage of the consulting process.

Table 4.5 - Procedures Flow Chart

Consulting Stage	Forms to Use
1. Establish Trust & Rapport	- First Visit Report
2. Assess Needs	- First Visit Report
3. Gather Information	- First Visit Report
4. Establish Recommendations	- Problem Analysis Report
5. Develop Action Plans	- Recommendations/Action Report
6. Follow-up and Evaluation	- Follow-up and Evaluation Report - Client's Report

* An Appointment Form is to be left with the client whenever a subsequent visit is scheduled.

* Internal reporting forms include a Time Log (to be completed daily) and a Work Summary (to be completed monthly).

From: Guide to Small Business Consultants in Developing Countries, Foundation for International Training, Ontario, Canada.

MODULE 2: PCVs AS SED CONSULTANTS AND TRAINERS

SESSION 10: SMALL BUSINESS VOLUNTEERS AS EXTENSION AGENTS

TIME: 2 HOURS

RATIONALE:

SED Volunteers frequently view their Peace Corps roles only in terms of their technical input to small businesses; they do not consider themselves as extension agents working toward overall host-country development goals. In fact, however, these PCVs have much to contribute to their communities, and to other Volunteers, in the identification and design of development projects outside of their small business emphasis.

During this session, the trainees will be introduced to overall community development issues and to ways in which they can broaden their impact as extension agents within their communities.

OBJECTIVES:

1. To introduce the goals of extension work and place them in an historical context for Peace Corps.

2. To discuss the application of extension skills to the work of SED Volunteers.

3. To identify ways in which SED Volunteers can be of assistance to PCVs in other sectors and to their communities as a whole.

TRAINER PREPARATION:

1. Arrange for one of the optional exercises listed in the session to ensure that there is application of the extension skills introduced.

2. Utilize your own experience in the application of business skills to extension work to supplement the lecturette material and to make it more realistic for the trainees.

3. Prepare newsprint for the following:

- session objectives
- six axioms of extension work
- roles of the extension agent
- small group instructions

MATERIALS:

1. Newsprint and magic markers

TRAINEE HANDOUTS:

N/A

PROCEDURES:

Introductory Statement: (5 Min)

1a. Ask the trainees to imagine a mobile hanging from the ceiling--the kind that is perfectly balanced, with all the pieces connected by wires. Ask them what happens when you touch one part of the mobile. (All the other parts move.) Tell them that, in a sense, the same thing happens in the process of development---one change effects another.

Point out that the SED Volunteers' role as consultant has a much broader application than only to small businesses. The skills they bring to the Peace Corps can be of immeasurable help to the larger community and to other Volunteers. In essence, this will involve seeing themselves in more of an "extension" role in helping other groups analyze problems, define solutions, and implement projects.

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Lecturette: (30 Min)

2a. Brainstorm definitions of the terms "community development" and "extension." Put the responses on newsprint.

2b. Deliver a short lecturette on the Six Axioms of Extension Work, covering the following points:

- The SED Volunteer should never do anything for people that they are able to do for themselves.

- The SED Volunteer should never encourage the use of resources from outside the community until all the resources within it have been exhausted.

- The SED Volunteer should never try to organize people to deal with a need they don't recognize themselves. (People may have to be helped to see the need first).

- The SED Volunteer's most important dedication must be to his/her community or business.

- SED extension work must be based on an understanding of the host culture.

- The SED Volunteer's role in the community is transitory.

2b. Introduce the Seven Roles of an Extension Worker, including the following points:

- Develops a need for change - acts as a catalyst, points out new alternatives to existing problems, and convinces host country personnel that they are capable of dealing with them.

- Establishes a change relationship - develops rapport with the community/business; creates an impression of credibility, trustworthiness, and empathy toward needs and problems.

- Diagnoses the problem - analyzes the business/community problem or situation; determines why existing alternatives do not meet the needs.

- Creates a desire for change - motivates the business or community to change or innovate.

- Translates intent into action - influences the business/community to take action, based on their identified and articulated needs.

- Stabilizes change and prevents discontinuances - reinforces new behaviors/procedures to ensure that they will have longevity.

- Achieves a terminal relationship - develops the ability of business or community to be its own change agent in the future; shifts it from reliance on the extension agent to self-reliance.

Brainstorming: (10 Min)

3. Ask the trainees to develop a list of the possible types of assistance they could see themselves providing to their communities/businesses. (Have them focus on the tasks involved in community project development and implementation as one source of assistance.)

TRAINER NOTES

Included in the list could be the following items:

testing project feasibility; assessing the market; developing project new/operating budgets; developing record-keeping systems, etc. (Note that the Volunteer helps to train people to do these tasks in addition to providing assistance in their accomplishment).

Optional activities from which to choose: (60 Min)

4a. Invite the APCDs from the other technical sectors of the in-country Peace Corps program to sit on a panel and provide the trainees with information on the types of projects they oversee and how the SED Volunteer could be of assistance to those projects.

4b. Invite a group of Volunteers from other sectors who have started small community projects to be interviewed by the trainees regarding the successess/problems of those projects, and how the SED Volunteer could be of assistance in project development and implementation.

4c. Arrange for the trainees to talk with Volunteers who are starting small projects to provide some assistance in determining what types of information are important to have before making a commitment to implementation.

Large Group Discussion: (10 Min)

5. Ask the trainees the following questions regarding their role in extension:

   Has the information you received during this session changed your perception of your role as an SED Volunteer? If so, how?

   What other skills do you now see as important to have, in addition to technical ones? (For example, working with groups, communicating clearly, problem-solving, etc.)

   How can you get more information about your potential role in extension throughout the remainder of the training program?

   Are there ways in which you can begin to practice your extension skills in the coming weeks? How?

Closing: (5 Min)

6. Close the session by pointing out to the trainees that the types of skills they have identified for themselves will be covered during the up-coming sessions. Encourage them to use those sessions to think of their role in the broader perspective covered here---applying the skills to their work with individual businesses and with communities and other PCVs.

MODULE 2: PCVs AS SED CONSULTANTS AND TRAINERS

SESSION 11: TRAINING PRINCIPLES FOR SED VOLUNTEERS

TIME: 2 HOURS PLUS PREPARATION TIME

RATIONALE:

An important element of the SED Volunteer's job is skill transfer to local entrepreneurs and counterparts. Doing this effectively requires a knowledge of the methods by which adults learn and a familiarity with experiential training techniques that are appropriate for non-formal education. This session will focus on the development and practice of effective training techniques which SED Volunteers can apply during their work with local small businesses and other PCVs.

OBJECTIVES:

1. To examine the learning approach used in this training program.

2. To analyze a training session, determining how its component parts are linked to each stage of the experiential learning cycle.

3. To describe specific trainer behaviors which facilitate the group learning process during a training session.

4. To practice delivering a mini-session using adult learning principles and experiential learning principles.

TRAINER PREPARATION:

1. Read the following articles for reference: "Experiential Learning Model" and "Adult Learning Principles."

2. Prepare two methodologically distinct training sessions related to "Basic Accounting" or another technical area the trainees will most likely have to use as PCVs when training local business people. The designs should have the same objectives, but one should be conducted in a traditional lecture-type presentation. The other should be done as an experiential session which uses adult learning principles and guides the trainees through the four phases of the experiential learning model (see handout). Deliver one session yourself and have another technical trainer deliver the other.

3. Prepare newsprint for the following items:

   - session objectives
   - pair work instructions
   - Experiential Learning Model
   - Adult Learning Principles
   - Participative and Directive Training Styles
   - Trainee presentation topics/times

MATERIALS:

1. Pens and paper
2. Newsprint and magic markers (enough for trainee presentations)

TRAINEE HANDOUTS:

1. Experiential Learning Model
2. Adult Learning Principles
3. Participative and Directive Training Styles

PROCEDURES:

Introductory Statement: (5 Min)

1a. Ask the trainees to think about their own learning experiences in the States and to describe the types of teaching techniques their professors used. Which methods did they learn the most from? The least? Why?

Ask the trainees to think about what they know about the host country education system. How are students taught? Are the methods the same as or different from those they would assume enable people to learn things when they are adults?

1b. Introduce the rationale for this training session, as written above. Go over the objectives for the session, clarifying any questions the trainees may have regarding them.

Demonstrations: (30 Min)

2. Divide the trainees into two groups. Have the technical trainers deliver the technical activities as described in the Trainer Preparation notes.

Pair Activity: (20 Min)

3. Reconvene the large group and have the trainees divide into pairs with someone from the opposite group. Assign the following tasks to the pairs (already on newsprint):

   - Share the content information you learned about accounting.
   - Describe to each other the basic design of the activity.
   - Evaluate the delivery techniques of the trainers.

Large Group Discussion: (15 Min)

4. Reconvene the large group and ask for volunteers to share the results of their discussions. Lead a large group discussion, using the following questions:

   - What new information did you learn from each other about accounting?
   - How did you feel about the design for each group? The trainer facilitation techniques?
   - Which of the two styles seemed most effective? Why?

Experiential Learning Model: (15 Min)

5a. Distribute the "Experiential Learning Model" and "Adult Learning" handouts and allow the trainees a few minutes to read them.

5b. Ask the trainees to identify the similarities/differences between the model and the activity in which they have just engaged. Clarify any questions which may arise from the discussion.

TRAINER NOTES

Have the experiential learning loop on newsprint for easy reference during this discussion.

Adult Learning Principles: (20 Min)

6a. Ask the trainees to brainstorm a list of general conclusions about how adults learn best, based on the experience they just had, and on their observations about the methods used during the training program as a whole. Put their responses on newsprint.

6b. Deliver a brief lecturette on adult learning principles, stressing the following points:

- Because individuals are unique, particularly in regard to the way they learn best, a variety of learning approaches must be used in order to accommodate the different ways people learn.
- Learning is not something that can be "injected" into people; it emerges from their experiences.
- Learning is an inherent part of living. Training is most effective when it focuses on issues and problems that are relevant to people's lives.
- Learning is meaningless if it is confined to the acquisition of facts and figures. Information must be supplemented by an understanding of why it is important, and how it can be used productively.

6c. Ask the trainees to think about previous training sessions (technical and non-technical) and name some of the techniques/activities which utilized experiential and adult learning principles. Put the responses on the newsprint.

Training Styles: (10 Min)

7. Distribute the handout, "Participative and Directive Training Styles" and ask the trainees to identify ways in which they might use the principles of adult and participatory learning in their work as SED Volunteers. Put the responses on newsprint.

Trainee Presentation Preparation:

(5 Min)

8. Assign each trainee a technical topic to present to the large group in a fifteen-minute segment, using the methodologies discussed above. Tell the trainees that they may use any visual aids or other materials they wish, and give them the balance of the session to design their presentation. (If the training group is large, you may wish to divide the trainees into small groups for the individual presentations during the next session).

Closing:

9. Tell the trainees that the presentations will be made during the second half of the session. Answer any final questions they may have regarding the assignment.

TRAINER NOTES

Preparation time should be a minimum of one hour for the fifteen-minute segment. If possible, hold the first part of this session in the afternoon, and schedule the presentations for the following morning.

Be sure to have newsprint, magic marker, and other visual aid material available for the trainees' use in the preparation of their presentations.

Attachment B:

THE EXPERIENTIAL LEARNING MODEL

When we learn something--a task, a skill, knowledge of some sort, or even how to avoid something, like a hot stove--we go through stages of absorbing the new information, and finally using it in a way that has meaning to us. The learning loop, as it is called, may be visualized like this:

<u>Experience</u>

Also called the "learning moment" when something happens to increase what we already know.

<u>Reflection</u>

Time spent in observation and reaction to the experience. It is sometimes called "processing" and may include our reflections with others.

<u>Generalization</u>

The time spent in thinking about what the experience means in the world. It is also stated as "inferring real-world principles."

<u>Application</u>

Taking the experience and using it in some way--applying what we have learned to our lives by acting on the new information, and incorporating it into further experiences.

<u>An illustration</u>: A child approaches a hot stove and tentatively puts a hand out to feel what is there. As his hand touches hot metal, he withdraws it and cries out in pain. He thinks, on some level, "stoves are hot, they burn and cause pain." Next time (or however many times it takes to make the connection), he is cautious about touching stoves and may not even want to go near one, hot or cold, for a long time. First, there was the <u>experience</u> of burning and pain; then, of <u>reflecting</u> and <u>sharing</u> feelings (calling out to mother); then of <u>generalizing</u> ("stoves are hot") and <u>applying</u> that knowledge to the next experience. It may be that the child will find out that all stoves are, in fact, not hot, and that he will have to be cautious only when he knows (through observation, experience, and second-hand information) that the stove is lit.

<u>Experience becomes a part of learned knowledge, and goes on to provide information for new experiences.</u>

ADULT LEARNING PRINCIPLES

One of the functions of SED Volunteers is to develop the skills, knowledge, and attitudes of small business owners in the host country. To facilitate the development and application of these competencies, it is essential to use Adult Learning Principles, which state:

> Because individuals are unique, particularly in regard to the way in which they learn best, a training curriculum must utilize a variety of learning approaches in order to accommodate the different ways that people learn.
>
> Learning is not something which can be "injected" into people; it emerges from their experiences.
>
> Learning is most effective when the goals and objectives have relevance and meaning for the trainees in terms of their own lives, what they already know, and their personal goals.
>
> Learning is an inherent product of living. Training is most effective when it facilitates learning by focusing on issues and problems that are relevant to the trainees.
>
> Learning is meaningless if it is confined to the acquisition of facts and figures. Information must be supplemented by an understanding of <u>why</u> it is important, and <u>how</u> it can be used productively. Effective training facilitates this process.

Training which is based on the above Adult Learning Principles emphasizes the following:

> The role of the trainer as a facilitator of learning, rather than only as a provider of information.
>
> The use of a variety of educational methods, including: role plays, small/large group dicussions, brainstorming, lecturette, etc.
>
> The trainees' assumption of responsibility for their own learning.
>
> The participation of the trainees in activities aimed at meeting the learning objectives.

PARTICIPATIVE & DIRECTIVE TRAINING STYLES

The Participative Trainer

1 Involves the trainee in creation or revision of program objectives; and/or the identification of individual learning needs and objectives; strives to keep objectives related to where trainee is and wants to go.

2 Assists trainees in identifying possible learning activities and in effectively structuring such activities.

3 Expects the trainee to learn by exploration and discovery, asking questions, making use of available resources and solving problems.

4 Involves the trainees in decision-making; invites ideas, suggestions and criticism from the trainees.

5 Structures the training so that unplanned and unexpected problems will be treated as learning opportunities.

6 Promotes cooperative work among trainees and climate of openness, trust and concern for others.

7 Promotes self-assessment by trainees and provides feedback of information needed by trainees to evaluate their own progress.

8 Involves the trainees in mid-course or final evaluation of training program, process, materials and its progress toward objectives and elicits suggestions.

The Directive Trainer

1 Defines objectives for trainee achievement at the beginning of the program; holds to these throughout to maintain consistency and coherence.

2 Decides what learning activities are most appropriate and expects trainees to follow this structure.

3 Expects the trainee to learn primarily by absorbing material through lectures, readings, etc., by memorization or practice and by responding to trainer questions.

4 Makes the decisions or carries out decisions made by the staff; does not invite suggestions or criticism from the trainees.

5 Follow the schedule closely; avoids problems or dispenses with them quickly so they will not interfere with the planned sequence or schedule.

6 Promotes individual learning effort, accountability and competition among trainees.

7 Personally assesses trainee performance and progress, usually through formal tests.

8 Does own mid-course or final evaluation of training program and its effectiveness; draws own conclusions about needed revisions.

REPRINTED: Farallones Institute and CHP International. A Training Manual in Appropriate Community Technology: An Integrated Approach for Training Development Facilitators. Peace Corps ICE

MODULE 2: PCVs AS SED CONSULTANTS AND TRAINERS

SESSION 12: PROCESSING TRAINING PRINCIPLES FOR SED VOLUNTEERS

TIME: AS NEEDED, FOR PRESENTATIONS

RATIONALE:

Same as Part I

OBJECTIVES:

Same as Part I

PROCEDURES:

Introductory Statement: (10 Min)

1a. Introduce the second half of the session by telling the trainees that the presentations will have two purposes: to introduce important technical material, and to practice using adult learning methodologies.

1b. Instruct the observers/students to pay attention to the following questions during the presentations:

- What generalizations can be made regarding the design of the session? What went well?
- What were some points that could be improved? How could they be presented differently?
- What changes would be needed if the session were to be delivered to host-country business people?
- what did the trainer do to help the session go smoothly?
- What behaviors of either the trainer or the participants were particularly effective in facilitating learning? Which were not so effective?
- Would these same behaviors be effective when working with host-country individuals?

Presentations: As Needed

2. Begin the presentations, and allow five minutes at the end of each for comments/questions. Have the presentors critique their own presentation first; then, solicit comments from the group.

Large Group Discussion: (10 Min)

3. Reconvene the trainees and process the session by asking the following questions:

 Did the design of this session (Parts I and II) utilize the experiential learning model and adult learning principles? Where did the different activities fit in the model?

Closing: (5 Min)

4. Tell the trainees that the adult learning principles they have just experienced will be utilized throughout the training program. Suggest that they pay particular attention to the process being used for future sessions to determine which techniques they can use in their jobs in small enterprise development.

MODULE 3: BUSINESS/PROJECT IDENTIFICATION PROCESS

SESSION 13: BUSINESS/COMMUNITY ASSESSMENT MODELS

TIME: 3 HOURS, PLUS ASSESSMENT ACTIVITY

RATIONALE:

In order for SED Volunteers to effectively assist projects or businesses, it is essential for them to have a thorough understanding of the local community and business environment. This requires an in-depth analysis of the social and physical opportunities and constraints within which their proposed projects or businesses will operate. During this session, the trainees will focus on the development and implementation of business and community assessment tools which are appropriate for the first stage of investigation into new project/business opportunities.

OBJECTIVES:

1. To identify how social structures influence the development of businesses on the community level.

2. To develop and apply an assessment instrument to obtain information on the roles of community members in the social structure.

3. To identify how transportation, communication, and other physical infrastructure and environmental constraints influence the overall business environment.

4. To develop and apply an instrument designed to assess the physical constraints addressed above.

TRAINER PREPARATION:

1. Familiarize yourself with the KEEPRAH Holistic Model before the session. Ch ck to see if the trainees have used it in any other sessions of the training program. If so, use Steps 8 - 10 as a review.

2. Review the attachment "A Community Diagnosis, What You Might Learn About Your Community" to ensure that the same type of information is included in the trainees list of sub-system issues.

3. Learn about the community issues related to economics and transportation/communication for the group discussions and report-outs during the session.

4. Prepare newsprint for the following items:

   - Session objectives
   - Keeprah sub-systems
   - Small group instructions

MATERIALS:

1. Newsprint and magic markers

2. Note paper and pens

TRAINEE HANDOUTS:

1. KEEPRAH Holistic Model

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by going over the rationale for including business/community analysis in the training (as listed earlier).

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Individual Work On Community: (15 Min)

2a. Ask the trainees to imagine that a new friend has just moved to their hometown. To introduce this person to the community, they have agreed to take him/her on a tour of the area, showing points of interest, and introducing the person to the community members he/she should know.

2b. Ask the trainees to individually sketch a map of the tour around the town, using symbols to depict various places, people, and things they will be showing to their newly arrived friend.

> **TRAINER NOTES**
>
> Remind the trainees that they only have a few minutes to complete this task, and that they should concentrate on showing as much information as possible rather than on artistic appeal.
>
> Keep in mind that the purpose of this exercise is to start trainees thinking about the different components of communities. It highlights the fact that what an "insider" thinks is important, and what a "newcomer" wants to know immediately are not always the same. This awareness will have direct application to the trainees' initial entry into their host-country communities.

Pair Tours of Communities: (30 Min)

3. Reconvene the trainees and ask them to select partners for the tour through the community. Have them act out the dialogue that they imagined in the previous step, using the map to illustrate where they start out and where they are going and to provide relevant comments about the various places they are visiting and the people they are meeting.

> **TRAINER NOTES**
>
> Have each member of the pairs play both the resident and the newly arrived friend. Encourage the pairs to ask questions about what they are/are not seeing and the people they are/are not meeting. Have them also discuss any pre-conceived ideas or pre-formulated opinions they might have had about the particular geographic area or the people living there.
>
> Have the pairs change roles after 10 minutes to keep the session moving at a good pace.

Large Group Discussion: (30 Min)

4a. Reconvene the large group and ask for two pairs to present their community tours, summarizing all the relevant information gathered during the dialogue between the partners. (If possible, have one presentation be from a rural setting and one be from an urban setting.)

4b. Have the large group analyze the information-gathering experience by discussing the following questions:

- What was similar/different about the approaches you took in what you decided to show and what you wanted to see yourself?
- What was similar/different about the people, places, and things among the communities?
- Were there things/people that the friends wanted to see and know about that you didn't think of showing?
- What was particularly memorable or impressive about what was shown and discussed?
- Were there any striking physical patterns in the community? (class divisions, racial/ethnic divisions
- What did you learn about how people interact in the community? About how decisions are made?
- What did you learn about the community's needs with regard to education, employment, family relations, recreation?
- Do the people and places to which you introduced your friend naturally fall into categories or groups?

KEEPRAH MODEL: (30 Min)

5a. Put the word "community" on newsprint, and ask the trainees to individually write a definition of it, including the parts (sub-systems) that make up a community. Solicit sample definitions--including the sub-systems-- and put them on newsprint.

5b. Distribute the KEEPRAH Holistic Model. Allow a few minutes for the trainees to read it. (30 Min)

5c. Discuss the model and its application to Volunteer work by asking the following questions:

- How similar are the KEEPRAH sub-systems to those you listed youself?
- How do the sub-systems interrelate and affect one another? How does this affect your work as an SED Volunteer?

- How easy/difficult would it be to find out the resources, problems, patterns, and leadership within a given sub-system?

- How does the cross-cultural nature of our work affect our ability to find out these things?

- What are some of the ways we could gather information on the systems within the model?

Development of Assessment Instrument: (30 Min)

6a. One of the things we discovered in the tour of our own towns is that what we think a person will be interested in knowing and what he/she actually wants to know, are not always the same. What information is relevant will depend in part on the new person's purpose or goals.

6b. Explain to the trainees that the first step in a business/community assessment is planning what information to gather and how to go about collecting it.

6c. Divide the trainees into pairs or trios, depending on the size of the group, and assign each group one of the following two sub-systems to investigate: the economic system and the transportation/communication system. Tell each group that, in addition to this sub-system, they should choose one other from the KEEPRAH Model. Assign the following task (already on newsprint):

- Develop a list of the information you want to learn about your sub-systems, and put it on newsprint.

- Focus at least some of your investigation on gathering information that will help you answer the following two questions:

  -- What is the relationship between the economic or transportation/communication sub-system and the other sub-system?

  -- What do community/business members perceive as their primary problems regarding the economic or transportation/communication sub-systems and the other one?

- List the ways in which you plan to gather information (how and where). Remind them of the observational and interviewing skills introduced in an earlier session. (See Business Observation Visit Session)

- Select a group member to inform the large group of your plan.

Assessment Plan Reviews: (30 Min)

7. Reconvene the trainees and have each small-group reporter post the team's newsprint and briefly present its plan for comments/critique.

Business/Community Assessment Visits: (Amount of time needed dependent on local conditions)

8a. Explain to the trainees that the up-coming visits will be the data-gathering phase of the community/business assessment. In addition to obtaining important information for their later analysis, they will also have an opportunity to further develop their interviewing skills. (Suggest that they review the "rules for interviewing" presented in Session 4 before embarking on their visits.)

8b. Remind the trainees that, within their work teams, each member should have an opportunity to act as interviewer and observer. Suggest that they clarify their roles with each other before beginning the interviews in order to avoid confusion.

8c. Encourage the trainees to take good notes during the interviews so that the analysis conducted in the next session can be done without difficulty.

Closing:

9. Close the session by telling the trainees how much time they have to complete their assignment and when the next session will begin. Wish them luck.

A COMMUNITY DIAGNOSIS
WHAT YOU MIGHT LEARN ABOUT YOUR COMMUNITY

1. General Community Information

   - Boundries of community served, if known
   - General physical features
   - Socio-demographic information: population, ages, sex, births, deaths, fertility rates, infant mortality rates, direction and causes of migration, other population changes
   - Business/project history of the community
   - Types of community groups and social classes, neighborhoods
   - Ethnic groups, where they live, relations among groups

2. Family Life

   - How families are organized in this culture, the roles played by various family members
   - Conflicts and coalitions among family grours
   - How business/money related decisions are made in the family, who makes them
   - Role the family plays in a small business or income

3. Political Situation

   - Pros and cons of political involvement by business operators
   - Who the leaders are:
     - In what areas of the community and on what topics do they assume leadership?
     - Who makes decisions?
   - How the local government operates
   - What are the responsibilities of various levels and departments of government regarding small businesses
   - Other departments that operate indirectly in SED
   - What the political parties in the area are; their involvement in SED

- Relationship of SED programs with local leaders and government officials
  - Changes needed in relationship
  - Government priorities
  - Possible program support from government
  - Potential difficulties
  - Arrangements necessary with government if program is likely to continue after you leave
- Impact of community factions on SED programming
  - Ways to relate to various groups
- Cultural variations in political orientation and possible program adaptions to accommodate these variations
  - Orientation toward community development, community participation, authoritarianism, other types of political processes

4. Economic Situation

- Employment picture: effects of unemployment and under-employment, physical handicaps, migration, job hazards, etc. on business
- Economic barriers to SED
  - Payment problems and alternatives to cash payments
- General living conditions and financial means
- Problems of influence, bribery and graft

5. The Education System(s)

- Basic information on education in the community
- Traditional education and patterns of learning
- Religious education
- Vocational training and apprenticeship
- Formal institutions: public and private
- Business program activities of the schools: possibilities

6. Religion

- Major religious groups and leadership
  - Beliefs and practices that affect business and income generation
- Roles of religious leaders and followers in decision-making

7. Communication

- Patterns of communications in the community
  - Who the important communicators are
  - Where various types of communication take place
- Channels of communication that could be used in income generation
  - Potential for using traditional channels of communication
- Methods for simplifying information
- Communication between staff and patients - barriers
- Communication among businesses
- Cultural differences in communication patterns
  - Taboo topics
  - Non-verbal communication
  - Confidentiality
  - Display of emotions
  - Silence
  - Styles of persuasion and explanation
  - Eye and body contact

8. Language

- Languages spoken
- Problems due to language differences
  - Methods to bridge the gap
- Effects of language on perception and thought
  - "World view" of different groups
- Use of interpreters in business
  - Advantages and drawbacks
  - Roles interpreters can play in programs
  - Ways interpretation can influence communication
  - Difficulties likely to arise during interpretation
  - Ways to improve the process

THE KEEPRAH HOLISTIC MODEL

The community analysis model which you will be working with assumes that you can break down a community, for purposes of analysis, into a series of segments, or subsystems.

Each segment, in the real world, interacts with the other to produce a continual movement and balance which keeps the community alive and moving. Change in one segment can affect another and vice versa. Intervention will do the same. For example, if you introduce improved pig-raising practices by penning up pigs and feeding them, rather than letting them forage for food (an economic intervention), you affect the community health be reducing pig-carried diseases.

Cutting across all segments of the community, you will find that there are common elements. These common elements are defined as:

A. <u>Resources</u> (human, natural and man-made)

B. <u>Problems</u>. Problems are defined as the gap between what is and what should be (what "should be" is often defined culturally).

C. <u>Patterns</u>. Patterns exist which give clues about what is there and how persons perceive them. These patterns of behavior often constitute cultural meaning, as well as biological neccessity.

D. <u>Leadership</u>. Among human resources, you will probably find that leadership exists in many of the sub-areas of the community.

The following model describes this approach to looking at the community.

THE KINSHIP SYSTEM. The family provides a means for adding new members to the society. It also provides an environment for the training and socialization of children. The kinship system relates to all aspects of the family or extended family including elements such as descent, family authority, location of residence, inheritance, moral values and marriage.

THE EDUCATION SYSTEM. All societies provide a means of transmitting information to young members. This prepares the individual to live and function within the society in an acceptable way and to do so with some degree of independence. Elements of the educational system include schools, teachers, family members, books, and materials.

THE ECONOMIC SYSTEM. Each society has a means of acquiring and distributing goods and services which sustain the lives of its

members. Many roles and institutions operate to meet these needs. They include the population of working people, the different types of enterprises, means of payment or exchange, and ecology.

THE POLITICAL SYSTEM. All societies regulate themselves and their relations with others. This regulation provides protection for the whole group. The political system controls the competition for power within the society. Elements of the political system include public services and utilities, government institutions such as courts, police and legislative bodies.

THE RELIGIOUS SYSTEM. Every culture is built around basic beliefs and values which provide an understanding of human existence and place in the universe. These beliefs are often manifested in the form of rituals and organizations.

THE RECREATION SYSTEM. All societies provide a means for recreation and relaxation. This includes games, dancing, singing, sports, story-telling, artistic pursuits, drinking parties, and pastimes.

THE ASSOCIATIONAL SYSTEM. In every culture, people who have similar interests tend to group themselves together. These associations may be for recreational, political, economic, or other reasons. For what purposes are groups formed? How many people belong to the different groups? Do they use symbols or slogans to identify themselves?

THE HEALTH SYSTEM. All societies are concerned about the survival of their members. Elements of the health system include nutrition, mother and child care, control of diseases, hospitals, medical personnel, and beliefs about health and its relation to medicine or the spirit world.

THE TRANSPORTATION AND COMMUNICATION SYSTEM. Every culture provides a means for people and goods to get from one place to another, and for information to be disseminated throughout the community. This includes postal service, bus system, roads, telephones, mass media and language.

(From: The Role of the Volunteer in Development, Peace Corps Training Manual)

MODULE 3: BUSINESS/PROJECT IDENTIFICATION PROCESS

SESSION 14: BUSINESS/COMMUNITY ASSESSMENT MODELS, PART II

TIME: 2 HOURS PLUS PRESENTATIONS

RATIONALE:

During the community assessment in Part I, the trainees collected a variety of information about the sub-systems in the community. In this half of the session, they share their experiences--including what they learned, how they learned it, and what problems they encountered. They analyze the information gathered in terms of its accuracy, completeness, and implications for small enterprise development in the community.

OBJECTIVES:

Same as in Part I

PROCEDURES:

Introductory Statement: (10 Min)

1a. Introduce this session by asking each of the trainees to give a one-word description of his/her experience in the data-collection visits to businesses/communities. Go around the room until everyone has had an opportunity to speak.

1b. Go over the objectives for the session as written above and clarify any questions the trainees may have regarding them.

Business/Community Assessment Analysis: (60 Min)

2. Divide the trainees into their work groups from the previous session, and assign the following task (already on newsprint):

   Discuss your experiences in the community, focusing on the following issues:

   - the information gathered
   - the problems encountered

- information-gathering techniques that worked well and those which were problematic
- mistakes made
- the most valuable things learned during the investigation
- the interrelationship between the sub-systems investigated
- the problems the community members perceived
- interpretation of the data gathered as it relates to possible small business interventions

Tell the work groups to be prepared to give a 15-minute presentation on the above.

Community Assessment Presentations: (As needed)

3. Reconvene the trainees, and have each group give its community assessment presentation, allowing time at the end of each for comments, questions, and reactions to the data interpretation.

> TRAINER NOTES
>
> Encourage dialogue between the presenting teams and the remainder of the trainee group.
>
> Monitor the time carefully to ensure that the teams do not take longer than allotted.

Community Problem Identification: (20 Min)

4a. Ask the group to think about the business-related problems they identified during their presentations and choose the three most important ones. (Put these on newsprint.)

4b. Have the group prioritize the problems and identify any projects of which they are aware that are addressing these areas of need.

4c. Lead a large group discussioin of what role an SED Volunteer could play in helping with these problems.

Community Assessment Conclusions: (30 Min)

5. Ask the trainees to examine the process of community assessment they just experienced. Use the following questions to guide the discussion:

- How well did your team's strategy work? Are there ways in which you would modify it in the future?

- How well did your team function together? How were decisions made? Were there ways in which you could have improved your performance? What does this tell you about working with a host-country counterpart?

- Were there any specific factors which might have affected how the community reacted to you. How can you overcome these in the future?

- What factors might influence a Volunteer's ability to gather, interpret, and utilize information about a community accurately?

- In what ways could this model be used when doing an assessment of an individual business rather than a whole community? What would be the same/different about the process?

Closing: (10 Min)

6a. Close the session by asking the trainees the following questions:

Did the business/community assessment help you to identify any potential businesses or income generation opportunities that could be undertaken? If so, what were they?

Did the process give you any tips on what to keep in mind when first getting to your sites and starting to learn about the community?

6b. Tell the trainees that the next session, Problem Solving, will take the steps of Community Assessment and apply them to the analysis of business/community problems.

MODULE 3: BUSINESS/PROJECT IDENTIFICATION PROCESS

SESSION 15: PROBLEM SOLVING IN A CROSS-CULTURAL CONTEXT

TIME: 3 HOURS

RATIONALE:

One of the most important tasks SED Volunteers face is finding appropriate solutions to a variety of business problems. There is no shortcut to successful problem solving and decision making; it requires rational and systematic analysis, and it consists of a definite sequence of steps. In this session, the trainees will focus on the steps of problem solving as they apply in a cross-cultural context, and as they relate to their work as consultants to small businesses.

OBJECTIVES:

1. To practice the six-step approach to problem solving as it applies to business project identification and management.

2. To identify and analyze the key elements of a business problem situation, including causes and effects.

3. To clarify roles individuals play when solving problems in a group situation, and identify ways in which they help/hinder the process.

TRAINER PREPARATION:

1. Read the attached article "Six-Step Problem Solving Approach" for background before the session.

2. Check with the training staff to see if the trainees have done the RVDW problem-solving session already. If so, use this session to review the problem-solving steps and proceed to the case study application.

3. Choose two host country-specific problems or issues for the groups to discuss during the fishbowl exercise. Assign one problem per group.

(Session adapted from RVDW and SPA Project Design/Management Training Manuals; Peace Corps.)

4. Prepare newsprint for the following items:

   - session objectives
   - six steps of problem solving
   - fishbowl exercise instructions
   - steps of problem analysis for project identification

MATERIALS:

1. Newsprint and markers
2. Writing paper and pens for trainees

TRAINEE HANDOUTS:

1. Six-Step Problem-Solving Approach
2. Business-Related Case Study
3. Problem Worksheet

PROCEDURES:

Introductory Statement: (5 Min)

1a. Ask the group to think about the kinds of business-related problems they would anticipate having in their jobs as SED Volunteers. Point out to them that solving these types of problems successfully will have a significant impact on their contributions as PCVs.

1b. Review the objectives for the session, clarifying any questions the trainees may have regarding them.

Problem Solving: (10 Min)

2. Distribute the handout, "Six Steps of Problem-Solving" and allow five minutes for the trainees to read it individually. Go over the main points and answer any questions the trainees have.

Fishbowl Discussion: (45 Min)

3a. Divide the trainees into two groups (Group A and Group B), and ask each group to choose one problem from the list they developed earlier. Encourage the groups to select a realistic problem to ensure that the discussion is relevant.

> **TRAINER NOTES**
>
> Keep in mind that the purpose of the fishbowl exercise is to demonstrate the inefficient and erratic nature of problem-solving when a system is not used. It helps set the stage for the system practiced later in the session.

3b. Set up the fishbowl exercise with Group A in a circle in the center of the room and Group B surrounding them. Ensure that the observers are close enough to hear the interactions of the inner group, but not so close that they interfere. Provide the following instructions:

- Group A will discuss the problem it has been given, following the steps of the problem-solving sequence. (10 Min)
- Group B will observe the discussion and chart the sequence, using the "Form for Charting a Problem Solving Discussion."
- At the end of Group A's discussion, roles will be reversed. Group B will discuss its selected problem, and Group A will chart the sequence. (10 Min)

3c. Explain the charting forms to Group B (apart from Group A). Instruct Group A to then begin its discussion.

3d. Have the groups reverse roles at the end of the appointed time. Distribute the charting forms to Group A, and briefly explain them. Instruct Group B to then begin its discussion.

3e. At the completion of both group discussions, ask each group the following questions:

- What pattern did the other group tend to follow when discussing its problem?
- What were some of the difficulties in following the problem-solving sequence?
- Did you notice any patterns of communication within the group? Did some members take on leadership roles? Did everyone participate in the process? How?

3f. Lead the large group in a discussion of the following points:

- How can learning this process be of assistance in solving business problems?
- What issues can occur when business problems are not carefully analyzed before making decisions?

TRAINER NOTES

Include the following areas, if the trainees do not identify them on their own:

- jumping immediately from problem identification to solution without having all the facts.
- confusing problems with causes.
- finding the right solution to the wrong problem.
- not clarifying the problem
- not identifying criteria to evaluate the effectiveness of the solution.

Closing: (5 Min)

4. Close the first portion of the session by explaining to the trainees that the problem-solving approach they have just practiced can be used with business problems, in the development of community projects, or with personal issues they may encounter during their Volunteer service. The second half of the session will focus on the application of the process to a business-related case study.

BREAK: (15 Minutes)

BUSINESS PROBLEM ANALYSIS

Lecturette on Problem Identification: (10 Min)

5. Deliver a ten-minute lecturette covering the following major points:

   Before solving a problem, it is important to know what the problem actually is. Some problems are very obvious; for example, if a business doesn't have enough vehicles to transport its products. Others are more complex, such as a lack of funds.

   In defining the problem, it is important to be sure that you are focusing on the whole problem, not just symptoms of it. Asking the question "Why" in defining the problem helps you to examine all the information that may relate to the situation. If you don't state the probl .. in broad enough terms, you may look very narrowly at it and miss alot of information that is important.

   If you jump too quickly to a solution, you may not really solve the actual problem itself and, therefore, may accomplish little that is effective. This is a common dilemma in that many people spend too much time searching for solutions, and too little time finding out what the problem actually is.

138

Small Group Problem Identification: (20 Min)

6a. Distribute the Case Study and explain to the trainees that the first task will be to read it and develop a statement of the problem which needs to be addressed. Remind them that problems can be defined as the difference that exists between the way things are now and the way one desires them to be in the future. Provide the group with two rules for problem definition:

Try not to imply a solution.

Try not to blame one person or condition.

6b. Divide the trainees into four groups to develop a problem statement. Put the following task on newsprint:

Read the Case Study and identify the problem.

Write a problem statement that describes the present condition and desired future condition.

Put your group's problem statement on newsprint for the other groups to read when we reconvene.

TRAINER NOTES

Suggest to the small groups that they use the

1. Present Condition: (What needs to be changed)

2. Desired Future Conditon: (What the situation will be like when the change has occurred)

Large Group Review/Discussion: (15 Min)

7a. Reconvene the large group, and have each problem statement put on the wall. Ask each small group to explain why they phrased their statement the way they did, and discuss the various statements until they can come to a general agreement on what the critical problem is in this case.

> **TRAINER NOTES**
>
> Keep the group presentations brief to ensure that the session moves along at a good pace.
>
> If the group cannot come to consensus on the problem definition, take a majority vote.
>
> Be sure the trainees have considered all the circumstances surrounding the problem.
>
> If you have questions about a group's problem statement, ask the members to give you one or two of the symptoms and determine whether or not they are a result of a larger problem condition.

7b. Lead a large-group discussion of the following questions:

- What was the task like for you? Was it easy/difficult?
- How were you able to distinguish between symptoms and actual problems?

Problem Analysis Lecturette: (10 Min)

8. Deliver a lecturette on problem analysis, stressing the following points. Put the underlined sentences on newsprint for reference while you speak.

   In analyzing a problem, it is important to keep the following basic procedures in mind:

   The information gathered must be specific and relevant to the question. It should answer questions such as:

   Where is the problem?

   Who or What is involved in the problem?

   How long has the problem existed?

   How large is the problem?

   When (under what circumstances) does the problem occur?

Time limits should be set on how long information will be gathered. This involves a skill which is developed through sufficient practice. It demands that enough time be given to gather sufficient data, without postponing the decisions needed for an excessive amount of time. Keeping in mind that one is trying to find the best solution in the time available is helpful.

Information should be checked to make sure it is reliable. Some pieces of information gathered will be more accurate than others. If some of the data is questionable, it is important to realize this so that decisions will not be based on it.

Large Group Discussion: (10 Min)

9. Choose one of the problems identified in the previous exercise, and ask the trainees the following questions, putting their responses on newsprint:

   - What kinds of information would you want to find out about this problem?
   - What sources would you go to for information?
   - How much time would you take to gather information?

Developing/Selecting Solutions: (5 Min)

10. Deliver a brief lecturette on developing and selecting solutions, stressing the following points:

    Looking at a variety of potential solutions before reaching a final decision helps to avoid the all too common mistake of overlooking opportunities.

    The most obvious solution is not always the best one. Although it may solve the problem temporarily, it is very possible that the same issue may emerge again.

    After looking at what the potential solutions could be, they should be compared against the specific limitations and risks involved. This is one of the first steps in testing the feasibility of an idea or project before proceeding further.

Large Group Discussion:

(15 Min)

11a. Have the trainees list as many logical solutions to the problem as possible. (Put them on newsprint). Ask the trainees to select the two/three solutions they think might be effective, circle them on newsprint, and assign each of them a number.

Ask the trainees what types of questions/issues need to be considered at this stage. Put them on newsprint.

TRAINER NOTES

Be sure the following items are included in the list:

- short-term versus long-term effect
- difficulties involved in the application of each solution
- cost of each solution (money, time, materials, etc.)
- acceptability of each solution
- results expected of each solution
- elimination of the causes of the problem
- best response to the problem

11b. Lead the trainees in a discussion of which alternative provides the best solutiion to the Case Study problem, and why. Make sure that they address the criteria identified above.

11c. Introduce the final steps in problem-solving--implementing, monitoring, and evaluating--by indicating that they will be covered in detail later in the training program.

Closing:

(10 Min)

12a. Lead a large-group discussion of the following issues related to problem solving in the business environment:

How might you use this process in your work as SED consultants?

Are there ways in which you would alter the process to better meet the needs of the local business environment?

12b. Review the objectives for the session to see if they have been met and link them to the next session.

SIX-STEP PROBLEM SOLVING APPROACH

STEP 1: **Identify, State and Clarify the Problem:** Involves becoming aware of the problem, clarifying what seems to be involved, locating where the difficulty is, deciding on the main issues of the problem.

For example, the apparent problem is that no one in the community is attending the classes given by a Peace Corps Volunteer. After clarification, it might be discovered that the real problem is the Peace Corps Volunteer's failure to build a credible image in the community.

STEP 2: **Analyze the Problem by Gathering Facts and Information:** Involves gathering data that are needed to work on the problem in order to get to know the "ins and outs" of the problem.

For example, gathering information about why the Peace Corps Volunteer does not have credibility and what "credibility" in that town really means will help clarify the ins and outs of the problem.

STEP 3: **Develop Alternative Solutions:** Involves listing and examining all the various possible ways of solving the problem.

For example, the Volunteer could brainstorm a number of possible courses to take. He/she could try a small vegetable garden in part of his/her house, try to get to know people better on an informal basis, conduct a needs assessment, etc.

STEP 4: **Select the Best Solution and Design a Plan of Action:** Involves choosing from among all the alternative solutions to determine the best one. The <u>ideal</u> alternative may not be the <u>best</u> alternative at the moment. The best alternative is best based on factors such as budget, time, politics, etc.

For example, the Volunteer might first attend community activities, next visit families, and then begin to actively work to develop community awareness.

STEP 5: Implement the Solution: Involves putting the solution into action.

STEP 6: **Evaluate:** Involves determining the effects or ramifications of the solution.

For example, at some point the Volunteer determines if he/she has more credibility and people are attending classes or if his/her actions have caused any other results not expected or desired.

Adapted from the Peace Corps Training Manual, <u>The Role of the Volunteer in Development</u>.

A PROBLEM-SOLVING PROCESS

In this session we will examine your approach to problem solving and decision making. As a PCV, one of your primary concerns is to find effective solutions to problems and to make decisions. There is no shortcut to successful problem solving and decision making. Yet trainees can increase their skill in this area if they understand that decision making is a rational and systematic process and that it consists of a definite sequence of steps.

This understanding may not be sufficient to give you the best possible decision for every situation, but it will increase the number of times you arrive at good decisions, thereby improving your problem solving ability and lessening the weight of the decision burden.

However, decisions will always have to be based upon judgment, because they deal with future results, which are always hard to predict. But studies made over the past 25 years have demonstrated that people can improve their performance as problem-solvers and decisionmakers. Of all the problem-solving methods surveyed and reported on (a recent survey lists over 22 different programs in government and industry), the problem-solving process presented in this session encompasses the benefits of most.

The steps involved in this process are the following:

Step 1. Recognize the objective and define the problem(s).

Step 2. Gather and interpret information to:

- Determine cause(s)
- Understand the problem.

Step 3. Develop alternative solutions.

Step 4. Select the best solution or alternative (make a decision).

Step 5. Develop action plan for implementation.

Step 6. Evaluate effectiveness of the decision (follow-up).

Attention to these steps will help you to avoid the following most common pitfalls in making decisions:

- Finding the right solution to the wrong problem.
- Making decisions at the wrong time--either waiting too long to implement the solution or deciding on a solution too soon.
- Making decisions that do not result in action. Without defined criteria to evaluate the effectiveness of a solution, how can one ever determine what the results are?

One of the main reasons why people make these mistakes is that they fail to systematize their problem solving and decision making. They make a lot of their decisions "by the seat of their pants" and by intuition, without taking the time to systematically search out the facts to lead them to a rational judgment.

Let us now examine this problem-solving process.

STEP 1: Recognize the Objective and Define the Problem(s).

The very first step in problem solving has to do with objectives. An objective is a statement of conditions or results to be achieved or sustained in the future.

In other words, it is a statement of where one wants to be or conditions one wants to bring about at some time in the future.

What makes this task difficult is that many statements of objectives are in a vague and general form. The challenge, as a problem-solver, is to take the vague and general statements and **add detail** to them so that the objectives are:

- Understandable to all (enough descriptive detail)
- Expressed in measurable (quantifiable) and specific terms
- Attainable (realistic)
- Related to the objectives of the total organization

It is not always possible to start problem solving with objectives that meet these criteria. Quite often people start out with vague and hazy notions of what they want or where they want to be at some time in the future. There is nothing wrong with this, as long as the individuals recognize it. Also, as one progresses through the other steps in problem-solving processes, a constant clarification and recycling is necessary if the objective is to meet the above criteria and the problem-solving effort is to be effective.

The second aspect of this first step has to do with the question, "If that's my objective-what is my problem?" This question may seem obvious to some, but all too often it is overlooked. Many people spend far too much time searching for a solution and far too little time finding out what the problem(s) is. Yet the recognition of the problem is both the most important and the most difficult step in problem solving. In a majority of situations, once the problem is recognized, the solution is relatively easy.

Problem(s) can be defined as the differences that exist between the way things are now and the way you want things to be or the way they should be.

Think about this. If everything were the way it should be or the way you wanted it to be, there wouldn't be any problems? You would have achieved your objectives. However, if there is a difference, two important and unique approaches can be used to analyze these differences; these are analyses of the:

- obstacles or barriers to an improved situation; or
- deviations from the normal situation.

Let us examine the obstacle approach first. To use this approach you must understand objectives. You must know what you want--that is, what is the desired situation. If you don't know and can't describe it in some detail, you will always have difficulty determining if a proposed solution will contribute to achieving the desired situation or continue the current situation.

This process leads us to the second question: What is the current situation today? In order to get at this, you must know what is going on in your community.

With these two pieces of data available, one can now proceed to identify problems.

That is, problems are the blocks or barriers that prevent a work unit from being what it should be, or can be, or what the community desires it to be. If things are the way they should be, then no problem(s) exists. However, if there is a difference, you have recognized a problem area. This approach defines problems as **barriers** which stand in the way of achieving an objective.

If we use the deviation from the normal situation approach to analyze differences between wants and current conditions, we need to know what the normal situation is or should be. Then the objective is simply to maintain that normal condition. In this sense a problem is a deviation from a normal situation.

While it may seem academic to make the distinction between a barrier problem and an obstacle problem, it is very basic and important to effective problem solving, because how we do identify the problem affects how we proceed in the problem-solving process step of gathering and interpreting information. For example, if the problem is defined as a barrier, one's approach to collecting data would be how we overcome the barrier or block. However, if the problem is defined as a deviation, the data collecting step would be to discover what is **causing** the deviation or the problem.

Before we leave this steps there are some other factors you must consider. If you are to clearly define a problem, two rules of thinking need to be followed:

- Try not to imply a solution
- Try not to blame one person.

AVOID IMPLYING A SOLUTION

Trying not to imply a solution is one of the most difficult tasks in problem solving. One of the reasons people spend too much time looking for the answer instead of identifying the problem is that their statement of the problem implies a solution. An example is the best way to illustrate this point.

How many times have you heard a problem defined in this manner?

"The problem is we don't have enough people."

The implied solution? Get more people!

or

"The problem is we don't have enough time to complete the task."
Solution: Take more time!

From the above we can see that statements which imply solutions usually identify symptoms of a problem and not the problem itself. They also tend to lead us in the direction of looking for answers.

AVOID PLACING BLAME

Whenever you are attempting to identify a personnel type of problem, you should avoid placing blame on one person. Example:

"If Tom came in on time, we could meet our schedule."

What happens is that you focus your attention and fact-finding on one person: Tom. Rather, you should state the problem in terms that are broad enough to help you examine all the information that may relate to the situation. If you don't, you may find yourself looking very narrowly at a problem and missing a lot of information that is necessary. Remember it is important to deal with and resolve the whole problem--not just symptoms of it. You may find it helpful to ask the question, "Why do we want this?"--it can help relate to objectives.

STEP 2: Gather and Interpret Information to

- Determine cause(s)
- Understand the problem

Determine Cause(s). Once you have recognized that you have a derivation type of problem, you need to look for distinctions or differences that will isolate and describe the cause(s) of the problem. To do this you need to ask the questions:

1. What (is the difference)?
2. Where (is and is not the difference)?
3. When (does the difference occur)?
4. How much (of a difference)?

Remember, a deviation is caused by a change. Simply stated, this change is the cause of the problem. The change can be almost anything, personnel, a procedure, a policy, the work, the materials, the environment, etc. Once you have asked the above four (4) questions and have adequately described the differences between what the deviation is and is not, you need to consider all of the changes that can account for these differences. These changes then are tested as possible causes. This recycling process continues until one or two possible changes stand out as probable cause(s) of the deviation (problem). At this stage, you are ready to begin to gather and interpret data to either eliminate or reinforce the cause (i.e., to better understand the problem).

Understand the Problem. When gathering data to better understand the problem one needs to know when to stop and how to avoid evaluating the data, in relation to the solution, before data collection is complete.

When to stop

Evaluating data before data collection is complete

The key here is not to evaluate the information you gather on a piecemeal basis. If you do, there will be a tendency to channel the rest of the fact-gathering in the direction of your evaluation. In other words, you may find yourself going down a blind alley based upon an evaluation of a small piece of data. It is best to hold off on the interpretation of facts until you have completed this step. Once you have gathered and organized the data, you should proceed to interpret this information in relation to your problem.

Once you have gathered the data available, you need to interpret it. You must fit the data together and consider their bearing on each other and the problem. You may find it will be necessary to redefine the problem in light of the new evidence you have uncovered. But be sure you check on the reliability of the information before making any rash judgments. A helpful approach is to divide the facts into causes and effects of the problem and the circumstances involved.

One important barrier present in the evaluation of facts is the tendency to confuse facts with inferences. Another is allowing our attitudes to influence and prejudice our evaluation of the facts.

The interpretation of data can and is influenced by our values and prejudices and thus will affect the quality of our decisions. However, you cannot rely just on facts alone-you will probably have to make assumptions if you are to reach a conclusion or decision. Just be sure you know the difference between the two.

STEP 3: Develop alternatives and strategies

Once the problem has been recognized and defined, data gathered and interpreted, you are ready to begin formulating solutions. Note that solutions is plural! It is very tempting to come up with one "right" solution. This is a major weakness of a poor problem-solver. The "right" solution, or the obvious one, is rarely the one that will give you the best solution to the problem. It may put out one "fire" but another will surely start again, as soon as the first is out. To avoid putting out "brush fires," make sure you consider the full range of solutions possible. One way to ensure that this is done is to "brainstorm" solutions. That is, it is often helpful to begin by listing all solutions that come to mind, including the most absurd of all conceivable solutions. It is also advisable to avoid evaluating these solutions at first. Just concentrate on developing a wide list of solutions. When the list of solutions is complete, then, and only then, should you evaluate the pros and cons of each solution in light of the established criteria. This process leads you into Step 4.

Making sure that alternative solutions are developed and considered is an extremely necessary step. Normally, there is a tendency to see only what we expect to see and therefore overlook the unexpected. It is a lack of imagination that you need to overcome, rather than a lack of intelligence, if you are to improve your decision-making skills. Also the listing of alternative solutions is the only way you have to make sure that you do not overlook any opportunities.

STEP 4: Select the best solution (alternative): make a decision

Now you are ready to make the decision. You know what you can do, what is the wide range of alternatives, and how they affect the problem. Now you must compare the range of solutions available to you against the specific limitations and risks involved. If you do not have any criteria against which to evaluate your solutions, then you are just "shooting in the dark."

Questions and areas that need to be looked at and examined are:

- Short-term versus long-term effects
- Difficulties involved in the application of each solution
- Cost of each solution (not only in terms of money, but man hours, time, etc.)
- Acceptability of a solution
- Results expected of each solution
- Causes eliminated or barriersovercome
- Solution which best answers this problem

A useful technique to evaluate and compare a wide range of alternatives or strategies is the Alternative Analysis. The technique allows one to compare all alternatives against three fixed criteria:

1. Contribution to the stated objective: To what degree will this alternative (high, medium, or low) contribute to the accomplishment of the objectives?

2. **Cost:** What is the relative cost of this alternative (high, medium, or low) when compared with all other alternatives?

3. **Feasibility:** To what extent is a given alternative "do-able" (high, low, or medium) compared to all other alternatives?

Thus, an Alternative Analysis helps to separate and identify priority alternatives and strategies. The best alternatives are those that provide a high contribution to the objective, a low cost, and a high degree of feasibility. Usually only one or two alternatives meet these criteria and you are left to decide upon which of the best you want to implement.

It has been found that, on problems that concern people, an effective decision is a combination of the facts surrounding the problems and the feelings of the people who will be affected by the solutions. In other words, the effective decision (one that produces the best results) is a combination of high quality which comes from facts and the acceptability of the solution by the people involved in the problem. This can be stated in the formula:

$$E\ D = (Q \times A)$$

Effective Decision equals (Quality · times · Acceptance)

If quality is high with low acceptance, or the quality is low with high acceptance, you do not have an effective decision. However, you will rarely find a solution in which any of the available results will be perfect, and you will find none at all which are riskless.

Usually at this point in the problem-solving process, you will always have to exercise judgment. If you have followed this method through, you have at least narrowed the range of judgment considerably. Thus, the decision you make, while still involving judgment and risk-taking, will be a rational decision with definite purposes behind it.

STEP 5: Action Plan for implementation

You are not yet finished with the problem-solving approach. You still have to make sure that your decision is converted into action that is implemented. Every major decision requires an action--a plan which spells out who has to do what, when, where, and why, before the decision can be effective.

You may also find that you need to try out the solution in a limited area for a limited time frame. Again, it is best to go slowly rather than to be a "bull in a china shop."

If the solutions affect people who were not involved in the process, you may have to work at getting them to accept the change. Above all, don't spring a surprise solution. The time you spend getting people ready to accept the new solution will pay for itself in the end.

STEP 6: Evaluate effectiveness of solution: follow-up

The final step of this process involves building into the decision the measurement of its effectiveness. The foundation for this step was laid in Step 1 when you identified the way things ought to be and the way things are. However, you cannot assume that one decision will be the right one and make the situation perfect. You are dealing with the future, and man's ability to predict the future, while improving, is still a long way from perfect. Hence, you must check to make sure that the decisions you make are:

- Doing what they should (moving the present situation toward what ought to be)
- Overcoming the barrier or obstacles
- Still applicable to the changing environment
- Bringing things back to normal

Thus, you can see that problem solving and decision making is a continuous process of evaluating what is and what ought to be, and evaluating what we do to improve the present really brings about what we want.

THE CANDY FACTORY
(Ethiopa)

Local currency: 10 Birr=US$5.00

A small factory which produces candy is located in Marcato, a densely populated market area of Addis Ababa. The annual sales of candy of various kinds and flavours amount to about Birr 130,000.

Sugar, which is the major raw materials for candy production, is obtained from the local market, while chemicals which account for 17% of the total costs are imported from abroad.

The firm employs 31 workers: 19 of them are women, most of whom are engaged in wrapping the final product.

The factory building is old and cramped causing some inconvenience. The machines and the workers are crowded in small rooms, while the raw materials and the candies in stock are piled up in every space that can be found.

The owner does not find it feasible to repair and enlarge the building due to lack of space for expansion. He is thinking of moving to an industrial zone on the outskirts of the city. Constructing a factory building, however, involves a substantial amount of expense which can result in shortage of working capital. Since some of the materials are imported from abroad and take months to arrive, he needs to set aside a good amount of money to order consignments in bulk. This ensures uninterrupted supply and production.

Moving to the outskirts of the city can also result in additional costs. The factory in its present location serves as both a production and a sales centre. It will not be possible to sell from the new site, as the old customers--wholesalers and retail traders--would not want to incur extra transport expenses, and would probably change to a nearer supplier in the city centre.

There seems to be only one solution: to open a sales office in the market place. This means a change in the cost structure of the factory as new costs of transport or rent for the sales office and payments for additional staff will be incurred. This will result in an increase in prices of the candy, which in turn will lead to a fall in demand and sales, thus affecting the whole business.

The emplyment situation complicates the problem further. The workers who now live adjacent to the factory will either demand higher wages to cover the transport and other expenses which the move will entail or ask for a free transport service. They may even consider changing their job. Therefore, the owner will have to pay higher wages in order to keep them.

He could avoid the new costs and its chain of effects on production, employment and marketing, if he stays at the present place. On the other hand, the problem of space is a pressing one: the imported items come in large quantities and have to be stored for a long time, the final products are stocked in some volume until sales are made, and the working environment is not pleasant. All these factors point to the need for more space.

(From: M. Harper and T.Thiam Soon, "Small Enterprise in Developing Countries: Case Studies and Conclusions," Intermediate Technology Publications, Ltd., 1979.)

PROBLEM WORKSHEET

A. Write a problem statement for a community situation.

B. Examine possible causes of the above problem. Outline what information you would want to have in order to analyze the problem.

C. Develop a list of alternative solutions for the above problem.

MODULE 3: BUSINESS/PROJECT IDENTIFICATION PROCESS

SESSION 16: SETTING GOALS AND OBJECTIVES

TIME: 2 HOURS

RATIONALE:

Once the community/business and the Volunteers have identified a problem, analyzed its causes and effects, and determined the type of business/project assistance needed, the next step is to set goals and objectives for the business/project. During this session, the trainees will focus on writing clear, relevant, feasible objectives for project assistance. They will use the information developed during the previous sessions as the basis for their work.

OBJECTIVES:

1. To differentiate between goals and objectives and to determine the need for each in projects.
2. To convert problem statements into measurable objectives for business or project assistance.
3. To critique business/project objectives, based on their clarity, feasibility, relevance, and measurability.

TRAINER PREPARATION:

1. Review the sections on goals and objectives to ensure clarity of your lecturette.
2. Write down an "incomplete" project objective based on the problem statements in the previous session or developed on your own. Use this incomplete objective to introduce the section on the elements of good project objectives.
3. Develop 3 or 4 project objectives, based on the trainees' primary assignments. Leave out critical elements in each to allow the trainees to improve them according to the criteria they have learned.
4. Prepare newsprint for the following items:
   - session objectives
   - lecturette main points
   - levels of objectives

MATERIALS:

1. Newsprint and magic markers

TRAINEE HANDOUTS:

1. Writing Objectives
2. Levels of Objectives
3. Project Design Chart

PROCEDURES

Introductory Statement: (5 Min)

1a. Introduce the session by explaining to the trainees that establishing clear goals and objectives during the design phase of a project is an important step in ensuring that the purpose of the project is well-understood before undertaking expensive implementation costs.

1b. Review the objectives for the session (already on newsprint) and clarify any questions the trainees may have regarding them.

Lecturette: (15 Min)

2a. Deliver a lecturette on goals, stressing the following points:

Determining the goals for a project helps you begin to focus on where you want to be at its conclusion. It tells you what you want to accomplish, how you want the situation to be different.

Goals: (on newsprint)

- are a desired future condition, something to strive toward.
- can have a short- or long-term timeframe for achieving the future condition.
- can be broad or specific in focus, depending on the situation, but should provide direction and thrust.
- should be stated in quantitative, concrete terms.

An example of a goal is as follows:

increase the number of pairs of shoes produced and sold in a month from 110 to 120.

2b. Ask the group to generate about ten examples of goals for their Volunteer assignments, and put them on newsprint for use later in the session.

2c. Continue the lecturette by explaining that any goal needs to be evaluated before work is done. The evaluation helps to determine whether or not the goal is appropriate. Through the evaluation process, the goal will be confirmed, abandoned, or changed to a more appropriate one. Evaluation includes:

a. Desirability : Is the target or goal compatible with overall policy, direction and mission of the individual or group you are working with? Can the individual or group stand behind this goal and see it as desirable for them also?

b. Benefit : Are the benefits that will be gained from achieving this particular goal worth the effort that it will take to carry it out?

c. Likelihood of Success : Are the necessary resources (both people and non-people) available to reach this goal? If the resources are not available, are they obtainable? Are the necessary skills and budget available?

d. Pitfalls : What problems might arise in working to achieve this goal? Is approval from other places needed in order to achieve the goal? Will there be resistance from group members in achieving this goal?

Group Discussion: (15 Min)

3. Have the trainees look at the list of goals they developed earlier for their PCV assignments and complete the following task (already on newsprint):

- evaluate the goals according to the four areas just discussed, pointing out any weaknesses.
- modify the goals in such a way that they would better withstand evaluation.

TRAINER NOTES

Encourage the group to guess on some of the answers to the evaluation questions based on information they have received during training in order to reach conclusions about using or not using a particular goal. Assure them that in the real situation they will have more information so that the process will be easier.

Large Group Discussion on Objectives:

(25 Min)

4a. Write an "incomplete" objective on newsprint, based on the problem statements developed during the previous session. Ask the trainees what additional information would be needed to make the objective complete. (Use their responses to develop a list of "What Makes A Good Objective" on newsprint).

4b. Use the results of the above discussion to develop a list of "Elements of Good Project Objectives". Questions you can use to help prompt the development of the list are:

- Why is it important to state objectives in measurable terms?

- What kind of information do you need to include in the objective?

- What happens if a project objective is clear and measurable, but impossible to achieve?

158

TRAINER NOTES

Ensure that the above list includes the following elements:

measurable (based on behavior)
relevant (related to the identified problem)
feasible (has a reasonable chance for success)

Identify the significant questions to be asked about project objectives as:

What needs to change?
How much change is needed?
For whom is the change targeted?
Where will the change occur?
When will the change occur?

4c. Have the group review three or four project objectives according to both of the above criteria. (Base them on information you have gathered about their primary assignments).

Levels of Objectives

(20 Min)

5a. Explain to the trainees that large country programs and small community projects can have different levels of objectives. Certain objectives must happen before others in order to ensure overall success. Use the following example, which would apply to a Volunteer's primary assignment in-country (see attached examples):

a. Write a national level program objective on newsprint and have the participants assess whether it is a clear objective, based on the "Elements" developed earlier in the session.

b. Write a community level project objective that contributes to the national level program objective. Again, have the participants assess it.

c. Write an objective for one activity which contributes to the community level project objective. Have the participants assess it.

d. Have someone explain how the three levels of objectives relate to one another.

5b. Ask the trainees to think about how their Volunteer assignments fit into this type of a "hierarchy" of objectives from the national to the local level.

TRAINER NOTES
Ensure that the explanation in Part b. focuses on the fact that each level of objectives is necessary to reach the next level----both up and down the scale. Be sure the group understands that every objective, no matter what level it is at, must have the essential elements defined earlier.

5c. Explain that the rest of the session will focus on writing project objectives the trainees can use in their work with communities. Although it is important to know that there are higher level program objectives, they will not be involved in writing them for community level needs.

Individual Work: (15 Min)

6a. Ask the trainees to refer to the problem statements developed during the previous session. Have them each write one project objective and two activity objectives which would contribute to it. Stress that the objectives should include the elements of good objectives just discussed.

6b. Ask for a volunteer to write his/her objective on newsprint. Have the group review it according to the essential elements and make any necessary recommendations for improvement.

Pair Exchange: (20 Min)

7. Have the trainees exchange their written objectives for review and feedback. Stress that comments should be written down to allow the writer to refer to them later. After 10 minutes, have the reviewers explain their critique to the writers, and allow time for final re-writes. Have the trainees put their corrected project and activity objectives on the attached project design.

TRAINER NOTES

Circulate around the room during this process to answer questions and make sure everyone is reviewing the objectives according to the essential elements identified earlier.

Closing: (5 Min)

8a. Close the session by stressing that it is important to set objectives before starting a project. Otherwise, the variety of individuals (community, PCV, etc.) associated with the project may have different expectations of what the project is supposed to accomplish. Specifying the objectives, in writing, beforehand will help to ensure clarity, as well as potentially saving time and money during the actual implementation.

8b. Pass out the handouts "Writing Objectives" and "Levels of Objectives" for the trainees to keep as reference material.

WRITING OBJECTIVES

Objectives should be expressed in terms of outcomes expected. Each objective should answer the question: Who do you expect to do how much of what by when and where?

WHO:	target groups or individuals expected to change.
WHAT:	the action or change in behavior expected.
HOW MUCH:	the extent of change expected.
WHEN:	when desired conditions will be accomplished.
WHERE:	place in which the change will be observed.

The following steps will help you write complete objectives:

1. Write down **WHO** is the subject of the objective. For example, Farm families with plots ranging between 1 - 5 hectares in size.

2. Write down **WHAT** job or task will be done, or what change will be expected. For example: Farm families with 1 - 5 hectares of land have adopted new fertilizers.

3. Write down **HOW MUCH** quantity, quality, and/or time standards that apply to the objective. For example: Ten farm families with 1 - 5 hectares of land have adopted new fertilizers.

4. Add **WHEN** this will occur. For example: Within six months, ten farm families with 1 - 5 hectares of land have adopted new fertilizers.

5. Add **WHERE** this will occur. Within six months, ten farm families with 1 - 5 hectares of land will have adapted new fertilizers in Village X.

Adapted from: Michalak and Yagar, Making the Training Process Work. pp 67-72.

LEVELS OF OBJECTIVES

The following set of examples illustrates how objectives for activities and projects can contribute to national program goals and objectives.

OVERALL PROGRAM GOAL

To increase the survival rate of children under the age of five years through raising the quality of under-fives' health care and promoting the use of preventive health measures for this target group.

1. **Program Objective:**
   To reduce the mortality rate due to diarrhea in Regions A and B in children under five by 10% within the first year and an additional 57% over the next two years.

   Project Objective:
   Within six months parents will treat 10% of the children in the community under five who have signs of diarrhea and/or dehydration, promptly and appropriately with Oral Rehydration Therapy.

   Activity Objective:
   One hundred percent of the parents attending the health educators session will mix ORS packets and homemade sugar salt solution using the correct ingredients, amounts and procedures as demonstrated by the trainer.

   Community Health Workers who attend the training session will be able to use the WHO treatment chart and correctly distinguish between cases of mild and severe dehydration in community children with diarrhea.

2. **Program Objective:**
   Malnutrition will be reduced in Region X by 20% within the first two years and continue until the national average is reached.

   Project Objective:
   Within three months Community Health Workers will identify and teach 50% of the mothers of malnourished children in the community how to prepare locally available foods to treat these children.

   Activity Objective:
   Community Health Workers who attend the training session will be able to accurately assess the nutritional status of the children in the community using three anthropometric techniques.

   Sixty percent of the mothers who attend health education sessions on food preparation for malnourished children will be able to prepare, by the fifth session, three nutritious dishes using locally grown food stuffs.

PROJECT DESIGN CHART
SUMMARY

Problem Statement:_______________

OBJECTIVES	REQUIRED RESOURCES			ASSUMPTIONS		METHODS OF TESTING ASSUMPTIONS	MONITORING INDICATORS	EVALUATION
	Outside	Local	Costs		Feasibility			

157

Module 3
Session 16
Handout 3, p.1

PROJECT DESIGN WORKSHEET

Problem Statement:____________________

OBJECTIVES	RESOURCES		
	LOCAL	OUTSIDE	COST

Module 3
Session 16
Handout 3, p.2

PROJECT DESIGN WORKSHEET

Problem Statement:________________

ASSUMPTIONS	METHODS OF TESTING ASSUMPTIONS	MONITORING INDICATORS	EVALUATION

159

Module 3
Session 16
Handout 3, p.3

MODULE 4: FEASIBILITY/VIABILITY ASSESSMENT

SESSION 17: IMPORTANCE OF FEASIBILITY/VIABILITY ANALYSIS

TIME: 3 HOURS

RATIONALE:

One of the dangers at the start of new projects and businesses is that Volunteers and communities will become so enthusiastic about the initial idea that there will be little attention given to the analysis of the short-term and long-term likelihood of project success. Without sufficient information-gathering, adequate assessment of local resources, and coherent analysis of this data, projects begin with an already high probability of failure. SED Volunteers can contribute greatly to the chances of business or project success by ensuring that relevant information is obtained at the outset. This session will focus on the identification of the key elements of feasibility/viability analysis, and their importance in project selection.

OBJECTIVES:

1. To determine the critical assumptions needed to test the feasibility of a business or project.
2. To identify the key elements in feasibility/viability assessment of a new or ongoing business or project.

TRAINER PREPARATION:

1. Read the attached articles, "Project Assumptions" and "A Management Approach to Feasibility Study" before the session for background information.
2. Compile sample list of project/activity objectives used in the previous session, or developed on your own. Those will be used in the development of the list of project assumptions during the session.

3. Prepare newsprint for the following items:

   - session objectives
   - key points in project assumptions lecturette
   - small group exercise instructions
   - analyzing assumptions chart
   - feasibility checklist

4. Xerox the trainee handouts.

MATERIALS:

1. Newsprint and markers
2. Paper and pens for the trainees

TRAINEE HANDOUTS:

1. Project Assumptions
2. A Management Approach to Feasibility
3. Analyzing Assumptions

PROCEDURES:

Introduction: (5 Min)

1a. Introduce the session by explaining to the trainees that project ideas are often rushed through the system because they "seem" to be what is needed, without taking into account all of the potential problems which could interfere with their success. Go over the rationale for the session, as written.

1b. Review the objectives for the session (already on newsprint), and clarify any questions the trainees may have regarding them.

Definition of Feasibility/Viability: (15 Min)

2a. Ask the trainees to define the following terms: "feasibility", "viability", "analysis". Put the responses on newsprint, and formulate a composite definition for each term.

2b. Ask the trainees how the concepts are related to each other, and why it is important to clarify each before the onset of a new business/project.

TRAINER NOTES

Included in the above could be the following:

feasibility: describes the short-term success potential of a project/business. If the project/business works HERE and NOW technically and economically, it is feasible.

TRAINER NOTES

viability: deals with the long-term aspects of the project. This means that there will be a sufficient profit to allow re-investment, and repairs and business decisions will be made by group members.

analysis: means that the information collected is reviewed in a detailed, systematic and timely fashion, not accepted at face value.

Ensure that the linkages focus on the time relationship, the role of outside decision-making, and financing.

Identification of Project Assumptions: (20 Min)

3a. Prepare and deliver a lecturette based on the Project Assumptions article, and covering the following points:

- the necessity of making assumptions in projects
- the categories of assumptions (social, political, technical, economic, physical, etc.)

172

- why it is important to examine the project assumptions carefully before beginning the project.

- "assumptions" answer the following:

  This project will succeed, assuming that:

  a.____________________________
  b.____________________________
  c.____________________________

3b. Put one of the assumptions categories on newsprint. Have the trainees refer to a specific project already discussed in the training program. Have them generate 5-6 specific examples of items to be included in each category. Challenge any examples which seem inapprorpriate or vague.

3c. Point out to the group that testing <u>all</u> the assumptions in a project before implementation would be a time-consuming and potentially expensive task. Stress that it is, therefore, important to decide which assumptions are the most important for success and to focus on them in feasibility testing.

3d. Have the trainees look at the list just generated and rank the assumptions according to their importance. Lead a large-group discussion of any questions/comments regarding the rankings.

<u>Individual Work:</u> (20 Min)

4a. Explain to the trainees that this process of identifying and ranking assumptions for feasibility testing is important for all projects or businesses, large or small. Assign the following task for the trainees to complete individually, (already on newsprint):

    refer to the project/activity objectives developed in the previous session on Setting Goals and Objectives.

    develop and rank a list of important assumptions for the objectives, using the categories developed above.

4b. Ask for a volunteer to read one of his/her objectives and the assumptions developed. Have the large group critique it and make any necessary improvements.

Work in Pairs: (15 Min)

5. Divide the trainees into pairs to critique each other's assumptions. After 10 minutes, have the reviewers explain their critiques to the writers. Have the trainees complete any necessary re-writes.

Closing: (10 Min)

6. Close this portion of the session by leading a large group discussion of the following questions:

   Considering the kinds of assumptions we have identified, what does this tell you about the role of the Volunteer in project development? About the role of the community?

   What do you see as the possible consequences of a Volunteer proceeding with a project that has wrong assumptions?

> TRAINER NOTES
>
> Ensure that information about the danger of the PCV acting as a "Lone Ranger" in project design comes out here, and that the community's knowledge of its own problems and historical interventions is acknowleged.

BREAK

Small Group Exercise: (20 Min)

7a. Divide the trainees into small groups. Have them look at their project assumptions according to the steps of the "Analyzing Assumptions" chart, and choose one assumption that they feel is uncertain. Ask them to develop a checklist of feasibility questions they would want to ask for that assumption, and put their items on newsprint to present to the large group.

TRAINER NOTES

Included in the list of questions should be:

- How much risk or uncertainty is involved in the assumption?
- How crucial is the assumption to the overall success of the project?
- What is the impact on the project if the assumption does not hold true?
- What alterations can be made in the project, while still maintaining its likelihood of success?
- If outside resources are required, what is the likelihood of obtaining them? From what source?
- Have projects with similar assumptions succeeded in the past? What data is there to support this?

<u>Small Group Presentation:</u> (15 Min)

8. Reconvene the trainees and have each group present its assumption and list of critical questions to be asked about it. As the groups are presenting, make a generic list of the items included. Ask the large group to review the list and add any other items they have thought of during the presentations. Xerox the list for the trainees to take with them for future use.

<u>Large Group Discussion:</u> (20 Min)

9. Lead a large group discussion of the following questions:

   What methods can project designers use to get more information on the feasibility of the assumptions they have made?

   To whom would they talk?

   What data sources would they use? How long would they take to complete the feasibility study?

TRAINER NOTES

Included in the list should be the following:

Examine official records (country and PC)
- statistics collected by government.
- records on projects, money spent, etc.
- needs assessment data, if collected.
- monitoring forms, if used.

Discussions
- individual interviews (community and elsewhere.)
- group meetings.

Observation
- visiting a similar project
- observing existing situations

11b. Review 4 - 5 questions on the just developed list of feasibility questions and have the large group recommend methods for studying them. Challenge the group specifically on the type of information they would expect to learn through the study. Also focus on what timeframe they would anticipate would be sufficient to obtain enough information to either move forward or cancel the project.

Closing: (5 Min)

12a. Summarize the work of the session by pointing out that thorough feasibility testing can help to avoid unanticipated problems during the implementation of a project by pointing out the key issues which the PCV and community need to consider. Some of the issues identified will cause the project to be cancelled; others will necessitate re-designing it on more realistic terms. Each of these courses of action can help to conserve scarce human, material, and financial resources for the community.

12b. Pass out the handouts for the trainees to keep as reference material.

PROJECT ASSUMPTIONS

Every project has uncertainties. The nature of the uncertainties can be expressed in the form of assumptions which much be valid, but which cannot be directly controlled. Assumptions can be the most critical factors in a development project. Many projects fail because planners make unrealistic assumptions, or forget to define and examine the implicit assumptions they are making.

It is impossible for a project manager to control all the factors which can affect a project. There are always social, political, technical, economic, physical, and other factors beyond the project manager's control that are necessary for successful achievement of project objectives.

To have confidence in the design of a project, it is essential to define, at each level, all the conditions necessary to reach the next level of objectives. These conditions include hypotheses (predictions) which are **internal** to the project, and assumptions (conditions) which are **external** to the project. After identifying the assumptions affecting the project, they can be dealt with in a way that increases the probability of success.

Development projects involve important objectives and scarce resources, so we must examine whether our predictions in the project design are valid. Before we begin the project, we want to be confident that we can achieve our objectives. We must, therefore, carefully examine what we are assuming about factors outside our control that could be detrimental to achieving our objectives. We identify those factors in the "assumption column" of the Project Design Chart at the same level as the objective they influence.

After identifying as many critical assumptions as possible with the information at hand, they can be looked at more closely and defined more specifically.

In a rice production project, for example, "adequate rainfall" is obviously necessary. Project planners and managers need more guidance, however, if they are to assess the validity of this assumption. How much rainfall is adequate? We must know how much rain is required and when it should fall. If we find that the rains must begin in May and last through October, with a monthly average of 12 inches, the next step is to find out if it is reasonable to expect this level and pattern of rainfall. If review of the climate records in the region shows that for eight of the last twenty years, rainfall was less than 8 inches for the months of June and July, our assumption of adequate rainfall would not be valid

If our assumptions are likely to be invalid, we have several options to consider. First, we could continue with the project "as is", and accept the lower probability of success. Second, we could examine if there is some way to modify the project to overcome the weak assumption. In the rice production example, perhaps an irrigation system could be included in this (or another) project to bring a sufficient supply of water to the crops. Finally, if there are insufficient resources to develop an irrigation system, the project could be abandoned because it is unworkable--thus averting project failure before large amounts of time and resources are expended.

From Peace Corps Small Project Design and Management Training Manual

A MANAGEMENT APPROACH TO FEASIBILITY STUDY

In recent years, project feasibility study has become an increasingly detailed and technical set of procedures practiced by highly trained economists and engineers. And yet very often these procedures seem irrelevant to the practical people designing and managing projects. Why? Perhaps it is because these procedures ignore some of the most important questions.

What do practical project designers need to know in order to have confidence in potential projects? Essentially they need to know (1) if the proposed project will really achieve its objectives; (2) how they can improve the likelihood and level of its impact; (3) whether there is a less expensive way to achieve the same results; and (4) whether, all things considered, the benefits justify the costs.

I. WILL THE PROJECT SUCCEED? HOW CAN IT BE .PROVED?

The most important question is the plausibility of the suggested project design. Managerially useful feasibility studies begin with this question. And the most effective of these studies treat project plausibility not merely as a question, but as a challenge. In other words, such studies don't simply ask "Will it succeed?", they ask "How can we make it succeed?" They take an active, not a passive, role in project design.

Feasibility study, by itself, cannot increase a project's likelikhood of success. What it can do is substitute risk (known probability of failure) for uncertainty (lack of information) and suggest practical measures for reducing the risk by modifications to the project design. In other words, it can provide us with information on how likely our project is to succeed and how we can increase that likelihood. As managers, we must learn to demand nothing less of feasibility analysis.

Projects are theories about the world. If we do certain things, we expect certain results will occur. And if these results do occur, we believe they will have certain impacts.

A. ANALYSIS OF ASSUMPTIONS

Potential feasibility questions exist wherever there are sources of uncertainty--i.e., wherever we are unsure of "fr ..." or "effects". These "facts" are the assumptions, and the "effects" are the hypotheses.

How do we go about analyzing assumptions?

First, and most important, make sure all of the important assumptions are identified. To do this, ask yourself, skeptics, and as many others as possible, to describe the factors which could prevent the project from reaching its objectives. In essence, the question is 'What, beyond my direct control, could cause this project to fail?" The answers to that question are the assumptions.

It may be helpful to group the assumptions by type, e.g.:

- market factors
- cost factors
- financial factors
- political factors
- technical factors
- cultural and social factors
- geological/climatic factors
- managerial factors

To give you a clearer idea of what these factors include, some of the following questions might come out of an investigation into these factors.

Market Factors -- Do people have disposable income available at the time when the product is for sale? Is there a MARKET that can be reached and served profitably? What is the likely price (considering seasonal swings)? What are the quality and quantity dimensions?

Cost Factors -- What are all the major initial costs involved in production? What are the important recurring costs? How much is the labor cost likely to be?

Financial Factors -- Are there sources of affordable credit in the community? Is there a plan for control of group money? Is the cash flow sufficient?

Political Factors -- Does the leadership support the general idea? What are the licenses and inspections needed? Is the activity legal?

Technical Factors -- Is the technology easy to maintain? Are spare parts available? Is the scale appropriate? Is the level of risk appropriate? Are the inputs readily available?

Cultural and Social Factors -- Does it help one group by hurting another? Does the project "fit" the culture? Is the level of risk acceptable?

Climatic Factors -- Does the project hurt the environment? Does it use already dwindling natural resources?

Managerial Factors -- What are the training requirements? Is there a sufficient, available labor force?

From Peace Corps Small Project Design and Management Training Manual

The type of assumptions chosen for analysis will determine the type of feasibility study needed to investigate them.

Third, identify the assumptions most appropriate for analysis. Out of the long list of assumptions, how do you choose the correct ones to study? We suggest a simple two criteria basis for selection--importance and uncertainty.

To begin, ask of each assumption whether it seems truly essential for achieving project success. If its influence seems more or less incidental, forget about it. If the assumption is judged to have high potential influence, then ask yourself how uncertain project designers are about the likely performance of that assumption. Only where assumptions are important and insufficiently understood is detailed investigation worthwhile.

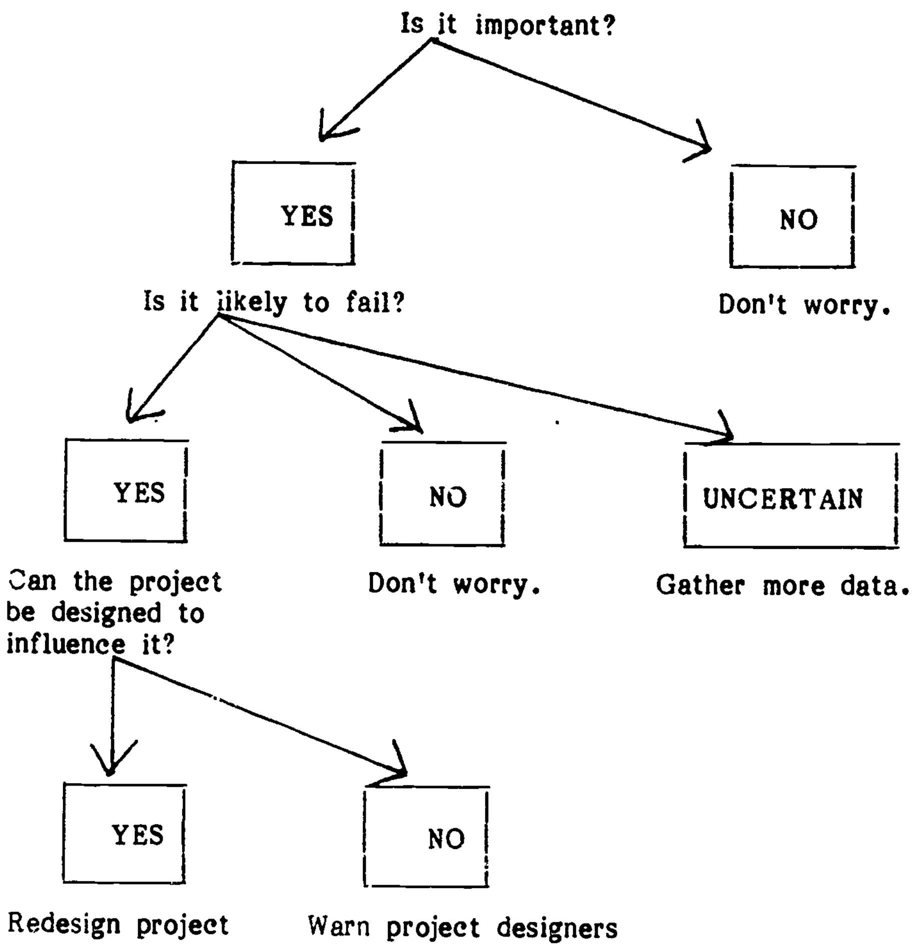
Arrange data collection efforts to provide the information you need. The data collected on assumptions should reduce the uncertainty of project designers about:

- whether key assumptions are likely to hold true or not;
- what the effects on project success would be if any of the key assumptions do not hold true;
- what means are available to managers to influence or avoid dangerous assumptions.

If assumptions are unimportant (i.e., low impact) or very probable they should not affect project design or selection. When assumptions have high impact and low probability, it is a danger signal. If we can re-design the project to affect the assumption we may wish to go ahead. Otherwise, we would be well advised to suggest that the project be abandoned in favor of something more promising.

180

ANALYZING ASSUMPTIONS



MODULE 4: FEASIBILITY/VIABILITY ASSESSMENT

SESSION 18: FEASIBILITY MODEL FOR NEW PROJECTS

TIME: 2 HOURS

RATIONALE:

Since the concepts of feasibility and viability, and the applications in the case of developing country situations, will be new to many of the trainees, it is important to offer the trainees an overall framework into which they can fit the information available to them before committing to a project that may prove unproductive, unprofitable, unnecessary. This session will disaggregate the components of feasibility.

OBJECTIVES:

1. To present a feasibility/viability model that breaks down the life of a project into its manageable components, and presents a logical sequence of events.
2. To apply the above model to actual project proposals.
3. To highlight the limits to the information-gathering stage of a project.

TRAINER PREPARATION:

1. Read the handout, "New Project Feasibility - Feasibility Model" to become familiar with the concepts to be used in the first exercise.
2. Prepare newsprint for the following items:
   - session objectives
   - small group instructions

MATERIALS:

1. Newsprint and magic markers

TRAINEE HANDOUTS:

1. New Project Feasibility - Viability Model
2. Project Proposal - AMIDA Wheelchair Factory
3. Project Proposal - Committee Brickmaking Project
4. Project Proposal - Cattle Disease Diagnostic Laboratory

PROCEDURES

Introductory Statement: (5 Min)

1a. After identifying the critical project assumptions which need to be evaluated, it is essential to have an overall framework in which to put the information collected. The model which will be presented during this session can be applied in both the design and implementation phases of a project.

1b. Review the objectives for the session (already on newsprint), and clarify any questions the trainees may have regarding them.

New Project Feasibility:

2a. Remind the trainees that previous sessions have included information on the initial steps needed to conduct a feasibility assessment---problem identification/analysis, community assessment, and goal/objective setting. Ask them to review their notes on these areas individually, and to list the remaining steps which would be necessary to complete a feasibility assessment. Remind them that their list should be in a logical sequence of activities. (15 Min)

2b. Develop a composite list of feasibility steps in a large group, ensuring that the trainees are able to justify the inclusion of certain items and their logical sequence. (15 Min)

2c. Review the trainee-generated list against the "New Project Feasibility-Viability Model" handout, leading a large group discussion of any differences noted.

Project Feasibility Analysis:

3a. Introduce the small group exercise by asking the trainees to imagine themselves to be new PCVs who have been given a preliminary outline of a project proposal for review/comments.

3b. Divide the trainees into three groups for the following task and distribute one project proposal outline to each group: (30 Min)

- read the project proposal outline and develop a list of questions to be asked, based on the steps of the feasibility model just developed.

- put the list on newsprint for presentation to the large group. (A summary of the project proposal outline must be given to the group by the presentor before reviewing the questions.)

3c. Reconvene the large group and have each small group present its list for comments/critique. (30 Min)

Large Group Discussion:

4a. Lead a large group discussion on feasibility/viability analysis by asking the following questions: ('5 Min)

- What steps of the above process would be the most difficult for a Volunteer to complete? What does this analysis imply for the role of the PCV?

- What would be the hardest part in terms of maintaining community/client interest in the project? What does this analysis imply for the PCVs role?

- How can you know when you have gathered enough information to reach a decision about the feasibility and viability of a project? (When the critical assumptions have been tested and risks are clear.)

- Why would you not continue beyond this point? (Too costly and time-consuming)

4b. Ask the group to imagine themselves returning from a meeting with their program manager and a donor agency representative. Ask the group the following question:

- Given that the project proposal has serious flaws, what strategies might be used to convince the group/client that it is necessary to collect more information and re-write the proposal. (Be sure the group responses are based on adult learning theories introduced earlier in the program). (5 Min)

Closing: (5 Min)

5a. Close the session by pointing out to the trainees that the completion of a good feasibility/viability analysis should contribute significantly to the likelihood of project success. While it cannot anticipate every possible contingency, it will focus the group's attention on the most critical issues to be considered before committing to implementation.

5b. Link to the next session on feasibility for on-going projects by pointing out that feasibility needs to be considered both at the design stage and during implementation and review. The next session will focus on this issue.

NEW PROJECT FEASIBILITY-VIABILITY MODEL

THE "TYPICAL PROJECT"

STAGE 0 (Pre-Project)

1. Brainstorm with the community client on problem identification and problem analysis.

2. Brainstorm on potential solutions to get a wide number of alternatives.

3. Conduct a community assessment, to see where the relevant power bases are and how they may support or oppose the various alternatives.

4. Conduct a community infrastructure assessment (is there electricity, reliable transportation, etc., that a project alternative would need).

5. Try to measure the extent of community interest, and determine if it agrees with the commitment required given the complexity/risk of a particular alternative.

6. Conduct a preliminary investigation of whether markets exist for various options.

7. Disregard the alternatives that are not feasible, given the above preliminary investigation.

8. Select a "Most Feasible Alternative" from those remaining based on above considerations and how realistic the ASSUMPTIONS for each.

9. Set Goals and Measureable Objectives.

10. Determine budgetary requirements (Initial Budget and Operating Budget)

11. Identify the community resources that will be available and committed; Identify the of "RESOURCE GAPS".

12. Line up local commitments, such as skilled and unskilled manpower, resources, funds, locally available technical support, etc.

13. Evaluate the proposed alternative from the perspective of risk and scale, appropriate technology, and community impact.

NEGOTIATING TO STAGE 1	1.	Depending on the resource gaps check for alternative funding sources by examining their criteria, limits of assistance, their other needs.
	2.	THIS INTERMEDIATE STAGE may require negotiation between the potential supporter and the community, group, client. It may require REPETITION OF SOME OF THE PREVIOUS STEPS TO BRING THE COMMUNITY NEEDS AND DONOR NEEDS INTO ALIGNMENT.
STAGE 1	1.	Establish Financial Control Systems (such as Cash, Credit) and plans for future expenses, revenues.
	2.	Establish work schedules, allotment of responsibilities to various participants, internal organizational rules.
	3.	Establish training program.
	4.	Purchase materials, ard store those not to be used immediately.
	5.	PRODUCTION STARTS!
	6.	MARKETING BEGINS (delivery, product design changes incorporated, etc.)
	7.	Measuring Output, Gains realized through the project -- this is done in an ongoing way, to be matched against the concrete Goals and Objectives established initially.

	SHARING THE RESULTS	Periodic meetings of entire group Community meetings
	Simultaneous and Ongoing	Reports to donors, other interested and potentially helpful agencies, private groups communities
STAGE 2	Simultaneous and Ongoing	Constant Market Monitoring (changes in demand level, product changes)
		Possible attachment of services, redefinition/broadening of product
		Preparation for Growth (reassessment of marketing strategy, production process, training requirements, etc.)

PCV COMPLETE PHASE-OUT, GREATER INDEPENDENCE AND GROWTH
(By Michael Goldberg, Peace Corps/Ecuador, 1985)

PROJECT PROPOSAL OUTLINE AMIDA-Wheelchair Factory

1. Project Description -- This project will be the first small scale wheelchair factory in the country. The project will be jointly organized by AMIDA (Association for the Rehabilitation of Physically Handicapped). The principal purpose of the project is to establish a factory for the production of high quality wheelchairs at a low affordable price, for the low income orthopedically handicapped in both rural and urban areas. Secondary benefits include the training of host country personnel, employment and income benefits for the handicapped who will be working in the factory, and the potential diversification to other related fields not currently addressed by local producers.

2. Expected Impact and Evaluation -- Increased public visibility and acceptance of physically handicapped persons; Provision of affordable wheelchairs provide a new personal sense of freedom for the handicapped adults; Replacement of imported wheelchairs that cost substantially more. Additionally, some of the workers will be handicapped individuals currently without work.

3. Technical Assistance -- The Peace Corps Volunteer Fred Smith will be working with his counterparts in the Ministry of Social Development on this project. AMIDA will contribute training programs for the factory workers and will seek out other technically equipped groups to help with setting up the factory.

4. Activity Period -- This project will be self-sufficient within six months of the receipt of the SPA grant, thanks largely to the efficiency of the factory and strong marketing capabilities.

(Adapted from Peace Corps SPA files)

PROJECT PROPOSAL OUTLINE Committee Brickmaking Project

1. Description of Project -- The purpose of this project is to provide the Committee with the materials required to begin a manual brickmaking factory, and also some of the materials needed to complete a woodburning stove project. Additionally, the bricks will help the community build latrines, well linings, and a communal grain drying floor. Since the region is growing rapidly thanks to recent colonization incentives, this project will face a growing demand. However, given the site's present isolation, there is no outside competition in this field.

2. Expected Impact and Evaluation -- The Committee will have a source of income throughout the year, not tied to the agricultural cycle and their cash crops. It will increase their degree of self-sufficiency, especially thanks to the subprojects to be undertaken (such as the grain drying floor, the well linings.) The availability of bricks will allow for general development gains in the whole area, spurring further economic activity.

3. Technical Assistance -- The Peace Corps Volunteer has some experience with well construction. Many people in the community have a clear idea of what the grain drying floor should look like.

4. Activity Period -- This project should be completed and functioning smoothly by the end of six months of work, after receipt of the U.S. Government's financial assistance in the form of a grant.

(Adapted from Pece Corps SPA files)

PROJECT PROPOSAL PROPOSAL Cattle Diseases Diagnostic Laboratory

1. Project Description -- Establishment of a diagnostic lab to identify cattle diseases such as brucelosis, anaplasmosis, and parasitic illnesses. This will be the first lab in the province, a zone that depends largely on cattle as a source of income and a means of productive savings. This lab will be equipped with a basic mi roscope, centrifuge and the necessary laboratory and medical supplies to conduct tests on blood and samples.

2. Expected Impact -- The zone has approximately 1000 cattle farmers and a total population of 20,000 cattle. They now often travel several hours to a small, overworked office, to get a sample analyzed. However, with a lab nearby, they can get faster and more dependable results, leading to increased production and better health for the animals and the people in the area.

3. Technical Assistance -- PCV will coordinate the project with a counterpart from the Ministry of Agriculture. Both the PCV and the counterpart have extensive experience with cattle production and are familiar with lab equipment and the advantages of the foreign equipment that will be used.

4. Activity Period -- The laboratory will be able to accept samples within one week of receiving the financial support petitioned. A minimal charge will be collected so that the repairs can be paid for from the small profits of the project.

(Adapted from Peace Corps SPA files)

MODULE 4: FEASIBILITY/VIABILITY ASSESSMENT

SESSION 19: FEASIBILITY FOR ONGOING PROJECTS AND BUSINESSES

TIME: 1 HOUR AND 30 MINUTES

RATIONALE:

Volunteers often enter a site with projects already underway, or consult with businesses with limited, secure but marginally profitable product lines. They need a format for examining the viability (long-term profitability and appropriateness) of projects and businesses, a way to identify the strengths of the organization in the current situation and the potential threats and opportunities present in the environment. These analytical skills will prove especially useful when SED Volunteers are asked to visit and evaluate projects in which other Volunteers are involved.

OBJECTIVES:

1. To introduce a feasibility model for on-going projects and businesses.

2. To apply the feasibility model to the analysis of a small business situation.

TRAINER PREPARATION:

1. Review session objectives and handouts for the lecturette.

2. Prepare newsprint for the following items:

   - session objectives
   - lecturette topics
   - graphic representation
   - resource list

3. Review the case study and the accompanying interpretive note.

MATERIALS:

1. Newsprint and markers

2. Tape

TRAINEE HANDOUTS:

1. Feasibility for On-going Operations

2. Case Study (Ahmed's Shoes)

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by pointing out to the trainees that they may not always have the luxury of designing projects from the beginning. They are often in a position of entering projects that are already underway, and they need a way of identifying the strengths and weaknesses of the project in order to determine the likelihood of long-term profitability and appropriateness.

1b. Review the objectives for the session (already on newsprint), and clarify any questions the trainees may have regarding them.

Lecturette/Discussion: (15 Min)

2a. Deliver a lecturette on feasibility for on-going projects, stressing the following points:

°The Special Needs of an Ongoing Project or Business:

a. Unlike new projects, ongoing activities have established policies, connections, internal organizational structures, ongoing clients. Many of the basic decisions have already been made.

b. Rather than initial planning, the ongoing projects need to be evaluated to measure their present profitability, potential for expansion, increased profits, etc.

c. While it is in the interest of the business owner and the adviser to go through some of the processes mentioned in the previous session, there is a more time-effective approach for ongoing activities.

d. One special point for ongoing projects is that groups may be more complacent about present performance and may not see the need to keep records, change policies (credit, etc.) and adjust the division of responsibilities. This means that the advisor will have to carefully phrase the goals so as not to put people on the defensive.

2b. Ask the trainees if they have had any experiences with new or on-going projects before Peace Corps, and how their roles differed in each situation. (Examples could include Scouts, college projects, 4-H, family activities, etc.).

Case Study: (30 Min)

3a. Explain to the trainees that the next exercise will involve the application of a feasibility methodology to a case study of an on-going small business.

3b. Distribute the handout, "Feasibility for On-going Operations," and allow 5 minutes for the trainees to read it individually. Entertain any questions they may have regarding the handout.

3c. Distribute the case study, "Ahmed's Shoes", and assign the following task to be completed individually, (already on newsprint):

- identify the key resources Ahmed has at his disposal.
- identify the key threats and opportunities in the environment.
- make recommendations for an appropriate strategy to adapt to the changing situation.
- be prepared to discuss your analysis in the large group.

Individual Presentations: (20 Min)

4. Reconvene the trainees and ask for volunteers to present their analyses to the large group for comments and critique.

Large Group Discussion: (15 Min)

5. Lead a large group discussion of the feasibility exercise by asking the following questions:

   Did Ahmed accurately perceive his business's strengths and weaknesses? Why/why not?

   What strategies would you use to encourage Ahmed to re-define his product line?

   Based on your knowledge of the cultural environment thus far, how much change do you think Ahmed is likely to make in his business?

   How can suppliers be a threat to small business owners?

   How can the makers of substitute products be a threat?

   How can retail outlets be a threat to producers?

   How can consumers be a threat to producers?

TRAINER NOTES

Included in the responses could be the following:

Suppliers can decide that the product is easy enough to make and appears so profitable that they start producing, too. That complicates the supply lines and introduces a new competitor with assured raw materials.

Makers of Substitutes can introduce a new product that offers the same service at a more affordable price, something that lasts longer, something with more modern styling, etc.

Retail Outlets can decided, like the suppliers, that it worth setting up their own production.

Consumers can suddenly change the way they spend their money, can be influenced by style changes, can decide to make the product in their own home, etc.

Current Competitors can suddenly decrease the price, improve the quality, advertise more, offer a wider range of styles or a fresher finished product, deliver better, offer credit, etc.

Closing: (5 Min)

6. Close the session by entertaining any final questions regarding feasibility of on-going projects. Link to the next session by pointing out that a complete understanding of the opportunities and threats requires a familiarity with marketing relationships.

NOTE TO THE TRAINER ON INTERPRETATION OF AHMED SHOES CASE

Strategy -- If you were to ask Ahmed what his product line is, he would most likely answer "children's shoes". However, if you were to help him to define the activity in the broadest possible sense, he might answer "leather footwear and accessories". This, then is the area in which he could be a competitive producer with only minor adjustments in his skills, clientele and equipment.

The proof of the potential for broadening his product line can be found throughout the case. Ahmed mentions that women come to his workshop, which is not located near the central shopping area, to ask for special orders. This is market information that he may be able to use profitably, and supports the notion that he could offer other products. However, before the change is implemented, he would want to interview some of the likely consumers to find out about the prices, tastes, seasonal demand, and other factors involved.

The current strategy focuses on "school children", and the potential strategies range from "all leather products" to "shoes for everyone in town" or "shoes and belts for women and children". The resources, environmental threats and opportunities will help a business advisor to assist Ahmed in focusing his efforts.

Competitive Advantages -- While it is not clear from the information whether the advantages are real or illusory, several competitive edges are mentioned. Ahmed says that he has an excellent relationship with the school principal and many of the teachers, and this has proven to be an invaluable source of shoe style information in the past. The critical supply advantage is the cousin who owns the tanning operation. But the advantage he points to most proudly is the high quality of shoes he produces for a slightly elevated price.

Resources -- Ahmed has not said much about his tools and equipment. He does mention a rare zigzag leather sewing machine, which probably is a very useful resource. He also has superior training, based on his experience as an apprentice. He is familiar with the techniques required to make other products, should the market shift. One resource may be the connection with his cousin, the leather tanner.

Some of the resources he thinks he has may not be as permanent or favorable as he assumes. For instance, his cousin may not really like Ahmed, or may need money for other reasons, and may sell to others if they are willing to pay more. The fact that the zigzag machine is "rare" could mean it would be difficult to get spare parts, leaving Ahmed vulnerable. Additionally, Ahmed describes his location as a strong point However, it is located away from the "constant flow of traffic and people", so he is losing a good deal of walk-in traffic and market information.

Threats and Opportunities -- The government's new policy on taxing imported shoes can affect Ahmed's operations in two ways. While it automatically eliminates the foreign competitors (except for contraband imports), the action also encourages others to begin manufacturing shoes. The rumor of a new shoe factory in the capital is a significant threat, since it is likely to be a large scale operation with economies of scale and lower costs (due to quantity discounts for raw materials, for example).

FEASIBILITY ASSESSMENT METHODOLOGY FOR ONGOING OPERATIONS

Given the special needs of ongoing projects and businesses, it is important to take a "Strategic" look at the overall operation. While the focus of a new project might be location of an initial market to support the effort, projects and businesses underway need to choose between alternative target markets. The four-part methodology that follows provides a general framework within which to consider both productive and retail projects and businesses.

1. Strategy -- The "Strategy" of the project is the way in which the target market is defined, and includes the means of delivering information and final output. It answers the following questions:

   What is the product line, in the narrowest sense?

   What could the product line be, in the broadest sense, with the resources currently on hand?

   What is the "competitive advantage" enjoyed by the project? (In other words, why do consumers prefer the project's product to that of the competition? This may be based on quality, price, convenience, servicing, brand name reputation, etc.)

   The Strategy is important for two reasons. First, it indicates the likely future direction of the project or business by identifying the target markets for which products must be "designed". If this is understood and accepted by everyone involved in the decision-making process for the project, then consistent decisions will result. As conditions change, the leaders will recognize the options and have a way to reach timely decisions, based on a clear set of priorities. Strategy also needs to reflect the resources of the project as well as the environmental threats and opportunities faced by the project.

2. Resources -- The Strategy is only useful if it matches the resources that are controlled by the project or business. The quality of the resources is not enough -- a brilliant irrigation specialist is not likely to be of much help for a retail store considering expansion. The "Resource" stage of the methodology examines the project's situation based on the following questions:

   What are the resource strengths of the project/business at present?

   What are the current weaknesses in resources?

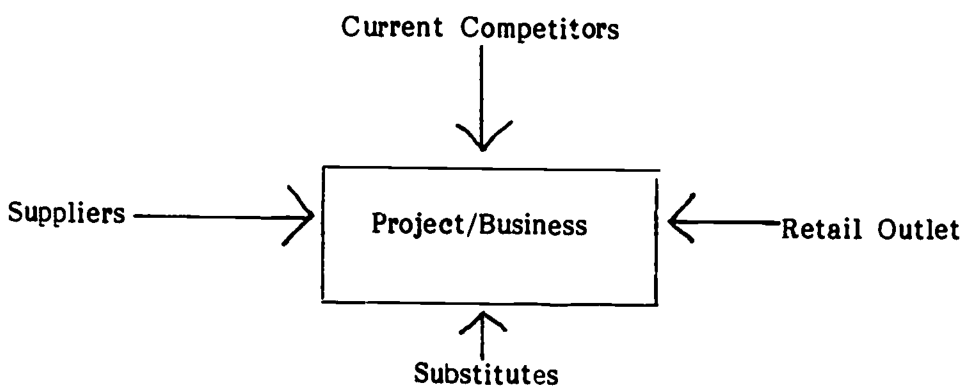
   Are these strengths and weaknesses temporary or long-lasting?

   What are the key resources required to put the strategy of the project or business into effect? Which of those resources are currently controlled by the project or business, and which are lacking?

   "Resources" in this context can be related to project needs in a variety of management areas -- managerial, financial, marketing, technical, operational, institutional.

3. Environment -- While the Strategy and Resources are based on decisions by actors inside the project/business, there are also outside forces that can influence the success of the project/business. Such environmental forces can include government policies (price controls, export and import restrictions, tax laws, etc.), market changes (birth rates, sudden consumer taste changes, consumer income changes, etc.), and the actions of the competition (actual and potential, local, national, international). In fact, the threats to a small project or business can come from a variety of sources.

Graphic Representation of Potential Threats



4. Action Plan -- With a clear understanding of the target market, an unemotional inventory of the resources at hand, a healthy fear of the potential external threats and an awareness of the opportunities, the project/business needs an "Action Plan" to coordinate its future actions. This provides the means for developing the resources required to carry out the strategy. It is usually three or four key activities based on conscious decisions rather than ad-hoc responses to surprises.

AN ILLUSTRATION OF THE FEASIBILITY METHODOLOGY - AHMED'S SHOES

Ahmed sells shoes for school children in his town. He knows the principal and many of the teachers well, and they tell him what shoes he should make to go with the school uniforms each year.

While he is most comfortable with production of children's shoes, he studied shoemaking for many years as an apprentice with the best shoemaker in town. Ahmed knows how to make a variety of other leather products, including belts, women's bags, binders, and purses. He would have to invest a little more in tools and molds, and would have to learn more about the styles and seasonal demand of the various products, but these are viable options for his business in the future.

Ahmed says that he has some real advantages over other shoemakers in the area. His cousin owns the largest leather tanning operation in town, and he feels that this amounts to a guaranteed supply of leather. He also has one of the rare zigzag sewing machines that can be used with leather. The workshop is located several blocks from the commercial district, so he is not distracted by the constant flow of traffic and people These advantages enable him to offer a better quality shoe for an only slightly higher price. Sometimes, women stop by the shop to tell him how good the shoes are, and they often ask for some shoes for their husbands and themselves.

The government recently placed a tax on shoes imported from neighboring countries, and Ahmed thinks that this will be maintained for at least a few more years. While this is good news for him, it has others thinking of becoming shoemakers, to take advantage of the change. Also, there is a rumor that the shoe factory in the capital city, two hours to the north, may raise production.

Given this background information, he would like you to help him decide whether to expand production of children's shoes, begin making leather purses and handbags for women, get a new piece of equipment, etc.

MODULE 4: FEASIBILITY/VIABILITY ASSESSMENT

SESSION 20: INTRODUCTION TO MARKETING CONCEPTS

TIME: 4 HOURS

RATIONALE:

Volunteers and their counterparts are typically production-oriented. This session introduces the underlying tenet that projects must be profitable as well as productive to succeed. If there's no market, there's no project. This session presents analytical tools for determining the existence of a market, whether at the village or town level.

OBJECTIVES:

1. To review the basic concepts of marketing.
2. To practice marketing-based problem solving through a case study.

TRAINER PREPARATION:

1. Check with the trainees who have strong marketing backgrounds to see if they would be interested in helping to deliver the marketing sessions.
2. Adapt the case study, "The Candy Factory" to fit the economic and marketing situation in the host country.
3. Familiarize yourself with several current or recently completed income-generating PCV-assisted projects so that country-specific examples can be provided during the session.
4. Prepare newsprint for the following items:
   - session objectives
   - lecturette key points on marketing
   - case study questions
   - marketing flows chart

200

MATERIALS:

1. Newsprint and magic markers, tape

TRAINEE HANDOUTS:

1. Marketing Flows Charts
2. "The Candy Factory" case study (Ethiopia)

PROCEDURES:

Opening Statement: (10 Min)

1a. Ask the trainees to brainstorm a list of words they think of when they hear the term "marketing". (Put the responses on newsprint.)

1b. Explain to the trainees that this session will provide them with an in-depth overview of the elements of marketing, with an application to a situation that might be found in their local communities. It will be followed by another session in which Volunteers with on-going projects will discuss the role of marketing in their work.

1c. Review the objectives for the session (already on newsprint) and clarify any questions the trainees may have regarding them.

Lecturette: (15 min)

2a. Deliver a lecturette on marketing principles, stressing the following points:

MARKETING IS process of delivering the correctly designed product to the right person, at the right time and place, at an acceptable price, and using an appropriate form of promotion.

PROCESS: continues from the idea stage until (and after) the product reaches the market and is purchased by a consumer.

DELIVER: This means there is more to marketing than just production...services are often a decisive factor in making a sale, since delivery can affect the quality of the goods.

DESIGN: Including such questions as how big, what color, how long the product will last, what amount of service will accompany it, what quality.

RIGHT PERSON: Making a sale today is great, but it is even better to address the needs of consumers who will make repeated purchases.

RIGHT TIME AND PLACE: Being first on the scene with acceptable quality and price will make an enormous difference. Many consumers have basic qualities and price range in mind. Once they see it, they buy it. If you're delivering at the right place but too late, you won't stay in business long.

ACCEPTABLE PRICE: The right product, right time, right place...but a high price will not end in a sale. Remember that price, along with quality, is the primary factor in a consumer's decision.

PROMOTION: You have to transmit this information to those who may be interested in buying. If they don't know where your product is, how much, at what time, and just how good it is, they are unlikely to buy it.

Marketing Plan Discussion:

3a. Explain to the trainees that many projects excel in the production phase but overlook the marketing stage--thereby producing products they cannot sell profitably. To guard against that problem, it is essential to have a well thought-out marketing plan--including product, promotion, place, and price considerations. (5 Min)

3b. Introduce the "product" concept by explaining that it begins with raw materials, design of the final product (color, size, other characteristics), and management of the inventory to be sure items are not damaged in storage.

Ask the trainees to come up with a list of the characteristics that consumers may look for in a product. Define "product" here as an agricultural good, a service, a handicrafts product or a consumer product (shoes, belts, etc.). Ask the group to take each of these product types, pick a specific example and come up with a complete list of the characteristics that people might look for. (15 Min)

TRAINER NOTES

An example of a list of characteristics for an agricultural product, such as an apple, would be:

Ripeness, Good color, Nice to touch (not oily), Freshness, Good Taste, Price, Availability (seasonal), Location (convenience to purchase).

3c. Introduce the "promotion" concept by explaining that most people think that marketing is only advertising. In reality, this is only one aspect of a marketing plan. It deals with all the ways in which people can learn about your product. (15 Min)

3d. Ask trainees to brainstorm a list of the ways they have seen products being promoted in the host country, and put the list on newsprint. Have them do one list for agricultural products and one for consumer products.

TRAINER NOTES

Included in the list could be the following:

Word of mouth, Handbills on the street, Posters on the walls, Signs near the workshop/store, Radio announcements, Street sales, Distinctive labels.

3e. Introduce the concept of "place" by explaining that the right product presented at the wrong place or the wrong time will not result in good sales or profits. Essential questions to consider are: (15 Min)

Where will the product be made available?

Will the producers sell it themselves?

What will the selling hours be?

Will it be available in more than one location?

Is the selling location near other competition?

3f. Ask the trainees what selling locations they have observed for the products discussed in 3a. Why might it be important in this culture to diversify location/time of sales?

TRAINER NOTES

Ensure that relevant examples are used to discuss the impact of local culture on sales. Included might be:

store closing for: family death, vacation, official holidays, crisis.

store used as social setting

ineffective display of products

4a. Introduce the concept of "price" by explaining that many groups set artificially low prices because they don't consider the full value of their labor. At a low price, sales can be very high but profits can be non-existent. (15 Min)

4b. Ask the trainees what elements need to be considered when setting an appropriate price for a product, (using the products introduced in 3a); put the list on newsprint.

TRAINER NOTES

Included in the above list should be the following items:

labor time; transportation costs; seasonal fluctuations; overhead; machinery depreciation; raw materials; advertising; current market price, etc.

5. Explain to the trainees that there are three central parts to a Marketing Plan: Situation Analysis, Goals/ Objectives, and the Strategy Statement. (These should be listed on newsprint.)

   Ask the trainees to share ideas about what is meant by each of the three terms and why they should be considered by a business or project in a particular order.

TRAINER NOTES

"Situation Analysis" details where the business is now and where it is going, based on its current activities. This would include information on the background of the company's choice of products and services, the normal forecast for the near future, and perceived opportunities and threats that lie ahead.

"Goals and Objectives" represent a conscious decision on the part of the company concerning where it would like to go.

The "Strategy Statement" contains three components. An Action Statement explains the ways in which the business will change its product, price, promotion and place choices to move toward the stated goals. To implement the actions chosen, the managers need to develop realistic budgets (for materials), production scheduled, and a plan to use manpower effectively. A final part of the "Strategy Statement" is a system of controls to monitor the plan's progress, and suggest adjustments to the plan in the future.

Ask what could happen to a business that doesn't go through some version of the three-stage process, and note the responses on newsprint. Point out how easy it can be for group members to have different expectations and for the project to lose direction if one or more of the steps are ignored.

Closing:

(5 Min)

6. Close this portion of the session by fielding any final questions regarding the above concepts, and telling the trainees that the second half of the session will concentrate on marketing flows and relationships.

   Tell the trainees that the concepts introduced thus far will be applied to a concrete problem.

BREAK

Introductory Statement:

7. Introduce the second half of the session by explaining to the trainees that marketing is an on-going process involving a variety of actors in addition to the producers.

Marketing Flows Discussion:

8a. Ask the trainees to imagine themselves to be producers of a certain product. (Choose one which is appropriate to the local culture). Ask the following questions:

> "In taking your product from design through sales, what key actors/organizations/events could influence your ability to realize a profit?" (Put the responses on newsprint).

TRAINER NOTES
Included in the actors/organizations/events named should be the following categories: competitors; consumers; suppliers; government; physical environment.

8b. Ask the trainees the following question:

> "What are the key issues that would affect you (as producers) in relation to those actors, organizations, and events?" (Put the responses on newsprint.)

TRAINER NOTES

An example of a "key issue" is:

Producer - Consumer Issue: consumer disposable income may be seasonal. The effect on the producer may be uneven cash flow; need to stockpile production; heavy use of credit, etc.

9. Lecturette/Discussion (30 Min)

Hand out the 5 Marketing Flow Charts and Review each group of relationships with the trainees based on the Explanatory Notes. Have them give appropriate examples for each group of relationships based on the products selected in Activity 8b above.

10. Lead a large-group discussion of the above exercise by asking the following questions:

    Were the relationships identified simpler/more complicated than you originally anticipated?

    How would your perception of the issues change if you took on the role of another actor?

    What are the implications for a potential producer? For your role as a PCV advisor to production groups?

Case Study: (20 Min)

11a. Pass out copies of "The Candy Factory" case study. Allow a few minutes for the trainees to read it individually, keeping market concepts (price, product, promotion, place) and market flows in mind as they develop a solution to the problem.

11b. Ask the trainees the following processing questions related to the case study:

- What are the key marketing issues in the study?
- What are the risks in staying at the same location? In moving to a new location?
- What concrete advice could you offer the business person? How would you present your recommendations?

TRAINER NOTES

The following summarizes key marketing points in the case of the candy business.

This situation illustrates the problems which face an enterprise as it expands; most small businesses start with manufacturing and selling on the same site, carried out by the same people. In this country, channels of distribution and other supporting infrastructure may be expensive or poorly developed. The employees, however much they need employment, cannot easily travel to a new location, and it is not a simple task to change from direct selling to marketing through intermediaries, with all the price and cost alterations that this implies.

The city authorities, as in many of these cases, will no doubt want to encourage or even compel the business to move out of the congested city centre, but a premature move, without management which can cope with the changes involved, may destroy the business.

Growth is not an end in itself, and it may be better for a business to remain small or even to contract, in order to make a profit, than to expand and lose money so that it eventually ceases operations altogether.

It may be wise, in the medium term at any rate, for the company to seek advice on improving its use of storage space and to look for additional warehouse facilities elsewhere rather than a completely new factory. This alternative might provide a breathing space during which management can plan an orderly transfer and development of marketing channels without being under daily pressure to move in order to continue operating at all.

Closing: (5 Min)

12. Close the session by entertaining any final questions regarding marketing concepts and market flows. Explain to the trainees that the next session will discuss the role of intermediaries (transporters, retailers, etc.) in the marketing process.

EXPLANATORY NOTES ON THE MARKETING FLOWS CHART

The following information is intended to explain the complex marketing relationships represented in the Marketing Flows handout.

1. **The Producer-Consumer Relationship**

   Since the choice of product originates in the relationship between producers and consumers, in the form of market studies to measure the level of demand, begin with that relationship.

   Producer to Consumer A -- Some consumers can be reached directly (in this case, and individual purchaser) by the producer. Of course, some individuals prefer going to convenient retail outlets. An example of a direct sale would be when a consumer goes to the workshop to buy the carpenter's products.

   Producer to Consumer B -- Other customers will only purchase through retail outlets. It is not worth the effort for some consumers to go to the workshop -- they would be willing to pay a little more to be able to purchase the product nearby. Some consumers are so large that they prefer all logistics be done by retailers (for example, schools or other institutions).

   Producer to Consumer C -- Some consumers offer the producer a longer term commitment, a larger scale of business, and other special advantages. These relationships may take more time and resources to develop, but the potential payoffs are greater. One example is government agencies.

   Producer to Consumer D -- Some consumers used to purchase the business' products, but have stopped doing so. The reasons for the change should be determined, so that Consumer D will resume buying the product and so that others won't quit for the same reasons.

   Producer to Consumer G -- There are always new POTENTIAL clients floating in the market. For a number of reasons they are not currently buying any products from the producer or competitors. It could be they don't see the need, don't understand all the benefits of the product, or don't think they can afford it. The reasons for their lack of involvement can tell the producer a lot about how to design, modify or advertise to increase sales.

   Competitors to Consumer E -- Some consumers are loyal to the competition's products. A better understanding of this loyalty can tell the Producer about how to win them over, and may suggest ways to increase loyalty among their own consumers.

   Substitutes to Consumer F -- Other consumers meet their needs with different products. For instance, many people buy handkerchiefs rather than kleenex. Advertising and pricing changes could win some of them over to what the producer is offering.

2. **The Producer-Competitors Relationship**
There are also a number of productions choices that reflect internal decisions on the part of the managers. These have been labeled as "Value Added Options" on the Marketing Flows Handout. In other words, the firm can make a basic product, or can enhance the finished product by providing special services (e.g. insurance, transportation) and/or refinements (e.g. special packaging). While raising the price and need for labor specialization, these can also increase the profit potential.

Accompanying Services -- The producer can offer to deliver something through the mail, or offer to provide training, assembly, a limited warranty, etc. These services increase the value added to the end product by the producer, so the price can be justifiably higher.

Packaging -- This component of the end product can decrease the chance of breakage, increase "shelf life", make the product more attractive and even give the product a higher resale value. Just as with "Accompanying Services" above, it reflects a conscious decision on part of the producer.

Transportation -- The producer can make it more appealing for consumers to buy his product by delivering it to the house, to a nearby store, etc.

Advertising -- This can also add to the perceived value of the product (and therefore the price that can be charged) by informing consumers about all the benefits of the product. Telling people that your product is "longlasting", "preferred by nine of ten doctors", etc. costs money, but also attracts more interested consumers.

3. **The Producer-Suppliers Relationship**
An additional side of the marketing equation is the relationship between the producer and primary raw materials suppliers. Since this directly affects the costs of production, choices in this area can have a decisive impact on the financial success of a business or project.

Producer to **Primary Supplier Raw Material A** -- The producer may have a secure link to some producers, preferring them because of their location, reliability, family ties, quality of output or other reasons.

Producer to **Primary Supplier Raw Material B** -- Other inputs that are required for production may be in scarce supply, and the producer may have to bid against competitors for the materials.

Producer to Supplier C -- There are also inputs that could be used, although they are not the preferred inputs for technical or economic reasons. This relationship is represented by a dotted line because it is something the producer should be aware of, although he may never have to resort to it. It could be that competitors are already making use of this supplier.

Producer to **Potential Secondary Sources** -- The producer should also know about other options for each of the critical inputs. If there's a sudden shortage, this could give him a decisive edge.

4. The Producer - External Forces Relationship

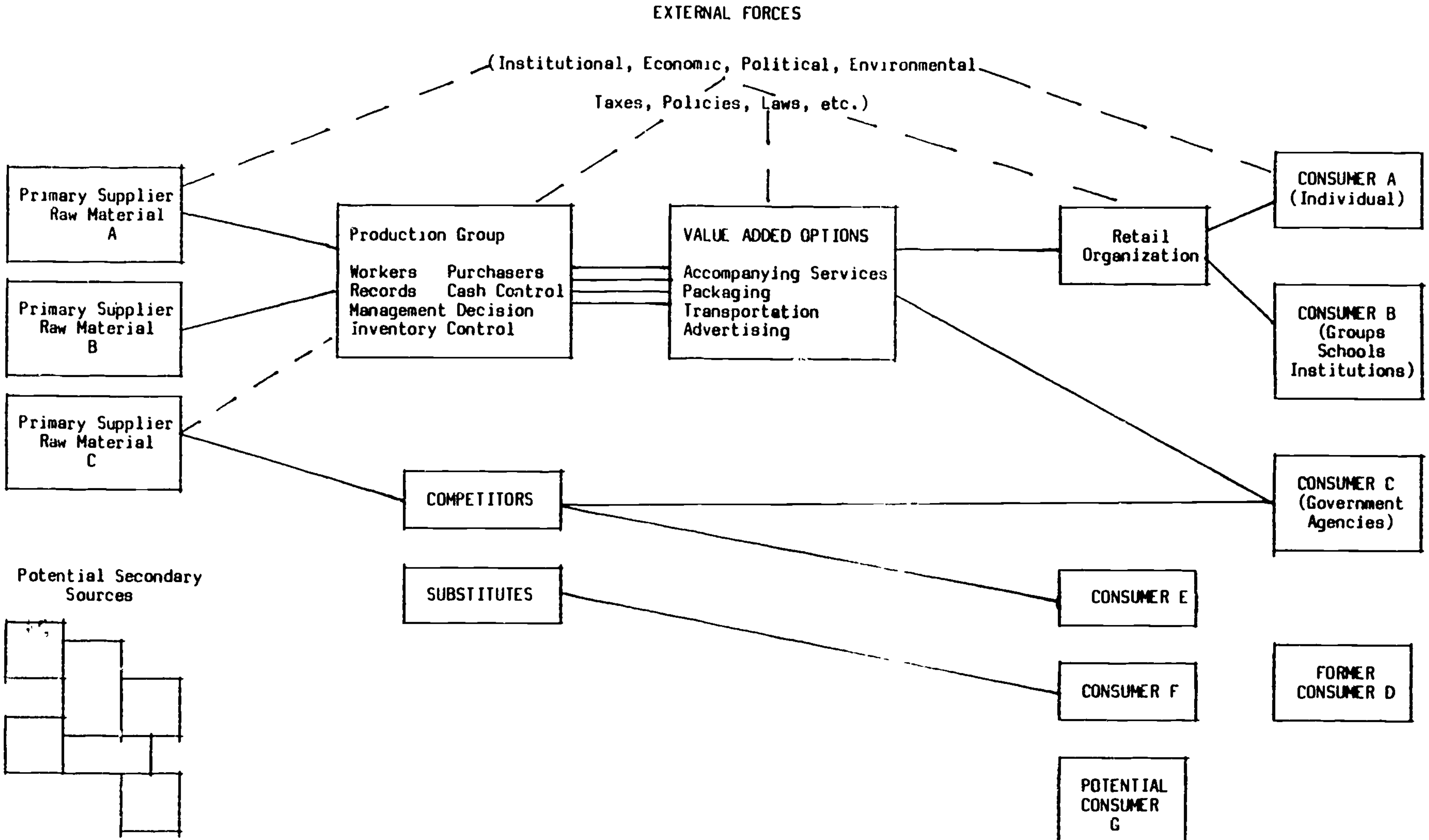
A final relationship is the link between the producer and external forces, including economic forces beyond his control, political decisions, institutional ties, environmental issues, and the like. These forces may set arbitrary limits on what can be produced, how much can be charged for it, when and where it may be sold, and what level of quality is required.

In the face of such forces, the producer may decide to develop special relationships to insulate his business from sudden shifts, or may attempt to unite with competitors so that they as a group can have more control over the situation.

Of course, it is also important to realize that these external forces also impinge upon the choices and behavior of other actors in the marketing flows system (consumers, suppliers, and makers of substitutes).

203

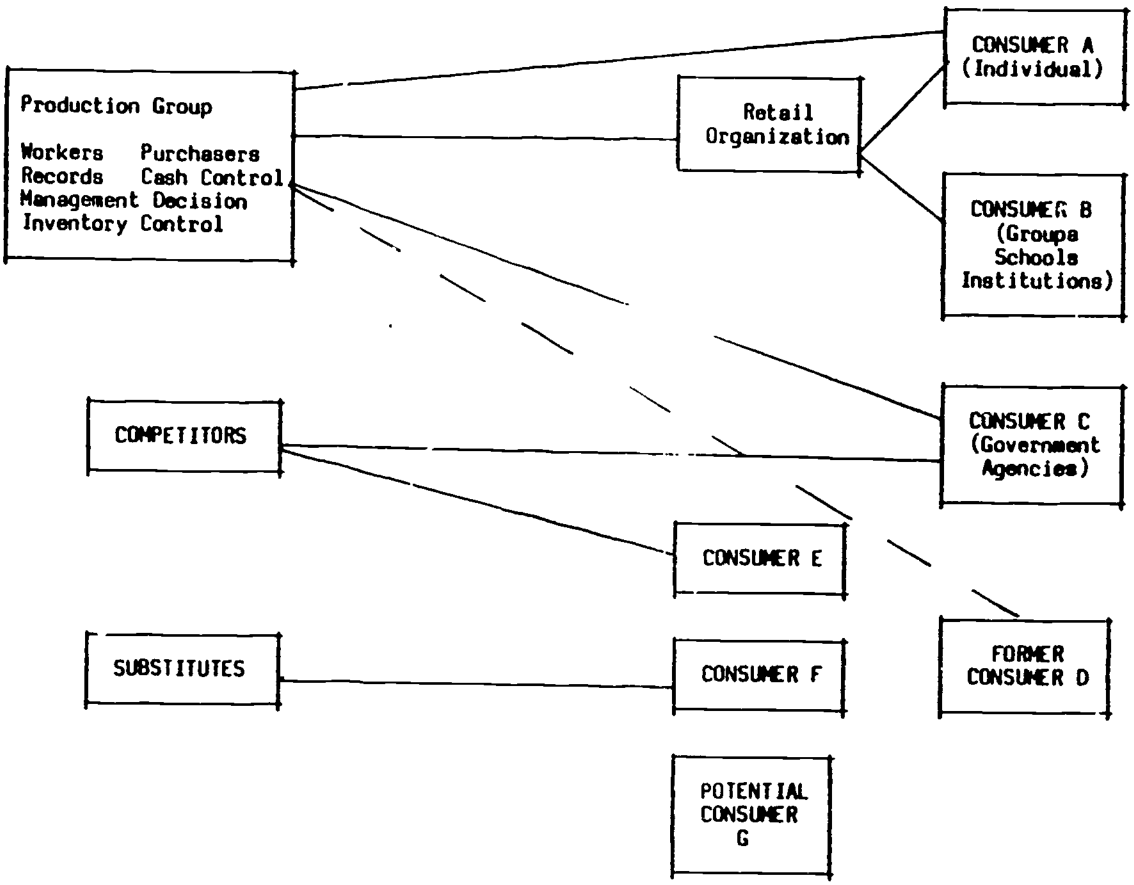
MARKETING FLOWS



REMEMBER TO LOOK AT THE WHOLE PICTURE

Module 4
Session 20
Handout 1, p.1

THE PRODUCER - CONSUMER RELATIONSHIP



Module 4
Session 20
Handout 1, p.2

THE PRODUCER - COMPETITORS RELATIONSHIP

MARKETING FLOWS

EXTERNAL FORCES

(Institutional, Economic, Political, Environmental

Taxes, Policies, Laws, etc.)

Production Group

Workers Purchasers
Records Cash Control
Management Decision
Inventory Control

VALUE ADDED OPTIONS

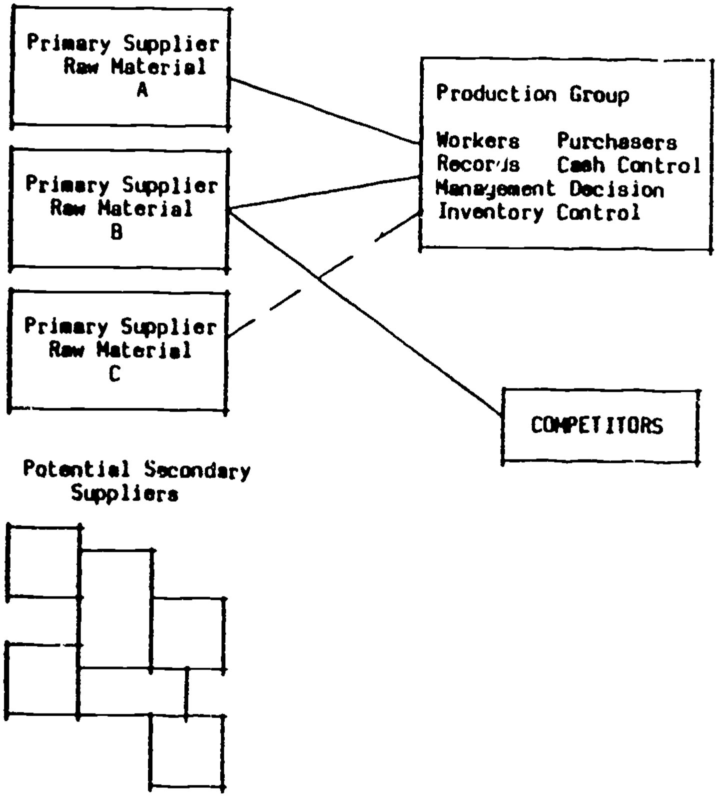
Accompanying Services
Packaging
Transportation
Advertising

COMPETITORS

SUBSTITUTES

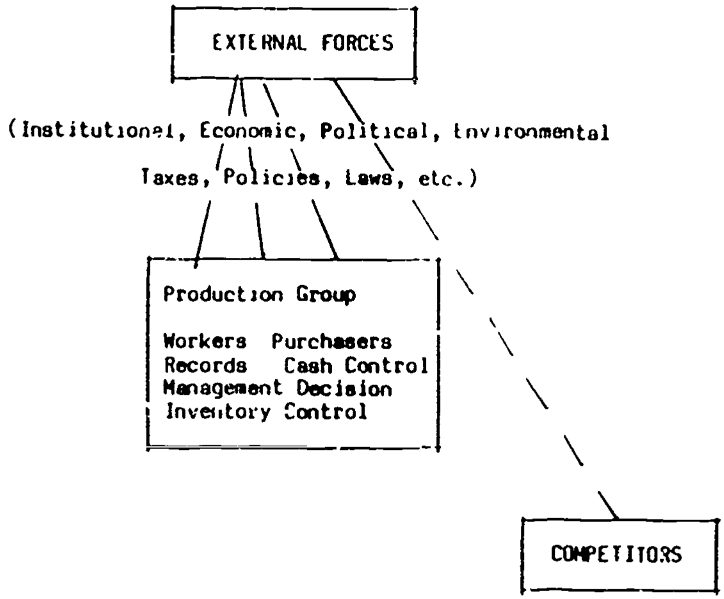
Module 4
Session 20
Handout 1, p.3

THE PRODUCER - SUPPLIERS RELATIONSHIP



THE PRODUCER - EXTERNAL FORCES RELATIONSHIP

MARKETING FLOWS



Module 4
Session 20
Handout 1, p.5

THE CANDY FACTORY
(Ethiopa)

Local ~`.rency: 10 Birr=US$5.00

A small factory which produces candy is located in Marcato, a densely populated market area of Addis Ababa. The annual sales of candy of various kinds and flavours amount to about Birr 130,000.

Sugar, which is the major raw materials for candy production, is obtained from the local market, while chemicals which account for 17% of the total costs are imported from abroad.

The firm employs 31 workers: 19 of them are women, most of whom are engaged in wrapping the final product.

The factory building is old and cramped causing some inconvenience. The machines and the workers are crowded in small rooms, while the raw materials and the candies in stock are piled up in every space that can be found.

The owner does not find it feasible to repair and enlarge the building due to lack of space for expansion. He is thinking of moving to an industrial zone on the outskirts of the city. Constructing a factory building, however, involves a substantial amount of expense which can result in shortage of working capital. Since some of the materials are imported from abroad and take months to arrive, he needs to set aside a good amount of money to order consignments in bulk. This ensures uninterrupted supply and production.

Moving to the outskirts of the city can also result in additional costs. The factory in its present location serves as both a production and a sales centre. It will not be possible to sell from the new site, as the old customers--wholesalers and retail traders--would not want to incur extra transport expenses, and would probably change to a nearer supplier in the city centre.

There seems to be only one solution: to open a sales office in the market place. This means a change in the cost structure of the factory as new costs of transport or rent for the sales office and payments for additional staff will be incurred. This will result in an increase in prices of the candy, which in turn will lead to a fall in demand and sales, thus affecting the whole business.

The emplyment situation complicates the problem further. The workers who now live adjacent to the factory will either demand higher wages to cover the transport and other expenses which the move will entail or ask for a free transport service. They may even consider changing their job. Therefore, the owner will have to pay higher wages in order to keep them.

He could avoid the new costs and its chain of effects on production, employment and marketing, if he stays at the present place. On the other hand, the problem of space is a pressing one: the imported items come in large quantities and have to be stored for a long time, the final products are stocked in some volume until sales are made, and the working environment is not pleasant. All these factors point to the need for more space.

(From: M. Harper and T.Thiam Soon, "Small Enterprise in Developing Countries: Case Studies and Conclusions," Intermediate Technology Publications, Ltd., 1979.)

MODULE 4: FEASIBILITY/VIABILITY ASSESSMENT

SESSION 21: THE ROLE OF INTERMEDIARIES IN MARKETING

TIME: 2 HOURS

RATIONALE:

This session will emphasize the central role played by intermediaries in the marketing process in developing country economies, and alert trainees to the potentially detrimental costs incurred by leaving many of the auxiliary services up to these actors. Without a clear understanding of the benefits and costs involved in using others' marketing services, a project or business activity can result in low or no profits. Peace Corps Volunteers with ongoing projects and firsthand field experiences with intermediaries and marketing will participate.

OBJECTIVES:

1. To clarify the role of intermediaries, consider the costs and benefits of using them in marketing products, and suggest possible ways of circumventing intermediaries.

2. To discuss the concept of "value added".

3. To present two examples of the influences of marketing decisions and intermediaries on Peace Corps Volunteer projects in the host country.

TRAINER PREPARATION:

1. Invite at least two Peace Corps Volunteers with ongoing production-oriented projects to participate in the session. Explain that the focus of the session will be on the role of intermediaries and marketing in project success, and ask the Volunteers to be prepared to present a brief project description to the trainees. If possible, one of the Volunteers should be involved in an agricultural project, and the other should represent marketing issues from a handicrafts/consumer goods point of view.

2. Check to find out what types of marketing intermediaries are most commonly used in the host-country for use in the large-group brainstorming.

3. Prepare newsprint for the following items:

- session objectives
- lecturette outline
- wood cabinet processing steps

MATERIALS:

1. Newsprint, pens and markers

TRAINEE HANDOUTS:

N/A.

PROCEDURES:

Introductory Statement: (5 Min)

1a. Explain that this session will be devoted to discussion and analysis of the role of intermediaries in the marketing process, a role that has concrete benefits and costs for a production group or a business.

1b. Introduce the visiting Peace Corps Volunteers and explain that they have been invited to participate in the session to provide real-life examples of how the marketing concepts discussed in this and previous sessions can affect a project. Ask the Volunteers to introduce themselves, indicate how long they have been in the country, where their sites are located, and the kind of project in which they are involved.

1c. Review the objectives of the session and clarify any questions the trainees may have regarding them.

Brainstorming: (20 Min)

2a. Ask the trainees to define the term "intermediary" and the types of functions they may fulfill between producers and consumers in the marketing process.

TRAINER NOTES

Included in the definition of intermediary could be:

Actors in the marketing process who play facilitating roles but are neither the end users of the products nor their producers. Intermediaries take advantage of economies of scale, market contacts, market information and poor infrastructure (transportation, communications) and fill gaps in the marketing flow. They fill an "intermediary" role between producers and consumers.

Examples include:

Credit suppliers: Intermediaries supply credit to farmers for the purchase of seeds, fertilizer, and other supplies in exchange for a percentage of the harvest.

Transportation: Intermediaries charge for delivery of final products to nearby and distant markets for final sale.

Production Inputs: Intermediaries purchase large amounts of inputs at bulk purchases, selling to individual producers in smaller amounts and charging retail prices.

Retail Sales: Intermediaries buy products from individual producers and sell them to consumers in stores in nearby or distant markets.

2b. Ask the trainees what advantages there are in using intermediaries. What disadvantages? (Put the responses on newsprint.)

TRAINER NOTES

Advantages of using Intermediaries are:

They fill gaps in the marketing process, allowing the producers to concentrate on efficient production of the final product.

They may offer services that the producer would not be able to get any other way. For instance, a farmer would have a difficult time delivering his output to market quickly and without damaging the products, whereas an intermediary already has his own transportation and knows the market schedule.

They have the market contacts required to sell large amounts of products in central markets. The producer might have to visit several retail and wholesale outlets before finding a receptive one.

They have access to better market information and to changes in consumer tastes, changes in income, and consumer feedback.

Disadvantages of using Intermediaries:

Since the intermediaries often enjoy monopoly positions, the services offered can be prohibitively expensive.

Reliability may be an issue. Since the intermediaries represent many small producers and some large producers, they may favor a given producer.

The intermediaries may not channel market information (such as changes in tastes, incomes, styles, etc.) back to the producer.

Large Group Discussion on Intermediaries' Roles: (10 Min)

3a. Ask the trainees to come up with a list of types of intermediaries they have seen in the host country. Note the responses on newsprint.

3b. Ask the trainees the following questions about the intermediaries listed:

Do you think that the intermediary's work adds a lot to the value of the product? Why/Why not?

Do you think that the intermediary's work adds a lot to the cost of the product? Why/Why not?

Lecturette/Discussion on Value-Added Concept: (20 Min)

4a. Deliver a lecturette on the concept of value-added based on the following points:

In deciding whether or not to use intermediaries, a primary consideration is how much value they add to the final product. If the producer feels that the cost of using the intermediaries is substantially higher than the value added to the product, he/she may choose to assume some of those functions internally.

Most products go through several stages of processing, beginning with raw materials and culminating in a finished product being sold and delivered to the consumer. The raw materials may be reworked, mixed with other raw materials, cut, polished, etc.

An example would be the steps required to make, sell and deliver a wood cabinet (already on newsprint):

Step 1 -- chopping down the tree
Step 2 -- delivering the raw material to the user
Step 3 -- cutting wood into standard sized wooden planks
Step 4 -- cutting the wood into various pieces, planing, polishing, finishing the pieces
Step 5 -- nailing, gluing, assembling pieces, applying finishing veneers
Step 6 -- attaching metal pieces to drawers
Step 7 -- packaging
Step 8 -- transporting to store
Step 9 -- selling wood cabinet to consumer

The producer may choose to be involved in Steps 1, 2 and 3...or the producer may prefer Steps 4, 5 and 6...or just Step 4...or other combinations of the Steps listed above.

As the producer broadens his role (taking on more of the steps of production involved in making wood cabinets), he/she increases the value added to the raw material: wood. He/she is investing more time and more labor, using different types of equipment and different skills, so he/she is entitled to more of the profits realized from the sale of the cabinet to the consumer.

4b. Ask the trainees for an example of another product in the host country that goes through several steps of processing and raw material refinement. Have them develop a list of the processing stages on newsprint. Ask the following questions:

What are the advantages to the producer of taking on more of the steps of processing for the product?

What are the disadvantages to the producer of taking on more of the steps of processing for the product?

TRAINER NOTES

The advantages mentioned could include the following:

- Higher profit potential
- Closer contact with consumers (resulting in better information regarding changes in styles, acceptable prices)
- Closer contact with raw material suppliers (resulting in better information regarding access, prices of wood)

The disadvantages mentioned could include the following:

- Greater internal coordination required
- More capital required
- More training required
- More equipment required
- More market contacts required
- More storage space required
- More credit required

Presentations by Peace Corps Volunteers: (40 Min)

5a. Invite the Peace Corps Volunteers to make 15-minute presentations regarding their projects and the experiences they have had with intermediaries and the whole process of marketing goods and services.

5b. Remind the trainees to consider all the aspects of marketing that they have covered (including key decisions regarding price, product design, promotion and place of sale) and relate this information to the presentations. Allow sufficient time for questions/comments after the Volunteer presentations.

Large Group Discussion: (15 Min)

6. Pose the following questions to the Volunteers and trainees:

   With the projects presented, does it seem to you that the intermediaries are filling a necessary marketing function?

   Do the intermediaries in these cases seem to charge a higher fee than is justified for their activities?

   Can you suggest any ways in which production groups, such as those mentioned in the presentations, could sell their products without the assistance of intermediaries?

TRAINER NOTES

Some of the ways to get around the intermediaries include the following suggestions:

- Production groups could pool their output and market it as a unit directly to large wholesalers or retailers.
- Consumer cooperatives could be established in which producers buy some or all of the raw materials required in large quantities.
- Transportation cooperatives could be organized in which producers rent or purchase the vehicles required to market their output directly.

Large Group Discussion: (10 Min)

7. Ask the trainees to re-evaluate the role of the intermediaries by asking the following questions:

   - Having considered the pluses/minutes of intermediaries in general, how realistic do you think it is to bypass them in the local business culture?
   - What would be your role vis-a-vis the business or project decision makers and their use of intermediaries?
   - What does elimination of intermediaries imply for the organizational sophistication required of the producers?

Closing:

(5 Min)

8a. Thank the Volunteers for their assistance and encourage the trainees to ask them any remaining questions after the session.

8b. Close by explaining to the trainees that the next session will give them a practical application of the use of intermediaries in production and marketing.

MODULE 4: FEASIBILITY/VIABILITY ASSESSMENT

SESSION 22: MARKETING ROLES SIMULATION

TIME: 2 HOURS

RATIONALE:

Many cooperatives and small businesses fail due to problems rooted in marketing misunderstandings rather than just production difficulties or mismanagement. This session offers a clear understanding of the local and regional interactions that make up the marketing process from raw materials to sales outlets.

OBJECTIVES:

1. To review the Marketing Flows handout from a previous session, and reiterate the elements of marketing in a developing country environment.

2. To identify at least two specific effects that each sector of a marketing system (production, processing, and consumption) has upon price.

3. To identify at least one relationship between each sector.

TRAINER PREPARATION:

1. Review the steps for the Simulation Game carefully; ensure that there are a minumum of 11 players (use training staff or trainees from other sectors to reach the total, if necessary). If possible, practice playing the game once before the session to ensure comprehension.

2. Prepare the "money" and "wheats" for the players. Adapt "wheat" to an appropriate local commodity, as necessary.

3. Prepare newsprint for the following items:

   - session objectives
   - game instructions

MATERIALS:

1. Newsprint and magic markers
2. Staplers

TRAINEE HANDOUTS:

1. "Producer", "processor", "consumer" guide sheets

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by explaining to the trainees that the marketing concepts covered during the previous session will now be put into practical use. In order to help them appreciate the pressures felt by the various actors in the marketing chain, they will take on the roles of producers, processors, or consumers--each with its own economic motivations and constraints.

1b. Review the objectives for the session (already on newsprint), and clarify any questions the trainees may have regarding them.

Simulation Introduction: (10 Min)

2a. Purpose:

- To develop a practical understanding of how the price system operates and how market information is transferred from consumer back to producer.

- To emphasize how individual consumers, processing firms and farmers operate in a free market environment which has considerable uncertainty at all levels.

2b. Players:

- A minimum of 11 players is required; more may be included if the group is larger:

  4 producers (each working individually). In the game, the "producers" are farmers.

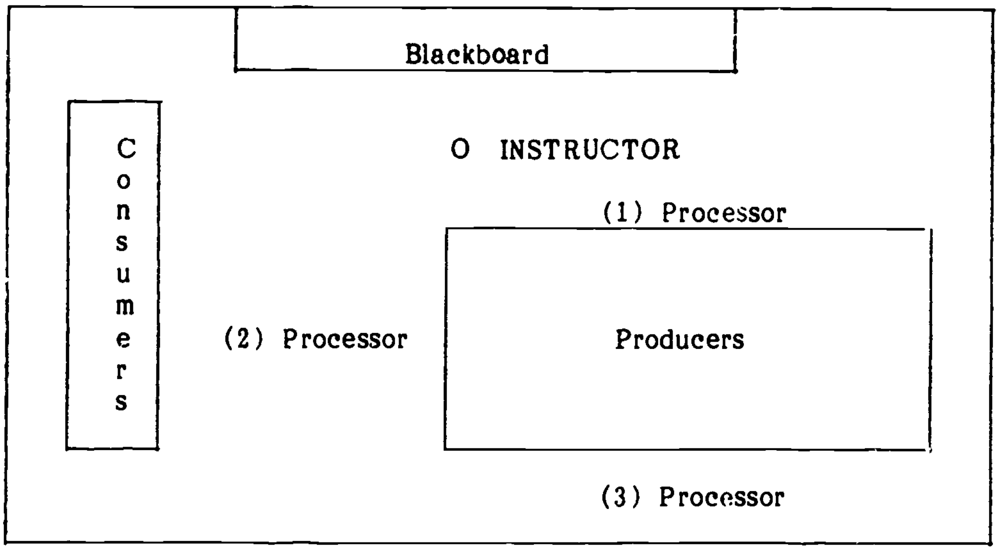
  4 processors (working in teams of 2)

  3 consumers (each working individually).

2c. Room Layout:

- Boxes indicate starting locations for each group; they are free to move during the game, if they choose.

- Processors should be located at different parts of the room, perhaps with a table in front of them so that they are obvious. Farmers and consumers can go to the processors, or processors can leave their tables. If they move their table, the trainer can intervene by asking their reasons for the relocation of their plant or sales office.



2d. Game Instructions: (15 Min)

a. Divide the trainees into three groups (producers, processors, and consumers).

b. Pass out the instructions and worksheets for each player and allow 15 minutes for players to become familiar with their roles and tasks.

c. Explain to the trainees that there are three groups involved in the trading game...oroducers, processors, and consumers. The object of the game is to trade and purchase wheat and bread in such a manner as to maximize profits or points (depending on your individual role in the game). Stress that active participation in the process is essential to win the game and that creativity is encouraged.

d. Tell the trainees that there will be several trading periods with time to review their trading and production strategies between periods. BEGIN THE GAME BY ANNOUNCING THE OPENING OF THE FIRST TRADING PERIOD.

TRAINER NOTES

"Wheats" are used instead of bushels so that prices can be stated in even dollars (or you can use the host-country currency). Mechanics of the game can work with paper money or numbers being written down. This should help the trainees visualize what happens in the market and also make the trading process more exciting.

The game should last from 3-5 periods. The first period should last about 20 minutes and successive periods should be 10-15 minutes each. Participants should not be told the exact number of periods the game will last, thereby preventing erratic behavior.

At the end of the first trading period only, allow 5 minutes for the producers to make the production decision mentioned in their guide sheet. (This allows the other groups to also reassess their strategies.)

At the conclusion of subsequent trading periods, allow 2 minutes for the trainees to review their work.

Keep the following points in mind regarding the game:

- Information is not hidden, but no specific structure exists to transfer it.
- Capital is concentrated with consumers; no provision is made for creating financial arrangements, but no restrictions are imposed either.
- Innovations are acceptable; however, restrictions may need to be imposed by the trainer if the market structure begins to change from one which generally resembles that of a free market.

Watch for the following innovative practices during the game:

- Any delayed payments to farmers or pre-payments by consumers (to be pointed out after the game).
- Collusion within/among groups, such as pooling of resources. (This should be pointed out during the trading period, and those involved should be asked what they hoped to gain through this process.) Tell the trainees that such practices are not acceptable for the remainder of the game.

Game Implementation: (60 Min)

3. Have the trainees play the game for 3-4 trading periods (depending on time available and level of interest).

Post Game Discussion: (25 Min)

4. Reconvene the trainees into a large group, and lead a discussion of the game by asking the following questions:

   Were there any pressures or motivations in any of the groups that surprised you? What were they?

   Did you feel that most of the players were acting cooperatively or competitively? How was it manifested?

   Did you feel that you were making independent choices or were influenced by outside pressures?

   Was the necessary information to make your decision available when you needed it?

   What additional information would have been helpful to you in your role?

   What would have happened if government price controls had been instituted?

   What would have happened if a drought had occurred?

   What would have happened if the processors had a maximum capacity of three loaves a trading period?

   How would consumers have behaved differently if there had been more than one quality of bread? If there were other goods available in addition to bread?

Closing: (5 Min)

5a. Close the session by pointing out that this game was a simplified market representation. Ask the trainees the following question about what they would expect in an actual market situation:

   What other types of groups would have been involved in a real market situation? (Intermediaries, retail versus wholesale stores, large-scale versus small-scale consumers.)

5b. Explain to the trainees that the next session will focus their attention on one important aspect of marketing--information gathering.

GUIDE FOR CONSUMERS

You are beginning with $500 and one unit of bread on hand. You may "consume" bread by turning one or more breads into the instructor and gaining points according to this schedule (for each round):

1 Bread	10 points
2 Breads	19 points
3 Breads	26 points
4 Breads	31 points
5 Breads	34 points

You also get 3 points for every bread in inventory at the end of the game and 1 point for every $10 on hand at the end of the game.

Your goal is to maximize total number of points. There will be 3 to 5 trading periods in which you may buy bread. Record each transaction carefully. The consumer buying at lowest average price gets an additional 10 points at the end of the game.

At the end of the game, total the number of points you have earned, using the form on the reverse side.

(Adapted from Simulation by Salut, Inc., available through Peace Corps ICE Office, T-31).

Name____________________

PURCHASES OF BREAD:

Number Purchased	Price per Bread	Total
TOTAL		

Average purchase price = $\frac{\text{total amount spent}}{\text{number puchased}}$

CONSUMPTION:

	Number Turned In Each Period	Points
Period 1		
Period 2		
Period 3		
Period 4		
Period 5		
TOTAL		

Total consumption points ________
Number of breads left over ________
Times 3 points for each left over ________
Money left over ________
Divided by 10 ________

TOTAL POINTS ________

GUIDE FOR FARMERS

The two wheats you have were produced last year and stored. Cost to produce these two wheats ($38 plus storage costs ($6) amount to $44 for both or an average of $22 per wheat). You have already paid these costs.

Payment on your farm mortgage this year is $30. This obligation must be paid whether you produce more wheat or not.

You will have a chance to sell any of your available wheat to processors before producing more wheat. Any wheat not sold during the trading period costs an additional $1 for storage. This same figure will be applied to all wheat on hand at the end of each trading period.

After one trading period, you may produce wheat. Only one harvest will be made in the entire game. Carefully consider the total costs shown in Table I. When you decide how much to produce, the instructor will give you the desired number of wheats. You need no cash. Simply record the "transaction" so you will be able to calculate your profit (or loss).

After producing wheat, your transaction statement should include most of these items:

Storage on (one or two) wheats on hand at the end of the first period	$0, $1, or $2
Production costs for current year	amount from Table I corresponding to number of wheats produced
Sale of wheats from previous market	record price times number of wheats sold

Table 1
Production Costs

Number of Wheats to be Produced	Projected Cost of Production
1 wheat	20
2 wheats	38
3 wheats	54
4 wheats	69
5 wheats	85
6 wheats	104
7 wheats	130
8 wheats	165
9 wheats	215

There will be two to four additional trading periods in which you may sell wheat. Record each transaction carefully. At the end of each period, add $4 storage cost for each wheat not sold.

At the end of the game, calculate your profit or loss statement using the form provided and hand into the instructor.

Name______________________________ Date____________________

Transaction Statement - Producer

Transaction	Number of Units	$/Unit	Cost	Revenue

Profit (Loss) Statement

Sales Revenue	$ ________
Value of _____ Wheats not sold at $_____ per wheat	+ ________
Cost of 2 wheats from previous year	- 44
Production costs of wheat this year	- ________
Storage costs	- ________
Mortgage payment	- 30
Profit (or Loss)	$ ________

GUIDE FOR PROCESSORS

You are beginning with $125 and two breads (processed wheats) in your warehouse. Since there are no retailers in this simplified market situation, you sell directly to consumers. You incur three kinds of costs:

Buying wheat
Processing
Payment on a loan to bank

You must buy wheat from farmers with cash. Processing is done by folding and stapling the wheats you buy. Processing costs are $15 per wheat processed into bread. This cost is not paid with cash. Instead, simply record the appropriate cost on your "transactions statement". Processing costs are incurred at the moment "BREAD" is written on the wheat. Once a wheat is processed, it cannot be "unprocessed". The $15 is already spent whether the bread can be sold or not.

You have a considerable investment in storage facilities and processing equipment. This year $60 is due on your loan from the bank. You need not pay this in cash; simply record the amount as an expense on your income statement.

You incur no regular storage costs except for wheat or bread on hand at the end of the game. You must add $5 for each wheat and $5 for each bread you have on hand at the end of the game.

Cost of the two breads you have in your warehouse are roughly $22 each purchase price and $15 each for processing or $74 total for both. (For simplicity,storage from last year to this year is ignored.)

Your transaction statement should then contain some of these items at the end of the game.

(Adapted from Simulation by Salut, Inc., available through Peace Corps ICE Office, T-31).

Name________________________________

Transaction Statement

Transaction	Number of Units	$/Unit	Cost	Revenue
TOTAL AT END OF GAME				

Profit/Loss Statement

Sales Revenue + ____________________ $

Inventory Value
Value of ______ wheats on hand at $______ per wheat + __________
Value of ______ breads on hand at $______ per bread + __________ + ____________________ $

Cost of two breads from previous year - 74 $

Cost of wheat purchased - ____________________ $

237

Processing expense	- ______ $
Loan Payment due	- 60 $
Storage Expense	- ______ $
Profit or loss	- ______ $
Purchase of wheat	______ $
Price ______ $, Number	______ $
Processing $15 X Number Processed	______ $
Sales of Bread	______ $
Storage of Wheat and Bread at end of game $5 X Number	______ $

There will be three to five trading periods in which you may buy wheat and sell bread. Record each transaction carefully.

At the end of the game, calculate profit or loss statement using form provided and hand in to instructor.

Period #__________ Processor__________

Number Wheats Purchased __________

Total Paid $__________

Number of Bread Sold __________

Total Paid $__________

Period #__________ Processor__________

Number Wheats Purchased __________

Total Paid $__________

Number of Bread Sold __________

Total Paid $__________

Period #__________ Processor__________

Number Wheats Purchased __________

Total Paid $__________

Number of Bread Sold __________

Total Paid $__________

Period #__________ Processor__________

Number Wheats Purchased __________

Total Paid $__________

Number of Bread Sold __________

Total Paid $__________

MODULE 4: FEASIBILITY/VIABILITY ASSESSMENT

SESSION 23: MARKET INFORMATION GATHERING

TIME: 2 HOURS, 30 MINUTES

RATIONALE:

Market research should not be confused with stateside versions, which expend millions of dollars to determine product characteristics and servicing needs. In this session, tools will be developed to plug simple marketing gaps, and trainees will discuss how to frame questions and issues in culturally acceptable ways.

OBJECTIVES:

1. To identify all the potential information sources in a given setting.

2. To have trainees practice useful information-gathering techniques.

3. To emphasize that market research is a "quick and dirty" effort aimed at lessening the uncertainty by identifying and assessing the most important risks.

TRAINER PREPARATION:

1. Familiarize yourself with the Market Assessment form in order to ensure that all the relevant questions are included for use in the host country.

2. Find out what methods host-country business people use to get market information, and develop examples of using/not using business decisions in order to use them during the large-group discussion.

3. Review the steps of the Keeprah Model (Session 13) to be able to refer to it during this session (Part 3).

4. Review the techniques of information gathering (Session 4) to remind the trainees of them during the session (Parts 3a and b).

5. Prepare newsprint for the following items:

   - session objectives
   - outline of information-gathering skills
   - small group task

MATERIALS:

1. Newsprint and magic markers; tape

2. Paper and pens

TRAINEE HANDOUTS:

1. Market Assessment Form

2. "The Folly and Consequences of Trusting Your Data"

PROCEDURES:

Introductory Statement: (5 min)

1a. Remind the trainees that they have already started to come to terms with the question, "When is the information you have ENOUGH?" Ask them if, based on their experiences in the Simulation as well as on observations they have made in the host country, they would feel confident in assisting a project or advising a business in a situation when some of the information they would like is missing.

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Market Research: (10 min)

2a. Introduce the concept of market research by asking the trainees the following questions:

- Why do American firms invest heavily in market research?

- What are some of the ways in which American firms gather market information?

TRAINER NOTES

Included in the responses to the above questions might be the following:

- heavy investment in market research allows firms to understand the changes in consumer behavior before mass-producing inappropriate products.

- ways of gathering information include telephone surveys, questioning people on the street or at home, test-marketing products, etc.

2b. Ask the trainees the following questions regarding the role of market research in the host-country. Put their responses on newsprint: (10 Min)

- How do host-country business people appear to get market information?
- Can you give specific examples of situations in which a business decision-maker either <u>did</u> or <u>did not</u> make use of market research before reaching a decision?

<u>Small Group Task:</u>

3a. Ask the trainees to remember the Keeprah Model exercises, in which the formal and non-formal leaders of a "community" are identified. Divide the trainees into two small groups--one focusing on the following issues from the viewpoint of a store owner or other retail person and the second group focusing on the following from the point of view of a smallscale producer. (Have them choose a different type of group from the one they have already visited/observed during the training program.) Assign the following task, already on newsprint: (45 Min)

a. Develop a description of your organization--the setting, products, competitive advantage, size, etc.

b. Make a list of the questions you would want to have answered before enlarging your business.

c. Review the marketing flows chart you developed during the Introduction to Marketing Session, and determine which of the actors is likely to have the information you need.

d. List any other individuals in the community you would contact before reaching a decision, and indicate what types of information you would expect to obtain from them.

e. Indicate how reliable you would expect the information gathered to be.

Be prepared to make a ten-minute presentation of your information to the large group for comment/critique.

Small Group Presentations: (30 Min)

4. Reconvene the trainees and have each small group make its presentation for comments/critique. Be sure the large group focuses on the appropriateness of the questions, and the selection of information sources in their review comments.

Large Group Work On Market Assessment: (30 Min)

5. Pass out the "Market Assessment" form, and have the trainees read it individually. Stress to them that the form is a planning tool to be used with the business/project group members, not one to be used with consumers. Lead a large-group discussion of the following:

   Comparison of the contents to the questions developed in the small groups, noting any discrepancies.

   Development of a comprehensive assessment form, based on the information they developed and that provided in the assessment form.

Role of the Volunteer in Information-Gathering: (15 Min)

6. Ask the trainees the following questions regarding the role of the Volunteer in information-gathering:

   - What is the appropriate role for the Volunteer in market research?
   - How active should the PCV be vis-a-vis the group with whom he/she is working?
   - What dangers are there when the PCV does all the market research alone?
   - Who is more likely to know the real centers of influence in a community---the PCV with the KEEPRAH model, or a member who has lived there all of his/her life?
   - How can a host-country person be trained to take on this function? What is the appropriate role for the Volunteer in this process?

Closing:

(5 Min)

7a. Close the session by emphasizing how the issue of market research/information utilizes skills already discussed and practiced in previous training sessions, including: interviewing, locating community leaders, observation, management of the training store, marketing flows.

7b. Pass out the handout, "The Folly and Consequences of Trusting Your Data", for the trainees to keep as reference material.

MARKET ASSESSMENT FORM

Many Peace Corps Volunteers work with income generation and small business projects with individuals and communities. Many of these projects plan to produce or are producing goods and/or services for sale. As such, there is a marketing component in many projects.

The following list of questions is designed to assist the Volunteer, the community, or the individual assess the marketing aspect of the project. Not all questions will be applicable to all products or services. For example, some questions may apply to agricultural products, but not to craft items. The Volunteer should use his/her best judgment in deciding what questions need to be answered and at what level of detail.

A separate market assessment form should be used for each product to be produced. If, for example, your project proposes to produce chickens and potatoes, or baskets and wood carvings, a separate form should be used for each product.

In the logic of project development, a market assessment should precede production start-up. In other words, if there is no market, there is no business.

In going through these questions with your group, some of the information requested may not be available. Most developing countries do not have much information available on markets for various products or price and quality considerations. Many times the Volunteer or the community will have to go out into the proposed market and ask questions of buyers and sellers. You can also learn a lot about your proposed market by studying your competitors or by observing how the proposed market works.

The answers to these questions will help focus on some production-related questions. For example, how much do we propose to make, at what quality, do we have sufficient raw materials, do we have the capability to supply the market, can we make a profit, are there government price controls on our product or raw materials, who is going to keep the books and manage the production to assure timely production and delivery, etc?

(This form has been adapted by Gary Laidig and Mike Goldberg from Starting a Small Business in Jamaica, published by the Inter-American Institute for Cooperation in Agriculture (IICA), Kingston, Jamaica.)

"The Market Assessment Form is an outline of some of the important questions that a **production group** should consider when choosing a product, the level of quality, the form of promotion, price, etc. The group can draw up questions for actual and potential customers based on **information gaps** that they feel exist."

The subsections of the Form could be as follows:

Product Choice

1. What product do you plan to produce?

2. Why do you think there is a need for the product?

3. What reasons are there for people to buy this product?

4. How would you characterize the product?
   ____ A luxury item (decorative items, fancy clothes, etc.)
   ____ A basic necessity (food, clothing, etc.)

5. Would you buy the product? Why or why not? ______________________________

   ____

Product Characteristics

6. When someone shops for this product, what are the four most important characteristics they look for?

   ____

7. Is the product perishable?

8. How long can it be stored without reducing the quality? ________________

9. What kinds of packaging can be used to store the product for longer periods of time? ____

Clients and Demand Cycles

10. Who specifically will be the customers?
    ____ Tourists, etc. _____ Upper-income people, etc.

11. How often do your customers use the product?
    ____ Daily _____ Weekly _____ Monthly _____ Other

12. If the price were lower or the product were more readily available, would people use it more frequently? ____ Yes ____ No

13. Where are most of the customers located?
    ____ local community _____ In the surrounding area
    ____ In towns or cities _____ Overseas

This form has been adapted by Gary Laidig and Mike Goldberg from Starting a Small Business in Jamaica, published by the Inter American Institute for Cooperation in Agriculture (IICA), Kingston, Jamaica.

14. Is there a special time of the day that demand is highest?

____

15. Are there special times of the week, month or year that demand changes dramatically?

____

16. How will customers obtain the product?
____ They will come to the production site
____ The group will deliver it to the customers
____ Others will buy it and resell it to customers
____ Another way

17. How will products be transported to the point of sales?

____

18. What is the chance that the product will be damaged in transport? Will consumers buy it if it is damaged?

____

PRODUCTION COSTS AND PRICING

19. How much will transport add to the cost of one unit of output?

____

20. How many products must be sold to cover transportation costs?

____

21. Would some customers pay a premium for timely and convenient delivery (door-to-door), or for higher quality products? (bigger potatoes)?

____

22. What price will you charge for the final product?

____

23. Will you offer special prices to important customers, new customers, family members and friends, others?

____

____

24. How did you arrive at the price(s) you have listed?
____ Using the existing market price for similar products
____ Using a lower price than exists for similar products
____ Using a higher price than exists for similar products
____ Using calculations based on production costs involved
____ Guessed
____ Other way (specify)

25. Will you be able to adjust prices quickly if your costs change? (How will it be done?)

____

THE COMPETITION

26. Do you know who the competitors are?

____

____

27. Where are the competitors located?
    - ____ In the community
    - ____ In towns and communities
    - ____ In the surrounding area

28. Are the competitors:
    - ____ New in the business
    - ____ In business for some time
    - ____ Very well established

29. The competitor's products are:
    - ____ Superior to your product
    - ____ Inferior to your product

30. Are the competitors:
    - ____ Doing well (making a profit)
    - ____ Just breaking even
    - ____ Not doing well (losing money)

31. What advantages will your product have over the competition's product?
    - ____ Better quality
    - ____ More easily available
    - ____ Lower price
    - ____ Other advantages (specify)

SCALE OF PRODUCTION

32. How much of the product will you be able to make (in pounds, bushels, other measure of output):
    In the first month? ____________________
    In the first three months? ____________________
    In the first six months? ____________________
    In the first year? ____________________

33. How much of the product will you be able to sell:
    In the first month? ____________________
    In the first three months? ____________________
    In the first six months? ____________________
    In the first year? ____________________

34. Are there seasonal constraints to production (e.g. availability of labor during farming season, lack of raw materials, etc.)? Define the season during which output can be produced.

____

This Market Assessment Form is to be completed by the producers of the product, not the consumers. In gathering this information, the members of the group may find it necessary to interview (formally, informally) consumers, other producers, retailers and others. There may be other questions that should be included, depending on the nature of the product and the scale of the project. Some of the above questions may not be necessary for a particular project or business.

It is important that marketing assessment is an ongoing activity, since the market is constantly changing. Periodic checks are needed to see if your group needs to adjust the level of production, the quality of the product, the form of promotion, etc. Of course, this tool is also meant to identify the key considerations for a project BEFORE production begins. Adapt it as you need to -- but complete some form of market assessment, or the group will learn about simple market realities in costly ways.

THE FOLLY AND CONSEQUENCES OF TRUSTING YOUR DATA

Most Management Scientists consider themselves realists. They believe that there is a real world "out there", that natural laws do indeed exist, that these laws can be discovered, and that mathematical models can be constructed to study these laws. That requires drawing heavily on physical, biological, and mathematical sciences to construct this "world view".

One of the most important symbols of this "world" is DATA. This stuff forms the very basis for models, and confirms the reality that has been assumed. Data are supposed to be numbers that reflect the hard facts of life.

However, it's hard to think of any situation when the data reflects any agreed upon "reality". Usually, there are so many versions of reality in the minds of those supplying the data, and the "facts" being offered reflect an approximation of one of these realities -- maybe! Most likely, the data reflect what most peoples wish was reality or what they want you to believe is reality. Let's review some of the most common assumptions and misperceptions made about data and examine the folly and consequences of believing that there is "objective" data and that you have it.

SOME ASSUMPTIONS ABOUT DATA

Assumption 1 -- Data reflect a constant reality.

This assumption relies on the notion that data are the results of some mechanical or standard biological processes that are unchanging from year to year. In developing countries, this type of information will be presented on a sporadic basis. Often, people will produce the data to satisfy the needs of interested outsiders, even when it cannot exist.

Assumption 2 -- Data reflect what people really mean.

This king-sized assumption relies on the notion that, when people are called on to contribute data, they will "tell it like it is". But people often dutifully fill in the forms to tell others what they want to hear, rather than what is actually happening. The only way to find out what is really going on is to go "in the field" and spend some time with the people actually doing the work, needing the service, or desiring the goods. It often helps to drink a few beers with them -- the informal setting, not to mention the beer, often helps people relax and remember what is really going on. Without this kind of first-hand data, your feasibility models will be built on fiction and the results will eventually reflect it.

Assumption 3 -- People will do what they say for the reasons they say.

We are all in the business of prediction. One of the biggest problems we run into in trying to predict the future is that we must accept others' reasons for what they do, won't do and will do in the future. But experience shows that many people have little idea of how they will really behave in the future, let alone understand the factors that will cause a given response. So models that accept all data uncritically are destined to fall.

For example, the field of Marketing is filled with models that attempt to explain future behavior based on people's stated intentions. They may think that they will only buy yellow Rolls Royce cars in the future. But, as your group starts churning out the yellow Rolls, others invent a Volkswagen, and others begin to offer Rolls Royces in elegant silver shades. So, while they were telling you that yellow and Rolls Royce were the right characteristics, they were really more flexible than you and they realized. And there you are, awash in yellow Rolls, having relied on their predictions of their own behavior without analyzing what was at the heart of their needs.

Determining the reasons for behavior is just as difficult. Many times someone's behavior is based on political reasons, and thus defies rational analysis. However, people rarely attribute their actions to political needs. So here, too, there is more going on than first meets the eye.

Assumption 4 -- Production of data is not affected by organizational politics.

This assumption is totally false; people are not passive participants in an organization. Individuals have their own goals and purposes. People manufacture, massage, filter and shade data for a variety of reasons. If you are using data produced by someone else, you had better be certain that you understand the underlying reasons of how and why the facts are produced. Everyone introduces some biases into their observations. Failure to understand what those biases might leave you with data of questionable value.

The following is a list of suggestions for checking out your data:

Learn Accounting

Accounting can produce some important information, or can be used to hide facts that can make a difference. If you can grasp the variety of ways in which something can be seen and verified, it will make getting to the heart of what is really going on much easier.

Learn the Business

Some people think that learning how to manage is generic, that something concrete like an inventory model can be set up regardless of the characteristics of the product, that one inventory control method can be adopted for any situation. But it is clear that the standard "Equal Order Quantity" system wouldn't be so useful with perishable goods. It helps to know the business before you build the model.

Learn about People

Be aware of what makes people tick, and how they choose to define reality. Do not just ask for a number but ask yourself what it really means to those that produced it. Always remember that your reality and theirs are not exactly the same.

Learn about Political and Financial Games

Find out who is trying to do what to whom, so that you'll understand the way in which an organization, ministry, company or individual may shade the information provided in one way or another. For instance, making a profit and showing it on financial forms may not yield the same answer, for a variety of important reasons.

Check It Out!

Finally, it would prove helpful to remember what journalists often tell each other about their sources of information. It goes something like this;

"Even if your mother says she loves you, CHECK IT OUT!"

Adapted from: Management Science Process, by Robert J. Graham, Interfaces, Vol.12, No. 2, June 1982. The Institute of Management Science, copyright 1982.

MODULE 4: FEASIBILITY/VIABILITY ASSESSMENT

SESSION 24: PRODUCT COSTING AND PRICING

TIME: 2 HOURS

RATIONALE:

To complete a feasibility/viability assessment as presented in previous sessions, it is necessary to look at the project or business from a strictly economic point of view. Failure to identify all the relevant costs, and to develop a plan for controlling them, may result in an inappropriate price decision, lost profit opportunities, and an inability to pay project participants for the true value of their labor. This session offers an opportunity for the trainees to organize price and cost information as part of an overall feasibility/viability assessment.

OBJECTIVES:

1. To examine price setting from the viewpoints of production and marketing costs and market receptivity.
2. To become familiar with a costing worksheet for products to determine correct price.

TRAINER PREPARATION:

1. Review the costing worksheet and accompanying explanatory sheet for the large group discussion.
2. Prepare the newsprint for the following items:
   - session objectives
   - lecturette notes
   - production situation exercise

MATERIALS:

1. Newsprint and markers
2. Tape

TRAINEE HANDOUTS:

1. Costing Worksheets (two pages)

Introductory Statement: (5 Min)

1a. Review the rationale for the session in your own words. Explain that many production groups and businesses set very low prices for their products, and are faced with rising demand and no profits. Mention that other groups set their prices too high, and no one is interested in their products. It appears that there is a range within which the price should be set, low enough that it clears the market but high enough to allow the group enough of a return to purchase more raw materials, cover all costs (including labor) and still have a profit to reinvest or distribute.

1b. Review the objectives of the session, answering any questions the trainees may have regarding them.

Lecturette/Discussion on Pricing: (30 Min)

2a. Present a lecturette on the need for price setting to be a conscious producer decision, stressing the following points (already on newsprint):

The importance of setting a price for a product:

If the group accepts the price set by the competition, it may prove too low for sustainable, profitable production. Larger producers have advantages such as economies of scale, specialized production techniques and quantity discounts from raw materials suppliers. With such fundamental differences, other producers may be able to charge a lower price and still maintain profitable production over time.

The price tells consumers about the quality of the product. If the production group wants repeat customers, the price and quality (as measured by durability, flavor, etc.) should be related in some way.

2b. Ask the trainees what types of price adjustments can be made in order to encourage customers to buy products ...such as, seasonal pricing. (Put their responses on newsprint.)

TRAINER NOTES

Included in the responses could be:

- introductory prices
- quantity discount prices
- special sales prices to move old inventory
- special prices for regular customers
- special prices for immediate cash payment
- cheaper price at production site
- lower price for delivery
- wholesale price versus retail price

2c. Remind the participants that there is an important difference between high prices and high profits. PROFIT (not price per unit) is the ultimate goal for a production project. Overall project profits are related to the number of units sold and the profit margin per unit sold.

2d. Ask the trainees to consider the following four situations and decide which of them puts the production group in the most favorable position. (The four situations should already be on newsprint.)

ASSUME: the standard cost of production is $1.50 per unit if monthly production is between 40 and 75 units.

SITUATION 1 -- Sales of 50 units during the month at a price of $3.00 per unit.

SITUATION 2 -- Sales of 56 units during the month at a price of $2.80 per unit.

SITUATION 3 -- Sales of 44 units during the month at a price of $3.10 per unit.

SITUATION 4 -- Sales of 60 units during the month at a price of $2.65 per unit.

2e. Have the trainees look at the following information, and point out that the situation with the highest number of products sold is not the most profitable and that the situation with the highest price per unit is also not the most profitable.

Situation	Sales	Revenues	Costs	Profit
1	50	$ 150.00	75.00	75.00
2	56	156.80	84.00	72.80
3	44	136.40	66.00	70.40
4	60	159.00	90.00	69.00

Discussion of Types of Costs (20 Min)

3a. Explain to the trainees that up to now the focus has been on prices and profits, and the assumption has been made that costs are constant. We will now begin to look at the costs involved in production.

3b. Ask the trainees what categories of costs (expenses), such as TRANSPORTATION, they would anticipate would arise in any production operation. Have them give specific examples in each category. Put the responses on newsprint.

TRAINER NOTES

Included in the cost categories could be the following:

(1) TRANSPORTATION could include --

- paying for shipment of raw materials
- moving finished products to point of sale
- paying for bus fare for group member to go to the land registration office to get land title approved

(2) EQUIPMENT could include --

- Installation of the machinery
- Spare parts
- Supplies for maintaining the equipment

(3) PRODUCTION SPACE could include --

- Rent
- Lock for the door
- Inspection costs
- Lights
- Warehouse rent

(4) ADMINISTRATIVE COSTS could include --

- xeroxing documents
- pens, pencils
- postage
- notebooks
- accounting notebook

Costing Worksheet Review: (15 Min)

4a. Pass out the Costing Worksheet to provide the trainees with a format in which to put the costs they would incur in a future production-oriented project. Explain to the group that the value of this worksheet is that it enables them to summarize their costs and have a realistic basis from which to set a price. Allow 10 minutes for the trainees to review the worksheet and the explanatory page individually.

4b. Check to see if the worksheet information is clear to the group, and explain to them that there are two kinds of costs--- controllable and uncontrollable. Have them develop a list of each type on newsprint.

> TRAINER NOTES
>
> Controllable costs include waste due to poor storage of raw materials, poor selection of raw materials, making products where there is no market interest.
>
> Uncontrollable Costs include new government taxes on imports the project needs, a sudden shortage of a key ingredient, increased gasoline prices which lead to higher transportation costs for inputs and final products.

Large Group Discussion: (10 Min)

5. Lead a large group discussion of ways to keep controllable costs in line by asking the following questions:

- What are the reasons why controllable costs could be higher than necessary?
- What internal improvements might a production group make to bring these costs down to an acceptable level? (More personnel training, better inventory control, better storage).

Price Setting: (20 Min)

6a. Ask the trainees to think about their meetings with local business people in previous sessions. Ask them what methods of determining prices they would anticipate are used in the local culture. Put the responses on newsprint.

TRAINER NOTES

Included in the price-setting methods could be the following:

- The price for which the competition sells the product
- Total of all costs, plus a mark-up percentage
- Total of all costs, plus a fixed amount in local currency
- Guessing
- Negotiating the price with customers within boundaries
- Setting different prices arbitrarily for different customers
- Setting price based on what producer himself or herself would pay
- Government board sets price

6b. Ask the trainees which methods give the producing group some control over the price <u>and</u> are based on the actual costs incurred in production.

6c. Remind the trainees that the long-term success of a project depends on the generation of PROFITS (Remind them that this is the difference between all revenues and all costs). BUT the mere existence of profits is not sufficient --these profits have to be substantial enough to allow for new purchases of equipment, supplies and tools, and pay those contributing their labor enough to want to continue the project.

<u>Closing</u>: (5 Min)

7a. Summarize the session by reminding the trainees that economic feasibility is a critical, but often downplayed, part of initial project review. Setting prices arbitrarily, without considering the cost components, can lead to a non-profitable venture.

7b. Explain to the trainees that the next session will focus on Quality Control, another important element to consider when marketing a product.

COSTING WORKSHEET

This worksheet is intended to help the production group capture all the relevant production and marketing expenses incurred. Some of this information has already been collected during the process of developing an initial project budget.

It is important that the worksheet be completed based on actual costs wherever possible, rather than with just price estimates.

The worksheet is intended to help the group in several ways. It will enable them to put together an Operating Budget, set the price of the final product effectively and realistically, and will demonstrate the degree of the profitability of the project.

Pick an unit of production at which you can measure the costs. In other words, a chicken farmer would be more able to measure costs on the basis of 100 chickens raised rather than on a per chicken basis. Also, since there are losses during the production process in most cases (due to breakage, disease, many other causes), you may be compiling costs on the basis of 100 units but only arriving at a selling price that must overcome those losses. Using the chicken farmer once again, he may have to vaccinate 100 chicks to end up with 88 healthy, mature, marketable chickens three months later. In the end, his price should reflect the cost of all the vaccines.

Remember that PROFITS have to go for a number of things, and cannot just be distributed to group members at the end of a cycle of production. First, some of the profits have to be set aside to pay for the raw materials needed for the next cycle of production. Second, the group needs to save some (in a secure account) for major future expenses, such as new tools and equipment. Third, it must cover repairs and maintenance expenses. Finally, profits must pay those members who worked on the project. Then all members can expect something for their group support from what is left. If the project is to become self-sustaining, PROFITS have to be carefully controlled so that future expenses can be covered with group funds.

HOW TO DECIDE ON THE SCALE OF PRODUCTION FOR THE COSTING EXERCISE

There are several types of costs that should be noted on this page. Please be as accurate as possible, basing your information on the most up-to-date prices and amounts you can find. Include discounts in the prices. Prices for inputs may have to take seasonal swings into account. Adapt this form to your specific project needs.

TIE ALL EXPENSES TO ONE CYCLE OF PRODUCTION. In other words, for rent you may want to note the rent for six months, if that is how long it takes to complete one cycle. On the other hand, if a machine lasts for six months and the production cycle is only one month then include one-sixth of the cost of the machine under Capital Costs.

(Written by Michael Goldberg, Peace Corps/Ecuador, 1985).

COSTING WORKSHEET

COSTS INCURRED FOR ________ UNITS OF __________

RAW MATERIALS COSTS

Type Of Raw Material (Delivered to group)	Quantity	Cost Per Unit	Total Cost
1. ____________	______	______	______
2. ____________	______	______	______
3. ____________	______	______	______
4. ____________	______	______	______

LABOR COSTS

1. Training Materials	______	______	______
2. UNSKILLED LABOR	______	______	______
3. SKILLED LABOR	______	______	______

ADMINISTRATIVE/OVERHEAD COSTS

1. Rent, Utilities	______	______	______
2. Notebooks, pens, etc.	______	______	______
3. Office materials (paper, copies, etc.)	______	______	______
4. Other	______	______	______

CAPITAL COSTS

1. Machine ______	______	______	______
2. Machine ______	______	______	______
3. Tool ______	______	______	______
4. Supplies (Maint.)	______	______	______
5. Repairs Likely	______	______	______

MARKETING COSTS

1. Transportation	______	______	______
2. Packaging Costs	______	______	______
3. Visits to Customers	______	______	______
4. Other Costs	______	______	______

TOTAL COSTS PER ________ UNITS OF ________ = [ ]

DIVIDE TOTAL COST OF PRODUCTION BY NUMBER OF UNITS. THIS IS THE MINIMUM PRICE PER UNIT TO BE SOLD. IS THIS PRICE ACCEPTABLE TO CONSUMERS?

MODULE 4: FEASIBILITY/VIABILITY ASSESSMENT

SESSION 25: QUALITY CONTROL

TIME: 2 HOURS

RATIONALE:

One of the crucial ingredients in a consumer's decision to purchase a good for the first time, or as a repeat customer, is the quality of the product. Yet many businesses, cooperatives and clubs believe that production of almost any quality is sellable. This session emphasizes the role of quality, and offers suggestions of how to incorporate this consideration into the production process, so that the project will become profitable and self-sustaining.

OBJECTIVES:

1. To link production and supply quality to the final outcome of a project.

2. To provide trainees with an experience that brings out the importance of quality control in a production environment.

TRAINER PREPARATION:

1. Obtain the necessary items for the production simulation in Activity 3 and arrange them in a disorganized series of piles on a table in the front of the room.

2. Prepare newsprint for the following items:

   - session objectives

   - group instructions

MATERIALS:

1. Newsprint and magic markers

2. Two dozen ballpoint pens with removable parts (or the other items chosen for assembly.

3. Extra parts from other pens, and assorted unrelated items

TRAINEE HANDOUTS:

N/A

PROCEDURES

Introductory Statement: (10 Min)

1a. Introduce the session by asking the trainees the following questions: What have you noticed about the quality of the products you have seen/purchased since coming to the host country? Have you become more conscious of the need for quality control as a result of some of your purchases?

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Quality Problems: (10 Min)

2. Point out to the trainees that issues of quality control are common and have a direct impact on a consumer's decision to purchase a product for the first time, as well as on his/her decision to frequent the same business again.

Ask the trainees what reasons there could be for products of poor quality within the host country. (Put the responses on newsprint.)

TRAINER NOTES

Included in the responses could be the following:

- Low value placed on quality of raw materials
- Belief that the number of products produced is important, not the quality or number of units sold
- Inexact settings on machines used in production
- Poor training for workers
- Poor protection for raw materials (damage in storage)
- Insufficient raw materials
- Failure to build quality control into production process
- Attempts to imitate other goods without understanding production functions
- Consumers' willingness to purchase products of low quality

Production Simulation: (10 Min)

3a. Select a maximum of 5 trainees to act as a "producers" group. (You may use more than one group if the training community is large. There should also be at least 5 people left undesignated). Assign the following task to the producers' group:

- organize a production line for the product; (2 Min)
- assemble as many completed products as possible within 3 minutes. (Trainer times the exercise.)

> TRAINER NOTES
>
> If other items are used instead of pens, be sure that they have to be assembled before use, and that they have parts which can be damaged or easily confused.
>
> There should be at least twice as many ballpoint pens components than can be assembled within three minutes. Some parts should be broken, in the wrong places, etc. to simulate an actual production situation.
>
> Develop a list of host-country specific ways of knowing when a PCV is taking too much responsibility for a project (to be used in Part 4).

Be sure to tell the trainees not in the producers' group to observe the process.

3b. Have the "undesignated" trainees go to the front of the room, and assign them the role of the "evaluators" and ask them to complete the following task: (15 Min)

- develop a list of the characteristics and specifications of an "acceptable" pen. (Put the list on newsprint). (Responses should include: writes clearly, is comfortable in hand, looks attractive, etc.
- compare the products assembled against the quality criteria above. When a pen is disqualified, the rationale for the decision must be given to the producers.
- the choice of the strictness of the quality control is up to the group.

Large Group Discussion: (20 Min)

4. Reconvene the trainees and lead a large-group discussion using the following questions:

Did the producers take enough time to organize the process? If they did, what were the benefits? If they didn't, what were the consequences?

Did it appear that the producers wanted to move on to pen construction before clearing up any production process questions?

Was everybody a part of the production process? If not, what happened?

Were any of you who were producers unclear about your assignment?

Were any of you who were evaluators unclear about what the producers were doing to organize themselves?

Did any of the producers think that the product was going to be evaluated?

How did the producers feel when you realized that you were going to be evaluated? Would you have changed the way in which you organized your production process if you had been warned at the start that you would be evaluated?

Were you evaluators "EASY" on the quality of the product because your friends had made them? What does this imply about Quality Control by a group or a family business?

(If YES is the answer to the previous question: Would you expect consumers to take as lenient a view on quality?)

Quality Control: (15 Min)

5a. Ask the trainees what methods they could have used to improve the quality of the pens produced in the above exercise. Put the responses on newsprint.

TRAINER NOTES

Included in the methods for improving quality could be: better training; better materials; better organization of work flow; more time; greater familiarity with the product.

5b. Ask the trainees what other quality control measures could be taken for host-country products in general (in addition to those already mentioned in the "pen" exercise.)

> **TRAINER NOTES**
>
> Included could be the following measures: worker sense of pride; maintenance of equipment and tools; better inventory storage; better division of labor.

Quality Control and Training: (15 Min)

6. Point out to the trainees that there is a definite link between Quality Control and Training in that quality control does not just depend on raw materials quality but also on the preparedness of those going to process the raw materials and their awareness of the importance of quality output. Ask the following questions:

   - Have you ever been involved in a production process (at home or in host-country) in which you felt your output suffered from a lack of training?
   - What would have helped you at the time? Would these same issues apply for producers in the host-country?
   - What are the implications for your future role as a PCV in training local counterparts in quality control?

Quality Control and Marketing Flows: (15 Min)

7a. Ask the trainees to refer to their marketing flow charts from a previous marketing session and individually determine where poor quality control could become an issue in marketing relationships and interactions.

7b. Lead a large group discussion of their findings.

TRAINER NOTES

Included in the possible responses might be:

consumer decides not to buy the product; producers decide not to buy poor raw materials from the supplier; producers forced out of business by higher quality imports and substitutes.

Closing:

(10 Min)

8a. Ask the trainees to summarize the topics covered in the Marketing Section of this Module and to indicate why they need to be covered during any feasibility assessment.

8b. Link to the next session by telling the trainees that the final element to be covered in feasibility is the pricing and costing of the product/project. Until this crucial information is collected, a final decision on business or project feasibility is not possible. These issues will be addressed in the up-coming session.

MODULE 4: FEASIBILITY/VIABILITY ASSESSMENT

SESSION 26: EVALUATING FEASIBILITY/VIABILITY MODELS

TIME: 2 HOURS

RATIONALE:

There is a need on the part of trainees and volunteers to view potential projects in a holistic manner, using any or all of the tools presented in the previous sessions. This session provides the opportunity for trainees to go through all the elements of feasibility and viability analysis with concrete examples, and to compare the different consultant styles to understand the impact this element can have on project development.

OBJECTIVES:

1. To review feasibility/viability concepts and tools.
2. To analyze a case study in terms of effectiveness of approach and application of the feasibility model covered in a previous session.

TRAINER PREPARATION:

1. Read the case studies to apply the issues the trainees will be asked to address and to allow you to effectively comment on their presentations.
2. Develop a list of host-country specific ways of knowing when PCV is taking too much responsibility for a project (to be used in Part 4).
3. Prepare newsprint for the following items:
   - session objectives
   - case study issues

MATERIALS:

1. Newsprint and magic markers
2. Tape

TRAINEE HANDOUTS:

1. Costa Rica Case Study on SPA - financed restaurant
2. Atkins Case Study, Marine Fisheries Training Manual
3. A Small Project

PROCEDURES

Introductory Statement: (5 Min)

1a. Introduce the session by telling the trainees that t. next 2 hours will be spent applying the skills they have learned regarding feasibility/viability and the role of the consultant in the development of community projects. Tell them that, through the use of two case studies, they will have the opportunity to analyze two different approaches to the provision of assistance, and decide what they would have done similarly or differently in each of the situations.

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Small Group Work: (50 Min)

2. Divide the trainees into two small groups, and give each group one of the case studies. Assign the following task (already on newsprint):

   Read the case study and prepare a 15-minute presentation for the large group, covering the following points:

   - main problems/issues in the study
   - consultant approach and effectiveness
   - involvement of the community
   - use of resources
   - recommended improvements in the process/solution
   - implications for a feasibility study (based on the New Project Model presented earlier).

Small Group Presentations: (40 Min)

3. Reconvene the trainees, and have them give their presentations to the large group for questions/comments.

Large Group Discussion: (10 Min)

4. Lead a large-group discussion by asking the following questions regarding the implications of the case studies for the role of the PCV.

   - What were the similarities/differences between the approaches used in the two case studies?

   - Are there any warning signs within this culture that indicate that you may be taking too much responsibility for a project? (Trainer should develop a culturally appropriate list.)

   - How do you see yourself handling similar situations?

Closing: (15 Min)

5a. Bring closure to the module on Feasibility and Viability Assessment by asking for comments and final discussion. Explain that the module and tools presented can be used just as easily to help other Volunteers in assessment of projects and proposal writing if it becomes necessary to advocate the use of outside resources.

5b. Hand out the page entitled "A Small Project" and ask the trainees which solution to the problem they consider FEASIBLE and which appears to be VIABLE. Ask which one would be easiest to maintain, hardest to maintain, and easiest to train people how to use.

5c. Link to the next modules by telling the trainees that the work they will be covering later can be built into the feasibility models they have already learned.

RESTAURANT EL CHICHEME

Nicoya, Guacanaste, is a fairly progressive town surrounded by cattle ranches in the center of the Nicoya Peninsula. It is about one and one-half hours by car from one of the most important Costa Rican domestic tourist beaches. Its town center is bustling with a colonial church built in the mid-1500's. Most businesses face competition; there are two supermarkets, innumerable butchers, general stores, clothing and shoe stores, hardware outlets, restaurants (in a two block radius of the park there are at least 10 restaurants and 7 sodas), bars, severel sawmills, and at least five hotels. Nicoya also has a hospital, so the communty is well supplied with doctors in public and private practice. There are several elementary schools, and a high school with day classes, and evening classes offered to adults in various subjects. There is a large Chinese community which has been economically active for years and makes up a large percentage of the successful business owners in Nicoya.

In spite of the general economic well-being of the community, there are several neighborhoods of Nicoya where the families live in poverty, in houses that barely stand, and with heads of the household that are unskilled and only can get day labor jobs -- cutting cane, working on a farm, or working as maids. One of these communties, San Martin, was chosen as the site of the Nicoya Peace Corps-AID-INVU housing project. Its center lies about 1½ kilometeres from the center of Nicoya.

The housing project in Nicoya was designed to be staffed by two volunteers, a construction expert and a community organizer. It was planned originally so that 50 families could benefit from the project. The job of the volunteers was to screen potential participants in the project, select the beneficiaries of the project according to guidelines set up in the Peace Corps-AID-INVU proposal. The most important requirements were that people receiving houses in the project would donate labor to construct all the houses, and that a minimum number of hours per month would be required of all families, whether one or six people were working on the construction site. Also, the project should be designed so that it would generate income and the beneficiaries would be able to pay for their houses, once completed.

The selection process narrowed down the beneficiary families to 29 (with average family size of 5 or 6). As stated above, the major income source of most of the beneficiaries was day labor. About 25% of the households were headed by single women of different ages. Of the women involved, the illiteracy rate was slightly over 50%, particularly in the group over 25 years of age.

In the capital city, during a discussion with the Peace Corps Director, the community organizer volunteer came up with the idea of starting a restaurant featuring typical foods of the Guacanaste region, because there was no restaurant featuring this type of food in Nicoya. She then returned to San Martin, and polled the women involved in the project to see which women would be interested in taking part in the restaurant activity. Participants were chosen on the basis of demonstrated interest. The original group numbered sixteen with an age range of 18 to 60.

The Peace Corps Volunteer began with an inventory of the skills of the group interested in the project, specifically an inventory of the cooking skills of the women and their ability to produce typical Guacanaste foods. There was a decision made at this time to include only women who were direct beneficiaries of the housing project. This meant that any woman who was not going to be moving into a housing project house was excluded from participating in the restaurant project. One exception was made; one daughter of a direct beneficiary was included although she would not be moving into a house, because her husband and she were both actively involved in helping build the houses.

In addition, a decision was made that the hours that the women put into the restaurant would be considered hours put into the housing project, because the restaurant would make contributions to the petty cash of the housing project. No salaries were to be paid to the women until the conclusion of the housing project. Each woman averaged a work week of 51 to 56 hours a week.

A committee was formed of women who were involved in the project, with the elected positions of President, Vice President, Secretary-Treasurer and Fiscal. One woman in the group had experience in restaurant work prior to the inception of this project. Most of the women had eaten in a soda, but had never eaten in a restaurant.

The original emphasis of the project was to create a cooperative of these women once business got going. Meetings were held once a week. Several cooking sessions were held, during which tamales were prepared. The sessions were to test whether the women could work together, and the results were sold to raise money for the restaurant project, with a contribution to the housing project. At this time, it began to be apparent that there were some personality conflicts in the housing project and in the group of women working together for the restaurant.

A work code was developed, temporary waivers of local government licenses and health permits were obtained, and contacts were made regarding a property to be rented in which to locate the restaurant. A location was found two blocks from the central park, one block away from the San Jose bus stop, in a building owned by the Catholic Church. The terms of lease included the clause that no alcoholic beverages could be sold in the restaurant, that any wood used to fuel the stoves had to be replaced, that any capital improvements would belong to the church, and that during one week in November and two weeks in December (just before Christmas) the restaurant would have to close to allow the Church to have its annual religious celebrations in the building.

A project proposal was made at this point. The proposal was funded for $3,199.00 or C/ 137,889.00. C/ 25,000 was included in the budget for unexpected expenses. The rest was to go for equipment, a domestic type refrigerator and a freeezer (not of heavy duty commercial quality), ceiling fans, construction of a wood-burning Lorena stove, a stove hood for existing open-fire ranges, open shelving, tables, benches, pots and pans, plates, glasses, and eating and cooking utensils. The Peace Corps

Volunteer made all the purchases of equipment and was responsible for the donation. The group opened up a savings account in the Banco Popular in which to deposit the money raised by the tamale sales and in which to deposit the receipts of the restaurant. The restaurant opened November 18th.

Purchases were made on a daily basis from local merchants. Each purchase was to have a receipt. Money was counted at the end of each day.

In January the original Volunteer organizing this project left suddenly. Peace Corps sent down a Volunteer business adviser to act as a consultant. By this time, it was obvious that there were problems with cash control as there were no books used to record daily transactions and no adequate records kept that could provide data on daily sales, purchases and inventory. Cash control procedures were instituted. Efforts were made to reconcile differences between the women, who at this time numbered 12; some had lost interest and dropped out, two women quit working after a dispute over hours, and one was fired for not working. Through analysis of the traffic flow of customers, it became evident that serious changes needed to be made in the attitude of the women working in the business, especially in their attitudes to service and quantities of food served, and efforts needed to be made to improve the quality and variety of the food served.

The net profit of the restaurant in February was about C/ 2000. In March, it was approximately the same amount. Purchases for the restaurant totalled approximately C/ 52,000 and in April the purchase amount dropped to approximately C/ 31,000. Net losses for April were about C/ 5000.

In May, after working with the group trying to develop the interpersonal relations and each worker's awareness of the needs of the business (particularly the need to generate more business), a decision was made to apply for a Labor Ministry work subsidy. This subsidy could not only give the women income for their work but also be used to contribute to the working capital of the restaurant. Unfortunately, application was made in June and the work subsidy funds were all used up by the time the evaluators were able to come to assess the restaurant.

A suggestion was also made to cut down the hours that the restaurant was open to concentrate on the days of greater traffic in the Nicoya and to minimize food wastage and theft by the women working. In addition, the group was to concentrate on fewer selections of only typical food and to start on local promotions, radio advertisements, selling food at the local soccer games. The end result of this was to generate interest in the restaurant and income so that the restaurant could continue to operate.

In October, the restaurant closed, and the equipment was sold to a local merchant for an extremely reduced price. The restaurant folded due to a myriad of problems, the most important being; cash flow problems, lack of trust among the women (largely created by neighborhood tensions), an inability of half the women to participate in the business side of the restaurant due to illiteracy, and bad business advice by a former Peace Corps Volunteer living in Nicoya who had little understanding of the business side of a restaurant.

THE UGLY AMERICAN AND THE UGLY SARKHANESE

Two weeks later, Atkins and his wife left by plane for Sarkhan. Emma, a stout woman with freckles across her nose was, in her way, quite as ugly as her husband.

She did not blink when Atkins told her that they were going to Sarkhan. She told Homer that she'd be pleased to move into a smaller house where she could manage things with her own hands, and she wouldn't need servants.

Two weeks later, the Atkins were living in a small cottage in a suburb of Haidho. They were the only Caucasians in the community. Their house had pressed earth floors, one spigot of cold water, a charcoal fire, two very comfortable hammocks, a horde of small, harmless insects and a small, dark boy who apparently came with the house, named Ong. He appeared promptly at six each morning and spent the entire day following Emma around.

Emma Atkins enjoyed herself in Sarkhan. She learned enough of the language so that she could discuss the best places to buy chickens and vegetables with her neighbors. She liked working in her house, and it was a matter of some pride to her that she was as good a housekeeper as most of her neighbors.

Homer Atkins kept busy with his man-powered water pump. The idea had developed very slowly in his mind. What was needed was some kind of efficient pump to raise the water from one terraced paddy to another. Lifting water in the hilly sections took an enormous amount of energy. It was usually done by a pail, or by a cloth sack, attached to the end of a long pole. One man would lower the pail and swing it to the next terrace where another man would empty it. It was a slow and cumbersome method, but the Sarkhanese had been doing it for generations and saw no reason to change. Atkins decided that there was no sense in trying to talk to them about an obviously inefficient method unless he could offer a better one to replace it.

He solved two-thirds of his problem A simple pump needed three things. First, it needed cheap and readily available piping. He had decided that the pipes could be made out of bamboo, which was abundant. Second, the pump needed a cheap and efficient pump mechanism. This had taken longer to find, but in the end Atkins had succeeded. Outside of many Sarkhanese villages were piled the remains of jeeps which had been discarded by the military. Atkins had taken the pistons from one of these jeeps and had replaced the rings with bands of cheap felt to make a piston for his pump. He then cut the block of the jeep in two; he used one cylinder as a suction chamber, and the other cylinder as a discharge chamber. With a simple mechanical linkage the piston could be agitated up and down, and would suck water as high as thirty feet. The third problem, yet unsolved, was the question of what power could be applied to the linkage.

In the end, Emma gave him the answer.

"Why don't you just send off the States for a lot of hand pumps like they use on those little cars men run up and down the railroads?" she asked one day.

"Now, look, dammit, I've explained to you before," Atkins said. It's got to be something they use out here. It's no good if I go spending a hundred thousand dollars bringing something. It has to be something right here, something thev understand."

"Why, Homer," Emma said, "with all that money you have back in Pittsburgh, why don't you give some of it to these nice Sarkhanese?"

Atkins looked up sharply, but saw at once that she was teasing him. He grunted.

"You know why. Whenever you give a man something for nothing the first person he comes to dislike is you. If the pump is going to work at all, it has to be their pump, not mine."

Emma smiles fondly at Homer Atkins. She turned and looked out the window. A group of Sarkhanese on bicycles, as usual, were moving toward the market places in Haidho. She watched them for a few moments, and then spun around excitement in her eyes. "Why don't you use bicycles? There are millions of them in this country and they must wear out. Maybe you could use the drive mechanism of an old bicycle to move the pump."

"By God, I think you've got it", he said slowly. "We could take the wheels off an old bike, link the chain of the bike to one large reduction gear, and drive the piston up and down with an eccentric."

Atkins turned to walk out of the room. In a few minutes, Emma heard the rustle of paper and knew that Atkins was bent over his drawing board. Two hours later, he was still drawing furiously. When Emma tapped him on the shoulder and told him dinner was ready, he swung around excitedly.

"Look, I think I've got it", he said, and began to explain to her rapidly, interrupting himself to make quick calculations on a piece of paper.

Two days later Atkins had a working model. Not a single item in the crude pump would have to be imported. He had calculated that there was probably enough scrap around in the countryside to make a couple of thousand pumps. What he had to do now was to get a couple of pumps actually in operation, to see how they worked. At this point, Emma Atkins demonstrated her diplomatic skills.

"Now look, Homer, don't go running off like a wild man", she said. You've got a good machine there, and I'm proud of you. But don't think that just because it's good the Sarkhanese are going to start using it right away. Remember the awful time you had convincing the trade unions in America to accept the earth-moving equipment. These people are no different. You have to let them use the machine themselves and in their own way. If you try to jam it down their throats, they'll never use it.

"All right, Mrs. Foster Dulles, you tell me what to do", he said, knowing she was right. "You tell me how I ought to approach the Sarkhanese".

Emma explained her plan, and the next day he put it into effect. He drove in his used jeep to the tiny village of Chang Dong, a community of one hundred souls. The village was set precariously on a steep hill. The soil was rich but the backbreaking process of lifting the water up seven or eight levels -- even though the differentials were small -- had always made Ching Dong a poor village.

Atkins politely asked the first person he met where the home of the headman was. He talked to the headman, a venerable man of seventy-five, without an interpreter. It was not easy, but he could tell that the headman was pleased that he was making the effort to speak his language. With infinite courtesy, the old man sensed what words Atkins was searching for, and politely supplied them. The conversation moved along more rapidly than Homer had expected.

Atkins explained that he was an American and that he was an inventor. He had an idea for a pump that would lift water. He, Atkins, wanted to develop and patent this pump, and sell it at a profit. What Atkins wanted was the headman to find a Sarkhanese worker with mechanical skill. Atkins said he would pay well for the man's skill and time; if he was able to help with the pump, he would become half-owner of the patent. The old man nodded gravely. They then began the long, complicated, and delicate negotiation over the matter of how much the native mechanic should be paid. It was just like negotiating with a trade union organizer for Atkins. Each man knew he would have to compromise a little, and in the end Atkins got the services of a mechanic for a price that he knew was only slightly higher than the going rate. Both the headman and Atkins were satisfied. They shook hands, and the headman left to bring in the mechanic. This, thought Atkins, would be fun.

When the headman returned, he brought with him a small, stocky, heavily-muscled man whom he introduced as Jeepo. The headman explained that the name was not a native name. He was called Jeepo because of his reputation as a famous mechanic in the maintenance and repair of jeeps.

Jeepo looked like a craftsman. His fingernails were as dirty as Atkins', and his hands were also covered with dozens of little scars. Jeepo looked back steadily, and Atkins felt that, in the world of nuts and bolts, pistons and leather, he and Jeepo would understand one another.

And Jeepo was ugly. He was ugly in a rowdy, bruised, carefree way that pleased Atkins.

"The headman says that you are a good mechanic", Atkins said. He says that you're an expert on repairing jeeps. But I must have a man who is expert at other things as well. Have you ever worked on anything besides jeeps?"

Jeepo smiled. "I've worked on winches, pumps, Citroens, American and French tanks, windmills, bicycles, the toilets of wealthy white people, and a few airplanes."

"Did you understand everything you worked on?", Atkins asked.

"Who understands everything he works on?", Jeepo said. "I feel that I can work on anything mechanical. But that is only my opinion. Try me."

"We'll start this afternoon," Atkins said. "In my jeep outside is a heap of equipment. You and I will unload it and we'll start at once."

By the middle of the afternoon they had assembled most of Atkins' equipment on the edge of a paddy on the second level of the village of Chang Dong. Twenty-five feet of bamboo pipe had been fastened together; the bottom of the pipe was put into a back-water of the river that flowed by the village. The top piece of the pipe was fitted by a rubber gasket to the crude pump which Atkins had designed. Above the pump was the frame of a used bicycle with both of its wheels removed. Jeepo had done the assembly entirely by himself. Atkins had made one attempt to help but Jeepo had gone ahead on his own, and Atkins realized that he wanted to demonstrate his virtuosity. By late afternoon, the assembly was ready.

Atkins squatted calmly in the mud waiting for Jeepo to finish. The headman and two or three of the elders of the village were squatting beside him. Although they were externally as passive as Atkins, he was aware that they were very excited. They understood perfectly what the machine was intended for; they were not sure it would work.

"Sir, the mechanism is ready to operate," Jeepo finally said. "I'm not sure we can get suction at so great a height, but I'd be pleased to turn the bicycle pedals for the first few minutes to test it."

Atkins nodded. Jeepo climbed aboard the bicycle and began to pump slowly. The chain drive of the bicycle turned with increasing speed. The crude pipes made a sucking noise. For several seconds there was no sound except this gurgle. Then, suddenly, from the outflow end of the pump a jet of dirty brown water gushed forth. Jeepo did not stop pedaling nor did he smile, but the headman and the other elders could not restrain their excitement about the size of the jet of water that was being lifted to the second rice terrace.

"This is a very clever machine," the headman said to Atkins. "In a few minutes, you have lifted more water than we could lift by our old methods in five hours."

Atkins did not respond to the man's delight. He was waiting to see how Jeepo reacted. He sensed that Jeepo was not completely satisfied.

Jeepo continued to pump at the machine. He looked down at the machinery, noting some minor adjustments that had to be made, and called them out to Atkins. When the small paddy was full of water, he swung down out of the bicycle seat.

"It is a very clever machine, Mr. Atkins," Jeepo said quietly. "But it will not be a sensible machine for this country."

"Why not?", Atkins asked, looking at Jeepo steadily.

"The machine works very, very well. But to make it work a person would have to have a second bicycle. In this country, Mr. Atkins, very few people have enough money to afford two bicycles. Unless you can find another way to drive the pump, or unless your government is prepared to give us thousands of bicycles, your clever device is a waste of time."

For a moment, Atkins felt a flush of anger. It was a hard thing to be criticized so bluntly. For a hot, short moment, Atkins calculated how many bicycles his three million dollars could buy; then, with the memory of Emma's tact in mind, he put the thought aside. He turned back to Jeepo.

"What happens to old bicycles in this country?" he asked. Aren't there enough of them to serve as power machines for the pumps?"

"There are no old or discarded bicycles in this country," Jeepo said. "We ride bicycles until they are no good. When a man throws away his bicycle, it's too old to be used for one of those pumps."

For a moment the ugly American faced the ugly Sarkhanese. When he was younger, Atkins would have turned on his heel and walked away. Now he grinned at Jeepo.

"All right, Jeepo, you say you're an expert mechanic. What would you do? Am I simply to give up my idea -- or can we find some other way to give power to the pump?"

Jeepo did not answer at once. He squatted in the shallow rice field, his shorts resting in three inches of mud. For ten minutes he said nothing. Then he stood up and walked slowly around the machine. He turned the pedal and held his finger over the rear-drive sprocket of the wheel as if to test its strength. Then he walked back and squatted again.

The headman looked once at Atkins and spoke in a loud voice to the elders. The headman was embarrassed by Jeepo's arrogance, and he was saying that the entire village of Chang Dong would lose face by this ridiculous performance. Jeepo's ears became slightly red at the criticism, but he did not turn his head or acknowledge that he heard the headman's words.

Atkins squatted down beside Jeepo and for fifteen minutes the two men studied the machine. Atkins was the first to speak.

"Perhaps we could make the frame of the bicycle out of wood and then we'd only have to buy the sprocket mechanism, he said in a tentative voice.

Atkins could hear the shrill voices of the headman and the elders. Although they were trying to maintain their dignity and manners, it was clear to Atkins that they were trying to find a way to apologize to him and smooth the whole thing over. It never occurred to Atkins to talk to them. He and Jeepo were hard at work.

Once Atkins walked to the mechanism, turned the pedals rapidly, held his finger on the sprocket gear and looked at Jeepo. Jeepo understood what Atkins was asking and shook his head. Without exchanging a word they demonstrated six or eight alternative ways to make the pump work, and discarded them all. Each shake of the head upset the headman and elders profoundly.

It was dusk before they solved the problem, and it was Jeepo who came up with the solution. He suddenly stood bolt upright, walked over to the bicycle, remounted, and began to pedal furiously. Jeepo looked back over his shoulder at the lower level of the pump and then started to shout at Atkins in a loud, disrespectful voice in which there was the sound of discovery. It took Atkins another five minutes to understand fully what Jeepo was proposing.

It was the height of simplicity. What he proposed was that a treadmill be built which could be turned by the rear wheel of an ordinary bicycle fitted into a light bamboo frame. What this meant was that a family with a single bicycle could put the bicycle in the bamboo rack, mount it, and pedal. The rear wheel would drive the treadmill, turning the pump with an efficiency almost as great as Atkins' original model. When anyone needed to use the bicycle, he could simply pick it up from the rack and ride away.

"This man has made a great discovery," Atkins said solemnly to the headman and the elders. "He has developed a way in which a bicycle can be used to drive the pump and still be used for transportation. Without Jeepo's help my idea would have been useless. What I propose is that we draw up a document giving Jeepo one-half of the profits which might come from this invention."

The headman commenced talking to the elders in a solemn voice. Atkins grasped that the headman had never heard of a binding legal document between a Sarkhanese and a white man. It became clear to him, also, that the headman was prepared to drive a hard bargain.

"Do you propose that you and Jeepo will begin to build these pumps?" the headman asked.

"Yes, I would like to enter into business with Jeepo. We will open a shop to build this kind of pump, and we will sell it to whoever will buy. If the customer does not have the money, we will agree that he can pay off the cost of the pump over a three-year period. But don't get the idea that Jeepo will be paid by me for doing nothing. He must work as the foreman of the shop, and he will have to work hard. Not any harder than I work, but as hard as I do."

One of the elders broke in excitedly. He pointed out that it was very unlikely that a white man would work as hard as Jeepo. He had never seen a white man work with his hands before, and what guaranty could they have that Atkins would work as hard. Another of the elders agreed, pointing out that this looked like the trick of a white man to get cheap labor from a Sarkhanese artisan. Both of the elders were opposed to Jeepo entering the partnership.

During all of this discussion, Jeepo did not speak. He tinkered with the pump and bicycle mechanism, tightening gears, checking valves. When the two elders had finished talking, he turned around and came through the mud paddy to where they were talking.

"I have listened to what you foolish old men have said," Jeepo said, his voice harsh with anger. "This American is different from other white men. He knows how to work with his hands. He built this machine with his own fingers and his own brain. You people do not understand this, but men that work with their hands and muscles understand one another. Regardless of what you say, I will enter into business with this man if he will have me."

There was a quick flush of shame on the headman's face. "I think that Jeepo is correct," he said. "This man can be trusted. I will now write up the document which will assure that he and Jeepo share the profits and the work equally."

"And the document should say that neither I nor the American shall license or patent the idea of the pump," Jeepo said. "We will make the idea available to anyone else who can make it. But on the ones we make, we deserve the profit. That is the way of working men."

Atkins was pleased, and he nodded.

"Also, when we have made some pumps and sold them, we will print little books and it will show others how to do it", Atkins said. "We will send it around the whole of Sarkhan, and the village of Chang Dong will become famous for its mechanical skills."

Jeepo and Atkins did not wait for the headman to complete their contract before beginning work. Two days later they rented a large warehouse on the edge of Chang Dong. In another day they had hired twelve workers. Atkins and Jeepo drove to Haidho, bought used tools and supplies, and carted them back to the warehouse. Within a week the plant was in full operation. Over the warehouse entrance a small sign was written in Sarkhanese, which said "The Jeepo-Atkins Company, Limited". Inside the warehouse was a scene of incredible and frantic effort. Jeepo and Atkins worked eighteen to twenty hours a day. They trained the Sarkhanese; they installed a small forge which glowed red-hot most of the day; they tested materials; they hammered; they swore; and several times a day they ranted at each other. Their arguments, for some reason, caused the Sarkhanese workers a great deal of pleasure, and it was not until several months had passed that Atkins realized why -- they were the only times that the Sarkhanese had ever seen one of their own arguing fairly and honestly, and with a chance of success, against a white man.

At the end of six weeks they had manufactured twenty-three pumps. When the twenty-fourth pump was finished, Atkins called all the men together. He and Jeepo faced the group and between them outlined what now had to be done. Jeepo did most of the talking.

"This is the difficult part," Jeepo started quietly. "You have worked hard and well to build these pumps -- now you must sell them. Our friend Atkins here says that in America one of the best things that can happen to engineers like yourself is to be allowed to sell what they make. So each of you will now take two of these pumps as samples, and go out and take orders for more. For each pump that you sell you will be given a ten percent commission."

One of the men interrupted. He did not understand what a commission was. There was a bit of confusion for five minutes while Atkins and Jeepo explained, and when they finished the prospective engineer-salemen were smiling cheerfully. They had never heard of such a proposal before, but it struck them as both attractive and ingenious. When the discussion was over, twelve contracts were laid out on the table, and each of the Sarkhanese signed a contract between himself and the Jeepo-Atkins Company, Limited.

The next morning twelve oxcarts were lined up outside the warehouse. Two of the pumps were carefully laid out on beds of straw on each of these carts. By noon the twelve salesmen had left for all parts of the province.

Now the waiting began. Jeepo, the headman, the elders and everyone else in the village realized that everything rested on the persuasiveness of the engineer-salesmen and the performance of the bicycle-powered pump. If no orders were placed, Atkins would have to leave, and the excitement of the factory would disappear. In only a few weeks all of this activity had become very important to the community. The people drifted into the warehouse, and watched Jeepo and Atkins at work. The tension grew steadily and, when four days passed and not one of the salesmen had returned, a blanket of gloom as thick as a morning mist settled over the village.

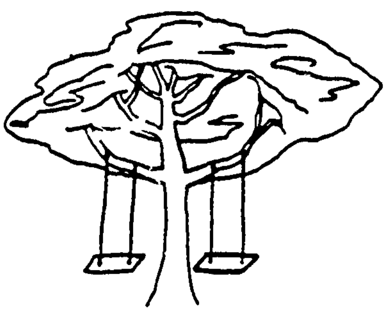
Then on the morning of the fifth day one of the salesmen returned. He drove at a speed which, for an oxcart, is rare. The ox stumbled and splashed mud in the air, and the salesman beat the animal with gusto and enthusiasm. As the ox labored up the hill, everyone in the village came to the warehouse to learn what would happen. When the cart, covered with mud, drew to a halt, there was a low murmur. They could all see that the cart was empty. The driver got down from the cart slowly, fully aware of his importance. He walked over calmly and stood before his two employers.

"I have the pleasure to inform you, sirs, that I have done wrong," he said, with a grin on his face. "You told me to bring back the two samples, but I was unable to do it. I have taken orders for eight pumps. But two of my customers insisted that I deliver the pumps at once. Because their paddies were in desperate need of water and crops might have been lost, I reluctantly gave them the pumps. I hope that I have not made a mistake."

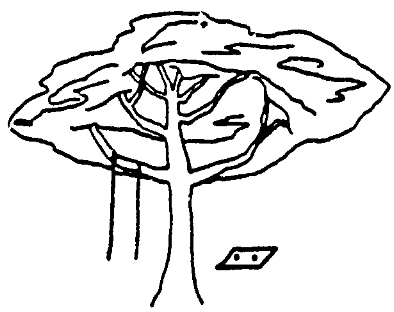
There was a deep sigh from the crowd and everyone turned and looked at Jeepo and Atkins. The two squat, grease-covered men stared at one another for a moment and then let out shouts of joy. Everyone in the village hugged everyone else, and an improvised party began in the village that lasted for several hours.

The next morning the village was up early, but not as early as Atkins and Jeepo. As the people went down to the warehouse, they heard the clank of hammers and wrenches. They peered in the warehouse to see Atkins and Jeepo in the midst of a terrible argument over a modification of the pump. Emma Atkins was laying out a huge breakfast in front of the two men, and they were ignoring it as they continued their argument.

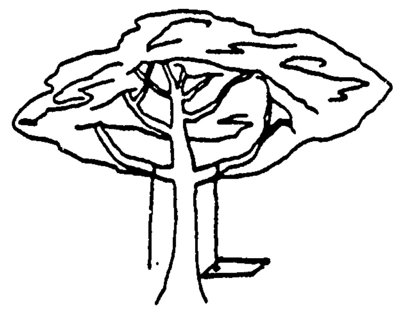
A SMALL PROJECT



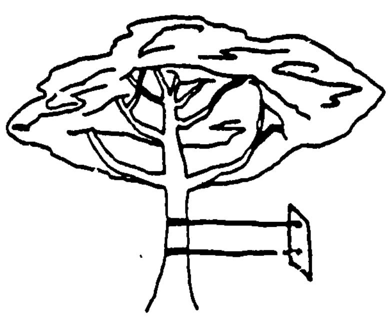
WHAT VOLUNTEER WAS PROMOTING



HOW PROPOSAL WAS WRITTEN

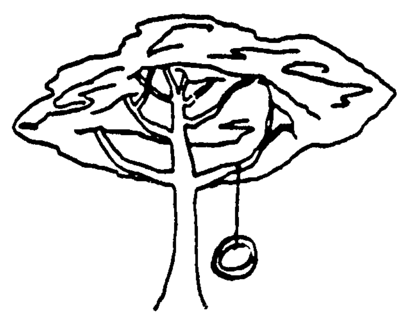


FUNDING AGENCY'S PERCEPTION



WHAT THE CONSULTING FIRM RECOMMENDED

WHAT WAS INSTALLED



WHAT THE PEOPLE REALLY WANTED

MODULE 5: PROJECT PLANNING

SESSION 27: EXTERNAL ASSISTANCE AND THE ROLE OF THE VOLUNTEER

TIME: 3 HOURS

RATIONALE:

One of the long-standing philosophical debates within the Peace Corps involves the appropriate use of outside resources for projects and businesses. Concern is frequently expressed that Volunteers will be viewed in terms of the money they bring rather than the skills they possess. This issue leads directly to questions about the appropriate role of PCVs in the design and implementation of projects/businesses. Volunteers who develop and obtain funding for such projects/businesses, without extensive community involvement in the process, create a dependency on outside interventions rather than help to develop the community's ability to solve its own problems.

This session will have two purposes: 1) to help the trainees identify the appropriate use of external assistance for projects and businesses; and 2) to define their roles and responsibilities in the design and implementation of such projects/businesses.

OBJECTIVES:

1. To identify the potential pitfalls of external assistance and to develop strategies to deal with them effectively.

2. To clarify the role of the Volunteer in project design and implementation vis-a-vis the host-country counterpart and the local community.

3. To develop strategies for ensuring community involvement in and ownership of projects/businesses.

TRAINER PREPARATION:

1. Read the attached articles: "The Alchemy of Success", "Thinking About Resources", "Skills for Development Facilitators", and "A Checklist for Use in Identifying Participatory Components of Projects."

2. Check with Peace Corps staff to find out the following in-country policies:

   - Length of time a PCV should be on-the-job before involvement with external assistance.
   - Local requirements for community contributions to projects and/or businesses.

3. Prepare newsprint for the following items:
   - session objectives
   - list of types of resources needed for projects
   - small-group task instructions
   - list of requirements for outside resources
   - list of pros and cons of outside assistance

4. Xerox the trainee handouts.

MATERIALS:

1. Newsprint and markers.
2. Paper and pens for trainees.

TRAINEE HANDOUTS:

1. "Thinking About Resources"
2. "The Alchemy of Success"
3. "Skills for Development Facilitators"
4. "A Checklist for Use in Identifying Participatory Components of Projects"

PROCEDURES:

Part I: The Use of External Resources in Projects/Businesses

Introductory Statement: (5 Min)

1a. Introduce the session by explaining to the trainees that inappropriate use of outside resources and lack of role clarity are two of the main reasons why projects do not succeed. The first part of this session will focus on the appropriate use of external resources in small projects and businesses.

1b. Review the objectives for the session (already on newsprint) and clarify any questions the trainees may have about them.

Identification of Business/Project Resources: (10 Min)

2a. Have the trainees brainstorm a list of the potential projects and businesses they could envision being involved with during their tours as PCVs. Select 3 to 5 projects or businesses which might require outside assistance for successful implementation.

2b. Explain to the trainees, that when they are thinking about community projects/businesses, it is essential to identify all the types of resources which might be needed. Doing this before actually making a commitment will help them to decide if the project/business actually makes sense.

Small-Group Work: (30 Min)

3a. Divide the trainees into small groups of no more than five individuals. Assign one of the projects/businesses selected above to each group and have them complete the following task (already on newsprint):

- Identify the types of resources which would be needed to successfully implement their project or business.
- Give specific examples of each type of resource identified.
- Determine which resources they would anticipate could be handled within the community and which ones would require outside funding assistance.

3b. Remind the trainees that the term "resources" should be considered in its broadest sense and should not be confined to only money or materials. Make sure that the small groups put their lists on newsprint and select a representative to report to the large group.

Group Presentations: (15 Min)

4. Have the small groups come back together and present their lists (on newsprint) to the large group for comments and critiques on completeness and anticipated outside resource needs.

TRAINER NOTES

Included in the types of resources are the following, with specific examples. Put the list on newsprint and compare it with the ones developed by the participants for similarities and differences:

- Human: community residents, Volunteers, technical advisors, consultants, trainers, extension workers, etc.
- Material: tools, animals, equipment, textbooks, seeds, etc. (Specific examples will depend on the type of project.)

(continued)

(continued)

- Financial: cash gifts, bank loans, foundation grants, Peace Corps small project funds, etc.
- Technological: appropriate level of technical skills to implement.
- Informational: books, research papers, records, etc. which give relevant background information for the project.
- Individual: knowledge, skills, and attitudes of the development workers which influence the acceptability and implementation of the project within the community.
- Xerox the composite list for the trainees to take home with them.

Appropriateness of Resources: (20 Min)

5a. Explain to the trainees that the introduction of outside resources into a community project/business has to be handled with care to ensure that they do not increase the dependency of the community on technologies which are not normally available or utilized.

5b. Lead a large-group discussion of what the requirements might be for introducing any outside resources into a small community project/business. After a list of requirements has been generated, ask the trainees who should be involved in determining their appropriateness.

TRAINER NOTES

Included in the list of requirements should be the following: recognized need, local availability, low cost, technological appropriateness, cultural acceptability, ecological soundness; labor intensity.

Included in the list of who potentially should be involved in the decision-making are local leaders, co-workers, community members, the PCV.

Small Group Work On The Role of External Assistance:

(20 Min)

6a. Explain to the trainees that the use of external assistance for community projects/businesses has been a controversial issue within the Peace Corps since its inception.

6b. Ask the trainees to go back to their small groups and assign the following task (already on newsprint):

Group I:
Make a list of the advantages of using outside assistance in projects (put the list on newsprint).

Group II:
Make a list of the disadvantages of using outsinde assistance in projects (put the list on newsprint).

6c. Reconvene the large group and have representatives of each small group present their lists. Lead a large-group discussion of the following points:

- What are the implications of the same items appearing on both potential advantages and disadvantages?
- What can PCVs and community members do to ensure that the potential disadvantages do not occur?

TRAINER NOTES

Included in a list of pros and cons could be the following items:

Pros: Quicker access to the resources needed for the project, improved community development, higher community self image, ability of the PCV to get involved in a project quickly, etc.

Cons: Excessive reliance on scarce resources from the outside, loss of control over the project, lack of community ownership of the project, etc.

6d. Point out to the group that the lists they have developed include many of the same issues which staff and Volunteers have discussed since the creation of the various types of funding sources to which Volunteers now have access. These include the Partnership Program, Small Projects Assistance, the Ambassador's Self-Help Fund, etc.

6e. Point out that there are a number of factors which influence the success or failure of outside assistance. Two key factors are as follows:

a. That the community must make a significant contribution to the project/business, whether that is in cash or in-kind. (Include country-specific policies here, if possible.)

b. That the project/business must incorporate capacity-building into its design to help the community improve its ability to develop and maintain future projects/businesses in the same and other areas of need.

6f. Pass out the handout "Thinking About Resources" for the trainees to read and keep as reference material.

BREAK

PART 2: THE ROLE OF THE PCV IN EXTERNAL ASSISTANCE

Introductory Statement: (5 Min)

7a. Introduce this part of the session by explaining to the trainees that Volunteers can often become so enthusiastic about a project/business that they forget where their responsibilities begin and end and why implementing a project/business is an ideal situation for them to begin transferring their skills to their communities.

7b. Explain that, during the second half of the session, they will explore appropriate roles for Volunteers in obtaining and handling outside resources for community projects/businesses.

Identification of Small Projects: (20 Min)

8a. Explain to the trainees that many Peace Corps countries actively discourage the use of project-assistance monies until the Volunteer has been on-site for a minimum of six months.

8b. Ask the trainees to individually develop a list of reasons why earlier involvement might not be to the benefit of a Volunteer.

TRAINER NOTES
Included in the above list might be the following:
• Lack of in-depth knowledge about community needs and available resources; insufficient language and/or technical skills; not enough time to build necessary credibility and trust; insufficient understanding of local customs, beliefs, and traditions; etc.

8c. Solicit reasons from the trainees and form a composite list on newsprint. Lead a large-group discussion of the types of activities in which PCVs could be engaged during their initial months in-country to be better prepared for involvement in small community projects/businesses later in their tours.

Individual Work: (20 Min)

9. Distribute the handout "The Alchemy of Success" to each trainee. Allow fifteen minutes to read it and answer the following question (already on newsprint):

   What are the main points to be considered for community projects/businesses in the following areas?

   - the use of external resources
   - the involvement of the community
   - the role of the Volunteer in design and implementation.

10. Ask the trainees what kinds of skills are important for development facilitators (PCVs, in this case) to have when working on projects. (Have them reflect on their experiences in earlier sessions for information.) Put their responses on newsprint and have them justify/explain the skills they identify.

Closing: (5 Min)

11a. Close the session by pointing out that a clear awareness of the appropriate role a PCV plays in developing projects/businesses and obtaining outside assistance for their implementation will help the community to develop its organizational skills to carry on needed projects/businesses after the Volunteer has left--thereby leaving a much longer legacy than the original project itself.

11b. Explain to the trainees that the next session will focus on determining appropriate roles and responsibilities for project participants--an essential step in ensuring that projects are well organized and have a good chance for success.

11c. Pass out the handouts, "Skills for Development Facilitators" and "Checklist for Identifying Participatory Components of Projects" for the trainees to keep as reference material.

THINKING ABOUT RESOURCES

INTRODUCTION

This section introduces the idea of resources, describes six basic types of resources, and presents guidelines to help development workers make intelligent decisions about getting and using these resources. It also discusses the ways that development workers might obtain and help develop community human resources.

DEFINITION

What is a resource? Broadly speaking, anything you use to reach a development project goal may be considered a resource. This open-ended definition should encourage you to think imaginatively about many different kinds of resources.

TYPES OF RESOURCES

Consider these types of resources:

1) human
2) material
3) financial
4) technological
5) informational
6) individual

1) Human resources are the people who contribute to or participate in your development project. While community residents will form the majority of the project's human resources, this category also includes such outside personnel as volunteers, technical advisors, consultants, trainers, librarians, extension workers, and any others who may work on the project in one way or another. In planning for human resources, consider more than the number of people which the project requires; consider also what attitudes, both personal and cultural, skills, and services are necessary. Because it contributes directly to their attitudes and skills (and thus to the service they can provide) the training of project participants should also be included here.

   While this is not the time and place to discuss in detail human resource development, it is worth noting that the role of people in development projects is very important. They are both the subjects and objects of development, particularly in community and rural development projects that attempt to improve the standard of living of the poor by involving them directly in project activities. At every stage in a project, people are crucial to its success. Project planners and development workers should, therefore, consider very carefully the selection and use of human resources for their projects. They should develop ways of working with community residents to foster enthusiasm for a project, increase local participation engage and organize local labor, provide the necessary skills training, and promote the growth of local initiative.

2) **Material resources** are not difficult to identify: textbooks for students, draft animals for agriculture, and medical supplies for health clinics are all examples. Think about your own project. What material resources does it employ? Which are the most important? Would more material resources help you to reach your goals? Could some resources be used differently and thus saved?

   Development organizations and the material and financial resources they may provide are mentioned in another section.

3) **Financial resources** refer to money that can be used for development projects. Cash gifts, personal savings, development bank loans and foundation grants are all examples.

   Because it is both time-consuming and difficult to raise money for development projects, it may be better to consider other approaches first. For example, it may be easier to obtain contributions of material resources, even within a relatively poor community, than it would be to organize, submit a proposal for, and obtain funds to purchase these same resources from an overseas foundation.

   In any case, for effective fundraising, you will need both energy and patience, in addition to skills in research, writing, communications, and diplomacy and to some knowledge of financial management.

4) **Technological resources.** Simply defined, technology is the application of a body of knowledge, materials, and methods to practical and productive purposes. Every culture develops its own technology, based in part on its experience, resources, and needs. For many years, development planners have tried to strengthen the "modern" sector by importing capital-intensive and large-scale technologies into the developing countries, with only minimal efforts at adapting these technologies to local conditions and needs. Now these planners are shifting their focus to the traditional sector, investing in agriculture, rural development, and labor-intensive projects. This shift is marked by the development and application of appropriate technologies.

   Appropriate technology for development is "technology which is most suitably adapted to the conditions of a given situation. It is compatible with the human, financial and material resources which surround its application," according to the very useful publication _A Handbook of Appropriate Technology_.

   What are some other characteristics of appropriate technologies for development? Think about the technological resource needs of your own project as you consider the following qualities. Appropriate technologies tend to be labor-intensive, small-scale, low-cost, and culturally, socially, and economically acceptable to the community. They are ecologically sound and range in technological complexity from traditional to modern industrial.

The above publication provides case studies in the development of appropriate technology projects which illustrate these characteristics, including such projects as a village-scale foundry in Afghanistan, a smokeless stove in Ghana, and a solar crop drier in Colombia.

The ideas and applications of appropriate technology are receiving increasing attention on a world-wide basis. Several loosely organized and cooperating appropriate technology networks have been established to promote basic research and field-testing, to share their results and experiences, and to increase the participants' ability to determine their own technological needs and develop appropriate solutions.

Because the successful integration of technological resources into a development project requires an extensive knowledge of local economic, political, social, and cultural conditions, such development workers as host-country field workers and extension agents, Peace Corps Volunteers, and other community development workers, who know their communities well, are particularly well suited to using an appropriate technology approach to development.

5) **Informational resources** are the ideas and data contained in books, research reports, films, records, and other media, as well as the individuals and organizations that produce them. Informational resources help development workers to increase their knowledge and understanding and, thereby, improve their projects. The information needs of development workers are as diverse as their projects. For example, Peace Corps Volunteers recently sought and received information on 1) the management of natural history museums for a Nicaraguan project, 2) technical papers on algae for a Fijian fisheries development project, and 3) appropriate technologies for an Eastern Caribbean wetlands forestry development project.

The key to getting the information you need is to know specifically 1) what you want and 2) where to obtain it. Of special interest to development workers are such technical reference service organizations as VITA (Volunteers in Technical Assistance), SID (Society for International Development), and TOOL (Stichting Technische Ontwikkeling Ontwikkelingsladen), which respond by mail to technical information requests from the developing countries.

6) Individual resources. Here the important point is that the development worker is a resource in many ways which contribute significantly to the success of a development project. Development workers should view themselves (and act) as resources available to their projects and communities.

Let's review their resources. First, they act as a technological resource. They have certain needed technical skills which they are prepared to use. We know that development projects, especially those that introduce new technologies, usually involve basic change that is sometimes resisted by a part of the community. The success of the project may depend in large part on what kind and how much change the community will accept. The technically knowledgeable development worker who understands the community and its capacity for absorbing change is ideally placed to help the community adapt to the new situation and so contributes to the success of the project.

In addition, their professional role carries with it a certain authority and status, to be used carefully but confidently. Working with others is an essential part of their assignment and calls for the development of interpersonal skills in observation, communication, and interaction. Because their project most likely takes place in a mixed cultural setting and involves participants from two or more cultural groups, these interpersonal skills are also intercultural skills.

They also act as an informational resource. Skilled in a particular field, they should also be capable of 1) providing or finding other sources for information that the project or community requires, 2) presenting that information in a variety of formats--informal discussion, more formal study sessions, and short-term training programs, and 3) developing an in-depth reserve of organizational and bibliographic sources to be utilized if the need for them arises.

GUIDELINES FOR APPROPRIATE RESOURCES

The following guidelines are useful for considering the possibility of introducing new resources into your project. Appropriate resources will have most, but not necessarily all, of the characteristics below.

1) responsive to a recognized need
2) locally available
3) low-cost
4) technologically appropriate
5) labor-intensive
6) culturally acceptable, and
7) ecologically sound.

1) A Response to a Recognized Need. Ordinarily there is a clear identifiable need for resources in development projects. Such a need is established by evaluating the project. Evaluation, which is also called "assessment" or "appraisal", involves studying the project to measure its progress and learn its basic weaknesses. It is important for development workers to try to understand the cause of those weaknesses or problem areas and, if possible, to relate those weaknesses to the use of resources by asking, for example, if current resources are being used as effectively as possible. The next step is to determine whether new resources would strengthen the project. If so, a need for resources has been established.

2) Local availability. This is a very important consideration and is central to using resources productively. Development is people-oriented and takes place within the

community. Using local resources provides the community with much-needed opportunities to develop and demonstrate local initiative, to increase local participation in productive economic activity, and to share these rewards of development within the community. Using local resources also increases the community's commitment to the project, minimizes the problems of operation and maintenance in the case of the use of technological and material resources, and requires minimal cultural adjustments by the community.

It is important to make use of local resources, whenever possible. The benefits of doing so, both direct and indirect, are clearly worth the extra time, effort, and imagination that are required. If a needed resource is not locally available, development workers should then determine the availability of acceptable substitutes. They should also consider if there is more than one way of obtaining the same resource locally. For example, in addition to seeking donations or purchasing resources, you may want to make barter agreements, whereby your project would receive needed resources in exchange for other goods and/or services.

If you are unable to get local resources, try to obtain them in the **region** of which your community is a part. Simply defined, the region is the surrounding area, including towns and cities, to which you have reasonable access, in terms of travel time. Sometimes, a regional capital may offer greater resource possibilities than the local community. If your regional search doesn't lead to the desired results, try the **national level** - the capital city. As the center of the nation's governmental, business, educational, and diplomatic activities, the capital city usually has a modern sector which may provide, after a considerable search on your part, resources which are unavailable elsewhere in the country.

Finally, if you have exhausted the local, regional, and national resource possibilities, your last resort is to seek them **internationally**. A decision to do so requires careful consideration, however. Remember that the search for resources at the international level is not generally promising, although much time and effort may be expended. Here are some considerations which may help you to decide whether to seek resources at this level.

a) To what extent does the success of the project depend on getting resources from overseas? As a rule, it is not a good idea to base project success on the certainty of receiving foreign resources. Because of uncertainties in communications, transportation, and customs arrangements between nations, the role of foreign resources should be minimal.

b) When do you need the resources, and what are the chances of obtaining them from abroad within that specified time period? Be prepared for delays.

c) What is the likelihood of getting exactly what you need? In seeking resources internationally, presumably by mail, you are at a disadvantage. Your search becomes impersonal, indirect, and passive. The possibility of misunderstandings increases. After all the initial effort and subsequent delays, there is no assurance that you will get what you really need.

However, if your answers to these questions do not suggest serious problems, then you may want to explore further various international resource possibilities.

Use your own judgment in deciding where and how to seek resources and whether to seek them internationally. The resource-seeking scheme that has just been described above is not an absolute rule, but rather a guide. For example, it may not always be necessary to exhaust the resource possibilities at one level before exploring those of the next. An information request to one of the technical advisory organizations like VITA or TOOL poses no problem as long as every effort is made to adapt the information to local conditions. On the other hand, there are foreign resources, particularly the more complicated material and technological ones, which should not be imported into the community, even when the need is clear, unless it is also clear that a local capacity to absorb and manage the new resources exists, or can be created without too much difficulty.

3) Low Cost. Resources should be obtainable at low cost. Most developing countries have extremely limited funds; if less is spent on material resources, more can be invested in labor-intensive resources and projects. The resource's cost includes continuing operation and maintenance in addition to the initial purchase price; these secondary costs are especially important when you are considering technological resources, particularly expensive, imported ones. Keep in mind the possibility of getting resources free of charge. For example, small local businesses may contribute materials or services if they are made aware of 1) the positive use to which their donations will be put, or 2) the good publicity they will receive, or 3) the effect that the success of the project will have on the local economy which will in turn increase their own business production and sales. Alternatively, you may want to make arrangements to obtain resources in exchange for services.

4) **Technologically appropriate.** Development workers should take care to employ only those resources that are technologically appropriate to the community in which the development project is located. Remember that the community has evolved its own time-tested and established way of doing things, including the technologies that the community uses in its productive activities. Because these technologies are an integral part of the community culture, and are not easily changed without changing the community's cultural system, development workers should assess the consequences of introducing resources into the community through their development projects. First, they need to learn how the community performs activities that are related to project activities, what the relevant technologies and techniques are, and how these technologies are related to other aspects of the community's cultural system. Then they should make sure that any new resources that the project introduces are in accord with the community's way of operating.

5) Labor-intensive. The developing world's most abundant and productive resource is its people. Since effective economic development requires using available resources, development programs must utilize people's skills to the greatest extent possible. Emphasizing the use of labor-intensive resources increases employment, economic development, the well-being of the population, and its actual par-

ticipation in development. Therefore, resources should be selected and used to put people to work. If there are several resource possibilities, choose the one or ones that are the most labor-intensive, other factors being equal. For example, plowing by hand employs many agricultural workers effectively; an ox-drawn cart will enable the same people to cultivate the land more productively and give them more time to participate in other activities. A tractor, in contrast, may leave some of these workers unemployed. The necessary parts, fuel, and expertise may not be available to keep it running, and there may not be enough land available for the efficient use of the tractor. Introducing and teaching people to use and care for an ox-drawn plow may be the most economically and socially appropriate project for a community to consider. Whatever projects are chosen, make sure that any new resources do not displace existing workers, unless acceptable alternative employment and, if necessary, training, in the community is provided.

6) Culturally acceptable. The resources which the project uses and introduces to the community must be culturally acceptable to community residents. Their common culture--the shared attitudes, knowledge, and expectations about how things are done--is firmly rooted in tradition and relatively resistant to major change. Development workers should make every effort to understand the culture in which they are living and working and, in particular, should evaluate potential resources for their impact on local traditions and practices. Development workers should avoid so hasty an implementation of their projects that they neglect to determine whether the resources that it will produce are culturally acceptable to the community. Examples of the neglect or misunderstanding of the local culture by development workers might include the following situations:

   a) In a public health education project, development workers introduce into the classroom a textbook which contains information on personal hygiene which the students interpret to be contrary to their religious beliefs. The students reject the material.

   b) In a rural agricultural project, development workers promote the cultivation of new, high-protein foods that the community is not accustomed to growing, cooking, and eating. The farmers, who are in frequent contact with the development workers, implement the cultivation and harvesting aspects of the project, but their families do not prepare and eat the new foods and revert to their low-protein, subsistence diets.

   How might development workers avoid these problems, which are primarily based on lack of insight into the community's culture? Very simply, they need to develop an understanding and awareness of, and sensitivity to, the local culture. To understand that culture fully, they should study the political, economic, social, religious and intellectual aspects of community life and, more important, grasp how these aspects of culture are variously combined in community activities. Development workers can build their practical knowledge by reading and studying available information and by observing and participating in community activities. It is particularly helpful for development workers to become friendly with community residents who do not mind explaining local customs to them.

7) **Ecologically sound.** Ecology is concerned with the relationships between all living things and the environment. People working in development planning are more and more concerned with the effects of development projects on the environment and their concerns include such broad issues as the effects of the use of different kinds of natural resources and, more important, what knowledge, policies, and actions are required to maintain the balance between people and nature. While you are not expected to become an expert in ecology, you should be able to estimate, or obtain others' help in assessing the ecological impact of your development project and the resources that it introduces.

Human Resources: Working with the Community

It cannot be emphasized too strongly that the success of a development project depends in large part on the maintenance of a harmonious, informed, and purposeful working relationship between the project's development workers and the residents of the community in which the project is located and/or the community that is primarily affected by that project. If project workers and community participants/residents do not 1) work well together, 2) communicate and share necessary and useful project information, and 3) pursue common objectives and carry out similar project-supporting activities, there is little chance that the project will achieve its primary objective. Development workers must realize that the development of the community's human resources, in a way that both supports project goals and activities and promotes the growth of community initiative and self-reliance, is central to overall project success.

In what ways do project development workers interact with community residents to achieve their project's basic objective? There are a number of responsible functions that development workers must perform that bear directly on both the community and the project. At each stage of the project's development, these steps, if well performed, engage the community in project activities as human resources and also promote community development. What form these steps take, as well as the order in which they are carried out, depends on such factors as the nature of the project, the number of development workers, and particular local conditions. In one way or another, however, they are applicable to all development projects.

First, development workers inform the community about the project, the development problem it seeks to solve, its primary objective, the proposed benefits to the community, and the ways in which community residents might participate in the project. In turn, the development workers seek information from the community about the ways in which the community might assist the project. Already a relationship is being established which will vary through further stages of the project's development.

Second, development workers must recruit project participants from the community. At this point, the development workers enter into an active working relationship with the community residents, who may either become direct participants in the project, as members of a cooperative, for example, or provide needed project-supporting goods and services to it. In performing these recruitment functions the development workers should foster community enthusiasm for the project by discussing its benefits, activities and employment and income possibilities.

Third, development workers must organize the project-supporting activities and resources, including labor, that are necessary to produce the project's anticipated results.

In order to do this, they need to understand how community residents perform similar activities, and this process, in turn, involves understanding the community cultural patterns, including its economic and social organization, as well as the nature and operation of its technologies.

Fourth, development workers relate directly to community residents/participants by **training** selected people in the skills that are necessary to effectively carry out project-supporting activities. The way in which this training is performed will directly affect the success of the project.

Fifth, the development workers interact with the project participants and other community residents in the day-to-day **management** of the project until such time as the project participants can themselves capably operate the project and effectively manage its activities.

Sixth, the development workers will eventually transfer the responsibility for the continuing operation of the project to the project participants and the community. For the development workers, this step involves performing a combination of the above functions, with an emphasis on training project participants to carry out the major management and technical aspects of the project.

Keeping in mind that you will be performing these six project functions, consider the following specific suggestions for working with, and helping to develop, the community's human resources. They are taken from Some Points for Consideration of Technicians Working with Villages, by Arthur Raper (US Agency for International Development, Washington, DC, 1961).

1) "Be sure your presence in the village is understood."

2) "Find a basis for common interest with the villagers."

3) "Try to understand why they do things the way they do."

4) "Start where the people are, and with what they want."

5) "Work within the cultural framework of the people."

6) "Note and respect the pace of the villagers."

7) "Take care that the reactions of the villagers are understood."

8) "Help the people believe they can improve their own situation."

9) "Be content with small beginnings."

10) "Utilize the villagers' own organizations, and recognize their leaders."

11) "Encourage individuals to assume responsibility, and involve as many as possible."

12) "Be short on making promises, and long on keeping the ones that are made."

13) "Make certain that technical benefits accrue at the local level."

14) "Help the government get organized to serve the village people."

15) "Train and use sub-professional, multi-purpose village workers."

16) "Expect growing pains."

17) "Don't expect thanks from the people helped."

18) "Deal with the villagers as equals."

(Peace Corps/Mali Resource Book)

THE ALCHEMY OF SUCCESS (PART I)

ENTRENA, S.A.

GRINGO GRITA 1982

The following article appeared in the December, 1981 issue of The New Internationalist, a magazine devoted to Third World and development issues. The article struck me because of its applicability to Peace Corps Volunteers in this country where history has reinforced the "give me" and "do for me" dependencies.

It is especially hard for PCVs to fight this paternalism because they have only two years in which to work. In order to feel useful and maintain motivation during that time most PCVs need to see some sort of progress. However, the type of progress that leads to development can rarely be perceived within two years. On the other hand, "give me" and "do for me" projects can offer great satisfaction and pride within a short period of time. The damage they cause cannot be observed until much later, when the RPCV is safely back in the States proud of his accomplishments in the D.R.

The article made me reanalyze my work as a PCV and offer some valuable insights for all PCVs.

Kathy Stearns

THE ALCHEMY OF SUCCESS

The principal cash crop along lower Cauca River was rice, so the program at El Naranjo[1] (Colombia) purchased for the village a thresher and huller along with a motor to run them, and organized a cooperative to market the rice downriver. It also bought a tractor to help increase rice production and a generator to light the village. The first year, dug-out canoes brought tons of rice to the El Naranjo cooperative, which hulled it and sold it at the highest price the farmers had ever received.

I visited El Naranjo about six years after the program closed down to see how the work had continued. In short, it hadn't. El Naranjo had become a virtual graveyard of rusting equipment and abandoned hopes. The motor had broken down and had never been repaired, so the huller could not be used either. The thresher had never been used because farmers prefered to thresh their rice in the field. The tractor had broken down and no one had cleaned up the generator since the year a flood had covered it with mud. The cooperative had disbanded completely; its building--by far the largest in El Naranjo--was full of cobwebs. Yet, as I made my way through the village, half a dozen different people pleaded with me, "If World Neighbors would just come help us again, we could do so much."

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1 El Naranjo is a fictitious name but the program's story is a true account of the first program World Neighbors supported in Latin America.

THE ALCHEMY OF SUCCESS (PART II)

The outcome at El Naranjo was shocking, but hardly surprising. The hulks of well-intentioned but long-forgotten give-aways are scattered all over the Third World. I have personally seen tractors by the dozens, not to mention ploughs, cultivators, generators, threshers, pumps, scythes, lanterns and grain mills that were never repaired after the first time they had broken down. There are donated granaries that were never used, free high-yield seed that was eaten, give-away breeding animals that were sold or slaughtered for meat, and forest and fruit tree seedlings that died while still in their plastic bags.

More and more organizations are also becoming convinced that give-aways are not only ineffective but, in fact, detrimental. Why? The reasons are numerous. First of all, when the only progress villagers see is accompanied by give-aways, villagers can easily become convinced that they are incapable of making progress by themselves. Typical is the feeling of the people in El Naranjo that they cannot do anything without more outside "help". This feeling of inadequacy in turn creates dependency and subservience, robbing people of their self-respect. Furthermore, when people feel incapable of doing anything by themselves, self-help projects become more difficult than ever.

Another problem arises because charitable agencies normally do not give things away to everyone, rich and poor alike. They give only to the poorest. Bitter divisions have thus been created in community after community by the jealousy that erupted when one family received seeds, fertilizers, or food and another did not (who is poor, and who is really poor?).

People often become accustomed to give-aways and even come to expect them. World Neighbors found it nearly impossible to work in northeast Honduras after the Hurricane Fifi relief effort because many villagers refused to work with anyone not dispensing charity. In Togo, half the women in a group attending nutrition classes quit because they felt cheated; they had heard that a similar group ten kilometers away was receiving free milk during its classes.

Handouts can also blind people to the need of working at their own problems. In the terms of one well-worn metaphor, you can give people so many fish that they lose all interest in learning to fish. Handouts can also divert people's attention from the underlying demographic, institutional or political problems that, sooner or later, they must face if permanent progress is to be made.

Give-aways can be as detrimental to programs as to people. First of all, they are monstrously expensive. Supplying a family with half its wheat for 30 years can easily cost 50 times as much as does teaching a family to double its own wheat production. Secondly, give-aways can cover up people's indifference to program efforts. Villagers anticipating an occasional handout may faithfully attend classes for years without intending to adopt a single innovation. A non-paternalistic program will know at once

if farmers lose interest in what is being taught because attendance drops immediately. Months of useless, expensive training can be avoided.

Justice demands not that outside agencies give things away, but rather that people be taught to help themselves, with their dignity and self-respect intact, and that these efforts cost as little as possible so that the maximum number of people can be reached with the funds available.

Two top-quality South American agronomists were asked to help the community of Yanimilla raise its milk production. By culling the herd, improving the irrigation system and planting new pastures, they showed the people how to raise production from 25 to over 100 liters a day. Six months after they had left Yanimilla, production had plummeted back to 30 liters a day.

Once again, although the results were disappointing, they were not surprising. For the paternalism at Yanimilla is a close cousin to that of El Naranjo. It is that of doing for people as opposed to giving to them. Although this second kind of paternalism is admittedly more subtle than the first, it can do just as much damage. And because of its subtlety, it is even more widespread than the first and less often recognized as being harmful. First of all, doing things for people seldom achieves permanence. The rusting hulks of abandoned development efforts done for the people are as common as those of abandoned give-away machinery. Once there are no outsiders to make trips to town, do the accounting, make decisions, pay the bills, or keep people working together, the work halts as abruptly as when the handouts end.

Secondly, doing things for people creates a sense of dependency and inadequacy. The "Please, won't you give us something?" changes to the equally obsequious "Please, won't you do something for us?" but the helplessness and dependency are the same. The people of El Naranjo were as dependent on expatriates to run their cooperative as they were for expatriates to buy them a tractor. As a result, neither the tractor nor the cooperative provided them with any sense of accomplishment or self-worth.

If we are to avoid paternalism, either giving to people or doing for them, our only course of action is to motivate the people to do for themselves. But how? How can these people--who so often seem to be conservative, traditionalist and non-innovative--
become motivated? Somehow, the people must acquire enthusiasm.

Enthusiasm is known by a good many other names, too: determination, drive, commitment, motivation, inspiration, even love of one's work. It is the desire or willingness to work, to step into the unknown, to experiment, study, make decisions, cooperate with others toward a common end.

When enthusiasm is plentiful, farmers walk two full days to attend classes, innovations spread spontaneously from one farmer to another, and many former problems seem to solve themselves. In extreme cases, hundreds of farmers in Guatemala and El Salvador put 30-to-35 days of backbreaking labor to conserve each 0.1 hectare of their soil.

Instilling enthusiasm is the only plausible way of avoiding paternalism. The question, then, is the same one Jawaharlal Nehru asked years ago: "How to bestow on the villagers that sense of partnership, that sense of purpose, that eagerness to do things?" Each of the following can be crucial in stimulating enthusiasm:

- The people must want the problem to be solved.
- The solution must be within their means.
- The people must have faith in the program personnel.
- The challenge must be simple enough at first so they can participate but become increasingly complex so they can grow in their ability to deal with problems and feel an increasing sense of accomplishment.

None of these conditions will, however, inspire much enthusiasm if early recognizable success is lacking. Villagers skeptical of the program's competence or benevolence will change their minds only when they recognize that the program has benefited them. Identifying with or participating in efforts that never succeed will produce not enthusiasm, but pessimism, shame, and disappointment.

While enthusiasm is the driving force, increasing participation is the direction programs must take. Involvement of local villagers helps ensure that the program will respect local cultural values and local needs. Obviously no one can provide more understanding than villagers who work in the program. Salaries and transportation for small farmer employees are much less expensive than for professionals. Furthermore, the involvement in management by villagers helps them to appreciate the program's obstacles and dispels suspicions about its motives.

More important, small farmer participation may be essential to the permanence of a program's work. During five or six years of studying by candlelight, slogging through the mud and teaching classes late into the night, villagers extensionists can become tremendously committed to the success and continuity of their work. This commitment, plus their know-how and teaching ability, will remain in the villages after the program leaves.

Definitions of development abound, but most people would now agree that development is a process whereby people learn to take charge of their own lives and solve their problems.

Two corollaries immediately follow. First of all, giving to and doing things for people have nothing to do with development. On the contrary, they do the very opposite. Secondly, the developmental process, whereby people learn, grow, become organized and serve each other, is much more important than the greener rice field and fatter coin purses that result. How it is done matters more than the what is accomplished.

SKILLS FOR DEVELOPMENT FACILITATORS

Basic Skills
Throughout the stages of community development, the facilitator should:

1. Demonstrate an understanding of non-formal education through the use of:
   - a variety of communication techniques;
   - problem-solving activities;
   - methods that motivate others to actively participate in the project process.
2. Stimulate planning and project implementation through the use of local skill, knowledge and resources during:
   - needs assessment and planning;
   - health project activities;
   - follow-up;
   - project review.
3. Use on-going methods of monitoring of community involvement.

Taking the First Step
When the facilitator starts working with a community or group, he/she should:

1. Understand and be able to express his or her:
   - motivation;
   - expectations of the experience;
   - strengths and weaknesses;
   - role as a facilitator;
   - individual values.
2. Be sensitive and able to identify:
   - expectations of the local community or group;
   - local culture and resources, including customs, values, knowledge and ways of life.
3. Communicate in ways that demonstrate:
   - active listening and observation skills;
   - an ability to filter information;
   - skills in working cooperatively and in collaboration with others;
   - an understanding of the participatory approach to development;
   - an ability to promote local self-reliance, integrity and well being.
4. Use appropriate on-going techniques for monitoring community involvement.

Establishing a Dialogue
In the next stage of involvement, the facilitator should:

1. Demonstrate skills in facilitation and organization that include:
   - an ability to work with existing local social structures and groups;
   - stimulating active local participation;
   - motivating others to contribute their skills and knowledge;
   - planning and facilitating meetings, when appropriate;
   - sharing techniques for effective problem solving, team building and negotiating.
2. Be able to examine, analyze and prioritize issues, concerns and needs within the local context.
3. Understand and be able to discuss development issues in relation to local problems and strategies for change.
4. Continue to develop skills in interpersonal communications, including:
   - encouragement of local leadership, when appropriate;
   - building trust and confidence;
   - consultation (e.g., active listening, conferring and feedback).
5. Continuation of community development.

Planning with the Community
In planning for active community participation, the facilitator should:

1. Collaborate with the local community or group to identify:
   - needs;
   - resources;
   - goals and objectives;
   - potential problems or limiting factors.
2. Assist in the establishment of:
   - project objectives;
   - plans of action;
   - methods of project monitoring and evaluation;
   - relationships with appropriate organizations and agencies to form a supportive network.
3. Clarify the kind and extent of his/her involvement in the project.
4. Continue monitoring.

A CHECKLIST FOR USE IN IDENTIFYING PARTICIPATORY COMPONENTS OF PROJECTS

Before proceeding with a project, quickly complete the following and assess who is involved and the level of community ownership.

The following checklist can be used for assessing project proposals as well as for project monitoring and evaluation.

- A **Highly participative**
- B **Participative**
- C **Somewhat participative**
- D **Non-participative**
- E **Authoritarian**

Circle the letter which most closely indicates the method for the activity:

1. Project planning process:

-- through initial open discussions with the community of its problems and how to solve them	A
-- through a discussion of the project proposal with opinion leaders from the community	B
-- through discussions with government/ non-government organizations at district/ block/project level	C
-- project thrust from the outside without discussion	D
-- project imposed in absolute disregard of community's wishes	E

2. Identification of the needs:

-- by the people themselves	A
-- by local opinion leaders	B
-- by a government agency	C
-- by a centrally sponsored scheme	D
-- by fiat	E

Excerpted from the Report of the Community Participation Workshop, Agra, May 1981, organized by UNICEF, New Delhi, pp.13-16.

3. Extent of resource mobilization for the project:

-- by the community	A
-- by the community and others	B
-- through matching contributions	C
-- through massive external assistance	D
-- with no contribution from the community	E

4. Identification of project workers:

-- by the community with its own criteria	A
-- by the community with imposed criteria	B
-- appointment of local persons by outside implementing agency	C
-- appointment of outsiders	D

5. Development of social and/or technical skills:

-- through short, local pre-service training, followed by regular, on-the-job, in-service training, in conjunction with the training of trainers from within the community	A
-- through short, local pre-service training, followed by regular, on-the-job, in-service training	B
-- through pre-service training within the district/town followed by some in-service training	C
-- through pre-service training in a remote institution without any follow-up in-service training	D
-- no training or training in an unfamiliar language	E

6. Project implementation:

-- Under community control (especially the remuneration of project workers)	A
-- under community supervision	B
-- with some community involvement	C
-- with no community involvement	D

7. Periodic evaluation/monitoring of progress:

-- by the community	A
-- some evaluation by the community	B
-- outsiders' evaluation with results reported to the target community	C
-- outsiders' evaluation not reported	D

This checklist needs not only initial but also continuous refining in the light of the growing understanding of the concept of community participation and its implications. It should be shared with those formulating and/or submitting project proposals--which means that there must be some common understanding of the conceptual framework of community participation between all those concerned with project formulation and implementation.

There are in addition certain general points to be looked for in assessing projects:

- Does the institution move out into the villages instead of expecting people to come to it?
- Is the project working with primary institutions?
- Has the government given its stamp of approval to agencies at the local level involved in the project?
- Does the project work with women?
- Is there a specific methodology suggested for community involvement?
- Does it include a specific methodology for involving people in monitoring/ evaluation?
- Does an infrastructure exist for an exchange of information at the local level?
- Is there an acknowledgement of possible conflict areas by the project?

(From: UNICEF, Assignment Children 59/60 [February 1983] pp. 133-135.)

MODULE 5: PROJECT PLANNING

SESSION 28: ROLES/RESPONSIBILITIES IN PROJECTS

TIME: 2 HOURS

RATIONALE:

All community projects with which Peace Corps is involved stress the importance of involving the local community in design, implementation, monitoring and evaluation of the project. Emphasis is given to the goals of shared responsibility for the project and to building local capacity within the community to plan and carry out similar projects in the future. One way in which to be certain that these goals are met is to clearly define who is responsible for what specific jobs within the project, at its different stages of development.

In this session, the trainees will focus on defining their own project roles, as well as those of the group and the community. They will also practice negotiating responsibilities within the cross-cultural context.

OBJECTIVES:

1. To determine who will be responsible for different tasks within the project and develop a means of assigning responsibilities.
2. To practice negotiating roles and responsibilities within a specific cultural context.

TRAINER PREPARATION:

1. Familiarize yourself with the "Responsibility Chart" in order to be able to explain it clearly to the trainees.
2. Keep in mind that, in order for the trainees to develop a responsibility chart during the session, they will have to have worked in a common group issue/project such as a training store.
3. Prepare an appropriate 10 minute role play on negotiating in the host country. Arrange for a host-country trainee to play the role of community member.
4. Find out about the local cultural issues you should know regarding negotiation and ways of reaching consensus within the host country.
5. Develop newsprint for the following items:
   - Session Objectives
   - Small-group task instructions
   - Comparing the Two Work Plan Styles

MATERIALS:

1. Newsprint and markers
2. Paper and pens for trainees

PARTICIPANT HANDOUTS:

1. Roles and Responsibilities Chart

PROCEDURES:

Introduction: (5 Min)

1a. Introduce the session by pointing out that the term "Community Involvement" is frequently used in Peace Corps when referring to project design and implementation. Obviously, this does not mean that every member of the community will be involved in every step of the project from inception to evaluation. It is important to actually define what is meant by the term "community" in order to understand how the roles and responsibilities for the project can be effectively handled.

1b. Review the session objectives and clarify any questions the trainees may have regarding them.

Defining the Community: (10 Min)

2a. Put the phrase "Community Involvement in a Project" on newsprint and ask the trainees to define what it means. (Put the responses on newsprint). Be sure that the various types of community members who might play a role in a project are included in the list. Remind the trainees that they have already discussed some of this in the session on Community Assessment.

> TRAINER NOTES
>
> Ensure that the following types of individuals are included in the list: village leaders, project recipients, counterparts, line agency personnel, technicians, Peace Corps Volunteers, laborers, etc.

2b. Explain to the trainees that one of the keys to successful implementation of a project is having a clear understanding of who is responsible for what tasks during the life of the project.

Explanation of the Responsibility Chart: (10 Min)

3. Introduce the "Responsibility Chart" as a way of helping everyone involved in the project agree on the roles and responsibilities for the various aspects of the project. Include the following points in the explanation:

- All the individuals involved in implementation of the project should be listed across the top of the chart, with a column for each. Reading across the rows shows how the various responsibilities for a single task/activity are shared among project participants. This helps to clarify project authority and coordination needed to accomplish each activity.

- All of the tasks/activities should be listed down the side of the chart, with a line for each. Reading down the columns shows the total responsibilities for each person, and amounts to a job description.

- A simple letter code can be used to show the level of responsibility each individual has for each task.

EXAMPLE:	A	=	Approve
	R	=	Responsible
	S	=	Supervise
	I	=	Must be informed
	C	=	Consult with

Group Work: (20 Min)

4. Have the trainees develop a responsibility chart for the management of the training store on newsprint. (Have one of the trainees lead the discussion.)

Large-Group Discussion: (10 Min)

5a. Lead a large-group discussion of how the responsibility chart can be used in projects, by asking the following questions:

- What are the potential uses of a Responsibility Chart in a project?
- What areas does it help to clarify?
- Who should be involved in development of such a chart?

5b. Point out to the trainees that while a Responsibility Chart is useful in managing a project, it is effective only if developed within a specific cultural context. To illustrate this point, ask the trainees if they have been in a situation in-country in which they thought someone had agreed to do something only to find out that there was really no agreement from the other person's point of view.

5c. Point out that, unless a trainee is aware of how to negotiate properly within the culture, a project may never really get off the ground.

Cross-cultural Issues: (10 Min)

6a. Ask the trainees why host-country people might appear reluctant to take on project responsibilities. Put the responses on newsprint.

TRAINER NOTES

Included in the responses could be the following:

Too busy with family responsibilities
Too busy with seasonal work (farming, for example)
Not experienced enough to do the job
Not trained enough to do the job
Have already contributed more than the others involved
Don't want to do that kind of work
Don't want to work with that member of the group
Would prefer a "more important" job

6b. Summarize these responses by asking how many of the problems are potentially caused by cross-cultural misunderstandings. Solicit suggestions on what specific actions PCVs can take to help overcome these problems.

Individual Listing of Obtaining Community Support: (5 Min)

7. Write the following phrase on newsprint: "Ways of Obtaining Agreement Within The Host Culture". Ask the trainees to take five minutes to think about the cultural norms they have learned and apply them to negotiation and agreement to various roles and responsibilities within a community project.

Sharing of Individual Lists in Large Group: (15 Min)

8. Ask for volunteers to share their lists with the large group. Lead a large-group discussion of how community projects can be affected if Volunteers are not aware of these cultural norms for negotiation and agreement. (Be sure that the Volunteer's role in the project is also mentioned at this point.)

Simulation on Negotiating: (15 Min)

9. Set up a 10-minute simulation of a Volunteer negotiating a project role with a local community member. Stress that the simulation should include verbal and non-verbal means of expression. (Have a host-country staff member play the role of the community member.)

Large-Group Processing of Simulation: (10 Min)

10a. Thank the role players at the end of the ten-minute period, and solicit their reactions to the simulation situation. Ask the following questions of the role players:

- Did the situation seem real? What were the difficulties in gaining agreement?
- What kinds of verbal/non-verbal cues indicated lack of agreement? Agreement?

10b. Solicit comments from the observers regarding the simulation interactions, using the same questions as above to obtain any additional information that the players may not have noticed. Ask the large group what follow-up steps would be necessary within the culture to ensure that agreements reached are actually carried out.

Closing: (5 Min)

11. Close the session by reminding the trainees that having clearly defined roles for the project participants from the start and putting these responsibilities in writing can save a lot of time and minimize confusion once the work has begun. Field any final questions on the Responsibility Chart and negotiating in the cultural context.

RESPONSIBILITY CHART

Task/Activity	Individual Responsible							

CODE
R=Responsible To Do A=Approves C=Consults
S=Supervise I=Is Informed

MODULE 6: BASIC BUDGETING

SESSION 29: BUDGETING FOR NEW PROJECTS

TIME: 5 HOURS

RATIONALE:

Accurate budgeting is a crucial element in all new projects. It provides the essential backbone to the project structure and indicates the type/amount of resources needed, availability and cost of the resources in the local market, and the funding gaps that need to be filled with potential donor resources. The ability to budget carefully is an essential skill for PCVs to transfer to their local communities and counterparts as it affects not only the immediate projects they are undertaking, but the success of future efforts as well. During this session, the trainees will be introduced to the basic principles of budgeting for new projects, will apply the skills they learn to the actual research into and construction of a budget, and will explore their roles in the development of project budgets within their communities.

OBJECTIVES:

1. To introduce the basic principles of budgeting for new projects and to identify the key elements which must be included in project budgets.

2. To practice researching comparative costs within the market place to obtain the best price for project items.

3. To analyze quality differences for products within the local community.

4. To develop and analyze initial budgets for new projects.

TRAINER PREPARATION:

1 Review the session outline and develop a lecturette in your own words.

2. Contact local business owners and set up shop and store visits as planned for Part 7.

3. Prepare processing questions.

4. Prepare flipchart for the following items:
   - Session objectives
   - Lecturette topics
   - Shop visit instructions

MATERIALS:

1. Flipchart
2. Tape and magic markers

TRAINEE HANDOUTS:

N/A

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by explaining to the trainees that budgeting is often rushed in the planning process because of the time required to collect input prices. However, it can have a direct impact on the short-term and long-range profitability of a project.

1b. Review the session objectives and clarify any questions the trainees may have regarding them.

Lecturette: (30 Min)

2. Deliver a lecturette on budgeting, stressing the following points (already on flipchart):

   a. Definition of BUDGET and BUDGETING:

   A "budget" is a PLAN for the COORDINATION OF RESOURCES AND EXPENDITURES.

   "Budgeting" is the process of constructing such a plan.

   "Plan" indicates that conscious decisions are being made in advance.

   "Coordinating" indicates that several individuals and groups are involved.

   "Resources and Expenditures" can include cash and in-kind contributions (bricks, sand, posts, etc.).

   "Process" means that the plan evolves after visits to stores and discussions with technicians--it is rarely written in one meeting, and should involve several group members.

   b. Why Is BUDGETING Important?

      1) Clarifies future financial commitments of all actors, thereby minimizing early, expensive "surprises" and establishing clear group/individual expectations.

      2) Informs everyone of the ways in which funds will initially be spent--what equipment, how much of the various raw materials, etc.

3) Identifies critical "resource gaps" and may list potential sources of assistance.

4) Gives a monetary value to the local cash and in-kind contributions, making them feel more integrated into the overall effort.

5) Establishes the overall scale of a project and reflects the technology chosen before any funds are actually committed.

6) Reflects the "input risk" of the project: How critical are the imported inputs, do some inputs have subsidized prices, are there problems with availability (seasonal price swings, for example)?

7) Identifies the most important and/or most expensive inputs and provides opportunity to footnote the technical reasons for such choices.

8) Can be used to identify locally available equipment, tools, and inputs and those that must come from outside.

c. The Budget as a Flexible Planning Tool:

There may be instances when there will be more than one budget possible for the same project.

EXAMPLE: A blacksmith apprentice wants to start his own business.

Minimal capital requirements--$750

But he has specialized technical skills and contacts with new clients. He may want to put together a budget at a higher level to take full advantage of this technical/marketing edge--$1200.

MORAL: The budget should build on the internal strengths of the entrepreneur as well as represent the initial costs of the project.

d. Warnings About Budgets

1) If the budget is unclear, it can lead to confusion and endanger group cohesion. Some members may not understand why group funds are disappearing in ways that they did not anticipate.

2) There is a need to come to terms with inflationary trends before beginning to use the funds. Otherwise, the funds may not cover all the vital needs of the project. For this reason, many groups build in a cushion called "Miscellaneous Expenses", which should be dedicated to making up the difference between projected costs of equipment and materials and the actual cost when the purchase is finally made. It is not just a "slush fund" because it is used only for sudden project-related cost changes.

3) The budget should not be a "wish list". If an unrealistic budget is used, group members will not enter the project with realistic expectations. While it is tempting to "over-budget", especially when dealing with donor agencies, an unrealistic budget may force them to question the group's overall understanding of what is involved in the project.

4) The local group's input should be reasonable--too small a contribution (in the form of funds, materials, and labor) implies a lack of genuine commitment; too large a commitment may imply a hollow promise. For many groups, donated labor and locally available materials may constitute the main contributions. Whenever possible, these should come from the local community.

5) Three written and dated price estimates should be obtained for equipment, tools, and other major expenses (whenever possible) so that no one in the group can play "favorites" with enterprising relatives at the expense of the group.

6) When outside groups offer to help in concrete ways (such as technical advice, cash, materials, lending a machine, etc.), don't settle for promises. The group should ask for written commitments so that everyone in the group knows exactly what has been promised and by whom.

7) All terms should be defined before getting to specifics, whether the client is an individual business person or a group. Otherwise, members and others will agree to forms of participation without understanding the commitment and with resulting confusion having a major impact on the project later.

8) The level of imported inputs should be examined closely since this is a tip-off that the level of technology might not be appropriate or sustainable. It might influence the level of training required, as well as the difficulty in lining up spare parts and getting maintenance and repairs in a timely way.

(30 Min)

Large-Group Discussion:

3a. Ask the trainees what types of costs they would include in a budget. List all answers on newsprint.

TRAINER NOTES

Included in the responses could be the following:

raw materials
tools and equipment
transportation of raw materials, tools, equipment
construction materials
rent for storage, office space, workshop space

It is important to include cultural examples as well, such as lunches for workers.

Some of the most frequently overlooked costs include:
spare parts
maintenance supplies (oil for machines, etc.)
cost of licenses and inspections by agencies
postage
notebooks, pens, paper, other training materials
xerox copies

3b. Explain to the trainees that donations replace initial and ongoing expenses. Donations should be included as budget line items with footnotes crediting the individual, group or business responsible. Ask the trainees to list some of the donations that they think a project might be able to attract. List all answers on newsprint.

TRAINER NOTES

Included in the responses could be the following:

land
labor (unskilled, skilled)
technical advice
use of a truck, other vehicles (tractors, etc.)
the use of a building for a fixed or unspecified period of time
wood, bricks, sand, other construction materials
legal fees waived, inspection fees waived
By products and scraps from other groups and businesses

3c. Ask the trainees for an example of a production-oriented project. Have them generate a list of the specific items they would include in a budget for that project. (Explain that it is not necessary at this point to worry about the model of a given piece of equipment or the number of tools to be purchased. This exercise is designed to give them some practice in trying to come up with a complete list of requirements for a project budget.)

TRAINER NOTES

Use the following example if the trainees cannot generate one of their own:

JAM MAKING PROJECT

Expenses to be included in the budget are:

rent or construction materials	lights
labor	sugar, other ingredients
fruit	bottles
transportation for bottles	cooking utensils
gas stove	Ministry fees, inspections
large pots	final product delivery
labels	pens, markers
glue for labels	notebook for recordkeeping

Lecturette: (5 Min)

4. Explain to the trainees that the cost choices made, such as a decision to buy used equipment or imported raw materials, will be reflected in the quality and market price of the final good. There are times when it is appropriate to buy used machinery and tools or imported raw materials, but this decision will depend on the targeted market, the skills of the producers, and many other factors. It is important to remember, when drawing up a budget, that consumers always compare the prices and level of quality and usefulness of competing goods and their substitutes.

Small-Group Work: (30 Min)

5. Divide the trainees into small groups and assign the following task (already on newsprint):

   - Choose a production-oriented project and develop a simple budget to organize initial and ongoing expenses that would be incurred. Make assumptions about the scale of the operation, quality of the inputs and machinery required, and the technical requirements of the project.

   - Make a list of questions you would ask suppliers about the items you have listed.

   - Be prepared to make a brief presentation of the project budget and assumptions to the large group for comments/critique.

Small-Group Presentations: (15 Min)

6. Reconvene the trainees and have each small group present its budget and assumptions for evaluation and comments. Have the large group focus on the following issues for review:

   - Are any costs missing from the budget?

   - Does the budget seem realistic?

Small-Group Work: (20 Min)

7a. Ask the trainees to return to the small groups and make any additions or changes they consider necessary after the presentations and comments/critiques. Explain that the next activity in the session will be small group visits to various shops and stores to collect price and quality information regarding the various budgeted items for their production-oriented projects.

7b. Ask the small groups to review carefully the underlying assumptions they have made about the quality of inputs and outputs since this will help them decide whether or not to visit a particular store or supplier of raw materials, tools, and equipment. Tell them to visit suppliers of the final product, as well as suppliers of raw materials, tools, etc.

Shop Visits: (90 Min)

8. The small groups visit several shops and suppliers.

Processing of Shop Visits: (30 Min)

9a. Reconvene the trainees and process the visits with the following questions:

- Did you see a lot of variations in the store visits in terms of quality and cost?
- Was there any problem with raw material availability according to the season?
- How many quality levels of the raw material did you detect?
- Did the cheaper or more expensive versions of the final products appeal to you? Which version seems to sell more?
- Did you see anyone buy the raw materials or equipment you would need? If so, did they negotiate the price or was there a standard price?

9b. Summarize the visits by pointing out the importance of negotiating prices, whenever possible, and the critical role of attracting donations so that the project or business can have a competitive advantage from the start of production.

9c. Ask for any comments, surprises, final observations on the exercise of coming up with a budget, and visiting suppliers and stores to collect the information required.

Individual Budgeting Practice (Optional Exercise) (20 Min)

10a. Remind the trainees that Peace Corps Volunteers are not paid at such a high rate that they can survive without budgeting their incomes. They will probably need to begin the budgeting process with their own paychecks.

TRAINER NOTES

If the trainees have already gone on a site visit and know what their salaries will be, they can practice personal budgeting by listing the expenses they will incur at their site and establishing how they will use their income in a planned way. Ask them to think in terms of overall categories first, such as food, clothing, communications, transportation expenses, etc.

10b. Have some of the trainees share their preliminary budgets and ask the large group for comments/critiques.

Large-Group Discussion: (15 Min)

11. Lead a large-group discussion of budgeting by asking the following questions:

    Is budgeting an easy/difficult process for a group? What makes it so?

    Is budgeting an easy/difficult process for an individual? Why?

    How can you motivate a small-business person or members of a group to develop and make use of a budget?

Closing: (10 Min)

12. Review the objectives of the session to see if they have been met. Link to the next session by explaining that initial budgets are only the first step in checking the soundness of a proposed project or business. Operating budgets, which consider initial and ongoing expenses over time and also incorporate likely revenues, help enormously in designing, implementing, maintaining, and evaluating a project or business.

MODULE 6: BASIC BUDGETING

SESSION 30: DEVELOPING OPERATING BUDGETS

TIME: 3 HOURS

RATIONALE:

Once an initial budget is developed for a project, the next critical step involves the development of an operating plan to ensure that future one-time or recurrent costs have been accounted for in the budget. Without a well thought-out operating budget, the likelihood of cash flow problems later in the life of the project is almost guaranteed--potentially leading to a slowdown or even stoppage of the project. During this session, the trainees will focus on the key elements in developing operating budgets, the actual development of such a budget, the way in which it can be used as a monitoring device to measure ongoing projects, and the appropriate role for PCVs to play in the budget oversight of businesses or community projects.

OBJECTIVES:

1. To introduce the basic principles of operating budget development for projects.

2. To practice the development of an operating budget.

3. To develop a list of issues to consider when developing and overseeing an operating budget.

4. To explore the role of the Volunteer in the operating budget process.

TRAINER PREPARATION:

1. Develop a lecturette on operating budgets based on the points in the outline.

2. Check Operating Budget Examples (Chicken Coop, Sewing Coop) and the exercises regarding them in the session.

3. Prepare newsprint for the following items:

   - session objectives
   - lecturette outline
   - discussion questions
   - operating budget example answers

MATERIALS:

1. Newsprint and magic markers, tape
2. Pens and paper

TRAINEE HANDOUTS:

1. Chicken Coop Operating Budget/Cash Flow
2. Sewing Coop Operating Budget/Cash Flow
3. School Uniform Example

PROCEDURES:

Introductory Statement: (5 min)

1a. Explain to the trainees that, while an Initial Project Budget is essential at the planning and early implementation stages, it is not enough to keep a project going. The cash needs of a project during the production cycle can be identified through use of an Operating Budget. Wtihout this tool, the chance of cash flow problems and resulting work slowdowns and stoppages is very high.

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Lecturette: (10 min)

2. Deliver a lecturette on Operating Budgets, stressing the following points:

   a. Difference Between Initial Budgets and Operating Budgets:

      1) Initial Budgets focus on startup costs and "resource gaps", as well as initial organizational needs.

      2) Operating Budgets focus on recurring expenses, maintenance and replacement parts, and the project's overall CASH FLOW.

   b. Why an Operating Budget is important:

      1) Provides for ongoing cash needs.

      2) Indicates seasonality and cycles and clearly spells out the timing of recurrent costs, maintenance, and profits.

      3) Helps determine the different tasks involved and their timing, allowing groups to set up a more effective division of labor.

4) Identifies potential bottlenecks and peak needs for the project in terms of labor and capital.

5) Demonstrates economic feasibility by comparing likely costs with likely revenues. It also helps to determine the breakeven point for a project.

6) Helps build realistic cost/profit/risk expectations.

7) Helps to test alternative technologies, techniques, scales for a project, tying profit potential to each alternative.

c. Applicability to the SED Volunteer's Work

1) To avoid encouraging unprofitable projects at site.

2) To avoid encouraging projects with long-term profit potential only to those clients who need short-term profits.

3) To avoid picking inappropriate financing schemes for projects at your site.

d. What Information an Operating Budget requires:

1) All initial cash outlays (equipment, tools, supplies, installation costs, transportation costs, etc.).

2) Maintenance, recurrent costs (amount, timing).

3) Information on level of production (taking into consideration mortality, thinning, production seasons, waste, and likely breakage rates).

4) Likely demand and price information.

5) Starting cash available.

Large Group Discussion: (30 Min)

3. Hand out the "Chicken Coop Operating Budget" example. Review the budget and explain that each number at the top of the page stands for a month of the project. So, in the first month, the costs were kerosene, vaccines, the chicks, feed--for a total of $201. In the second month, there were total costs of $191.

Point out the following to the Trainees:

a. In this example, the initial costs have been treated as a depreciation issue, with $3 being set aside for the machine's lessening value every month. More commonly, small business managers won't want to treat recuperation of capital costs like this. So, it may become necessary to ask them the question, "How much longer will this machine be useful?" In answering this, you can come up with a depreciation expense per month OR you can just build Depreciation into a Savings Plan.

b. The bottom two lines are the summary of what happens in a given month and where the project stands overall. For instance, in the fourth month, the project has total costs of $193 and generates no revenues, so the loss for the month is $193. The bottom line, the Cumulative Profit (Loss) Figure, increases to a total project loss at the end of the fourth month of $766.

Ask the trainees the following questions about the Chicken Coop budget (already on newsprint):

What was the profit or loss for the month in Month 12? ($62)

What was the profit or loss over the life of the project after Month 8? ($1,061)

What is happening with Transportation and Marketing costs for the project, and why? (Costs are rising starting in Month 8 because more chickens and eggs are being produced for sale.)

4. Explain to the trainees that the next exercise will give them an opportunity to develop an operating budget for a project.

Small-Group Work: (60 Min)

5. Divide the trainees into two groups and assign the following task (already on newsprint):

Group I: Set up an operating budget for the sewing cooperative based on the two-page handout.

Group II: Set up an accounting budget for the sewing coopertive, not including labor expenses.

Be prepared to present your budget to the large group for comments and critique.

Small-Group Presentations: (30 Min)

6. Reconvene the trainees and have the small groups present their budgets. Lead a discussion of the importance of labor expenses and whether cooperative members could afford to pay themselves in this example. Ask what the implications could be for the project.

Large-Group Discussion: (30 Min)

7a. Lead a large-group discussion of operating budgets by asking the following questions:

What information does this cash flow analysis provide you that you wouldn't be able to get with the other tools you've used in training? (Timing of cash needs, identification of "down time", coordination of various kinds of expenses in a concise and complete way.)

Was it a difficult tool to construct?

How much confidence do you have in the results of the cash flow? In which sources of information do you have the most faith?

Do you think the group could buy a new zigzag machine in four years if it costs about the same as it does now?

What are the benefits that group members could derive from this project? Could there be hidden economic (or non-economic) returns?

What additional information do you think the group should collect before starting the project?

Should this project be encouraged, given the size of the operating budget?

7b. Have the trainees make a list of the options they see regarding increased profitability of the project.

TRAINER NOTES

Included in the list could be the following:

> Negotiating a better price and profit margin with director of the school; seeking other customers, especially during the months of "down time" built into this project; checking alternative sources of supplies and raw materials; asking the director if there are other products that need to be sewn.

Discussion on Variables: (10 min)

8. Lead a discussion of the country-specific variables to be included in the operating budget. Ask the trainees what external forces might affect an operating budget and what costs, revenues, profits, and timing are involved.

TRAINER NOTES

Included in the list of variables might be the following:

> Host country's price controls, import restrictions, exchange rate fluctuations, habitual shortages, infrastructural constraints, union laws, cooperative formation laws, credit sources (interest rates and amounts available from the formal and non-formal sectors), consumer preferences, major holidays and their economic repercussions, seasonal changes.

Closing: (5 Min)

9a. Point out to the trainees that the operating budget is not only a planning tool. It is also used to monitor on-going project expenses and to measure them against the original budget plan. Using it these ways allows the group to identify the key elements that are changing, and to make any necessary adjustments in the project activities to compensate.

9b. Explain to the trainees that the next session will focus on developing consulting skills in the analysis of community proposals and their proposed budgets.

322

CHICKEN COOP OPERATING BUDGET/CASH FLOW

	MONTHS													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
DEPRECIATION OF INITIAL COSTS (Coop construction, feeders, etc.)	3	3	3	3	3	3	3	3	3	3	3	3	3	3
OPERATING COSTS														
Litter	5													
Kerosene fuel	3	3	3											
Vaccines	10	10	10					10						
Feed	70	175	175	180	180	180	210	240	270	270	270	270	270	270
Chicks	110													
TOTAL OPERATING COSTS														
Transportation/ Marketing costs	0	0	0					20	25	25	30	30	35	35
TOTAL COSTS	201	191	181	193	183	183	213	273	298	298	303	303	308	308
REVENUES														
Sale of eggs	0	0	0	0	60	90	150	180	225	225	240	225	210	150
Sale of chickens	0	0	0	0	0	5	0	6	0	0	8	16	80	650
TOTAL RETURNS	0	0	0	0	60	95	150	186	225	255	248	241	290	800
TOTAL MONTHLY REVENUES/COSTS Net Profit (Loss)	(201)	(191)	(181)	(193)	(123)	(78)	(63)	(91)	(73)	(43)	(55)	(62)	(18)	492
TOTAL PROJECT REVENUES/COSTS Cumulative Profit/Loss	(201)	(392)	(573)	(766)	(889)	(967)	(1030)	(1121)	(1194)	(1237)	(1292)	(1354)	(1372)	(880)

Module 6
Session 30
Handout 1, p.1

SEWING COOP OPERATING BUDGET/CASH FLOW

	MONTHS															
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April
MACHINES																
Overlock	500															
Zig-zag	330															
MATERIALS for training	35	35	35													
REPAIRS Normal	5	5	5	5	5	55	5	5	5	5	5	55	5	5	5	5
SUPPLIES	20	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
LOCK/RENT	15	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
LABOR						25	62.5	100	25				50	12.5		
MATERIALS for Uniforms					40	100	160	40				80	20			
TOTAL COSTS	905	49	49	14	54	189	236.5	154	39	14	14	144	84	26.5	14	14
SALES REVENUES	0	0	0	0	0	100	250	400	100	0	0	0	200	50	0	0
OTHER REVENUES	100	0	70	0	0	0	0	0	40	0	0	0	0	0	70	0
TOTAL REVENUES	100	0	70	0	0	100	250	400	140	0	0	0	200	50	70	0
NET CASH FLOW	(805)	(49)	21	(14)	(54)	(89)	13.5	246	101	(14)	(14)	(144)	116	23.5	56	(14)
CUMULATIVE CASH FLOW	(805)	(854)	(833)	(847)	(901)	(990)	(976.5)	(730.5)	(629.5)	(643.5)	(657.5)	(801.5)	(685.5)	(662)	(606)	(620)

SEWING COOP OPERATING BUDGET/CASH FLOW
(without labor costs)

	MONTHS															
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April
MACHINES																
Overlock	500															
Zig-zag	330															
MATERIALS for training	35	35	35													
REPAIRS Normal	5	5	5	5	5	55	5	5	5	5	5	55	5	5	5	5
SUPPLIES	20	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
LOCK/RENT	15	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
MATERIALS for Uniforms					40	100	160	40				80	20			
TOTAL COSTS	905	49	49	14	54	164	174	54	14	14	14	144	34	14	14	14
SALES REVENUES	0	0	0	0	0	100	250	400	100	0	0	0	200	50	0	0
OTHER REVENUES	100	0	70	0	0	0	0	0	40	0	0	0	0	0	70	0
TOTAL REVENUES	100	0	70	0	0	100	250	400	140	0	0	0	200	50	70	0
NET CASH FLOW	(805)	(49)	21	(14)	(54)	(64)	76	346	126	(14)	(14)	(144)	116	23.5	56	(14)
CUMULATIVE CASH FLOW	(805)	(854)	(833)	(847)	(901)	(965)	(889)	(543)	(417)	(431)	(445)	(589)	(423)	(387)	(331)	(345)

Module 6
Session 30
Handout 2, p.1

PROJECT: **SCHOOL UNIFORM SEWING COOPERATIVE**

NUMBER OF PARTICIPANTS: Six people

This group is just taking shape. They have spoken with the director of the local school and have been offered an opportunity to make the uniforms for the students. They have gathered the following information based on discussions with the director, visits to stores that sell the materials they would need, and their intuition and work preferences. Uniform orders will be as follows for at least the next two years, as long as the sizes and quality of the final products are deemed acceptable by the director.

June	20 units
July	50 units
August	80 units
September	20 units
January	40 units
February	10 units

CAPITAL

The six members are contributing a total of $100 toward the project. The zigzag sewing machine costs $330 while the overlock machine sells for $500. Group members know that they need both machines to make the school uniforms. The store owner and a member's sister say that normal machine repairs will cost about $5 each month and that a $50 investment in repairs every six months is normal, covering servicing and replacement parts.

SUPPLIES

The town's tailor says that they can expect to spend $20 during the first month on start-up supplies, such as scissors, cardboard, thread, needles, and other basics. Monthly expenses (beginning in the second month) are only about $4 per month, he assures the group.

RENT

There is an available room with electricity near the center of town that the group would like to rent, but there is no lock on the door. One member thinks that a good lock will cost about $10, and the owner has told them that he'd be willing to offer a two-year lease at only $5 per month.

MATERIALS FOR THE UNIFORMS

The pattern is not an easy one, with pockets, epaulets, and an insignia (to be supplied by the school) to be sewn on. The tailor and a part-time seamstress in town agree that three months of practice would be required for the members to be able to turn out a uniform without a lot of waste and damage to the machines. They estimate that the group will go through $35 of materials in each of the first three months getting used to the machines. They will begin to practice in early January.

Also, since the orders are to be delivered and paid for on the first day of the month, the cloth for the uniforms has to be purchased (for cash) at least three weeks in advance. The tailor estimates that about 40% of the sales revenues have to be spent for raw materials like cloth, buttons, and thread.

EXAMPLE: June 1st — Delivery of 20 uniforms at sales price of $5 each
REVENUE = $100

May 7th — Cloth purchase by the group at 40% of the $100 projected revenue
COST = $40

OTHER SOURCES OF INCOME FOR THE GROUP

To bring in extra money for the project, the group plans to hold a bake sale every March when the town celebrates its founding with dances and a parade. They are sure they can sell enough traditional foods to make a $70 profit. Also, the school has a dance in September to mark the beginning of classes and the director of the school promises that they can conduct a raffle, in which he believes they could net $40.

DEPRECIATION

The group members understand the concept of depreciation in general and would like to save money from their profits to buy a new zigzag machine. They think the first machine will last about four years and want to know if you think they will make enough money to buy the new one in four years.

THEIR PAY

Because they are contributing $100 at the start, they have decided not to pay dues to the group. Instead, they want to pay themselves 25% of the sales revenues when the revenues are received.

EXAMPLE: The members would split $25 at the beginning of June, having been paid $100 by the school for the delivery of 20 uniforms

They will donate all the time required to learn how to use and maintain the machines, all time for bake sales and raffles, and the time needed to maintain the machines and shop for supplies.

MODULE 6: BASIC BUDGETING

SESSION 31: COMMUNITY PROJECT BUDGETING

TIME: 2 HOURS, 45 MINUTES

RATIONALE:

SED Volunteers are frequently asked to consult with other PCVs and their communities in the development of small community projects. Two of the main areas in which SED Volunteers provide assistance is in the review of proposals and the overall costing out of the projects. During this session, the trainees will continue to develop their consulting skills through the analysis of small-community proposals and their proposed budgets.

OBJECTIVES:

1. To analyze small-community project proposals for their overall direction and accuracy/completeness of their budgets.

2. To practice consulting skills in working with other PCVs and their communities in the development of small-community projects.

3. To wrap up the budgeting module and review the skills developed.

TRAINER PREPARATION:

1. Review objectives of session.

2. Prepare lecturette.

3. Review Project Profiles, Budgets and Trainer Notes for analysis of each of the Budgets.

MATERIALS:

1. Newsprint and magic markers

TRAINEE HANDOUTS:

1. Community Project Profiles and Budgets

PROCEDURES:

Introductory Statement: (5 Min)

1a. Explain to the trainees that one of the services they may provide to their communities, or to other PCVs, is reviewing community project proposals in terms of the funding which may be necessary. As a result, this session will concentrate on developing consulting skills needed to effectively analyze proposals and budgets.

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

Lecturette: (20 Min)

2. Deliver a lecturette on budget analysis, stressing the following points:

   a. Preliminary Budget Analysis:
   A PCV may be presented with some basic background and information about a project and then be asked to evaluate the scale and appropriateness of the project. This can often be diagnosed from the budget submitted.

   b. Hints on Budget Analysis:
   The budget proposal is an expression of the individual's or group's level of preparedness for the project and provides their view of the size involved.

   If the budget proposal appears to be too large for the goals of the project, it could be an indication that the group is not being realistic about the amount of work they can accomplish themselves, perhaps anticipating growth in personnel, sales, etc. that will not materialize.

   If the budget is too low, it could lead to such a small project that no one feels committed to the effort. This is especially true if all the financing comes from an outside source.

People often feel that, having wrestled with a budget, they don't want to change anything. However, it is important to remember that a budget can be a flexible planning tool.

c. Comparing Proposals and Preliminary Budgets. The specific items in the preliminary budget must reflect the stated goals/concept of the proposal.

The scale of the preliminary budget should accurately reflect the group's managerial capabilities and the project goals.

Estimations of the length of time to reach particular project goals must be realistic. If not, there could be an over- or under-estimation of space needs, profitability, staffing, growth, etc.

All key budget items must be included in order to avoid an underestimation of project expenses, leading to a cash crunch. A certain amount of working capital should be set aside by the group at the start to avoid the liquidity problem.

The budget should not include a long list of foreign components. Such over-reliance could result in delays in meeting project goals, with a high risk of spare parts shortages, problems with maintenance, lack of technical backstopping.

Project goals--as translated through the budget--must fit physical realities. If they fail to do so, it could result in waste, theft, losses due to storage space inadequacies, etc.

The budget should reflect a realistic level of community involvement in labor and provision of local materials.

Small Group Work (45 Min)

3. Divide the trainees into three small groups, and distribute the community project profiles and preliminary budgets for analysis. Explain that these profiles are based on actual SPA project proposals. Assign the following task to the groups (already on newsprint):

- Analyze the project profiles and budgets for internal consistency, based on the points in the above lecturette.
- Develop a list of questions necessary for clarification of the profiles/budgets.
- Be prepared to present a summary of your project profile and your list of questions to the large group.

TRAINER NOTES

Included in the list of possible questions for each of the proposals could be the following:

Wheelchair Project--Some of the relevant points for analysis are the following:

- Why start with 40 wheelchairs? (Project Scale question)
- How will the workers be paid after the initial payments from USAID?
- What materials are being used for the wheelchairs? (It would be useful to have a breakdown of the inputs and costs for a single wheelchair.)
- What will be used in training?
- Are there any imported components in the wheelchairs?
- Do you think that 19% of the costs is a strong contribution in the case of this group, AMIDA?

Brickmaking Project--Some of the relevant points for analysis are the following:

- How much land is involved?
- Is the title to the land secured already?
- Who is going to pay for the feed and take care of the oxen?
- How much will it cost to bring the materials into this isolated site? Who will cover that expense?
- How will raw materials be transported?
- Have the mathematics been checked? (Adding mistake, $300 AID shortfall.)

Cattle Disease Diagnostic Laboratory--Some of the key questions to look for are the following:

- How easy will it be to get replacement parts for these imported machines (microscope, centrifuge)?
- Are the necessary Government ministries aware of this proposal? Are they supportive (especially regarding the import duties, licenses required)?
- Can you provide more in-depth information about the lab materials, which are lumped together and make up a substantial part of the entire project budget?
- What does the budget line on lab staff mean (number of people, their work on the project, etc.)?
- What kind of structure is it? Enough space provided? Is it waterproof? If not, how will the machines be protected?

Small-Group Presentations (40 Min)

4. Reconvene the trainees and have the small groups make their presentations for comments and suggestions. Bring out any questions in the Trainer Notes that were not mentioned, and ask the group why they might be important.

Large-Group Discussion: (20 Min)

5. Lead a large-group discussion of the issues involved in consulting with established groups by asking the following questions:

   - Do you anticipate that it will be easy/difficult to work with groups at this stage of their projects? Why?

   - What types of reactions might group members have to your involvement?

   - What consulting skills might be helpful to you in raising questions/issues about proposals/budgets?

   - What techniques can you use to help the group learn to better analyze their own proposals/budgets?

Closing: (5 Min)

6a. Close the session by entertaining any remaining questions the trainees may have regarding the various aspects of budgeting.

6b. Explain to the trainees that the next module will focus on record-keeping--thus providing an additional method of determining the proper use of funds and the accomplishment of project goals.

PROPOSED BUDGET FOR THE AMIDA PROJECT

ITEM FINANCED	USAID	LOCAL
1. On-the-job training of handicapped workers--living allowance during initial 2.5 months	$1260	
2. Tools and equipment sufficient to equip the workshop (detailed budget has been submitted)	2800	
3. Materials sufficient for production of 40 wheelchairs	4340	
4. Publicity and communications	560	
5. Training of factory workers and technical advisory assistance		700
6. Management, financial and administrative services by AMIDA		1400
SUB-TOTALS	$8960 81%	$2100 19%

PROJECT PROFILE

COMMITTEE BRICKMAKING PROJECT

1. **Description of Project**
The purpose of this project is to provide the Committee with the materials required to begin a manual brickmaking factory, and also some of the materials needed to complete a woodburning stove project. Additionally, the bricks will help the community build latrines, well linings, and a communal grain drying floor. Since the region is growing rapidly due to recent colonization incentives, this project will face a growing demand. However, given the site's present isolation, there is no outside competition in this field.

2. Expected Impact and Evaluation
The Committee will have a source of income throughout the year, not tied to the agricultural cycle and their cash crops. It will increase their degree of self-sufficiency, which is due to the subprojects to be undertaken (such as the grain drying floor, the well linings). The availability of bricks will allow for general development gains in the whole area, spurring further economic activity.

3. Technical Assistance
The Peace Corps Volunteer has some experience with well construction. Many people in the community have a clear idea of what the grain drying floor should look like.

4. Activity Period
This project should be completed and functioning smoothly six months after receipt of the US Government's financial assistance in the form of a grant.

(Excerpt from Project Files of SPA Program, Peace Corps/Washington)

PROPOSED BUDGET FOR THE BRICKMAKING PROJECT

ITEM FINANCED	USAID	LOCAL
1. Land	$ 375	$
2. Warehouse construction materials		
lumber	609	
nails	21	
roofing materials	1050	
3. Sand mixer		
two oil drums	63	
ballbearings and wood	42	
4. Pair of oxen and cart	1050	
5. Horse	140	
6. 20 ovens	560	
7. Ceramic chimney tubing	280	
8. 4 shovels	119	
9. Cast iron stove tops		420
10. Labor		1120
SUB-TOTALS	$4009 72%	$1540 28%

348

PROJECT PROPOSAL

Cattle Diseases Diagnostic Laboratory

1. **Project Description**
Establishment of a diagnostic lab to identify cattle diseases such as brucelosis, anaplasmosis, and parasitic illnesses. This will be the first lab in the province, a zone that depends largely on cattle as a source of income and a means of productive savings. This lab will be equipped with a basic microscope, centrifuge and the necessary laboratory and medical supplies to conduct tests on blood and samples.

2. Expected Impact
The zone has approximately 1000 cattle farmers and a total population of 20,000 cattle. They often travel several hours to a small, overworked office, to get a sample analyzed. However, with a lab nearby, they could get faster and more dependable results, leading to increased production and better health for the animals and the people in the area.

3. Technical Assistance
The Peace Corps Volunteer will coordinate the project with a counterpart from the Ministry of Agriculture. Both the PCV and the counterpart have extensive experience with cattle production and are familiar with lab equipment and the technical advantages of the foreign equipment that will be used.

4. Activity Period
The laboratory will be able to accept samples within one week of receiving the financial support petitioned. A minimal charge will be collected so that the repairs can be paid for from the small profits of the project.

(Excerpt from Project Files of SPA Program, Peace Corps/Washington

PROPOSED BUDGET FOR CATTLE LABORATORY PROJECT

ITEM FINANCED	USAID	LOCAL
1. Microscope	$ 800	$
2. Centrifuge	700	
3. Balance (scale)	100	
4. Lab materials	1900	
5. Refrigerator		400
6. Furnishings of lab		250
7. Lab staff		1000
8. Structure with light and water		600
SUB-TOTALS	$3500	$2250
	61%	39%

350

PROJECT PROFILE

AMIDA-Wheelchair Factory

1. **Project Description**
This project will be the first small-scale wheelchair factory in the country. The project will be organized by AMIDA (Association for the Rehabilitation of Physically Handicapped). The principal purpose of the project is to establish a factory for the production of high quality wheelchairs at an affordable price, for the low-income orthopedically handicapped in both rural and urban areas. Secondary benefits will include the training of host country personnel, employment and income benefits for the handicapped who will be working in the factory, and the potential diversification to other related fields not currently addressed by local producers.

2. **Expected Impact and Evaluation**
Increased public visibility and acceptance of physically handicapped persons; provision of affordable wheelchairs; new personal sense of freedom for handicapped adults; replacement of imported wheelchairs that cost substantially more. Additionally, some of the workers will be handicapped individuals currently without work.

3. Technical Assistance
The Peace Corps Volunteer will be working with counterparts in the Ministry of Social Development on this project. AMIDA will contribute training programs for the factory workers and will seek out other technically equipped groups to help with setting up the factory.

4. Activity Period
This project will be self-sufficient within six months of the receipt of the SPA grant, due largely to the efficiency of the factory and strong marketing capabilities.

(Excerpt from Project Files of SPA Program, Peace Corps/Washington)

MODULE 7: RECORD KEEPING

SESSION 32: RECORD KEEPING IN A CULTURAL SETTING

TIME: **3 HOURS**

RATIONALE:

The ability to keep accurate records is an important skill for business and project managers to have as it gives the managers an up-to-date picture of cash flow, sales volume, profits/losses, inventories, etc. One of the essential skills SED Volunteers need is an understanding of what types of local business records are necessary, what methods local business people use to maintain their records, and what types of information are typically missing from the record-keeping systems that currently exist within the local community. During this session, the trainees will develop an understanding of the importance of accurate record keeping and of the ways to adapt that knowledge to the realities of the local business culture as consultants.

OBJECTIVES:

1. To develop an appreciation for the role of accurate record keeping in the overall management of a business/project.

2. To develop a list of the essential records which must be kept by businesses or projects.

3. To identify the types of information typically omitted in record keeping within the local community/culture.

4. To discuss the role of the PCV in development/maintenance of record systems within local businesses/projects.

TRAINER PREPARATION:

1. Prepare the following "receipts" for the simulation game and hide them around the room: in desks with other papers, behind pictures, in your pockets, on the floor, etc. Included should be the following types of receipts: rent, utilities, raw materials purchases, delivery expenses, tool and equipment purchases, labor expenses, loan payments, etc. Be sure some of the receipts have no dates, unreadable information, pieces missing, incomplete amounts, etc. Also included should be an ID or tax identification card behind a picture, an operator's license wadded up, a notebook with names and accounts, business cards with prices noted on them. (Use your own experience in the host country to add to this suggested list.)

2. Review the sample receipts provided in the attached Trainer Notes for preparation of the host-country "business person". (Make any cultural adaptations which are appropriate.)

3. Ask one of the host-country staff members to play the role of the local business person for the simulation exercise, and prepare him/her for the role. Be sure to organize any necessary props to make the small business as realistic as possible. For example, if the business is a carpentry workshop, find a saw, nails, wood scraps, and the appropriate clothing to make the setting more realistic.

4. Prepare newsprint for the following items:

   - session objectives
   - lecturette topics
   - large group exercise

MATERIALS:

1. Receipts for the large group simulation exercise
2. Newsprint and magic markers

TRAINEE HANDOUTS:

N/A

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by asking the trainees what types of records they would expect a business person in the United States to keep for his/her business. Write the responses on newsprint. Ask if, during their business visits, they noticed the record-keeping systems being used by local business people. Write the responses on newsprint.

1b. Go over the rationale for the session and introduce the objectives, clarifying any questions the trainees may have regarding them.

Lecturette/Discussion: (50 Min)

2a. Deliver a short lecurette on record-keeping, s essing the following points (already on newsprint):

In order to run an efficient business, it is essential to have some form of consistent record-keeping. Some of the reasons for this are:

- Information hidden in receipts, the inventory, and in other places can be collected and analyzed to help a business or project become more profitable and self-sufficient.
- Balance sheets and income statements may be a prerequisite for obtaining financial assistance such as grants o. loans.
- Without consistent records, a consultant must rely on the small-business person's memory; in future visits, much time can be lost reconstructing what has occurred since the previous visit. Records could help to a degree alleviate this problem.
- Raw material and inventory losses force costs up, trim profit margins, and may lead to higher prices--making the product less competitive. Records can help identify these problems and suggest possible solutions.
- Without records, group members can become jealous and accuse each other of using revenues for personal gain.

2b. Ask the trainees to supplement these reasons for record-keeping, based on their own experiences with work or clubs. (Put the responses on newsprint.)

2c. Ask the trainees what they would see as the essential types of records which need to be kept by a business person. Be sure that the trainees consider the realities of the local culture in their responses; challenge any records which seem too complicated or inappropriate.

TRAINER NOTES

Included in the types of records could be the following:

Petty cash book, balance sheet, inventory accounts (raw material and finished products), income statement, accounts payable/receivable.

Remind the trainees that these types of records may not "look" the same as they have experienced them looking in the United States.

2d. Ask the trainees if they can imagine situations in which business people don't keep records. Have them generate a list of reasons why this might be so and put it on newsprint.

TRAINER NOTES

Included in the list might be the following reasons:

- find it a boring activity
- have survived for years with no formal system
- don't like, or are unable, to write things down
- are too busy
- don't understand the need for it
- don't know what to keep or how to organize it
- don't have information available from suppliers
- want to reduce the level of taxable income

Large-Group Simulation: (60 Min)

3a. Explain to the trainees that helping small-business people to develop effective and efficient record-keeping systems will be an important part of their work as SED Volunteers. To help them begin to focus on the realities of that task, the next exercise will simulate an actual consulting situation with a small business person.

3b. Provide the following instructions for the exercise:

> A number of business "receipts" and other business-related information are "filed" throughout the room--often in locations where you wouldn't expect to find them.
>
> Working as a team, you have 45 minutes to gather the receipts, analyze them, identify the missing information, and develop a profile of the current status of the business.
>
> At the end of the time, you will present your information and recommendations to the local business person you are about to meet. (Be sure to formulate your presentations in a way which is consistent with Adult Learning Principles and the local business culture.) The presentation should be 15 minutes.

3c. Introduce the trainees to the small business person (role played by a host-country staff member). Have him/her tell the trainees the following (using his/her own words):

> I want to increase the profits of my business and the control of my resources. I work long hours but think I should do better. My brother-in-law knows a PCV in a nearby town who is helping him with a record system and he thinks he is making more money now that he uses records. So, I want records, too--WHATEVER THAT MEANS!
>
> I'm not sure what "records" mean--these papers could be just about anywhere in the room. The more important ones I hide to be sure that nobody takes them; the others are in the drawer with my other important information.
>
> I have a lot of work to do, so I don't have time to show you around, but you should feel free to collect whatever information you think is important and look anywhere you like. Ask any questions you might have, and I'll try to assist in any way I can.
>
> When you have finished, I would appreciate any observations on my current business practices and any recommendations on the kinds of records I need.

Group Presentation: (15 Min)

4. Reconvene the trainees and the "small business person" for the presentation of the results in the above exercise. (Encourage the small-business person to ask any questions about areas which seem unclear or unnecessary.)

Processing of Simulation: (10 Min)

5. Thank the simulation players for their participation and ask each the following questions:

   - How easy/difficult was your role? Did you feel that the other side understood your purpose/problems?
   - Was there anything that could have made your role easier?
   - What would you do differently the next time?

Large-Group Discussion: (30 Min)

6. Lead a large-group discussion by asking the trainees the following questions:

   Were you surprised by the types of information missing from the receipts? About where they were located in the room? About the way records were maintained?

   How confident were you about the business profile you developed, based on the data you collected and the questions you asked the host-country business person?

   Were there any cross-cultural issues that you noticed in the discussion with the small business person? What were they?

   Are you aware of any local cultural values which would have an impact on the development of a record-keeping system?

   How might the small business people you have met and observed during the training program react to the presentation you just made?

   Looking at your own experience with the training store, has it been difficult to keep records? Are you using any system?

   Is there any information you now wish the training store records provided? If so, how can it be instituted?

Closing: (5 Min)

7a. Close the session by suggesting that the trainees may want to have a store managers' meeting after the session if they see any need to make adjustments in their record-keeping system.

7b. Tell the trainees that the subsequent sessions on record keeping will focus on the specific types of records needed by small businesses.

TRAINER NOTES

Depending on the number of trainees involved, you may wish to use between 20 and 30 pieces of information, including receipts, notes on previous and ongoing sales, identification cards required for loans, loan payment information, and lists of payments and debts, sales revenues and sales on credit. When dates appear on the papers, the dates should all be in the same month, to better define the period of time involved in the analysis. The following are examples of receipts and other documents that could be used for the record-keeping simulation, assuming in this case that the small business person is a carpenter.

- Receipt for purchase of 7 planks of walnut in January (with no mention of amount of money, no date, no name of supplier included).
- A note that says "Rent due = $10.00" (no date, no name included).
- A piece of paper with the seal of a bank drawn on it, including a date and a loan payment amount.
- A ripped piece of paper mentioning warranty information for a piece of carpentry equipment, such as a power saw.
- An identity card.
- A notebook with numbers and names listed (representing credit sales outstanding, although there is no title to indicate that it plays that role).
- A loose page with a list of names of prospective clients (individuals, stores, offices, etc.).
- A bank book (consisting of a few small lined pages with entries for deposits and withdrawals, dates, and the name and address of the bank noted on the cover).
- Receipt for purchase of 40 pounds of small carpenter's nails (no date, no name of supplier).
- Pieces of cardboard with incomplete notes regarding recent cash sales.
- A receipt related to delivery of some wood cabinets (not including information such as to whom and where the cabinets were delivered).

Be sure that you familiarize the "small-business person" with the receipts included before the session so that he/she will be prepared for questions.

TRAINER NOTES

Because the host-country "small business person" could be a potential source of additional information to the team during the record-keeping simulation, that actor should be briefed about the types of information that he/she should be prepared to supply and the questions that he/she would consider inappropriate. Any local business culture practices should be reviewed by the trainer and the "small business person" before the session begins. The following are examples of such culture-specific behavior.

- Someone asks the carpenter how many wooden cabinets are sold every month. Because he thinks the person asking wants a large number, he doubles the real amount sold during the past month.
- He is asked how much profit he takes home every month. Since he has been under-reporting his income to the tax collector for several years, he says that he doesn't know how much or gives a very low estimate.

MODULE 7: RECORD KEEPING

SESSION 33: OVERVIEW OF RECORD SYSTEMS/CASH BOOK

TIME: 3 HOURS

RATIONALE:

As a continuation of the process of utilizing record keeping, the trainees will focus on the development of basic skills in preparing and utilizing simple records to keep track of receipts, expenditures, accounts receivable, and accounts payable. The overall process of utilizing these records will be geared to the final result of business systems--the preparation of profit and loss statements, the balance sheet, and cash flow projections.

OBJECTIVES:

1. To understand the rationale behind the use of different types of record-keeping processes in the management of a business or project.

2. To practice utilizing and interpreting the Cash Book as it applies to a business or project.

3. To review 4 methods of measuring business activity and efficiency.

TRAINER PREPARATION:

1. Check to see if there are trainees in the group with strong experience in accounting who would be interested in leading this session. If so, work with them before the session on content and presentation style.

2. Obtain as much information as possible on the Cash Book systems which may used in the local community to make the presentation of the material relevant to local conditions.

3. Review the "Paper Product Store" problem and the solution sheet to ensure comprehension and ability to explain it to the trainees. Change the storeowner's name to fit the local culture.

3. Prepare newsprint for the following items:
   - session objectives
   - lecturette main points
   - types of accounting terms
   - Cash In Page
   - Cash Summary Sheet
   - **Small-group instructions**
   - Four ways of measuring business activity

MATERIALS:

1. Newsprint and magic markers
2. Pens and paper for the trainees

TRAINEE HANDOUTS:

1. Paper Products Store Transactions
2. Cash In/Cash Out Sheets
3. Cash Summary Sheets
4. Store example

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by reminding the trainees that the last session focused on the types of records which could reasonably be kept within the local culture. Tell them that this session will give an overview of record systems and concentrate on one particular type--cash control.

1b. Review the objectives for the session (already on newsprint) and clarify any questions the trainees may have regarding them.

Lecturette/Discussion on Record Types: (30 Min)

2. Deliver a lecturette on the types of records small businesses need, stressing the following points:

   a) Businesses need two types of records:

      - "stock" records--measuring where a business is at the moment the records are analyzed.

      - "flow" records--measuring changes over a period of time.

Ask the Trainees for examples of both types of records, which should include the following:

- "Stock" includes an inventory control page, a balance sheet with currently held assets and debts, receipts that show single transactions, and the current petty cash balance.
- "Flow" includes an income statement, cash flow analysis, sources and uses statements.

b) Technical terms in accounting often discourage the client because they make simple concepts seem confusing. Wherever possible, it is best to avoid business jargon and stay with simple usages.

Ask the trainees to define the following accounting terms simply, in the host-country language if possible (have the terms on newsprint):

Liabilities: the debts the business or group has.

Capital: the things the business or group owns in entirety (no debts still to be paid).

Petty Cash Box: where the coins and small bills are kept for small daily expenses.

Inventory: the raw materials and products that aren't finished yet. (There is a separate inventory for finished products ready to be sold.)

Accounts: ways in which different kinds of expenses are separated for analysis.

Assets: the machines, equipment, cash, and other physical things the business owns or controls.

TRAINER NOTES

Point out the following to the group before continuing with the lecturette:

In a later session, record keeping ideas for non-literates will be discussed. You will be responsible for matching the materials presented now with the needs of specific clients. There will be trade-offs between the completeness you may seek for analysis and the client's willingness or ability to complete the forms all of the time.

(Continued)

> TRAINER NOTES, continued
>
> This session will present ideas that are more appropriate for the very small business person or the productive small-group/co-op. If your job assignment is with a larger group or more advanced level of small business, you may find that record systems are already in place. However, they can still be streamlined to be more valuable and efficient, so understanding the basic concepts and underlying reasons for certain records will still be important for you as a consultant.

Daily Transaction System: (20 Min)

3a. Explain to the trainees that a simple daily transaction system includes the following components: cash sales/expenses for the day, non-cash sales/expenses for the day; a summarization of them to know the cash balance and to detect positive/negative trends. The first step in doing this is to accumulate all the cash information. This step can best be accomplished by having a notebook devoted to cash in/cash out and cash summary pages.

Following are 2 sample pages of the notebook (already on newsprint):

CASH IN PAGE

Date	Cash Sale	Amount Taken In	Notes
Total for (DATE)		$________	
Signature of Person Writing on this page ____________			

CASH OUT PAGE

Date	Cash Expense	Amount Spent	Notes
Total for (DATE)		$________	
Signature of Person Writing on this page ____________			

3b. Ask the trainees if there is any additional cash sales information they would want on this page, reminding them of the importance of keeping each page very simple. (Be sure that they do not include information related to inventory control, petty cash use, balance sheets, income statements, or sources and uses).

3c. Ask the trainees the following questions related to the "Cash In" and "Cash Out" forms just introduced:

- What is the purpose of including a SIGNATURE as part of these pages? (To ensure the accountability of the person maintaining the records.)

- Why is it useful to have a section labeled NOTES? (To include any information directly related to the transaction which might have future use--a receipt, for example.)

Cash Summary Sheet: (20 Min)

4. Present the Cash Summary sheet to the trainees, pointing out that the information in the first two sheets is useful only in that it provides a basis for analysis. The Cash Summary sheet allows for a comparison of cash inflows and cash expenditures over a given period of time. This summary information provides an up-to-date accounting of cash flow and balance.

CASH SUMMARY SHEET

CASH IN		CASH OUT	
Total 1st Day	______	Total 1st Day	______
2nd Day	______	2nd Day	______
3rd Day	______	3rd Day	______
4th Day	______	4th Day	______
5th Day	______	5th Day	______
6th Day	______	6th Day	______
7th Day	______	7th Day	______
TOTAL CASH IN FOR PERIOD	______	TOTAL CASH OUT FOR PERIOD	______

Cash From Previous Period	______	
Total Cash In For Period	+ ______	
Subtotal		______
Total Cash Out for Period		- ______
CASH BALANCE, END OF PERIOD		______

TRAINER NOTES, continued

Possible Implications: wasting space with products that aren't moving; wasting time; losing quantity discounts on purchases by buying too frequently; Information reliability increases; record appears to be an accurate, complete summation of what's going on; may want to deliver the reams to the school, offer quantity discounts, try to expand his product line to match other needs of the school; could increase his actitivy/profitability by talking to all the teachers to encourage purchases for special projects, regular supply needs; could be learning what sells by asking questions OR mixing personal needs and store needs.

7b. Ask the trainees the following questions to help clarify the importance of the cash book:

- Did you find it surprising how much information is contained in a Cash Book?
- How might this be applicable to your future work?

7c. Ask the trainees to consider the following observation: While it is clear that the storeowner should have $47.70 in cash at the end of the period, in reality, he has only $42.00. What could account for the discrepancy?

TRAINER NOTES

Included in the answer to the last question could be the following points:

- mishandled money in a purchase or sale
- did not note down single-item sales and purchases
- did not note personal use of cash
- gave gifts to friends, etc.
- paid off debts without noting them down

Pair Exercise on Cash Transactions: (30 Min)

5. Divide the trainees into pairs for the following task (already written on newsprint:

- Review the transactions for the handout on the Juan paper products store (name to be chosen based on appropriateness for the host culture).
- Fill in the "Cash In", "Cash Out", and "Cash Summary" sheets for the store.
- Put your three sheets on newsprint for review by the entire group.

Small Group Presentations: (15 Min)

6. Reconvene the trainees and have one group present its "Cash In" analysis, one present its "Cash Out," and one present its "Cash Summary". Allow for comments/critiques from the large group.

Large Group Discussion: (30 Min)

7a. Ask the trainees to review the store information again, including the fact sheets and their cash sheets. Have one trainee note their observations, possible causes, and possible implications on newsprint.

TRAINER NOTES

Observations: not matching purchases to sales; buying in small amounts frequently; probably writing everything down--example would be the sale of two pens on July 8th; administrator bought a lot of paper on July 2nd; teacher also made a fairly sizeable purchase on July 8th; bought six comic books on July 8th, although no sales during the week.

Possible Causes: intuitive product choices, intuitive on amounts purchased, could be reacting to changes in demand; limited inventory space; understands reasons for records or has a lot of faith in the person who said records are important; large-scale client; could be for her class's special projects; could be intuition; could be response to requests; could be for his own use during store hours.

Continued...

Lectu_ette/Discussion on Measurement of Business Activity:

(30 Min)

8. Explain to the trainees that there are four important axes upon which to measure a business activity. Included are the following (already on newsprint):

   Liquidity--having cash on hand when you need it

   Activity--the turnover rate for your product; how much of your product you sell in a given time period

   Leverage--how well you make use of other people's money

   Profitability--Making enough money from sales to cover your expenses, buy more raw materials, replace new machines when you need them and still have enough left to pay off investors and management.

6b. Ask the trainees how these considerations are linked to each other. Give the following example for liquidity and have them give examples for activity, leverage, and profitability:

   If you don't have enough cash on hand, you could lose sales by being unable to make change. If you don't have enough cash on hand, you might miss an opportunity to buy some raw materials at a very favorable price and thereby increase your production and lower production costs. Therefore, Liquidity (cash on hand when you need it) can affect Profitability and is related to Activity.

6c. Ask the trainees to return to the newsprint on the store and ask them the following question:

   Is the store vulnerable in any of these four areas?

TRAINER NOTES

Included in the list of possible responses are the following:

Liquidity -- appears to be safe, since his daily cash on hand never sinks below a level of $22.00.

Activity - appears to be low; could be due to poor product choices or poor marketing practices. He buys a lot of inventory but doesn't sell very much in any one day.

Leverage -- we can't say, but it appears that he buys and sells only on cash.

Profitability -- appears questionable -- what about non-cash activities?

Optional Activity:

6d. If the trainees have been operating a training store or crop, have them analyze the experience based on the measures.

Closing: (5 Min)

7. Explain to the trainees that the main focus of this session has been on the business owner's cash transactions. Obviously, everything is not done in cash. During the next session, the focus will be on the non-cash activities in which small business owners engage.

PAPER PRODUCTS STORE TRANSACTIONS

Juan runs a paper products store near the town high school. He sells pencils, erasers, notebooks, reams of paper, magazines, comic books, pens and school bags. Here is a summary of the costs he faces and the prices he charges for the various products in his store.

COST HE PAYS		PRICE HE CHARGES	
Notebook (100 pgs)	$ .60	Notebook (100 pgs)	$ .30
(50 pgs)	.30	(50 pgs)	.50
Paper (Quality A ream)	2.00	Paper (Quality A)	3.00
(Quality B ream)	.80	(Quality B)	1.50
pen	.50	pen	.75
school bag	4.00	school bag	6.00
comic book	.80	comic book	.80
magazine	.60	magazine	1.00
pencil	.15	pencil	.20
eraser	.05	eraser	.05

The following are the transactions that took place during the first week of July at Juan's store. He has been trained in how to use the cash management system, and this is his first effort to do it alone.

July 2 Juan bought 15 100-pg notebooks
Juan bought 20 50-pg notebooks
Juan sold 10 reams of Quality A paper to the school administrator
He sold 2 50-pg notebooks

July 5 He sold 2 reams of Quality B paper to Mrs. Vela, a teacher
Juan bought 6 reams of Quality A paper
He bought 30 pens

July 6 Juan sold 4 100-pg notebooks
He sold three school bags

July 7 Juan bought 8 reams of Quality B paper
He sold 4 pens and 3 school bags

July 8 He bought 2 magazines
Juan sold 4 reams of Quality B paper and five magazines
He bought 6 comic books
He sold two pens

CASH IN SHEET

PERIOD ______________

Date	Item Sold	Amount Taken In	Notes

TOTAL CASH IN FOR PERIOD ______________

SIGNATURE ______________

CASH OUT SHEET

PERIOD ____________

Date	Item Purchased	Amount Paid	Notes

TOTAL CASH OUT FOR THE PERIOD ________

CASH SUMMARY SHEET

CASH IN			CASH OUT		
Total	1st Day	____	Total	1st Day	____
	2nd Day	____		2nd Day	____
	3rd Day	____		3rd Day	____
	4th Day	____		4th Day	____
	5th Day	____		5th Day	____
	6th Day	____		6th Day	____
	7th Day	____		7th Day	____

TOTAL CASH IN FOR THE PERIOD ______   TOTAL CASH OUT FOR THE PERIOD ______

Cash From Previous Period ______
Total Cash In for Period + ______

SUBTOTAL ______

Total Cash Out for Period - ______

CASH BALANCE, END OF PERIOD ______

SIGNATURE ____________________

(Note: The period can be defined as the group decides. In the case of Juan's store, it seems reasonable to do a weekly summary.)

STORE EXAMPLE
TRAINER SOLUTION SHEET ON JUAN's STORE

The following Cash In and Cash Out records make up the solution to the problem of Juan's cash sales and cash expenses for the week in July. It might prove useful to have this on a prepared newsprint for a quick review of what the record should look like.

CASH IN

Date	Cash Sale	Amount Taken In	Notes
July 2	10 reams Quality A	$ 30.00	School Admin.
July 2	2 50-pg notebooks	1.00	
July 5	2 reams Quality B	3.00	Teacher
July 6	4 100-pg notebooks	3.20	
July 6	3 school bags	18.00	
July 7	8 reams Quality B	12.00	
July 8	2 pens	1.50	
July 8	4 reams Quality B	6.00	Teacher
July 8	5 magazines	5.00	
TOTAL CASH IN FOR PERIOD		$ 79.70	

CASH OUT

Date	Cash Expense	Amount Spent	Notes
July 2	15 100-pg notebooks	$ 9.00	
July 2	20 50-pg notebooks	6.00	
July 5	6 reams Quality A	12.00	
July 5	30 pens	15.00	
July 7	3 school bags	12.00	
July 7	4 pens	2.00	
July 8	2 magazines	1.20	
July 8	6 comic books	4.80	
TOTAL CASH OUT FOR PERIOD		$ 62.00	

CASH SUMMARY SHEET

Cash In			Cash Out	
July 2	$31.00		July 2	$15.00
July 5	3.00		July 5	27.00
July 6	21.20		July 6	----
July 7	12.00		July 7	14.00
July 8	12.50		July 8	6.00
TOTAL CASH IN		$79.70	TOTAL CASH OUT	$62.00

Cash From Previous Period	$30.00	
Total Cash In	79.70	
TOTAL AVAILABLE		$109.70
Total Cash Out		62.00
CASH END OF PERIOD		$ 47.70

MODULE 7: RECORD KEEPING

SESSION 34: NON-CASH RECORD KEEPING

TIME: 2 HOURS

RATIONALE:

To continue the process of accurate record keeping, the trainees will focus on the types of non-cash record keeping that are essential for small busi esses. Included will be accounts receivable, accounts payable, and balance sheets.

OBJECTIVES:

1. To understand the rationale behind keeping non-cash records in a small business.

2. To practice utilizing record-keeping systems, such as accounts receivable, accounts payable, and balance sheets.

3. To discuss the appropriateness of the above records within the local culture.

TRAINER PREPARATION:

1. Familiarize yourself with the following handouts before the session:

   Accounts receivable and payable exercise for Juan's store (3 pages)

   Balance sheet examples for Ed's shop

2. Make any needed modifications in the complexity of the balance sheet examples (#6) based on the experience and business education level of the trainees.

3. Prepare newsprint for the following items:
   - session objectives
   - lecturette/discussion main points
   - balance sheet problems and answers

4. Obtain any host-country data related to accounts receivable, accounts payable, and balance sheets from the local staff or business owners.

5. Find out if there is local accounting terminology and incorporate it into the session.

MATERIALS:

1. Paper and pens
2. Newsprint and magic markers

TRAINEEE HANDOUTS:

1. Sample balance sheet from "Ed's Shop"
2. Accounts Receivable and Payable for Juan's store (3 pages)

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by pointing out to the trainees that businesses do not always function strictly on a cash basis. A lot of transactions involve the use of credit, and it is essential for a small business person to keep an accurate record of those types of transactions to ensure payments.

1b. Review the objectives for the session (already on newsprint) and clarify any questions the trainees may have regarding them.

Large Group Discussion: (15 Min)

2. Remind the trainees that, in the last session, the importtance of using simple terms to explain business records/ concepts was discussed. With them keeping that in mind, ask them to define the following terms: Accounts Receivable and Accounts Payable. Explain to them that these terms are not necessarily internationally recognized but that the concepts are important regardless of their titles.

TRAINER NOTES

Use these definitions if the trainees have difficulty generating simple ones:

Accounts Receivable - buyers owe the business
Accounts Payable - the business owes suppliers

Have the trainees give the definitions in the local language, if possible.

2b. Ask the trainees what type of information should be included in a simple Accounts Receivable record. (Be sure the following are mentioned: Name, Item Purchased, Amount, Date of Sale, Paid=X.) Put the information on newsprint as it would appear on an Accounts Receivable page.

2c. Refer back to the four measurements of business management (liquidity, leverage, profitability, activity) and ask the trainees how the Accounts Receivable record relates to them.

> TRAINER OTES
>
> Liquidity - cash shortages could result from extending but not collecting credit.
>
> Leverage - a group could be forced to pay for credit when it really has funds tied up in previous uncollected credit sales.
>
> Profitability - it would increase if credit were collected.
>
> Activity - liberal accounts receivable policy will increase number of units sold but may not result in additional sales revenues.

2d. Ask the trainees for suggestions on how they would set up an Accounts Payable system and what types of information should be included. (Be sure the following are mentioned: Name, Item Sold, Amount, Date Due, Paid=X.) Put the information on newsprint as it would appear on an Accounts Payable page.

Lecturette/Discussion: (15 Min)

3a. Point out to the trainees that putting the Accounts Payable information on a schedule in addition to the ledger can be very helpful for the following reasons:

- Everyone in the group knows what is owed and does not think money is simply disappearing periodically.
- The group can arrange an appropriate savings system to prepare for up-coming needs.
- Decisions on borrowing money using credit to make purchases, etc. can take existing obligations into account

- since leverage is one of the ways of measuring the condition of a business, it is important to assess the use/misuse/problems associated with use of other people's money.

- accounts payable is really part of the use of other people's money for a short time, and the reputation of the group and its future ability to use credit is on the line every time it uses credit.

3b. Check that the trainees understand the potential application of accounts receivable and accounts payable for a project, a store, or other type of business venture. Ask for concete examples from the viewpoint of agricultural production, handicrafts, individuals, and groups.

3c. Ask the trainees the following questions related to the training store:

- What is the store credit policy for accounts payable and accounts receivable?

- Has the policy been followed? Why/why not?

- Have you considered re-evaluating the credit policy? Why/why not?

3d. Remind the trainees that additional information on this type of record keeping is available to them in the book Helping Small Businesses and in the Micron Series.

Large-Group Brainstorming: (20 Min)

4a. Point out to the trainees that the risks of offering credit to customers is great, but so are the advantages. Ask the trainees to develop a list of the advantages and disadvantages of extending credit. Have one trainee put the information generated on newsprint.

TRAINER NOTES

Included in the lists should be the following:

Advantages: builds customer loyalty; enables the business to sell more; assists groups with undependable incomes/cash flow problems; increases turnover; gives the producer a favorable competitive stance.

Disadvantages: involves maintenance of records; ties up money which could be used for purchases or other needs; may result in bad debts; may force the business to seek credit also.

4c. Point out that the type of product involved in a sale may determine whether or not a group can afford or needs to extend credit. For example:

- Large, valuable goods such as desks, chairs and appliances may be beyond the reach of many consumers if credit is not offered to them.
- Food and small items that are consumed rapidly and do not require much money to begin with are best sold for cash only. If credit is offered to "best customers" for goodwill reasons, limits should be informally established and formally applied.
- Some items, such as liquor, are best sold for cash only, as the memory of the obligation to pay is often forgotten by the time the product is finished.

4d. Ask the trainees to think about the following areas and have a trainee note the responses on newsprint:

- the characteristics of a credit policy
- what can be done of someone does not pay
- methods for avoiding bad debts

TRAINER NOTES

Included in the responses should be:

Characteristics: what amount of credit is allowed; credit for which products (maybe exclude liquor, etc.); how long the credit lasts before a partial or complete payment is due; what will happen if not paid; which clients are entitled, which are not offered credit.

No Payment: send an informal note reminding the client of the debt due; telephone him/her to ask for repayment; remind the client when he/she comes into the store; use informal systems of communication (extended family); find a lawyer to send a formal piece of paper.

Methods of Avoiding Bad Debts: keep good records and review them frequently; limit the amount of credit offered a client at first--if he or she proves to be reliable, it can be increased; select credit customers carefully; take immediate action as soon as debt is overdue.

Large-Group Discussion:

(20 Min)

5a. Introduce the discussion on Balance Sheet by asking the trainees what type of information is contained on a Balance Sheet. Put their responses on newsprint.

5b. Have the trainees define the words "assets" and "liabilities" in simple terms in the host-country language if possible. Put the definitions on newsprint and ask for examples of each one.

TRAINER NOTES

Included are the following possible definitions:

Assets: what the business owns, the uses of money by the business. (Includes machines, tools, cash on hand, bank balance, things sold on credit.)

Liabilities: the sources of money for the business (bank loans, things bought on credit, money invested by others).

5c. Ask the trainees why it is important for businesses to keep balance sheets. Put their responses on newsprint.

TRAINER NOTES

Included in the list of reasons should be the following:

- Organize the debts of the organization or business according to the source.
- Provide an overall view of the financial situation.
- Demonstrate how much of the financing is done directly by the owner/manager.
- Give some information regarding the short-term and long-term nature of assets and debts.

5d. Have one of the accounting or financial management trainees explain the arrangement of a balance sheet to the large group.

TRAINER NOTES
Included should be the following points: • Assets go on the right or the left, according to the local system. • Liabilities go opposite the assets. • Capital can be represented under the heading of liabilities or put in a line called "owner's capital". • Retained profits can be represented as a line under liabilities, and this is the mechanism by which the BALANCE is maintained.

5e. Hand out the sample Balance Sheet and review it with the trainees. Entertain any questions they may have.

Individual Work: (20 Min)

6. Review the following problems (already on newsprint) with the trainees and have them develop balance sheets for the problems.

   a) A new transport business bought a bus for $7,500 on July 1. The owner used $2,500 from his savings and $5,000 from a bank loan to purchase the vechicle. (Prepare a balance sheet.)

   b) At the end of the year, a shopkeeper writes down everything he owns and owes and comes up with the following list:

Owns		Owes	
Cash	$250	Loan from Bank	3,000
Bank Account	300	Owed to Suppliers	300
Stock	1,000		
Vehicle Value	800		
Building Value	4,000		

   He had originally invested $2,000 in the business and has reinvested a portion of the profits every year since the business has operated. (Prepare a balance sheet.)

TRAINER NOTES

Following are the answers to the above exercises. They should be on newsprint for the trainees to compare with their own completed work and note any discrepencies.

a) Balance Sheet on July 1

Assets		Liabilities	
Vehicle	$7,500	Bank Loan	$5,000
		Owner's Capital	2,500
Total	7,500	Total	7,500

b) Balance Sheet on December 31

Assets		Liabilities	
Cash	250	Suppliers	300
Bank	300	Loan	3,000
Stock	1,000	Retained Profit	1,050
Vehicle	800	Owner's Capital	2,000
Building	4,000		
Total	$6,350	Total	$6,350

Large-Group Discussion: (15 Min)

7. Reconvene the trainees and ask them to compare the work they have done with the answers presented. Ask the following questions:

   - How easy/difficult did you find it to develop balance sheets?
   - Were there any mistakes you made that surprised you?
   - Were there any particular tips you used to help yourself remember what belonged where?
   - Have you been using balance sheets with the training store? How well has that process been going?
   - How do you think local business owners might react to this process? How could you convince them that this is a worthwhile tool?
   - Can you think of any ways in which you could make learning about and using balance sheets easier or more interesting for them?

Closing:

(5 Min)

8. Close the session by checking to make sure that the objectives for the session have been met. Tell the trainees that the next session will focus on Income Statements and Sources/Uses of Funds.

SAMPLE BALANCE SHEET (ED's SHOP)

1. January 1: Ed starts the business by putting $1,000 of his money into a bank account for it.

Ed's Business Balance Sheet - January 1

Liabilities		Assets	
Capital	$1,000	Bank Balance	$1,000
Total	$1,000	Total	$1,000

2. January 2: The bank lends a further $1,000 to the business which is put into the bank account.

Ed's Business Balance Sheet - January 2

Liabilities		Assets	
Capital	$1,000	Bank Balance	$2,000
Bank Loan	1,000		
Total	$2,000	Total	$2,000

3. January 3: Ed buys $1,200 of goods to sell and $600 of equipment.

Ed's Business Balance Sheet - January 3

Liabilities		Assets	
Capital	$1,000	Bank Balance	$ 200
Bank Loan	1,000	Equipment	600
		Stocks	1,200
Total	$2,000	Total	$2,000

4. January 4: Ed takes $100 out of the bank account as cash for day-to-day transactions.

Ed's Business Balance Sheet - January 4

Liabilities		Assets	
Bank Loan	$1,000	Bank Balance	$ 100
Capital	1,000	Cash	100
		Equipment	600
		Stocks	1,200
Total	$2,000	Total	$2,000

5. January 5: Ed purchases a further $200 worth of stock from a supplier on credit.

Ed's Business Balance Sheet - January 5

Liabilities		Assets	
Capital	$1,000	Cash	$ 100
Bank Loan	1,000	Bank Balance	100
Creditors	200	Equipment	600
		Stocks	1,400
Total	$2,200	Total	$2,200

6. January 6: Ed sells $400 worth of stock for $600 ($300 worth for cash, and $300 on credit).

Ed's Business Balance Sheet - January 6

Liabilities		Assets	
Capital	$1,000	Cash	$ 400
Bank Loan	1,000	Debtors	300
Creditors	200	Bank Balance	100
Retained Profit	200	Equipment	600
Total	$2,400	Total	$2,400

7. January 7: Ed pays wages of $30 and withdraws $60 for his own use. He also calculates that the business has "used up" $10 worth of the value of the equipment.

Ed's Business Balance Sheet - January 7

Liabilities		Assets	
Capital	$1,000	Bank Balance	$ 100
Bank Loan	1,000	Debtors	300
Creditors	200	Cash	310
Retained Profit	100	Equipment	590
		Stocks	1,000
Total	$2,300	Total	$2,300

*** Cash, the bank balance, debtors, and stocks can fairly easily be turned into ready money. They are, therefore, called CURRENT ASSETS.

*** Buildings and equipment cannot usually be turned into money without affecting the business. These are, therefore, called FIXED ASSETS.

*** Creditors and the bank, if money is lent in overdraft, can demand their money back on short notice. These are, therefore, called CURRENT LIABILITIES.

AN EXAMPLE OF ACCOUNTS RECEIVABLE AND PAYABLE

Juan's paper products store began buying and selling on credit in March. Juan believes that buying on credit makes sense, because he can buy more supplies for the shelves of the store without using a lot of cash. He understands the importance of organizing the payments he needs to make for the purchases, so that suppliers will give him additional credit in the future.

At the same time, Juan thinks it is a good idea to offer credit to his best clients, as long as limits are set for each of them. He understands the need for a system to organize how much each client owes the store, so that he will know when to remind them to make at least a partial payment.

Given these decisions by Juan, it becomes important to implement an Accounts Payable and Receivable system. The following lists are Juan's purchases and sales on credit during the month of March.

CREDIT PURCHASES

Paper (Quality A)	5 reams, $3.00 each	March 5	Store X
Paper (Quality B)	3 reams, $1.50 each	March 9	Store X
Magazines	6 at $1.00 each	March 16	Store A
Notebooks (100 pg)	4 at $1.00 each	March 12	Shop Y
Pens	10 at $0.50 each	March 10	Store A
Notebooks (50 pg)	4 at $0.30 each	March 22	Shop Y
Paper (Quality B)	2 reams at $1.50	March 28	Store X

CREDIT SALES

Paper (Quality B)	5 reams, $3.00 each	March 3	Jones
Notebooks (50 pg)	4 at $1.50 each	March 7	Rogers
Paper (Quality A)	2 reams, $4.50 each	March 12	Smith
Pens	14 at $0.60 each	March 15	Jones
Magazines	6 at $1.25 each	March 20	School
Notebooks (50 pg)	3 at $1.50 each	March 27	Smith

LIMITS TO JUAN'S CREDIT

Store X will let him charge purchases up to $20.00 for periods of up to one month.
Store A will allow Juan to charge purchases up to $16.00
Shop Y will permit him to charge up to $18.00 in materials.

LIMITS JUAN SETS ON CUSTOMERS

Mrs. Jones can charge up to $25.00 for up to one month's time.
Mr. Rogers can charge purchases up to $10.00 for up to one month.
Mrs. Smith can charge up to $20.00 for up to one month's time.
The School can charge up to $35.00 for up to one month's time.

JUAN'S ACCOUNTS PAYABLE SITUATION -- END OF MARCH

Name of Store	Items	Amount	Date	Paid = X

JUAN'S ACCOUNTS RECEIVABLE SITUATION -- END OF MARCH

Customer	Items	Amount	Date	Paid = X

JUAN'S ACCOUNTS PAYABLE SITUATION -- END OF MARCH

Name of Store	Items	Amount	Date	Paid = X
Store X	5 Paper (A)	$15.00	5th	
	3 Paper (B)	4.50	9th	
	2 Paper (B)	3.00	28th	
Store A	10 Pens	5.00	10th	
	6 Magazines	6.00	16th	
Shop Y	4 Nctebk (100pg)	4.00	12th	
	4 Notebk (50 pg)	1.20	22nd	

JUAN'S ACCOUNTS RECEIVABLE SITUATION -- END OF MARCH

Customer	Items	Amount	Date	Paid = X
Mrs. Jones	5 Paper (B)	$15.00	3rd	
	14 pens	8.40	15th	
Mr. Rogers	4 Notebk (50 pg)	6.00	7th	
Mrs. Smith	2 Paper (A)	9.00	12th	
	3 Notebk (50 pg)	4.50	27th	
School	6 Magazines	7.50	20th	

THE RESULTS

Given the credit limits set on Juan's store by the suppliers, he is over his limit of $20 with Store X, and will be expected to make a payment by the 5th of April. Juan still has credit available with Store A and Shop Y.

Taking the limits Juan has set for his customers into account, only Mrs. Jones is close to her limit as of the end of March. She has outstanding charges amounting to $23.40, near her limit of $25.

MODULE 7: RECORD KEEPING

SESSION 35: INCOME STATEMENTS/SOURCES AND USES OF FUNDS

TIME: 3 HOURS

RATIONALE:

In order for small businesses to know whether or not they are making a profit, it is essential to develop income statements and to understand the sources and uses of business funds. During this session, the trainees will focus on the development of simple records related to these topics.

OBJECTIVES:

1. To practice the the development of income statements for small businesses and understand how they are different from balance sheets.

2. To understand how to track the sources and uses of business funds and how to present that information in a cogent form to a small business person.

TRAINER PREPARATION:

1. Review the exercises included in the session on Lesego's Cosmetics Store and Mrs. Jones' store, Francisco's Carpentry shop to familiarize yourself with the issues and the answers.

2. Review the concepts in the lecturettes on Income Statements and Sources and Use of Funds.

3. Arrange for a host-country trainer to play "Francisco" in the role play, and prepare him/her for the kinds of issues/questions to raise.

4. Discuss the use of income statements and sources/uses of funds statements in the local business community to obtain relevant examples for the lecturettes.

5. Prepare newsprint for the following items:
   - session objectives
   - lecturette main points
   - small group instructions

MATERIALS:

1. Newsprint and magic markers
2. Pens and paper

TRAINEE HANDOUTS:

1. Lesego's Cosmetics Store and Income Statement
2. Francisco's Carpentry Shop: Sources and Uses Answer Sheet and Balance Sheets
3. An In-Depth Income Statement example

PROCEDURES:

Opening Statement: (5 Min)

1a. Introduce the session by reminding the trainees that the previous sessions on record keeping focused on the necessity of maintaining records for cash and non-cash records. Tell them that this session will focus on tying this information together in a manner which shows the profits and losses for the business.

1b. Review the objectives for the session (already on newsprint) and clarify any questions the trainees may have regarding them.

Lecturette/Discussion: (30 Min)

2. Deliver a lecturette on income statements, stressing the following points:

- While a balance sheet gives a snapshot view of the current situation, an income statement provides a flow description of what has changed over time--either through improving or getting worse.

- The Income Statement answers the following key questions:

  Has the business made a profit in the time period (one month, six months, one business cycle, or a year--as determined by the business person or group members)?

  Can the owner take more of the profits home for personal needs?

  Does the owner realize how much he/she has already taken out of the business?

- Having cash at the end of the period of time is <u>not</u> a guaranty that profits are being made. The cash increase in the cash box could be more than compensated by a big increase in business debts. Conversely, having very little cash in the cash box doesn't necessarily mean few profits. The profits could be in the form of increased machinery and tools, a high inventory of raw materials, credit provided to their "best customers", etc. In essence, CASH DOES NOT NECESSARILY MEAN PROFITS!

- Ask the trainees the following question and put their responses on newsprint:

  Now that you know the importance of the income statement (also known as a profit and loss statement) and you understand that it isn't the same as cash in hand, what exactly is it?

- Put the following on newsprint and review it with the trainees after the group has brainstormed a definition of income statements:

<u>INCOME STATEMENT</u> - includes three pieces of information:

Sales Revenues
Cost of Goods Sold
Expenses

<u>SALES REVENUES</u> == Cash Sales and Credit Sales

<u>Source?</u> "CASH IN" "ACCOUNTS RECEIVABLE"

COST OF GOODS SOLD==Cost of raw materials and labor

Source? "CASH OUT" and "ACCTS. PAYABLE"

EXPENSES==Costs such as rent, electricity, maintenance, transportation and wages.

Source? "CASH OUT" and "ACCTS. PAYABLE"

SALES REVENUES-COST OF GOODS SOLD==GROSS PROFIT
(or manufactured)

GROSS PROFIT-EXPENSES==NET PROFIT
(selling and administrative)

TRAINER NOTES

"Cost of Goods Sold" refers to a retail operation in which stock is purchased and resold.

"Cost of Goods Manufactured" refers to a production operation in which raw materials are processed and converted into final products.

"Expenses" refers to any costs incurred by a retail or production operation in routine administration and sales.

- Explain to the trainees that the cost of goods sold has to take changes in stock into account. It is not the same as stock purchased because the amount held in the inventory may have increased or decreased. (Remind the group of Juan's paper products store and how the fact that he had some cash on hand at the beginning of the period was handled.) Provide the following formula:

  COST of GOODS SOLD=Starting stock + cost of purchases -ending stock

  COST of GOODS MANUFACTURED=Raw materials + labor + manufacturing overhead

Small-Group Exercise: (45 Min)

3a. Divide the trainees into groups of three to develop an income (profit and loss) statement for the Lesego Cosmetics Store (see attached sheet). Provide the following instructions for the task (already on newsprint):

> Prepare an income statement for the business for the year, showing the following:
>
> - how much money was received from customers
> - how much money was spent on goods and on other expenses
> - how much profit or loss was incurred

3b. Have the small groups exchange their income statements for comments and corrections.

Large-Group Discussion: (10 Min)

4a. Ask the trainees the following questions about the above exercise:

> Was the business a success in its first year? (Yes, because it made a profit.)
>
> Should Lesego take money out of the business? (No, there is not enough profit. The business can grow with additional capital.)

Closing: (5 Min)

5. Close this portion of the session by entertaining any final questions the trainees have regarding income statements.

BREAK

Lecturette/Discussion: (30 Min)

6. Introduce the second half of the session by telling the trainees that the next record-keeping item on which we will focus deals with Sources and Uses of Funds. Give the following definition for the term:

   - A procedure in which two Balance Sheets are put side-by-side to determine where the money has come from (debtors, accounts payable, the bank, other sources) and where the business has invested (in more working capital, new machines and tools, hiring on new laborers, more raw material, a new building, etc.).

Review the following example with the trainees (already on newsprint):

Mrs. Jones Store:

Wednesday supplies -- 2 apples, 3 oranges, 3 lbs. cheese, 2 packages of soup mix, 1 lb. of ham, 1 gallon of milk, half sack of flour.

Saturday supplies -- 1 orange, 5 pounds of cheese, 4 packages of soup mix, ½ gallon of milk, and 2 pounds of tomatoes.

Mrs. Jones has sold some of the products between Wednesday and Saturday, and has reinvested the proceeds (sources of funds) to purchase more of the same and different products. Following is a list of the products she had:

Wednesday	Saturday	Sources and Uses
2 apples	0 apples	DOWN 2 apples
3 oranges	1 orange	DOWN 2 oranges
3 pounds cheese	5 pounds cheese	UP 2 pounds
2 pkgs soup mix	4 pkgs soup mix	UP 2 pkgs soup
½ pound ham	0 ham	DOWN ½ pound ham
1 gallon milk	½ gallon milk	DOWN ½ gal. milk
½ sack flour	0 flour	DOWN ½ sack flour
0 tomatoes	2 lbs. tomatoes	UP 2 lbs. of tomatoes

Ask the trainees if they think DOWN is a SOURCE or a USE of FUNDS and ask for reasons for what they conclude.

TRAINER NOTES

DOWN indicates that a particular product has been sold and that revenues have thereby increased. Sales are, therefore, a SOURCE of investable capital for the store.

UP indicates that a particular product has been added to the stock and that expenses have thereby increased. Purchases are, therefore, a USE of FUNDS.

Ask the trainees to develop a Source and Uses Statement for this example by listing the Sources on one side and the Uses on the other. Summarize the exercise by explaining to the trainees that this is useful for retail stock management. It can also be used in a production setting to develop a more complete picture of the asset and liability structure of the company over time.

Small-Group Work: (20 Min)

7. Divide the trainees into small groups, pass out the January and July Balance Sheets for Francisco's Shop, and assign the following task (already on newsprint):

   - **Compare Francisco's Carpentry Shop 3 Balance Sheets for January and July and prepare a Statement of Sources and Uses of Funds.**
   - **Analyze the Statement in terms of changes in the structure of assets and liabilities.**
   - **Be prepared to present the statement to a host-country training staff member playing Francisco, including an explanation of how the statement was developed and how it can be used in the future. Take five minutes for this presentation, and do as much of it as possible in the local language.**

Presentations: (20 Min)

8. Have the small groups make their presentations. Take comments and suggestions for improvement from the observers.

TRAINER NOTES
In reviewing the presentation, keep the following points in mind:
The Sources of Funds must equal the Uses of Funds over a given period of time. In this case, Francisco has sold some of his land, taken on new debts and used some of the profits generated by the business. With these funds, he has purchased a variety of materials and tools, increased his inventory, and financed more credit sales (accounts receivable).

Closing: (5 Min)

9a. Close the session by entertaining any final questions about Source and Use of Funds statements and any additional questions about record-keeping as a whole.

9b. Hand out the page entitled "In-Depth Income Statement Example" for the trainees to have as a reference.

LESEGO'S COSMETICS STORE

"How have you been getting on? Have you made a good profit?" asked B.J. when Lesego came home one day. She had been running her shop in town for a year.

Lesego got out a number of papers where she had written down various things which she thought were important for her business. She had noted the following facts:

1. She had opened her business on January 1.
2. She had started with $300 worth of stock.
3. After paying $300 for the stock, she had set aside $250 in cash for the shop.
4. She had paid $75 a month rent, or $900 a year.
5. She had paid herself a salary of $150 a month; she had not taken out any other money.
6. During the year, she had bought goods from wholesalers for a total of $3,600.
7. She had received a total of $6,500 from customers.
8. She had now $200 worth of goods in stock in the shop and there was $450 in the cash box.

Lesego thought that her business had been quite successful, but when B.J. asked if a profit had been made, she did not know what to say.

INCOME STATEMENT FOR LESEGO'S COSMETICS

January 1 -- December 31

Sales		$6,500
Beginning Stock	$ 300	
Purchases	3,600	
Total Goods Available	3,900	
Less: Ending Stock	200	
Cost of Goods		3,700
Gross Profit		2,800
Rent	900	
Salary	$1,800	
Total Expenses		$2,700
Net Profit		100
Drawing		0
Retained Profit		100

FRANCISCO's CARPENTRY SHOP
SOURCES AND USES OF FUNDS
(January-July)

ANSWER SHEET

Assets (January)		Assets (July)	Sources of Funds	Uses of Funds
Cash	$ 50	$ 300	$	$ 250
Accounts Receivable	0	200		200
Raw Materials	230	1,230		1,000
Work in Progress	40	540		500
Finished Inventory	100	450		350
Tools/Equipment	200	1,620		
Building/Land	4,000	3,000	1,000	

Liabilities (January)		Liabilities (July)		
Accounts Payable	800	1,800	1,000	
Notes Payable	1,400	1,900	500	
Owner's Capital	2,000	2,000	0	
Retained Profits	420	1,640	1,420	
			$ 3,920	$ 3,920

FRANCISCO's CARPENTRY SHOP
January Balance Sheet

Assets		**Liabilities**	
Cash	$ 50		
Accounts Receivable	0	Accounts Payable	$ 800.
Raw Materials	230	Notes Payable	1,400
Work in Progress	40	Owner's Capital	2,000
Finished Inventory	100	Retained Profits	420
Tools/Equipment	200		
Building/Land	4,000		
	$ 4,620		$ 4,620

July Balance Sheet

Assets		Liabilities	
Cash	$ 300		
Accounts Receivable	200	Accounts Payable	$ 1,800
Raw Materials	1,230	Notes Payable	1,900
Work in Progress	540	Owner's Capital	2,000
Finished Inventory	450	Retained Profits	1,640
Tools/Equipment	1,620		
Building/Land	3,000		
	$ 7,340		$ 7,340

AN IN-DEPTH INCOME STATEMENT EXAMPLE

A. HEADINGS

B. SALES

1. Sales - Gross
2. Discounts and returns, etc.
   a. Sales discounts

C. COST OF SALES

1. Opening inventory
2. Purchases
3. Direct labor
4. Factory overhead
5. Sales of scrap and raw materials
6. Closing inventory
7. Cost of sales

D. GROSS PROFIT

1. Salesmen's salaries, commissions, etc.
2. Advertising
3. Other selling expenses
   a. Travel and entertainment
   b. Rent (warehouse or retail space)
   c. Freight out and delivery expenses
   d. Installation and delivery expenses
   e. Warehouse salaries and expenses
   f. Property taxes and maintenance (warehouse or retail space)

F. ADMINISTRATIVE EXPENSE

1. Salaries and payroll taxes
2. Bonuses
3. Bad debt expense
4. Other administrative expenses

G. NET OPERATING PROFIT (Before Taxes)

H. INCOME TAXES

1. Taxes paid by business

K. NET PROFIT

MODULE 7: RECORD KEEPING

SESSION 36: ACCOUNTING FOR NON-LITERATES

TIME: 3 HOURS

RATIONALE:

Small Enterprise Development Volunteers often work with rural and urban groups and individual businesses in which several of the key actors are not literate. The limits that this problem may impose on record keeping and the control of resources and funds need to be addressed. While no coherent all-encompassing accounting system for non-literates is currently available, three prototypes will be discussed.

OBJECTIVES:

1. To raise trainee awareness concerning the special needs of a project involving non-literate members .

2. To provide three instruments that may serve as the basis of a non-literate accounting system fitted to specific project or business needs.

3. To impress upon trainees the difficulties faced when trying to maintain group written records concerning money, production output, etc.

TRAINER PREPARATION:

1. Read the handouts on the different accounting systems for use with non-literates to be familiar with the concepts.

2. Obtain a variety of materials (cans, papers, boxes, colored pens, etc.) that the trainees can use in the development of their own non-literate accounting systems.

3. Prepare newsprint for the following items:
   - Session objectives
   - Small-group exercise instructions

MATERIALS:

1. Newsprint and magic markers
2. Props and materials for development of the systems
3. Pens and paper

TRAINEE HANDOUTS:

1. Envelope System of Accounting
2. Symbol System of Accounting
3. Ticket System of Accounting

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by explaining to the trainees that SED Volunteers often work with rural and urban groups and businesses that have key actors who are non-literate. This situation makes the development and maintenance of records and the control of funds more difficult--but not impossible. One of their challenges as PCVs will be to help individuals in these situations understand systems which do not require the ability to read and write.

1b. Review the objectives for the session (already on newsprint) and clarify any questions the trainees may have regarding them.

Lecturette/Discussion: (15 Min)

2. Lead a lecturette/discussion by asking the following questions:

   a. What kinds of host-country small-enterprise groups would you imagine to have non-literate members?

      1) Rural and Urban
      2) Women's groups, farmers' groups, craftsmen, credit unions, marketing cooperatives..this is always something to think about.
      3) Non-literate people have been entrepreneurs since there were first entrepreneurs--do not confuse non-literate with "dumb", and don't confuse inability to write with unwilling to learn and improve one's business situation.

   b. How would you define NON-LITERATE?

TRAINER NOTES

Be sure that the trainees come up with a definition of non-literate that covers both inability to read and potential problems with numbers, as well as difficulty in writing and a lack of appreciation of the value and importance of records and writing.

c. Why are many people not literate in host country?

1) Family obligations may take all their time
2) No schools in many areas
3) Lack of textbooks
4) No teachers (formal, informal)
5) Low value placed on literacy education
6) Lack of trust in educators from outside
7) Superstition, threat to traditional values

Small-Group Exercise: (50 Min)

3. Divide the trainees into two groups and assign the following (task already on newsprint):

- Given what you now know about record keeping, develop a system for tracking receipts, assets, debts, and money which can be used by non-literates.

- In developing the systems, consider using colors, boxes, envelopes, pictures, etc. Feel free to use newsprint, markers, and any other props which may be helpful, (already in the room).

- Be prepared to present your models to the large group for comments and suggestions for improvement.

Small-Group Presentations: (30 Min)

4. Reconvene the trainees and have them present their systems to the large group for comments/critique/ suggestions for improvement.

BREAK

5. Introduce the second half of the session by telling the trainees that they will now have the opportunity to review three different accounting systems recommended for use with non-literates. Each system serves a specific function, and none of them is intended to be a complete accounting system. These are:

- Envelope System
- Symbol System
- Ticket System

Small-Group Exercise:
(35 Min)

6. Divide the trainees into three small groups; assign each group one of the record-keeping systems (including the relevant handouts). Have the small groups complete the following task (already on newsprint):

   - Review the assigned system and determine types of businesses or projects for which it would be most appropriate in the host country.

   - Develop a presentation which could be used in explaining the system to a non-literate business person.

   - Be prepared to present the system to the large group, which will be role-playing as non-literate business people. Prepare a presentation of approximately ten minutes.

Small-Group Presentations: (30 Min)

7. Reconvene the trainees and have them present their material in the role-playing situation with the large group. Allow time for comments and suggestions for improvement.

Large-Group Discussion: (15 Min)

8. Lead a large-group discussion of the experience by asking the following questions:

   How easy/difficult did you find it to develop a system for working with non-literates?

   Do you feel that you now have some effective tools to use in working with these groups?

   Are there any particular points about working with such groups that you weren't aware of before this time?

   How do you see yourself approaching these types of situations in the future?

   What other types of individuals in the community might be able to assist with record keeping and analysis for the business/project?

Closing:

(5 Min)

9a. Close the session by pointing out that working with non-literates will most likely be part of every PCV's experience. Although it may present some unique challenges and frustrations, it also has the potential of providing a particular sense of accomplishment and gratification. Helping these groups gain more control over their resources and profits can make a significant difference in how they manage their overall businesses or projects.

9b. Entertain any remaining questions on record keeping as a whole.

THE ENVELOPE SYSTEM OF ACCOUNTING

This system lends itself to many variations. It is used in one way or another, by illiterate persons, or by quite educated persons also. Take for example the case of many housewives. They receive at the beginning of the month a global sum of money for household expenses. In order to be sure to stay within the limits of their budget, they prepare miscellaneous envelopes, label them with the object of the expenditure, and fill them with the fixed, and in certain cases, with the estimated amount of the expenses.

Envelope #1 will be for rent (fixed amount)

Envelope #2 will be for tuition (fixed amount)

Envelope #3 will be for electricity (estimated amount)

Envelope #4 will be for water (fixed amount)

Envelope #5 will be for telephone (fixed amount)

Envelope #6 will be for transportation (estimated amount)

Envelope #7 will be for groceries (estimated amount)

Envelope #8 will be for first week of market purchases (estimated amount)

Envelope #9 will be for second week of market purchases (estimated amount)

Envelope #10 will be for third week of market purchases (estimated amount)

Envelope #11 will be for fourth week of market purchases (estimated amount)

Envelope #12 will be for savings (estimated amount)

The number of the envelopes, their amount, their object, of course, varies from person to person.

(The Envelope System was designed by Partnership for Productivity, Washington, DC)

Of course, it is an embryonic form of accounting; however, many housewives depend on it. It keeps them from overspending. It is a planning activity and, to use a highly technical term, it is the management of resources. Certainly, it is a very linear accounting. There is only one source of income provided by the wage earner and, generally, the amount remains constant. Nevertheless, an activity which takes some time in large businesses is automatically done in this case: that of the analysis of expenses. Further, you will have noticed that there is an envelope marked "savings". In it go all the residual amounts left in the other estimated amount envelopes. We have said that this is a planning experience. The housewife knows very well that her main objective is to see herself through the month and that she had better figure out a pretty accurate estimate. She usually does. She can either increase the savings envelope or use the money on some other thing. The point I want to make is that the envelope corresponds to the surplus account, to the excess of income over expenditures.

This envelope system is used by some entrepreneurs, again with some variations. One variation will be like this: the entrepreneur is somewhat literate. He uses the same system as the housewife. He labels his envelopes according to items he carries for sale, and each time he makes a sale, he puts the amount in the appropriate envelope. At the end of the day, or of the week, he will know how much his sales for any particular item will have been. The item envelope will be a sort of cash account for the particular item. By taking cash for purchases out of the envelope, he will equate the remaining balance in the envelope as gross profit. If there is not enough cash in the envelope to purchase the equivalent of goods sold, he will realize that he suffered a loss. He will then, according to the case, either discontinue the sale of the particular item or adjust his price upward. Some entrepreneurs use another common envelope in which they put the cash left over from item envelopes. This common envelope serves as a sort of profit and loss account. When it receives the residual amounts of cash from the items envelopes, it represents the gross profit. What is left in it after expenses have been paid from it represents net profit.

As mentioned previously, this system lends itself to many variations. Some entrepreneurs use tin boxes instead of envelopes. Some can mark and label their envelopes; some cannot but use them anyway. It has been our experience to see a totally illiterate person using his envelopes, marking them in his own way, and knowing exactly how much he had in each envelope. He could count up to 100. But he knew that twenty times 5 equals 100. He knew the different bill and coin denominations and would count his money, making little piles of 5. He would mark each pile with a vertical little slash on the envelope up to 4 and 1 horizontal slash, indicating #5. He would continue like that until he would reach 20 sets of slashes. When he had to use money from the envelopes, he would simply erase the slashes representing the amount taken.

THE SYMBOL SYSTEM

Definition
The symbol system is a system elaborated for illiterates.

It is only one system among many. The envelope system is another. We must remember that there is not one magical system for illiterates. Illiterates have been entrepreneurs from time immemorial, and they have found a way their own way to keep their accounts.

In some communities, the entrepreneurs who keep their accounts by registering transactions are looked upon with contempt and disdain by the other entrepreneurs. For the latter, writing is tantamount to a confession of nonintelligence. If a person has to write something in order to remember it, then that person is not bright, does not possess a good mind.

We do not propose to approve; we propose that these individuals are proud of their intellectual capacity and keep their own accounts. They have their own systems.

If, in your practice, you find one of these cases, be humble, try to be positive, learn yourself, and help if you can. Do not impose what you think is best.

Description
The system is based on two sheets: one for the cash received and one for the cash paid out. With these two sheets, the entrepreneur can follow the cash transactions of his business.

Each sheet or page contains spaces lodging the different denominations of the local currency. These spaces are shown horizontally on the top of the page. Between each space, lines are traced vertically to design columns. On the left side of the page will be found symbols related to the types of activities with which the entrepreneurs deal. There will be one sheet for cash receipts and one sheet for cash payments.

As you see, at the top of the sheet, the amounts of currencies are marked in figures, even though illiterates are dealing with the page. The reason is that experience has proven that the illiterates do recognize money, and the value of money.

The page for cash payment will cover items purchased, utilities, services rendered. Therefore, appropriate symbols will be devised to express why a sum of money is issued. A horizontal line will effectively separate each symbol then with this separation, the entrepreneur will know how much has been spent for each symbol, for each type of activity. In order to get this answer, he will fill in the appropriate slots obtained by the crossing of the vertical and horizontal lines. He will fill in by making a slash for each denomination of money used. Again, we reiterate that the average illiterate fully understands money and amounts of money.

At the end of the period, the entrepreneur will have vertical and horizontal totals which must be equal, as in any similar ledger.

(The Symbol System was designed by Partnership for Productivity, Washington, DC.)

THE TICKET SYSTEM

The ticket system is most appropriate when there is a standard product (in terms of packaging, quality, other characteristics). It focuses on the accounting and money control needs of the processing group. This page will summarize the system in terms of a rural rice cooperative that has machines that can hull and winnow the rice.

a) The rice growers go to the processor's "office" and purchase the tickets equal to the number of pounds of rice they want to have hulled and winnowed by the machine. These tickets might be size or color differentiated so that it is clear how much they paid and how many pounds they can have processed.

b) The "office" staff puts the money in a tin, gives the growers the appropriate tickets, and sends them over to the machine worker.

c) The machine worker takes the tickets, then processes the corresponding amount of rice, and puts the rice in a bag, so that it is now ready to be marketed.

d) At the end of the day, the amount of money and the color- or size-coded tickets should match up. To make this system even easier, you can make blue tickets for five pesos, five francs, or whatever bill is BLUE. Then it simply becomes a straight matching up process.

e) The money is stored in a locked box, and the can is now ready for the next day's activity.

f) Periodic meetings are held to decide how much money should be spent on ongoing needs, such as oil and supplies for the machine and pay to the workers, and how much should go into a separate fund for ei.. rgency repairs, the future purchase of a new machine.

g) To present a summary of the costs, activity level, and profits from the project, the treasurer of the group needs to compile all the slips for a given period of time and show the costs (from receipts), the activity (from the number of blue tickets, red tickets and so on), and the profit (the difference between the two amounts).

It is strongly recommended that at least one-third of the revenues be set aside for machine spare parts and repairs and the eventual purchase of a new machine.

(Based on Peace Corps work by Ms. Valene Laedlin, Peace Corps/Senegal, 1981.)

MODULE 8: FINANCIAL ANALYSIS

SESSION 37: TOOLS FOR FINANCIAL ANALYSIS

TIME: 3 HOURS

RATIONALE:

In order for businesses to know whether they are actually making a profit, it is essential for them to be able to do a certain level of financial analysis of profits versus costs on a per unit basis. During this session, the trainees will focus on simple financial analysis tools which can be transferred to their host-country clients and counterparts.

OBJECTIVES:

1. To review the problems involved in applying American financial analysis tools without modifications to fit the host country situation.

2. To present a simplified breakeven tool for use in host-country small businesses.

3. To practice doing a breakeven point analysis of a small agricultural producer.

TRAINER PREPARATION:

1. Review the four ways of measuring a business activity introduced in Session 33 to incorporate them in this session's lecturette.

2. Check to see if there are any trainees with strong finance backgrounds who would be interested in conducting the Session.

3. Familiarize yourself with Breakeven Point Analysis example and trainee handouts.

4. Prepare newsprint for the following items:
   - Session objectives
   - Lecturette outline
   - Outline of breakeven point analysis
   - Breakeven graphical representation

MATERIALS:

1. Newsprint and magic markers, tape

TRAINEE HANDOUTS:

1. Breakeven Analysis Example
2. Situation 1, 2, and 3 Solutions

PROCEDURES:

Introductory Statement: (5 Min)

1a. **Explain** to the trainees that, while record keeping is a critical activity, it is useful only in that it offers a basis for analyzing what is going on regarding the use of raw materials, labor, equipment, and financial resources. With good records but inappropriate means of financial analysis, the decision makers can allow the project to drift or can make poor decisions.

1b. Review the objectives for the session, clarifying any questions the trainees may have regarding them.

Lecturette/Discussion: (30 Min)

2a. Remind the trainees that, in a previous session, the 4 ways of measuring a business activity were introduced. Have them name and define the measures. (See session on Overview of Records)

2b. Present a lecturette relating the business measurements to specific financial analysis tools, stessing the following points:

a. Some of the tools required for effective financial management have already been presented in training:

- Operating Budgets indicate efficient or poor use of financial resources over time.
- Initial Budgets show whether realistic financial commitments have been lined up.
- Cash In, Cash Out, and Cash Summary Sheets control petty cash.
- Balance Sheets point out the amount of cash on hand, the composition of assets and liabilities, and other information that relates to financial soundness.
- Income Statements illustrate the financial health of the project or business over time.
- Sources and Uses Statements show the ways in which cash has been raised and used by the project or business.

b. Other financial analysis tools routinely used in the United States are not usually appropriate for use in the host country:

- Ratio Analysis might not be useful because there are no industry-wide standards and practices and no records from which to derive this information.

- Trend Analysis might not be helpful because it is based on Ratio Analysis.

TRAINER NOTES

If trainees express an interest in the general use of Ratio + Trend Analysis, refer them to Essentials of Managerial Finance (Study Guide and Text), Weston and Brigham, Ch.4-5.

- Discounted Cash Flow tools, such as Net Present Value and Internal Rate of Return, are OFTEN not useful, especially in cases when the rate of inflation is above 15% or 20%. Also, the risks involved in using estimates of cash flows may be very great. REMEMBER--Garbage In, Garbage Out.

- Cost-Benefit Analysis requires a depth of analysis and information that is not likely to occur in a small project or business.

c. The Special Case of Depreciation:

Depreciation cannot be handled in the same manner as it is in the United States, but it still has a role to play in business management.

- Remember the underlying reason for having depreciation schedules. It is the government's way of giving a tax advantage to a business for updating its capital stock (equipment, tools, vehicles, etc.).

- The tax advantage may not be significant in the host country, BUT the need to periodically update the capital stock of a business or project remains important.

- Groups and business managers should be encouraged to set aside some portion of the sales revenues so that they have a growing fund for future machinery purchases. This fund should not be confused with other money set aside for different reasons, such as a general group savings fund for emergencies, sudden price changes in raw materials, etc.

- Depreciation expense can be built into an Operating Budget as a monthly or weekly cost estimate but does not take the place of a savings fund for future machinery purchases.

Breakeven Point Analysis: (45 Min)

3a. Introduce Breakeven Analysis in your own words, incorporating the following remarks:

1) What Breakeven Analysis Can Do:

- Breakeven Analysis tells the project or business manager how many units must be produced and sold for all the costs of production to just be covered.

- It marks the level of production where PROFITS=0 and LOSSES=0. The next unit made and sold would bring in a small profit.

- It can be used to estimate the level of profits or losses at a given level of production, provided that all relevant variable and fixed costs are known.

- It can be used to choose among alternative projects.

2) What Information Is Required:

Costs of Production:

- Variable Costs--those expenses that change with level of units made, such as raw materials expenses. Thi is most useful on a per unit basis.

- Fixed Costs--those costs that will not change with the level of output. For example, the machine purchased will cost the same whether it is used to produce five units a day or five hundred.

- Price per unit sold--if this is not a realistic market price, then the analysis will yield useless information.

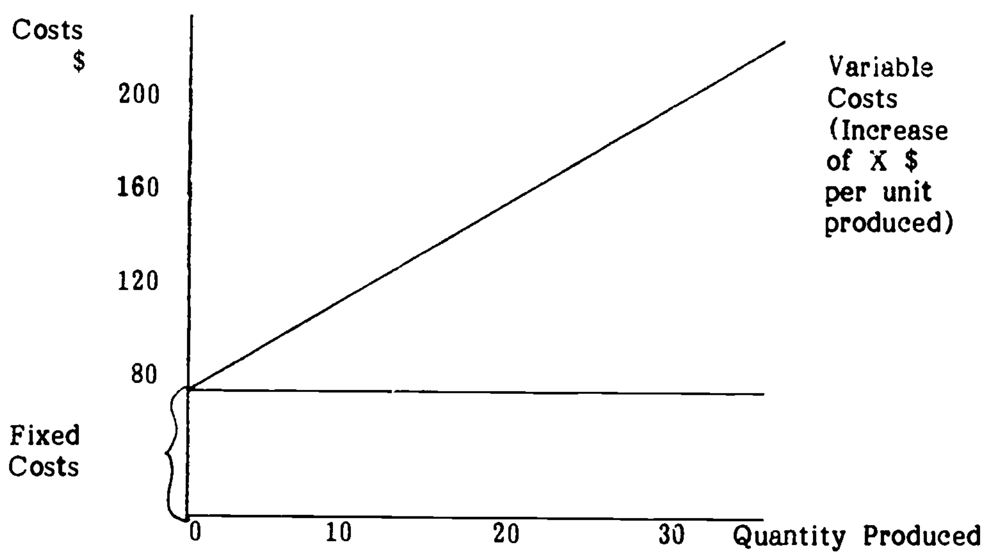
3) <u>Ways Of Working With Breakeven Analysis:</u>

- Graphical representation to see the intersection of cost and revenue lines, the profit and loss regions.

- **Mathematical calculation to identify the Breakeven Point.**

3b. **Present the Graphical Representations of Breakeven Analysis based on the following graph (already on newsprint) and accompanying explanation.** Discuss the cost side of the equation with the trainees.

STEP 1 THE COST SIDE



Assume with this example the following cost information:

Fixed Costs = \$80
Variable Costs = \$4 (per unit produced)

Since Total Costs = Fixed Costs + Variable Costs, a production level of 30 units would result in:

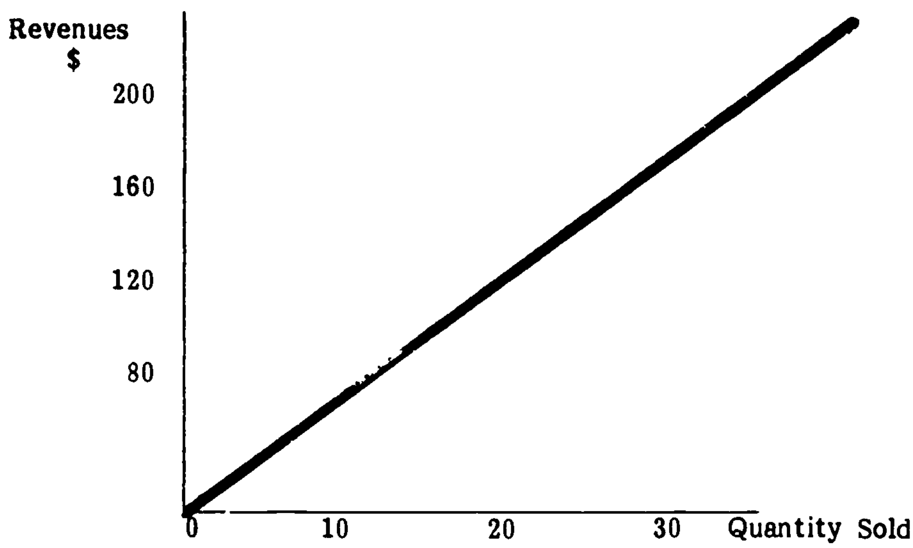
Total Costs = \$80 + \$4 (30 units)
Total Costs (30) = \$200

In this example, the following relationships are true:

Production Level	Fixed Cost	+	Variable Costs	=	Total Costs
0	\$80		0		\$80
10	80		40		120
20	80		80		160
30	80		120		200

3c. Based on the following graph and accompanying explanations, discuss the Revenues side of the equation with the trainees.

STEP 2 THE REVENUES SIDE



Total Revenues = Number of Units Sold X Sales Price per unit. Assume with this example that each unit sells for $8. For sales of 30 units, Total Revenues would be:

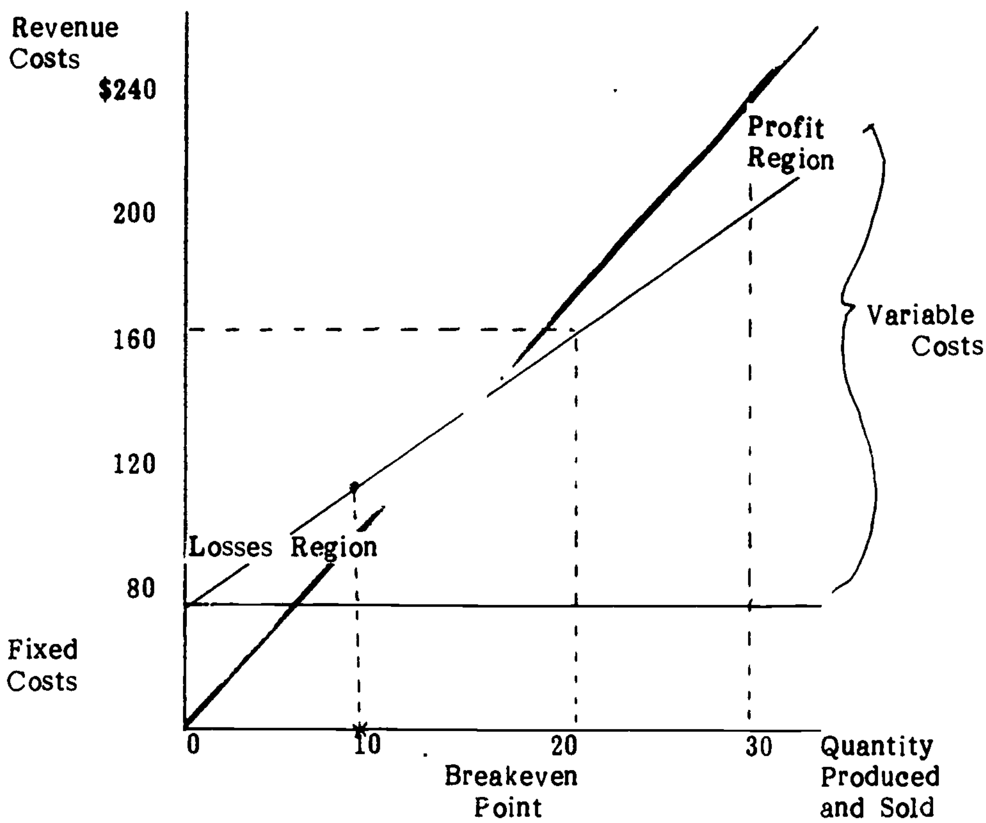
Total Revenues = (30 units X $8 per unit)
Total Revenues = $240

In this example, the following would be true:

Sales Level	Total Revenues				
0	0	X	$8	=	$0.00
10	10	X	8	=	80.00
20	20	X	8	=	160.00
30	30	X	8	=	240.00

3d.

STEP 3 - FINDING THE BREAKEVEN POINT



Production Level	Revenues	Costs	Profit/Loss
0	$ 0	80	$(80)
10	80	120	(40)
20	160	160	0 (Breakeven Point)
30	240	200	40

TRAINER NOTES

The following information may be useful in explaining the graphical representation of Breakeven Analysis:

The vertical line measures amounts of money spent by the producer (both fixed and variable costs).

The vertical line also measures the amount of sales revenues earned by the producer (units sold x price).

The horizontal line measures the number of units of output produced and sold.

The Fixed Costs line is horizontal because it does not change with the number of units produced.

The Variable Costs line begins above the Fixed Costs line and increases at a steady rate with the number of units produced and sold. Variable Costs + Fixed Costs == the Total Cost line.

The Sales Revenues line begins at 0 (0 units sold x the price per unit = $ 0) and increases at a steady rate with the number of units produced and sold.

The point of intersection of the Sales Revenue line and the Total Costs Line is the Breakeven Point, where there are no profits or losses.

To the left of the point of intersection is the Loss Region for the project; the Profit Region is to the right.

3e. Explain the following to the trainees:

Now that you understand the graphical representation of Breakeven Analysis, here is a faster mathematical system for determining the Breakeven Point (already on newsprint):

BREAKEVEN POINT == Fixed Costs

Divided by

Price Per Unit - Variable Cost Per Unit

3f. Have the trainees brainstorm a list of assumptions made by the Breakeven Point Analysis Model, and list them on newsprint.

TRAINER NOTES

Included in the assumptions listed could be the following:

- The price is constant regardless of the quantity made
- Waste is not important
- Producer can make more or less with the equipment and labor on hand
- Everything he makes he can SELL.

Individual Work: (30 Min)

4. Explain that, in the next exercise, the trainees will apply breakeven analysis to a specific situation. Assign the following task regarding the handout (already on newsprint):

- Read the handout (Part I) and perform the calculations for the first situation.
- List the assumptions necessary for this breakeven point to be correct.
- Represent your calculations in a breakeven point graph and be prepared to explain it to another trainee.

Pairs Exchange: (10 Min)

5a. Have the trainees form pairs and exchange the list of assumptions and the mathematical and graphical solutions to the breakeven analysis situation for the cotton farmer.

5b. Ask the pairs to come up with recommendations for the cotton farmer based on their findings. Solicit recommendations from each pair and form a composite list on newsprint.

Individual Work: (20 Min)

6a. Explain that breakeven analysis can be used to make a variety of production-oriented decisions. Pass out Parts II and III of the handout and have the trainees complete the calculations/graphs for each.

6b. Ask for a volunteer to present each of the above solutions to the large group for comments/clarifications.

Large-Group Discussion: (15 Min)

7. Lead a large-group discussion of the usefulness of breakeven analysis by asking the following questions:

- How realistic are the assumptions required by the Breakeven Analysis?
- Do you think the information required to do this analysis would be available? How would you get it?
- Do you think it would be difficult to train someone to use this breakeven analysis? How would you do it?

Closing: (5 Min)

8a. Explain that financial analysis is a necessary, ongoing part of project evaluation and that there are several tools the trainees have already developed to do this. Breakeven Analysis alone is not sufficient to ensure the continued financial health of a project or business, but it should be one of the tools at their disposal.

8b. Since the initial financial picture will be greatly affected by the source of the funds invested in the project or business, the role of outside financial assistance may be a very important consideration. The next session will focus on this topic from the viewpoint of both the opportunities for assistance in the host country and the responsibilities.

BREAKEVEN POINT ANALYSIS -- AN APPLICATION

In a nearby agricultural area, there is a farmer who is considering planting cotton on three hectares of land that have been unused for the last year. He has already collected some information on costs, prices and likely yields per hectare from his neighbors and agricultural extension workers, and would like you to help him determine if the idea is sound from a business viewpoint.

The information he has collected is as follows:

Fixed Costs will amount to $30.00 whether he plants one or more hectares of cotton. This would cover the purchase of shovels, hoes, water buckets and other necessary implements that he does not have at the moment.

Yields per hectare can vary between 40 bales and 50 bales, depending on the rainfall, soil preparation, weeding, the incidence of disease and other factors.

Variable Costs will cover inputs such as fertilizer, insecticides, seeds, etc. The agricultural extensionists and his neighbors estimate that it will cost the farmer $4.80 per hectare for a yield of between 40 and 50 bales.

Price per bale of cotton is set by the Government Marketing Board, and currently stands at $ 0.24 per bale. Government trucks come to the farm to pick up the bales, so there is no transportation or packaging expense for the farmer.

SITUATION 1

The farmer would like to know if he will "breakeven" if the yield is 40 bales per hectare. Since his understanding of mathematics is not too good, he would like you to explain the answer in a picture (graph) as well as in numerical terms.

SITUATION 2

The farmer knows that he will have to spend more on fertilizer and some of the other inputs if the rains turn out to be good and the yield turns out to be 50 bales per hectare. He estimates that it will cost $5.00 per hectare in Variable Costs under those conditions. Based on the information the farmer has already provided, he would like to know if he will "break even" if the yields turn out to be 50 bales per hectare.

SITUATION 3

The Government has decided that it would like to stimulate the production of cotton in the area. For this reason, the Government Marketing Board has raised the price of a bale of cotton to $0.40, and the farmer wants to know if this will affect your decision on whether he should plant cotton or not. Since the rains were disappointing last year, he would like you to assume that the rains will be good this year (so the yield per hectare should be 50 bales in your calculations).

SITUATION 1 SOLUTION

Mathematical Solution:

Breakeven Point = Fixed Costs divided by Price per unit - Variable Cost per unit

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Fixed Costs = $30.00
Variable Cost per bale = $4.80 (Variable Cost per ha.) divided by 40 (bales per ha.)

= $0.12
Price per bale = $0.24

Calculation:
Bales to "break even" = $30.00 divided by 0.24 - $0.12 = 250 bales

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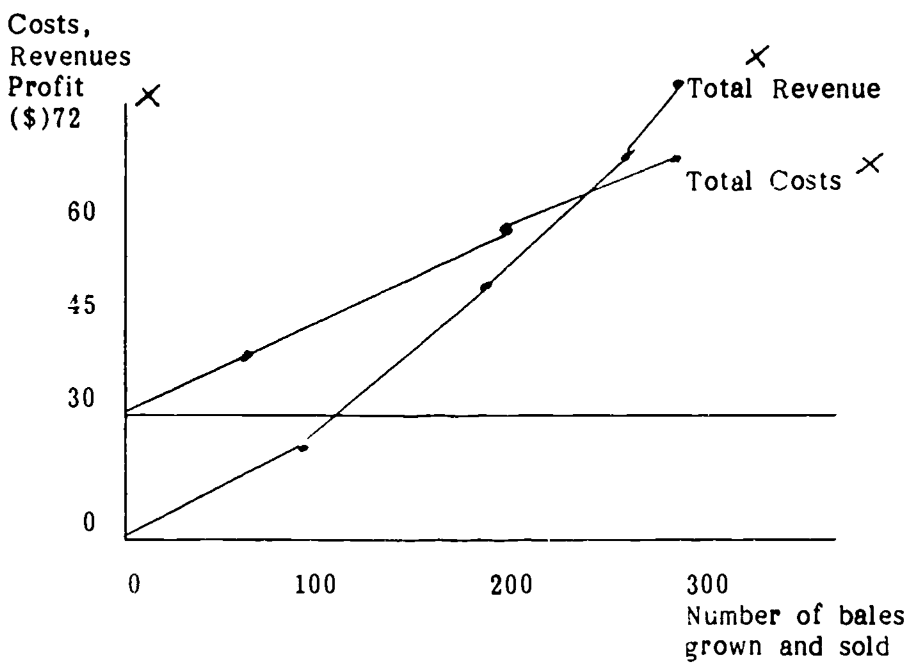
Graphical Solution:



Bales	Revenues	Costs	Profit/Loss
0	0	30	(30)
100	24	42	(18)
* 120	28.80	44.40	(15.60)
200	48	54	(6)
• 250	60	60	0
300	72	66	6

* Level of production for farmer
• Breakeven Point

SITUATION 2 SOLUTION

Mathematical Solution:

Breakeven Point = Fixed Costs divided by Price per unit - Variable Cost per unit

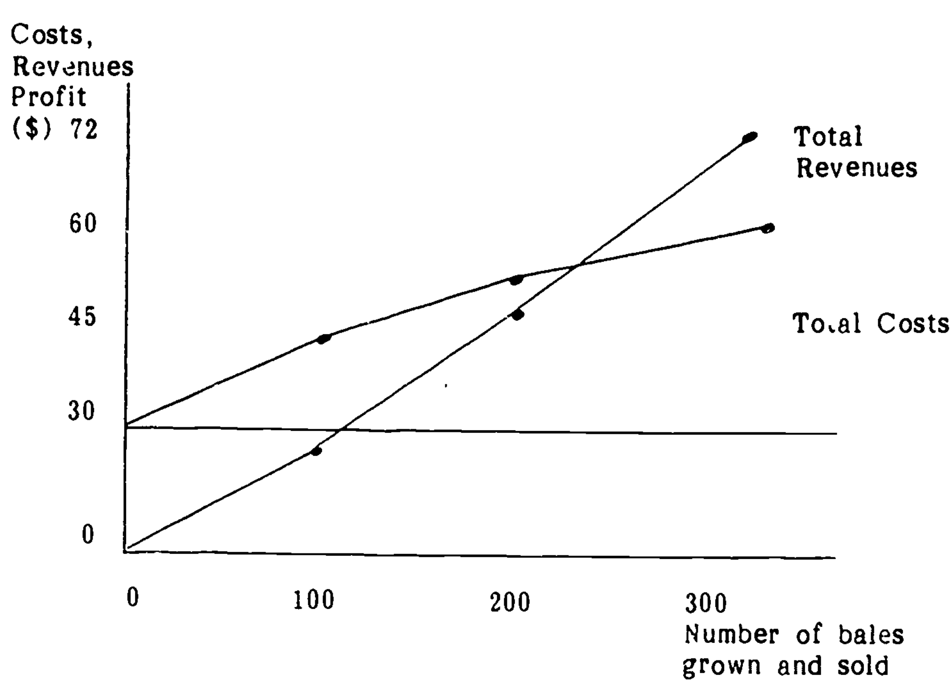
---

Fixed Costs = \$30.00
Variable Cost per bale = \$5.00 (Variable Cost per ha.) divided by 50 (bales per ha.)
= \$0.10

Price per bale = \$0.24

Calculation:
Bales to "break even" = \$30.00 divided by \$0.24 - \$0.10 = 214 bales

Graphical Solution:



Bales	Revenues	Costs	Profit (Loss)
0	0	30	(30)
100	24	40	(16)
* 150	36	45	(9)
200	48	50	(2)
• 214	51.36	51.36	0
250	60	55	5
300	72	60	12

* Level of production for farmer
• Breakeven Point

SITUATION 3 SOLUTION

Mathematical Solution:

Breakeven Point = Fixed Costs divided by Price per unit - Variable Cost per unit

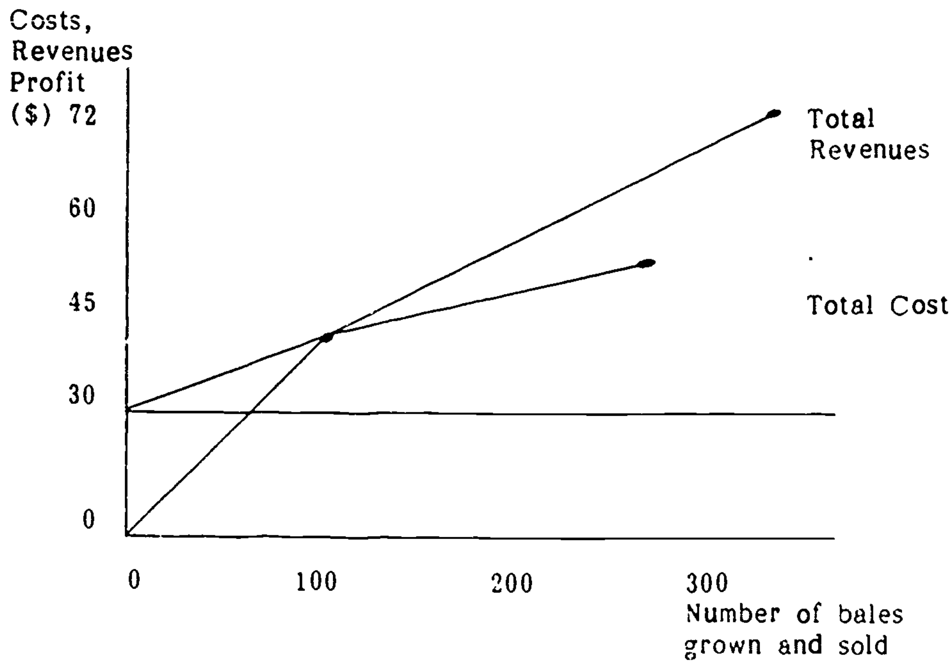
---

Fixed Costs = $30.00
Variable Cost per bale = $5.00 (Variable Cost per ha.) divided by 50 (bales per ha.) = $0.10

Price per bale = $0.40

Calculation:
Bales to "break even" = $30.00 divided by $0.40 - $0.10 = 100 bales

Graphical Solution:



Bales	Revenues	Costs	Profit (Loss)
0	0	30	(30)
• 100	40	40	0
* 150	60	45	15
200	80	50	30
250	100	55	45
300	120	60	60

* Level of production for farmer
• Breakeven Point

MODULE 9: PROPOSAL PREPARATION

SESSION 38: WRITING PROPOSALS

TIME: 2 HOURS

RATIONALE:

Involvement in the development and submission of project proposals for funding is becoming an increasingly common activity for PCVs. Communities often feel that PCVs are the only ones with sufficient skills and abilities to write proposals and submit them to funding sources--usually Western organizations. Whether PCVs decide to develop proposals or assist someone else in doing them, they need a basic knowledge of grant writing, budgeting, financial planning, and systems for project documentation and evaluation. During this session, the trainees will focus on developing that basic knowledge.

OBJECTIVES.

1. To improve proposal writing skills through the use of the five-step planning process.

2. To identify and discuss the basic elements of a project proposal.

3. To discuss the role of the Volunteer in the writing of proposals for funding.

TRAINER PREPARATION:

1. Research the host country and Peace Corps specifics on proposal writing.

2. Review session outline.

3. Prepare newsprint for the following items:
   - Steps of Planning
   - Session objectives
   - Basic Proposal Writing Principles

MATERIALS:

1. Newsprint and magic markers
2. Tape

TRAINEE HANDOUTS:

1. Nine Basic Parts of a Proposal.
2. Some Things to Consider Before Starting an Income-Generating Project.
3. A Sample Local Proposal to Critique.

PROCEDURES

Introductory Statement: (10 Min)

1a. Introduce the session by asking the trainees to imagine that they are planning the end-of-PST party for the entire training group. Then ask the following questions:

- Who will be involved in preparing for the party?
- How will you decide what needs to be done to get ready for the party?
- What steps will you actually take to prepare for the party?
- How will you know when you are prepared to give the party?

1b. Write down a summary of the trainee responses. Point out that even personal activities require planning and that planning follows a logical sequence. Planning for a party is a process just like planning for a project proposal.

1c. Review the objectives for the session and clarify any questions the trainees may have regarding them.

TRAINER NOTES

Following is a series of steps for planning. It is presented as a large-group discussion with a series of specific points made by the trainer, followed by short activities by the trainees. The points to be made should be made in the trainer's own words and the follow-up questions to the trainees should be answered as quickly as possible so that the overall presentation and discussion do not drag.

Lecturette on Goal Generation and Evaluation:

2. Begin the lecturette by saying that the planning process has five basic components, which can be elaborate or simple depending on the level of planning required. In the planning done by a Volunteer, the five components can usually remain fairly simple. They are as follows: (10 Min)

    Development of Goals
    Evaluation of Goals
    Development of an Action Plan
    Identification of Necessary Resources
    Review of the Plan

   Remind the trainees of the previous session on Generating Goals and Objectives, which includes goal evaluation, and have them summarize the key points. (If the session has not been done, introduce the concepts at this point.)

Lecturette/Discussion on Action Plans: (10 Min)

3a. Continue with the presentation by describing the development of an action plan, stressing the following points:

   Once a goal has been selected, evaluated, and possibly modified, a series of actions needs to be identifed in order for the work group to reach the goal.

   The action is designed to achieve the goal within the required timeframe. Often, people will look at several ways of reaching a goal, review each of the possible ways, and select the most optimal one. The chances of developing a good action plan are improved when this technique is utilized.

3b. Ask the trainees to look at one of the goals successfully evaluated in Session 16. (Develop a goal statement yourself if that session was not done.) Ask them the following questions:

   In thinking about the information just presented on the action step, what suggestions do you have for achieving the goal?

   Which of the ways suggested might be the most practical and efficient for achieving the goal?

TRAINER NOTES
Remind the trainees that, in order to make this decision, they will have to make some assumptions about the situation. The most realistic suggestions should be listed as the way in which the goals can be achieved.

Lecturette/Discussion on Resource Identification: (15 Min)

4a. Continue the presentation by discussing the identification of necessary resources, stressing the following points:

Once an action plan is complete, resources must be utilized to carry out the plan. The resources need to be identified and evaluated as to their availability. If they are not available and cannot be obtained, the action plan needs to be revised.

There is a greater chance of having a request honored when it is attached to an action plan leading to a specific goal, and an even greater chance when those who can give the resources have been part of the planning process from the beginning.

4b. Ask the trainees what types of resources might be needed to carry out the action steps suggested earlier. List the resources recommended on newsprint.

4c. Have the trainees identify which of the resources they would anticipate would be difficult to get and which might require outside assistance.

Lecturette/Discussion on Plan Review: (15 Min)

5a. Point out to the trainees that, in order for an action plan to be successful, it has to be realistic. It is easy to overestimate what can be done, but this error only leads to failure. To better review the plan, you should ask the following questions:

What will indicate whether or not the steps have been achieved? What measurements will be used?

Have contingencies which may interrupt the action be considered?

Has too much or too little been attempted?

5b. Ask the trainees to look at one of the steps in the action plan they developed in the earlier discussion and review it according to the above questions.

5c. Ask the trainees if they have any questions about the five steps of planning, and tell them that they will now be related to the development of project proposals.

BREAK

6. Introduce the second half of the session by explaining the following: (5 Min)

> Many SED project ideas begin with a great deal of enthusiasm only to end quickly because of a lack of essential funding. The prospect of writing a proposal for funding often seems worse than sacrificing the project idea altogether. However, proposal writing, while time-consuming, is not the impossible task that many people believe it to be.
>
> Proposal writing is a skill which can and should be transferred to the community. If it is not, real dependency on the Volunteer can occur. The writing should be done with local input and participation.

Lecturette/Discussion on Basic Proposal Principles: (20 Min)

7a. Deliver a lecturette on the basic principles of proposal writing, stressing the following points:

- A proposal for funding will be read and judged by someone who wants a clear idea of what the project is about. As a result it should be approached from the point of view of the funding agency.
- The basic principles of proposal writing include:
  - -- Plan your project before writing the proposal
  - -- Use clear, simple language
  - -- Be concise, brief, and logical
  - -- Make sure the final copy is clean, neat, and easy to read
  - -- Be positive
  - -- Be complete (Provide evidence and documentation, but don't overdo it!)
- Proposal writing must be preceded by good planning. If a project is well thought out, proposal writing is simply properly organizing and writing down those thoughts.
- The community should seek out what funding possibilities there are before writing begins. Many times funding sources have their own outlines to follow and forms to use when writing a proposal.

7b. Ask the trainees what type of information they might want to know about a funding source when assisting a community in the preparation of a project proposal. Put their responses on newsprint.

TRAINER NOTES

Included in the above responses might be the following information:

What types of projects they fund;
How much money they have to grant;
If they have minimum or maximum amounts you can request;
What funding cycles they have;
How long it takes to get an answer back about a proposal;

Nine Parts Of A Proposal: (45 Min)

8a. Distribute Handout 1, "Nine Basic Parts of a Proposal", and review it carefully with the trainees. Reiterate the importance of good planning before a proposal is written and submitted.

8b. If time permits, have the trainees review one or two proposals written by local Volunteers preferably one which obtained funding and one which didn't) and have them answer the following questions:

What are the strong points of each proposal? The weak points?

Is there any additional information you would want to make a fair decision about funding the projects?

Would you fund either of these proposals? Why/why not?

8c. Lead a large-group discussion of the appropriate role of the Volunteer in writing a proposal, and solicit ideas about how to effectively involve the community in the process.

Closing:

9a. Remind the trainees that proposal writing is a worthwhile skill to transfer to their communities. Ask them in what ways they can accomplish this task. Explain to them that the next session will focus on obtaining funding for the proposals they develop with their communities.

9b. Pass out the handout "Some Things to Consider Before Starting an Income-Generating Project" for the trainees to keep as reference material.

NINE BASIC PARTS OF A PROPOSAL

(Adapted from The Grantsmanship Center, Program Planning and Proposal Writing, Expanded Version)

1. Cover Letter - Brief, simple and pleasant.

2. Summary - Write it last, but put it at the beginning. State what the community is requesting and why. Briefly state objectives, activities you will conduct to accomplish the objectives, total cost, and what is being requested from this funding source. Limit the summary to half a page.

3. Introduction/Description or Background of the Applicant - Describe the agency's or community's qualifications to establish "credibility". Make it interesting. State who is applying for funds. This section might include the following:

   - When, why, and how the organization was started;
   - The philosophy, purpose, and goals of the organization (but do not dwell on them);
   - The organization's accomplishments and current activities;
   - The organization's relationship to other agencies and to other community groups;
   - Size and characteristics of the population served;
   - Quotes from letters of endorsement (which can be included at the end of the proposal);
   - Some appropriate data supporting the track record of the organization.

4. Statement of the Problem or Need - Clearly state the community's problem or need--it is the reason behind the proposal. Support it with evidence, including statistics. State clearly who in the community has the problem or need.

   The problem or need should be defined in reasonable dimensions so that the proposal can show how the community will address it with help from the funding source. The problem statement should relate to the purposes and goals of the organization or community.

5. Project Objectives - State what specific outcomes the community wants to accomplish. Use words like "to increase," "to decrease," and "to reduce." Each objective should state who will do what, when it will be done, how much will be done, and how it will be measured. The objectives should relate directly to the problem or need.

6. Methods - Clearly describe the activities, methods, or strategies the community will use to accomplish the objectives. State why they chose these particular activities or methods. Describe the sequence of activities (time lines are helpful), the staffing needed, and people who will benefit from these activities. Be realistic and reasonable about the scope of activities and the resources and time needed to accomplish them.

7. Evaluation and Documentation - Explain who will evaluate the project and how and when it will be done. Evaluation has two components: 1) outcome or results, and 2) process, or how the project was conducted. In the proposal define what criteria will be used in the evaluation, how information will be gathered, how the evaluation will be used to improve the project, and what reports will be made.

8. Future Needs for Funding - If the project will be continued or will require maintenance beyond the funding requested, explain how the community plans to cover future financial needs. If partial funds are requested from a funding source, explain where the community will get the rest of the funds.

9. Budget - Find out what budget information the funding source requires. Some sources have specific forms. If a budget is long, a budget summary may be written after completing a detailed budget. Include the complete budget of the project and clearly specify what is being requested from the funding source. Divide the budget into two main categories: 1) Personnel (salaries, benefits, consultants), and 2) Non-Personnel (space costs, utilities, equipment, consumable supplies such as paper and pencils, travel, telephone, and other costs such as insurance or postage). The budget summary can be set up like this:

	TOTAL	TOTAL REQUESTED	TOTAL DONATED
TOTAL THIS PROJECT	$	$	$

I. Personnel

A. Salaries & Wages
B. Fringe Benefits
C. Consultants and Contract Services

II. Non-Personnel

A. Space Costs
B. Rental, Lease or Purchase of Equipment
C. Consumable Supplies
D. Travel
E. Telephone
F. Other Costs

A complete budget will break down each item and explain it in detail.

SOME THINGS TO CONSIDER BEFORE STARTING AN INCOME GENERATING PROJECT

Income generating projects are currently being emphasized by the Peace Corps and with good reason. They can provide work for the individuals involved, products and services for the economy, and profits to be reinvested or used to better the standard-of-living of the participants.

But there are certain risks involved in such projects. They should never be attempted with the attitude, "Well, it couldn't hurt to try!" Failed projects mean crushed hopes for the people who worked on them and a distrust of future ideas. They can take people or their resources from a subsistence level and leave them with less. They waste time and money that could be spent on successful projects. And perhaps most importantly, on a larger scale, they create inflationary pressure on the economy by injecting more capital than it knows what to do with.

With these points in mind, you must consider very seriously the chances of success for your project and the impact it will have whether or not it is successful. Of course, every project will have a different set of factors to consider, but the following ideas may help get you started:

1. Successful businessmen and women have the right mix of cynicism and hope (probably weighted on the side of caution and cynicism). What could possibly go wrong? Remember that most businesses fail within a relatively short time period. Peace Corps-sponsored income-generating projects are no exception to this rule. Practically all the Volunteers thought that theirs was going to be a successful project.

2. Injecting "free" money into the economy does not help. In fact, history proves that it often hurts. Many countries which were once net food exporters have, through experiments and "easy" funds from outside in the form of loans, become net food importers. Starting a sweater cooperative that takes even marginal subsistence level farmers out of their fields may leave them worse off if it fails in the first few years. Capital is not what the economy needs. Well-directed capital is what is in short supply.

3. Private sector funding may be easier than you think. DON'T count it out on the basis of what you have heard. For example, it is usually much easier to get a loan for a small business project in many countries than it is in the United States. The inflation rate is a component of interest rates and, with an average small business loan interest rate of 18% and an inflation rate of 60%, the real interest rate on a bank loan is actually negative. Many banks have small armies of technicians to evaluate projects. These people may be well-trained and their opinion may prove invaluable on whether a project is going to make it.

Another important point is that bank loans teach responsibility whereas money can foster dependence. If a member of your future business will not approach the bank for a loan, questions may be raised about his/her level of commitment. Also, if a business cannot pay back the principal and interest at 18%, in a country with an inflation rate that is much higher, then the project's feasibility should be questioned. It is likely that such a venture would run out of steam in the first few years anyway, living off its own initial capital. It will just take a little longer to fall apart with a grant than with a loan.

With this point in mind, you can use as a general rule of thumb that, when seeking capital to start an income-generating project, the person's private capital (from family loans, from sales of unnecessary property) should be exhausted before looking outside. This process would raise the level of commitment and add to chances for success.

4. Remember to ask the question, "Do they really have the time?" Keep in mind that there is a different attitude toward time. If the women in your sewing cooperative explain that their husbands won't mind if they work instead of cook the family dinner, don't believe them. Also, just because it appears that there are a lot of people with nothing to do in June doesn't mean that, when the harvest is ready in August, they won't be tied up for several weeks. Although most people will claim to have plenty of free time for projects, you may find that they are more occupied than you think--whether with another job or social activities. Will they really be willing to give those up?

5. Where the original project idea comes from will be most important. You may notice that it is easy to get someone to agree to a project, but another thing to get them to actually work on it. Your enthusiasm for your idea will be reflected by the individual or group out of respect and a genuine desire not to hurt your feelings. When the work really begins, however, you may find yourself dragging your counterpart through even the easiest steps. A much healthier approach would be to have the original idea come from your counterpart, with you playing the supportive role.

   Be careful about the way you phrase your questions, since some come with almost automatic answers. "I've got a great idea that can make you a lot of money; Are you interested?" is a good question to ask if you are looking for the answer "Yes". A more honest and informative approach would be to phrase it as follows; "Are you willing to spend a few months working at something with the possibility of making a profit some time in the future?".

6. Have you examined every aspect of the business in question? Businesses are very complicated, and looking at them from only one or two standpoints would be a mistake. The high price of the product is irrelevant if there is no way to deliver it to the market. Also, just because the price is high doesn't mean that it won't drop dramatically later on. If you double production based on today's high price, you may live to regret it. The high market price could represent the importance of intermediary services involved, such as transportation costs. The actual price paid the producer could be much lower.

7. Many host countries have very small domestic markets. Given the unreliable distribution infrastructure, the reachable market becomes even smaller. Just because someone in town has a successful business going doesn't necessarily mean that someone else can duplicate the success. Will demand for the products pick up just because the supply increases, or will both producers face the hard fact that, to sell what they make, they will have to lower the price?

   Be very careful with grant money in a situation like this. The free capital may give an unfair advantage to the newcomer and drive the first producer, who used his own capital investment or borrowed and now faces repayments, out of business.

8. Will your counterparts be willing to work for a while before seeing any personal income? It usually takes quite a bit of time before profits are generated. The first sales don't typically contain much profit and probably will have to be reinvested in their entirety to assure continuance of the business. This wait is especially difficult for those who have worked for others in the past and are accustomed to regular pay.

   Remember that income for the business is not the same as income for the businessman. Care should be taken to establish some kind of basic accounting system to assure that profits and not capital are removed for personal use of the owner. This will enable the business to continue.

9. In many countries, social life is a high priority. Nevertheless, if the business is to succeed, business matters have to come first. This principle can be especially difficult in working with a cooperative or a group business. If you suspect that the business is being started more as a social club than an income-generating entity, then reconsider their commitment. You will probably find that, as soon as there is tension socially among the members, even if it is totally unrelated to the business, the whole thing will collapse if the reason for starting it wasn't the business itself.

10. Will you have enough time to complete your commitment to the project? You will inevitably find that each step takes longer than originally planned. Will you being willing to extend? Will this project cause you to neglect other duties? A half-completed income-generating project is very likely to end in failure.

11. Don't start a project simply as a way of breaking the ice, of gaining community acceptance. This idea may prove especially tempting when you first arrive on the scene, unaccustomed to the lifestyle, customs and language. There will be a great deal of obvious and hidden pressure for you to produce funds and other resources from the outside, but remember to stop and do your homework first. Projects are supposed to help the community in concrete ways, not to help you get settled.

12. The scale of the project should be the smallest possible. Let it grow on its own if it proves to be successful. A small project can be administered most easily by the Volunteer and counterparts, neither of whom may have much in the way of project management experience. The possibility of a negative impact on the surrounding community is lessened, as are the risks. This factor can make a big difference to the individuals and community participants. Since any new project or business is an experiment, keep it small and keep it simple. If the project has potential, it will be able to line up outside participants, such as a bank willing to lend support.

13. Production enterprises should be the ones emphasized, whether they are industrial or agricultural. There are already twenty lettuce sellers for every lettuce grower. This imbalance can lead to higher prices, low incomes, and an inefficient economy. Another neighborhood store will not be nearly as useful as a new producer of one of the goods the store sells.

14. Ideas that are feasible to you may seem inappropriate to others for cultural reasons. The simple fact is that an idea may fail because of the emphasis on tradition in many places. For instance, while American consumers are quality sensitive when they purchase fish, in some countries the consumers are price sensitive. A fish project that sells fresher fish for a little more money may fail--not because people don't want fresher fish, but because they are not willing to pay that little extra for it.

With all these things to check out when considering a project, you should not get swept up in the enthusiasm before thinking about the repercussions and incentives that such a project might promote. Coming up with a project can be exciting and very valuable--but it can also be dangerous for other individuals and communities. It is not something to be attempted and encouraged lightly.

MODULE 9: PROPOSAL PREPARATION

SESSION 39: FUNDING OF PROPOSALS

TIME: 1 to 2 HOURS

RATIONALE:

In order to give the trainees an overview of the types of funding sources that are available to them in their host-countries, this session will provide information on the following: potential funding institutions and their goals/purposes; types of projects given consideration; availability of grant/loan monies; methods of obtaining more information on applying for funding.

OBJECTIVES:

1. To acquaint the trainees with potential funding sources within their host country--both local and international.

2. To familiarize the trainees with funding source requirements for proposals.

TRAINER PREPARATION:

1. Identify potential funding sources within the host country, both local and international; invite representatives of these organizations to the session, if possible.

2. Review funding source requirements for proposals.

3. Review objectives for this session.

4. Prepare newsprint for the following items:
   - Session objectives
   - Names of funding sources

TRAINEE HANDOUTS:

1. Criteria for funding for local agencies, including the following:

AID	CHRISTIAN CHILDREN'S FUND
CARE	TRICKLE UP PROGRAM
SAVE THE CHILDREN	EMBASSIES
WORLD VISION	WIN
ROCK INTERNATIONAL	(Heiffer)

PROCEDURES

Introductory Statement: (5 Min)

1a. Introduce the session by explaining to the trainees that there are many funding sources and that in this session we are going to talk about the resources that are available in ________________.

1b. Review the objectives for the session and clarify any questions the trainees may have regarding them.

> TRAINER NOTES
>
> This session can be as brief as you would like, mentioning only a few prime sources, or as in-depth as you might like, listing all possible sources.

Funding Institutions: (As Needed)

2. Present information on the variety of funding sources available in-country (having a panel of funding representatives make the presentations, if possible). Include the following information in the presentations:

- their goals
- purpose
- types of projects given consideration
- availability of grant/loan monies
- methods of obtaining more information

> TRAINER NOTES
>
> If guidelines are available, pass them out for each organization as it is discussed.

Successful Programs

(As Needed)

3. Present brief descriptions of the successful projects in the host country in which Peace Corps Volunteers have played a role in obtaining funding with the community group or individual, highlighting the areas of the proposals which played a key role in obtaining the funding.

TRAINER NOTES
You may well want to have the Volunteers involved make these presentations.

Closure

(5 Min)

4. Summarize Module 9 - Ask trainees to summarize the points they have derived from the Module. Re· iew session objectives.

MODULE 10: EVALUATION

SESSION 40: EVALUATION OF THE SED TRAINING PROGRAM

TIME: 1 HOUR, 20 MINUTES

RATIONALE:

All training programs need constructive evaluations to determine if the objectives have been met. During this sesson, the trainees will complete an evaluation instrument and verbally discuss current problems and potential improvements for future training programs.

OBJECTIVES:

1. To evaluate the training program in writing, checking individual and group accomplishments against the objectives.

2. To identify specific ways in which the training design and implementation can be improved for future programs.

TRAINER PREPARATION:

1. Remind the trainees to bring their copies of the program objectives and their own pre-training self assessments to the session.

2. Xerox a few copies of the program objectives for trainees who have either forgotten or lost their own.

3. Put the following on newsprint:
   - Session objectives
   - Small-group instructions

MATERIALS:

1. Newsprint and magic markers

TRAINEE HANDOUTS

1. Training Evaluation questionnaire

PROCEDURES:

Introductory Statement: (5 Min)

1a. Introduce the session by explaining to the trainees that a careful review and evaluation of the training program accomplishes two important goals: it helps them to see what they have learned and what still needs attention in the future; it allows the trainers to consider necessary adjustments in the training design for future programs.

1b. Review the objectives for the session (already on newsprint) and clarify any questions the trainees may have regarding them.

Written Evaluation: (15 Min)

2. Distribute copies of the Evaluation Form to the trainees, and explain that they will have 15 minutes to fill it out. Tell them that there will be a discussion afterwards.

> TRAINER NOTES
>
> Ask the trainees to bring their copies of the training objectives from each of the modules and the self-assessment form completed at the start of PST. Have them utilize these when filling out the evaluation forms.

Individual Accomplishments: (20 Min)

3a. Have the trainees refer to their self-assessment forms from the beginning of PST and write down the most significant things they have learned in the training program.

3b. Ask each trainee to briefly summarize his/her personal accomplishments in training for the large group.

Problem Identification: (20 Min)

4. Divide the trainees into small groups (3 - 4 members each) and assign the following task (already on newsprint):

   - Identify 2-3 aspects of the training program which need to be improved for future programs.
   - Recommend specific ways in which the improvements could be made.
   - Put the list of issues and recommendations on newsprint and post it on the wall.

Large-Group Discussion: (15 Min)

5. Reconvene the large group and review the newsprint suggestions with them. Have one of the trainees summarize the observations and suggestions for improvement. Circle those observations which seem to be generally agreed upon and most feasible for future implementation.

Closing: (5 Min)

6. Close the session by asking the group to comment on the written evaluation instrument and ask them to suggest other ways in which program evaluation can be handled.

TRAINING EVALUATION

We need your candid feedback on the SED training program so that we can make improvements in its design and provide the next group of participants with a richer experience. Please keep in mind the original Training Objectives as you answer the following questions:

1. The objectives of the training program seemed:

1	2	3	4	5
Mostly Irrelevant to my PC work		Somewhat Relevant		Very Relevant

Because____

____

2. During the training course we accomplished the objectives:

1	2	3	4	5
Not at all		Somewhat		Entirely

Because____

____

3. The trainers were:

1	2	3	4	5
Very Ineffective		Somewhat Effective		Very Effective

4. For my learning, the activities used during the sessions were:

1	2	3	4	5
Very Ineffective		Somewhat Effective		Very Effective

Because____

____

5. The handouts, visual aids, and other support materials used in the sessions were:

1	2	3	4	5
Nearly Useless		Somewhat Useful		Very Useful

Because ______________________________

____

6. The specific sessions or activities I found most helpful to me in my work were:

____
____
____

7. The specific sessions or activities I found least helpful to me in my work were:

____
____
____

8. These sessions could be improved in the future by:
(What could have made these sessions more worthwhile for you in relation to the job you have in your workplace and/or community?)

____
____
____

9. The most meaningful things that I learned during this program were:

____
____
____
____
____

10. Some other comments I would like to give to the training staff are:

____
____
____
____
____

TRAINEE SESSION ASSESSMENT SHEET

Session:____________________ Date:________________________

Please fill in the ratings and provide short answers to the questions below. Give specific examples whenever possible.

1. The training objectives for this seemed:

1	2	3	4	5
Mostly Irrelevant to my PCV work		Somewhat Relevant		Very Relevant to my PCV work

2. In this session we accomplished the training objectives:

1	2	3	4	5
Not at all		Somewhat		Entirely

Because____

3. For my learning, the activities used during the training were:

1	2	3	4	5
Very Ineffective		Somewhat Effective		Very Effective

Because____

4. The handouts were:

1	2	3	4	5
Nearly Useless		Somewhat Useful		Very Useful

Because____

5. The most important thing I learned in this session was:

6. This session could be improved in the future by:

Since 1961 when the Peace Corps was created, more than 80,000 U.S. citizens have served as Volunteers in developing countries, living and working among the people of the Third World as colleagues and co-workers. Today 6000 PCVs are involved in programs designed to help strengthen local capacity to address such fundamental concerns as food production, water supply, energy development, nutrition and health education and reforestation.

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BP 1720
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CAMEROON
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Yaounde

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BP 1080
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