

8 May 2014

Dear Friends,

Firelight operates on a seven-year partnership model. That means we intend to fund our partners for seven years. At the conclusion of the partnership, our hope is that our partners are in a stronger place and can survive - - and thrive - - without financial support from Firelight.

Over the years we have learned that organizations that start preparing for the conclusion of Firelight support early in the partnership tend to fare better at the end. However, many of our partners try to launch an income-generating activity at the end of the partnership. This can put the organization under a lot of pressure as it often takes several years for a new business to take off and generate a steady source of income.

In this week's edition of the newsflash, we are highlighting our partner Nehemiah Project in Bulawayo, Zimbabwe. Nehemiah Project is a faith-based organization that was established by the City Pentecostal Assembly in 2001. With Firelight funds, they have created children's clubs and supported vulnerable children with education assistance. Nehemiah is a thoughtful and consistent organization, willing to work with, and empower, marginalized groups. They have grown their programs organically, slowly expanding services to key players who make up the layers of support around a child: parents, teachers, and other members of the community.

Nehemiah used their second-to-last grant from Firelight to launch two income-generating activities. Working with the families of children for whom Nehemiah had been paying school fees, they provided business training and support as the families formed two business groups: one in poultry and one in food processing.

As you'll see in the material below, Nehemiah hit many unexpected obstacles as they launched these businesses. The good news is that Nehemiah has learned and adapted along the way. They have strategized and re-strategized to make these businesses successful. One year into the launch of the businesses, both are still running and they have managed to pay school fees for 16 children.

We thank Nehemiah for being willing to share the lessons they have learned with the partner network. We are also sharing a few other tools on the "do's and don't's" of starting a small business. If your organization is considering launching an income-generating activity, these tools should help you in your planning process.

Sincerely,

The Firelight Team

*(Resource) Successes and Challenges of Beneficiary-run Businesses from Nehemiah Project*  
*(Resource) Lessons Learned from Launching Beneficiary-run Businesses from Nehemiah Project*  
*(Resource) "Guiding Principles for IGAs" from Jill Donahue*  
*(Resource) "Starting a Small Business" - from ETU*  
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(Resource) Successes and Challenges of Beneficiary-run Businesses from Nehemiah Project

#### Launching the Businesses:

The initial aim of the project was to help children to remain in school through assisting their parents with income generating activities. The program has been operating for the past 8 months. The plan had been to involve 28 families in the venture. Currently there are 12 active members participating in the venture. At the very first time 10 community members were trained in business management. However by the time the grant was approved 80% of them showed an unwillingness to participate in group activities. They opted rather to utilize their new knowledge running their own businesses. This meant that we had to go back to inviting more parents to join the program as the agreement had been to have up to 28 children benefiting from the proceeds from the business. Individuals were recruited through the local school. Some of the parents that turned up to join owed the school up to \$500.00 in fees. Once the recruiting was done meetings were held where the group spent a considerable amount of time learning about what it means to work in a group. The advantages and disadvantages were looked at. The conclusion being that it is better to work in a group than alone. Contributing factors for group failure were also looked at with the conclusion that disunity, deviance and failure to adhere to rules can cause a group to fail. After this process the group also learnt about leadership after which a committee was formed. At this stage the group also came up with their constitution, the vision being that of children remaining in school and also that of developing the community. The group was named Bambanani (which is the Ndebele word for – Be united) The arrangement was for Nehemiah Project to have a 3 year relationship with the community during which time the project would be slowly passed onto them for ownership. Nehemiah Project then took up the role of overseer as well as marketing manager and managing the accounting processes. The group designed a logo for the venture, which would be printed onto all packaging for marketing purposes. The ideas of food processing and poultry rearing were carried through.

#### --Food Processing

Group members agreed that they would meet on a weekly basis to package the dried fish and beans as well as milling the peanut butter. At the weekly meetings members would then be each allocated equal amounts of the product to go and sell. At the following meeting they would then bring in the money from product they sold and take more product to go and sell. 2 women were sent to Binga to buy the dried fish from Zubo Trust. This linkage was facilitated through the Firelight Country Consultant. Since then the arrangement has been such that Nehemiah Project makes payments to the Bulawayo office and the fish are delivered to our offices. The dried fish have been popular with customers because they need

minimal energy to cook. They have also been a good product since they require little in terms of additional inputs.

#### --Poultry Rearing

Group members would take it in turns to look after the chickens from day one up until the day of slaughtering. A supervisor was assigned to monitor members as they come or their daily duties. Each member would be required to write a report at the end of the day indicating the state of the chickens as well as recording any deaths. In 2013, 2 group members went on a 3 day course on poultry rearing. Some of the knowledgeable people that had been part of the proposal process were no longer participating in the activities. Premises were rented out from within the community and a group member had to live on the site for the purposes of security as well as feeding the chickens at night and ensuring that the premises were kept ready when the others came on duty during the day.

#### Challenges

- The project has not been as successful as we had hoped for the following reasons:
- Project staff as well as the community members assumed that once the income generating activities started we would be able to pay fees every term, but this was not the case. In turn this caused other parents to withdraw their commitment.
- Group members would take goods to sell and then took a long time to bring the money back meaning that there would not be enough cash to keep the project running. Upon holding meetings to solve the problem, they would then confess that they had received the money from the customers but had used it for their own personal needs. The project's ability to buy new stock as well as take care of the rentals, electricity and water bills and also pay out the school fees was compromised.
- The transition from being donor-reliant to be having a certain level of independence has not been easy. Community members still have the assumption that even if they are not working so hard to bring in the money, they should still receive fees for their children. Having a mindset, which says that we are in business and if we do not bring in money, the business suffers and we also suffer has not been easy to deal with.
- Group members failed to adhere to the constitution meaning that whether people were absent or came late, there was no corrective action taken. They still continued to receive the same shares with those that do not work so hard. In turn this caused others to also be deviant.
- We had also hoped to get more funding towards school fees but we have not managed to do so yet.

#### Successes

- To date \$850 was taken out for school fees payments, which benefited 16 children. The program did manage to create market linkages with suppliers and also buyers of bulk poultry products. 3 members of the group have since gone on an intensive course on poultry rearing which has linked the project to the suppliers of day old chicks and buyers that can take from 1000 chickens at a time and pay cash.
- We also managed to successfully network with other organisations – Basilwizi Trust in the sourcing of the dried fish. The relationship is now such that we can phone the

people in Binga and they will send us the dried fish once we have deposited the money with the Bulawayo office. This has helped us reduce transport and accommodation costs. It has also put us in touch with quality dried fish from Binga. Customers like fish from Binga, which is what the customers want.

The community has had the opportunity to learn about leadership and also the importance of coming together as a group to achieve one goal. They are also seeing that they can be part and parcel of solving the challenges they face. There are some in the group that had not had the experience of working with others. The skills gained such as poultry rearing, business management, peanut butter processing is something that they can take with them wherever they go and use for years to come.

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#### (Resource) Lessons Learned from Launching Beneficiary-run Businesses from Nehemiah Project

- Starting and establishing a successful business takes time. There are many challenges to overcome. A supporting grant to continue paying school fees until the business becomes fully productive would help.
- Business management training needs to be a continuous process which we hope to implement in the future.
- We cannot expect success if we allow deviance from the group agreements. We are now looking at a situation where members will benefit according to how hard they worked.
- Renting a space in town where group members take turns to sell the dried fish and peanut butter should avoid members using the money for themselves.
- Group members have been coming into town once a week for packaging and peanut butter milling. Finding a place within the community to process the food will limit transport costs for the project.
- After the intensive training on poultry rearing we learnt that the venture can be more successful if there are less people involved in handling the chickens. We will now limit poultry duty to 2 people every six weeks.
- The operating costs have been high, we are now looking at increasing production and ensuring that the chicken run is fully functional at all times.
- We are also looking into obtaining through the rural council a sizable piece of land which could be used in the future as a farming venture to continue bringing money into the organization for the sake of helping communities.

There is a market for poultry produce with restaurants and yet there are strict health regulations with the City Council. The land out of town will help scale up the program. We have also researched donors such as USAID that are able to fund bigger projects.

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(Resource) "Guiding Principles for IGAs" from Jill Donahue

Jill Donahue prepared this document for a Firelight Advisory Council meeting in 2007, when we were trying to learn more about how to help small organizations strengthen the approach they take to income-generating activities. It still rings true today. Jill's long experience working with NGOs and income-generating activities gives her a unique vantage point about factors that affect success and failure when NGOs are launching a business. Considering these principles may help you design a more successful income-generating activity for your organization.

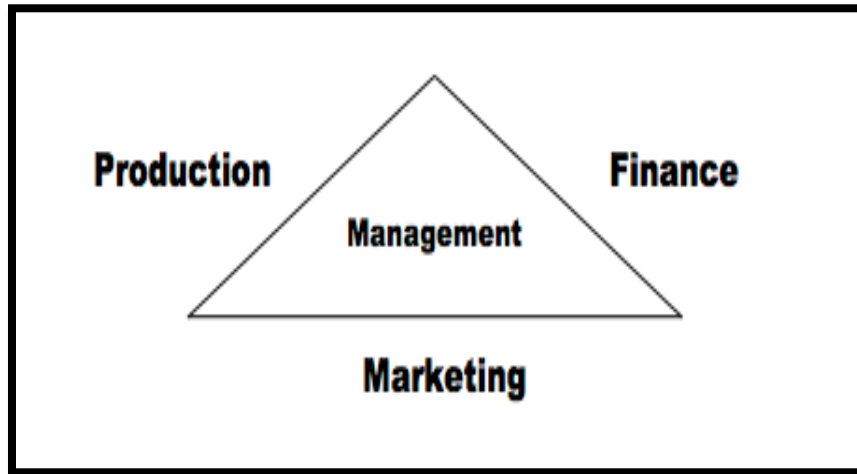
## Background

NGOs have long sustained an interest in helping self-employed families improve revenues. Yet, most income generation programs fail. Why?

- Many NGOs believe they know how to increase incomes. Yet there is a fundamental mismatch between what an NGO knows how to do and what a small business must do to survive. An NGO has a social mission and is budget driven. Yet, an income generating activity (IGA), however small, has a profit mission and is performance driven.
- Staff do not have proper business experience. Most staff who are attracted to an NGO are attracted precisely because it is a not-for-profit environment and often lack the expertise to truly assist small entrepreneurs building a profitable venture.
- NGO initiatives are production-driven. NGOs typically teach microentrepreneurs a particular production or service skill and ignore the essential function of marketing.
- NGOs lack understanding of competitive environments. Many NGOs teach skills where the IGA must compete with other microentrepreneurs many of which may have long mastered the production skill at hand. These new IGA entrants into the marketplace cannot make the product as efficiently as someone who has been practicing that craft as part of a family tradition. In addition, there usually isn't any investigation into whether the production skill being taught will "flood" the market and push existing businesses out. This is "robbing Peter to pay Paul".
- NGOs often promote group-based activities. In an effort to promote solidarity, NGOs promote group activities. Group based activities ignore key principles of risk reduction. (See Guiding Principles).
- NGOs believe they can help market a product. Marketing is not a function to be delegated. It is a primary function of an income generating activity. In taking on the marketing function, NGOs create a dual problem: they ask the IGA to become dependent on a single-source market (ignoring the principle of market diversity) and they limit the IGA's capacity to master marketing skills.
- NGOs see creating a cooperative or replacing the middle-man as the 'first resort' to price exploitation by middlemen. It should be the last resort. Inserting subsidized efforts between the supplier and natural market forces is risky, costly and unsustainable.

## The Golden Triangle

Three primary functions comprise an income generating activity. The 'glue' that holds these functions together is good management, management of both time and resources. The three functions are:



- **Marketing:** Marketing includes understanding the needs of current and potential customers, competition, face-to-face selling, packaging, and selection of distribution channels.
- **Finance:** Microentrepreneurs use savings and credit to finance their businesses along with internally generated cash. Managing financial resources requires an understanding of revenues, costs, return on labor, return on investment and good recordkeeping.
- **Production:** Microentrepreneurs of IGAs typically acquire skills through traditional means. Successful IGAs focus on making production efficient while maintaining or improving quality. Good production requires mastery of a skill plus knowledge of costs.

## Income Generation: The Basics

Successful income generation depends on the twin strategies of maximizing opportunities and minimizing risks and costs:

### Maximizing Revenue Opportunities:

- Find new customers for the same product. Suppose the IGA collects leaves from the forest and presses them into plates. She has three shops that buy her plates. If she wants to increase revenues she may seek to add more shops to her list of customers.
- Find new products (or product extensions) for the same customers. Suppose the same microentrepreneur learns from one of her customers that their consumers want leaf bowls. She analyzes how much it costs to purchase a new leaf press and how much new business she would get, and makes a decision whether to also produce bowls.

- Increase the income of the same product to the same customer. Suppose the same microentrepreneur convinces the shopkeeper through good negotiating skills that her plates are better than others and worth a bit more. She now exacts a higher price with the same costs.

#### Minimizing Risks and Costs:

- Reduce market risk. Reducing market risk includes measures such as diversifying customers so that no single customer (this includes middlemen) constitutes more than 20% of an IGA's income; assessing who will buy a product before it is made and at what price; and ensuring that there is a local market for the goods and services produced or delivered (even if the IGA also serves a remote market). Understanding a customer's needs and filling them helps reduce the encroachment of competition, another market risk.
- Reduce supplier risk. Suppliers of raw material (raw jute) or suppliers who provide a key service (transporting or storing the harvest) can wreak havoc on an IGA if the IGA only has a single source. Single source suppliers might go out of business, they might raise their prices, they might change their terms of delivery. Ideally, the IGA has three to four supplier to choose from at any given time.
- Reduce financial risk. In a rural household, financial risk, the risk of losing money or assets, is tied to all other risks but also includes the family's abilities to diversify its income streams and its assets. If a family has a mix of hardwood trees (long term assets) with a few cash crops and animals (short term income), it is balancing its financial risk. Also literacy, numeracy, and keeping good records reduces financial risk. Finding alternative financial sources also reduces the risk of a financial institution (bank, cooperative or moneylender) raising prices (interest rates on loans) or lowering returns (interest on savings deposits) on a vulnerable family.
- Reduce production risk. Reducing production risk can take many forms. A farmer might diversify crops such that pests have a difficult time destroying a particular crop. Or, the owner of a small chicken coop might get chicks vaccinated. These small measures can protect the family from losing 'their inventory'.

#### Guiding Principles for NGOs Working in Income Generation

##### 1. Promote diversity.

This principle counsels IGAs to refrain from depending on any one supplier, laborer, bank or customer in managing activities.

Inspire IGAs to diversify their household income sources such that if any particular one fails, the family has other resources to sustain it. Also encourage a balance of short-term and long term sources of household cash such as balancing their investments in fruit trees and chickens. Families should attempt where possible to diversify supply sources of important raw materials; diversify customers so no one customer accounts for more than 20% of the IGA's business; and diversify financial resources within specific income generating activities. Some guidelines include

encouraging microentrepreneurs to secure at least five customers per IGA; at least two suppliers for any essential service or raw materials on which the IGA depends; and diverse financial resources (combination of banks, MFIs, savings clubs, moneylenders).

2. Encourage local markets.

Relying on remote markets can spell disaster for a small IGA. The more distant the market the less information the IGA has about the market and the less control it has over market conditions or its ability to respond to them. Ideally, 60% of an IGA's business comes from local markets.

Or, as a risk reduction measure, at least 60% of the combined household income is generated from local markets, even if a particular family IGA has a distant market.

3. Promote individual activities, not group activities.

Group activities, by nature, ignore the first principle which counsels diversity. An entire group dependent on a single activity has the potential for ruin. If a group is raising pigs and the market prices drop, then all lose. If they are raising sheep and one gets sick, all become sick, and all have lost. Moreover, group activities invite debate, often heated, about which person is ultimately responsible for the activity.

Or, as a risk reduction measure, at least 75% of the combined household income is generated from individual activities, even if one particular activity is group-based.

4. Help rural families do what they already do, better.

Rural households are typically performing a variety of income generating activities. NGOs can help families enhance activities by brainstorming ways that families can add value to existing activities (instead of raw ground nuts, roasted ground nuts) based on market need; ways families can improve their activities to increase customers or reduce risk such as vaccinating chickens.

Or as an alternate risk reduction measure, if a new activity is taken up, encourage the microentrepreneur to ensure it does not absorb excess time that is so needed from proven activities. (Example: vermiculture or range fed chickens).

5. Find customers first!

If a microentrepreneur wants to start a new activity or modify a current one, she must determine if there is a big enough base of potential customers willing to pay a profitable price. Catalyze microentrepreneurs to assess new customers and pricing possibilities (market demand) prior to launching a new or enhanced activity. Encourage them to master professional sales and negotiation skills; and learn the basics of good positioning and promotion. Refrain from performing marketing functions on behalf of microenterpreneurs. Such temptation creates dependency and robs the microentrepreneur of the opportunity to develop these essential skills for herself.



6. Build on existing market channels whenever possible.  
Refrain from the temptation to start a coop to avert the power of the middleman. Such efforts tend to be highly subsidized unless the NGO has the true buy-in from the community and the will of the community to work together. Cooperatives should be a last resort. Instead, work with the system at hand and build on it. Sometimes something as simple as grading vegetables can make a big difference in fetching a better price.
7. Promote the concept of profitability.  
Refrain from promoting activities that place families in poverty. These activities include promoting the production of crafts of any kind, which typically do not have local markets; activities where there is a sole source customer or sole source supplier; activities that are new to the family and require significant resources (more than 20% of household assets which includes time and money); activities that the NGO staff has not actually done themselves with successful results (meaning making a profit).

Do help families examine their return on investment, which includes return on cash invested (profit/investment) but also return on labor.

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(Resource) “Starting a Small Business” - from the Education and Training Unit (ETU) for Democracy and Development

This guide provides a simple-to-understand, step-by-step approach on how to start a small successful business. Only 11 pages long, this is the simplest guide we have found for creating a business plan. It could be used for thinking through and starting an organizational income-generating activity. Or, organizations could use the tools to help their beneficiaries start individual businesses.

It starts with finding a new business idea and checking to see if it would be financially viable. Then it guides you through the planning process, looking at: production, marketing, management, financial management, and writing a business plan. Finally, it guides you through the start-up and monitoring phase.

To access this resource, visit: <http://bit.ly/1mehjHd>

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(Accepting LOIs) Wallace Global Fund

The mission of the Wallace Global Fund is to promote an informed and engaged citizenry, to fight injustice, and to protect the diversity of nature and the natural systems upon which all life depends.

The Fund supports initiatives related to environmental resource depletion and system

collapse, corporate abuses and the concentration of corporate power, planetary carrying capacity, sustainable human population, women's human rights, with an emphasis on ending female genital mutilation, civic engagement, civil liberties, equal justice, independent media, and media policy.

The Fund seeks to further its mission generally through systemic change as well as fundamental public policy shifts. The Fund strongly believes in access to information for furthering democratic participation and in supporting bold, new, progressive ideas.

The Fund supports activities at the global and national level, and will consider significant local or regional initiatives offering the potential to leverage broader national or global impact. It will consider proposals for either core or project-specific support. It does not fund purchase of land, capital construction, profit-making businesses, debt reduction, endowment campaigns, fundraising drives/events, or scholarships, tuition assistance or other forms of personal financial aid.

All applicants must submit a letter of inquiry of no more than two pages briefly describing the mission and history of the applying organization, goals of the initiative(s), specific objectives, and accompanying strategies. The letter must also state the organization's current annual operating budget and primary sources of income. Applicants based in the United States must also include as appendices the IRS 501(c)(3) documentation letter and a copy of the most recent IRS Form 990. Please do not submit proposals or any other materials such as annual reports, press coverage materials, or DVDs with a letter of inquiry.

For more information, visit: <http://bit.ly/1o4eHgi>

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As part of the Firelight Foundation's Capacity Building Program, Firelight provides "Newsflashes" to share relevant resources and information with our active grantee-partners via weekly emails and via post on a monthly basis. We hope that by facilitating access to information for grassroots, community-focused organizations, programming for children and families, as well as organizational development, is enhanced. Past editions of the Firelight Newsflash can be found on our website:

<http://www.firelightfoundation.org/resources/newsflash>

We welcome your comments, feedback and ideas for upcoming Newsflashes at [newsletter@firelightfoundation.org](mailto:newsletter@firelightfoundation.org)

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