

**INCOME GENERATING CAPACITY BUILDING PROJECT PROPOSAL
OF KISARAWA UPENDO DEVELOPMENT GROUP**

**PROJECT PAPER SUBMITTED IN PARTIAL FULFILMENT FOR THE
REQUIREMENT FOR THE DEGREE OF MASTERS OF SCIENCE IN
COMMUNITY ECONOMIC DEVELOPMENT OF THE SOUTHERN NEW
HAMPSHIRE UNIVERSITY AT THE OPEN UNIVERSITY OF TANZANIA**

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Declaration

I John A.B. Holana, a student of MSc. in CED declare that this project report is the first of its kind that I have submitted to the Open University of Tanzania, Community Economic Program, and that it has not been submitted for similar degree elsewhere before.

Student's Signature:  Date: *15 August 2005*

Certification

I Felician L.Mutasa certify that I have read this work and accept it as a scholarly work and I therefore recommend it to be awarded a Masters degree in Community Economic Development.

Supervisor's Signature:  Date: *11/10/2005*

Dedication

I wish to dedicate this report firstly to my wife Phereness and my two children, Beatrice and Abel, who provided me with moral as well as physical support especially in difficult moments of my field work.

Acknowledgement

Sincerely, I acknowledge with great thanks, my supervisor Mr. Felician Mutasa, and Michel Adjibodou, who provided me with initial guidelines towards my field work and also the constant advices during the one year and half period. I also can not forget the executive secretary of Upendo Development Group, Mr. Wilson Nzobaza, with whom I got all assistance to produce this report which would improve the group's performance and future development.

I would not have progressed further without the flexibility of my employer, the Head of Training and Development Department, Mr. Chris Britz and Human Resources Department Staff of Geita Gold Mining Limited who morally and materially supported my studies for the accomplishment of my assignments.

I lastly thank my family members, for their tolerance and moral support, when I had to be away for studies and having to divert family funds for studies.

List of abbreviations:

AIDS	Acquired Immune deficiency Syndrome
HIV	Human Infection Virus
CBO	Community Based Organization
NGO	Non Governmental Organization
WDP	Women Development and Population programme
MWAMVULI	Umbrella Groups of CBOs in Kisarawe (Kiswahili acronym)
SPSS	Statistical Package for Social Scientist
UDG	Upendo Development Group
AMKA	Mwenge Development Group (Kiswahili acronym)
VDF	Vigama Development Fund
BWDG	Basihaya Women Development Group

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ABSTRACT

This report provides a descriptive analysis done within Upendo Development Group of undertaking a research on the problems facing the growth and sustainability of the income generating programs initiated by the group two years ago. The study emanates from a broader objective of Tanzania of ensuring that local community members should benefit from income generating projects established in the communities. The report reviews the microenterprise programs initiated by UDG and, in the process, assesses its efficiency and sustainability, hence, proposes the immediate measures to be taken in order to build a capacity of overcoming the shortcomings.

The report relied more on primary data sources collected from the group and review of previous studies done on income generating capacity building. Results indicate that previous UDG attempts aimed at initiating microenterprise programs without much consideration for entrepreneurial trainings and skills to its members. This approach resulted in the low participation and commitment to group members and hence poor performance on income generating programs was obtained. However, this report argues that capacity building through entrepreneurial knowledge and skills may accelerate the growth and sustainability of UDG programs. Knowledge, skills and abilities can provide both the group members with the necessary involvement to participate into income generating activities as well as creating awareness of how to run microenterprise programs, hence, increasing production which leads to viable income to be generated and distributed to members. The income generating projects

is perceived to be necessary, as it has the potential to eradicate poverty and contribute to sustainable community livelihoods, particularly if is well managed and sustainable.

CHAPTER I

1.0 INTRODUCTION

1.1 GROUP BACKGROUND

Upendo Development Group (UDG) is a development group, established in year 2000 by twenty (20) members of Kisarawe Pentecostal Church who are Kisarawe residents. The group was formed to assist group members and community surrounding to improve their life beings by undertaking the income generation projects as the supplement efforts already in place enhanced by local government agencies and non-government organizations working in Kisarawe district.

The Upendo Development Group set a mission statement and objectives of its existence in the first meeting held on 2nd May 2000 and all twenty (20) members who are 15 women and 5 men accepted and approved the group constitution.

The Upendo Development Group managed to initiate a project of drying, milling and preserving cassava from various Kisarawe residents as well as drying vegetables and fruits such as (mangoes, cassava leaves, spinach and peas). The group has managed to get training on how to process and dry the foods using a solar drier machines donated to the group by the PLAN International which is Non Government Organization (NGO) working in the Coast region for some years.

1.2 ORGANIZATION STRUCTURE

The structure shows the group office bearers who were elected in 2000 and according to group constitutional handout, the new leaders would be elected in two years time. The general assembly is the annual members' meeting and according to constitution the assembly would meet either at the end of year or at beginning of the next year.

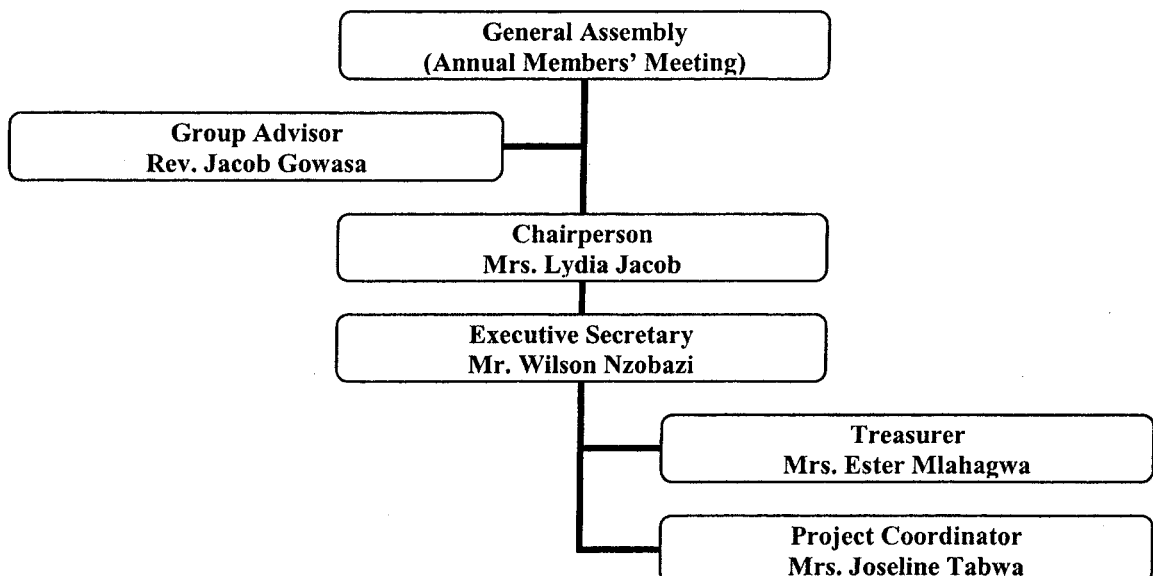


Fig. 1: Upendo Development Group Organizational Structure

1.3 VISION

The group wants to see that members and community as whole afford to acquire or obtain all necessary services like health, education, and food throughout the year in Kisarawe.

1.4. MISSION STATEMENT

The Upendo Development Group mission is to generate employment for increasing income and providing services which will preserve and benefit the health, safety and welfare of the group members. Services shall be provided in a professional and courteous manner through the effective and equitable management of available resources. Upendo Development Group recognizes that its members and volunteers are the foundation upon which these services are provided.

1.5 OBJECTIVES

- To improve and sustain the economical and social level of group members.
- To initiate and develop the economic projects such as Agriculture and Livestock, Health and Social works as a whole
- To manage and protect the group interests especially in searching strategic capitals, loans and /or assistance from financial institutions and donors community.
- To cooperate and coordinate with existing government administrative organs, private institutions and multi-lateral organizations to empower women economically, educationally, healthy and environmentally.
- To develop and rehabilitate the natural environment by planting new trees and conserve water sources and other natural organisms.

- To advice the group non-members to join the group and increase a number of participants for high group productivity.

1.6 PROBLEM STATEMENT

Upendo Development Group failed to develop the income generating projects established by group members or aid agencies. For example, in year 2000 the group was given the assistance of equipment: solar driers, milling machines, sealing machines and skills on how to prepare and preserve cereal and vegetable food from Plan International (NGO) assistance program.

After initial supporting strategies to a group from Plan International assistance, the projects failed to sustain as per investigation done into the group: the equipment and machines provided by Plan International are not in good working condition since when were delivered to the group there is no production scraped without any renovation actions while the project goal was not fulfilled at all.

A similar problem situation found in other two Kisarawe CBOs called Vigama Development Trust Fund and Masaki Women Group whereby in 2001 SwissAid (NGO) funded “the Renting Hybrid Cattle project” to few small groups of people were given pregnant hybrid cows to produce more heifers which produce more milk than local cattle in order to improve the member’s income earnings and better nourishment. The project failed also to be

sustainable due to lack of keeping livestock knowledge and commitment among project beneficiaries.

In the course of my attachment to UDG, it was noted that the group has very weak entrepreneurial knowledge and skills in place so an important training tool was to be established which would give the group knowledge, skills and confidence in doing micro enterprise programs. The current group programs do not show performance and proper accountability to stakeholders due to weak or non existence of proper micro-enterprise skills and management. The main reasons are lack of participation and sustainability knowledge on group project among group members, lack of micro-enterprise management and lack of leadership skills among the group leaders.

1.7 PROJECT OBJECTIVES (ASSIGNMENT)

The objective of this project is to analyse and design the possible ways which can solve the factors affecting the growth and sustainability of income generating projects initiated by local communities, hence to assist the implementation of income generating management skills for Upendo Development Group and other CBOs. The enterprises' knowledge, skills and abilities should contribute to a sustainable community micro-enterprises projects in Tanzania so that can provide the benefits to the group members and used to initiate the starting of new projects when required.

The research assignment covers the training manual which should give the UDG members the required skills of how to run the micro enterprise projects. The skills will increase awareness of how to start the projects, identify project risks and implementing the countermeasures in risk management and financial management skills.

CHAPTER II

2.0. LITERATURE REVIEW

2.1 THEORETICAL REVIEW

Community capacity building involves many aspects and considerations. Most often it refers to skills, knowledge and ability of community members but also include such things as access to community resources, leadership, infrastructure, time and commitment. There is a common misconception that capacity building is just another way to describe community training and skills development programs (Mayer S. 2002).

The term capacity building or capacity development has been used increasingly by development communities in recent years, capacity building is broad area, which addresses development at different level of society, deals with entities of different size and scope, and it deals with the different stages of development process.

“Capacity building or capacity development is the process by which individuals, groups, organizations, institutions and societies increase their abilities to: (1) perform core functions effectively and efficiently, solve problems, define and define and achieve objectives and (2) understand and deal with their development needs in a broad context and a sustainable manner”. (UNDP, 1997)

This definition has three important aspects: first it indicates that capacity is not a passive state but is part of continuing process, secondly it ensures that human resources and the way in which they are utilized are central to capacity building, and thirdly, it requires that the overall context within which organization or society undertake their functions will also be a key consideration in strategic for capacity building.

2.1.1 The process of capacity building

Overall, it is possible to identify at least four broad principles, which should be used to guide the development process for capacity building. They can be applied to achieving success in microenterprises and/or in other development programs.

First stage is “*prioritization of capacity building*”, this should not be seen as isolated action of technical intervention based on prescription for development actions, and instead, assistance should be a key part of a well-defined process of capacity development.

Second stage is “*the design of a process of capacity building (or capacity development)*”, this needs to take cognizance of (i) the advantages of adopting a broad-based approach to capacity building including the possibility for organizational or group changes (ii) the possibility of establishing broad goals and assessing the factors which are likely to affect outcomes (how can they be offset or facilitated) (iii) the crucial importance of commitment and ownership (by stakeholders) and (iv) the importance of long-term planning and commitment (especially financial resources).

Third stage is “*the operationalization of capacity building process*”, this should be founded on a results based management (RBM) approach whereby (i) the capacity and ability to learn and adapt is essential and (ii) performance (results) should be based on a well-defined system of indicators (which should be tailored to the needs of stakeholders)

Fourth stage is “the regular review of relationship between the assistance providers (e.g. government, donors etc) and recipients (CBOs, NGOs)”, in the light of factors such as: (i) the possibility of a changing role as organizational changes occur, (ii) the need to build capacity for organizational learning and (iii) balancing accountability and performance.

2.1.2. Dimensions of capacity building

Training and Education: effective performance of any function requires a well-trained human resource base of managerial, professional and technical personnel. This involves both specialized training and professional education, and in-service training needed for role-specific activities.

Organizations and their management: effective performance requires the utilization and retention of skilled people, thus capacity development must include the organizational structure, processes and management systems, in particular the personnel management system which make the best use of skilled human resources, and which ensure their retention and continued motivation.

The network and linkages among organizations: there is a need to consider the network of organization or institution that facilitates or constrains the achievement of particular tasks. The accomplishment of many tasks requires the coordinated activities of a range of organizations and any particular may belong to several task networks.

Public sector environment: the policy and institutional environment of the public sector is a major factor that constrains or facilitates organizational activities and affects their performances. This includes the laws, regulations and policies affecting the civil services.

The overall context: it is important to consider the broad action environment of organization beyond the public sector. This refers to the economic, social, cultural and political milieu in which organizations operate.

2.1.3. Capacity building in microenterprise programs

Microenterprises cover non-farm economic activities mainly manufacturing, mining, commerce and services. In the context of Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to TShs. 5 million. The majority of micro enterprises fall under the informal sector, whilst small enterprises are most formalized undertakings engaging between 5 and 49 employees or capital investment from TShs. 5 Million to Tshs. 200 Million (Tanzania SMEs Development Policy, 2003). According to European Commission, the micro-enterprises have fewer than 10 occupied persons with a threshold of 2 million for the turnover. While small enterprises have

between 10 and 49 occupied persons with the turnover threshold and the balance-sheet total be raised to 10 millions. (European Commission Regulation, 2001).

The design of capacity building strategy to promote success in microenterprise programs in a particular situation has to take account of a range of issues including:

- (i) Policy frameworks of National Microfinance, Community development and Small and Medium Enterprises (SMEs) which should be broadened and reviewed by stakeholders in order to increase the possibility for success in microenterprise development into a range of areas (economic, social, etc).
- (ii) Importance of stakeholders' commitment, ownership and partnership should be taken into account. Although there are increasing attempts to deal with commitment and ownership issues in development of microenterprise programs among community based organizations there are comparatively few examples of this being achieved successfully. The problem of reconciling the need, desires and activities of different stakeholders within society is a challenge. The possibility of building CBO capacity for consensus building, commitment, ownership, partnership, negotiation and conflict resolution become increasingly important in microenterprise development.

2.1.4. Training for microenterprise Capacity Building

For the past decade, microenterprise development programs have emphasized the provision of credit. They have paid much less attention to providing business development services such as marketing assistance, training, and technology transfer, even though most studies of constraints facing MSEs indicate that access to credit is only one problem they encounter. In fact, access to growing markets, new technologies, and appropriate training is often more important than financial constraints (Barton, C. (1997). Effective microenterprise training programs acknowledge the importance of client readiness for business and offer a range of services to help clients acquire the resources and experiences necessary. Readiness implies that clients have some clarity in their goals and business vision, have business exposure or relevant work experience, and have personal support and a minimum set of material conditions to assist them in their business venture. (Elaine Edgcomb, 2002).

2.2. EMPIRICAL REVIEW

Michele R. Cranwell and Jane Kolodinsky from University of Vermont in USA conducted a study to examine the impact of microenterprise training on low income participants. The research used the Vermont Kitchens project that operated out of Central Vermont Community Action Council in central Vermont USA, a case study. Its background states that since September 2000, the project has served 107 people at or below 100% of the poverty level, based on US guidelines. The research hypothesis was “is that the Vermont Kitchens

microenterprise training model will build low income Vermonters with an environment that enables them to build financial capital, such as start business and gain tangible assets?”

According to Vermont Kitchens project literature review research findings, 107 participants enrolled in the project and received training on entrepreneurship and business skills. All persons received more than one session of technical (total 255) for writing loans or business development. Other areas of training received included classroom training (43), seminars (20), and access to capital (17). The majority of Vermont Kitchens project participants are women 63%, (67) and 37%, (40) are males. The age of participants ranges from 16 to 63 with an average age of 38.6, median of 39, and a mode of 40. Almost half of the participants (41%, 43) have secondary education level and 22% have primary education level. The average family size is 3 with a range from 1 to 9 and 26% (28) of populations are single. 27% of participants upon enrolment identified that they needed assistance in starting a business, with 22% indicating a need of developmental planning, and 7% indicating business expansion.

The Vermont Kitchens Project showed the impacts to participants at six month follow-up, participants were asked whether or not they experienced changed in their skills, knowledge, and attitudes as a result of participating in the project. The results showed that half of the respondents (50%; 11) indicated that they experienced a change in attitude. Between 41%; (9) and 45%; (10) indicated a change in skills relating to their business, including gains in

technical, business, and financial skills. 27% indicated a change in life skills and 18%; (4) reported a change in interpersonal skills. Areas of business and professional skills gained include: developing a business plan, keeping financial records, problem solving, realistic goal setting, self-evaluation and improvement, computer skills, and skills relating to professional behaviour and dress.

On the case of successful outcomes, several participants experienced successful outcome six month after enrolment. 82%; (18) reported that their income had either stayed the same (36%, 8) or increased (46%, 10), while 18%; (4) indicated that their income had decreased. Eleven people (10% of total population) completed business plans, 12 (11%) started a business, 4% expanded their business, 1% enhanced their financial system of their business, and 12% loans were received ranging from \$500 to \$25,000. Through business start up and expansion, 15 new jobs were created.

The Vermont Kitchens project research concludes that microenterprise training model had a positive impact on participants' lives beyond financial gains that enabled them to start a business or make steps towards start-up by taking workshops and seminars. Participants reported gains in tangible assets (economic capital), including: business start-up or expansion, job creation, and positive changes in income. Participants also reported gains in intangible assets (social and human capital) including: developing business, financial, technical, life, and interpersonal skills and a positive change in attitude and outlook. This model supports this research hypothesis showing that after microenterprise training, persons will gain and being

provided with foundation for starting a business, ultimately working towards gains in financial capital (tangible assets), business expansion, and community economic development.(Eardley, T. and A. Corden. (1996): Low Income Self-Employment. Vermont.

Training impacts to microenterprise activities can also be cited from conference report presented in September 2003 regarding the effectiveness of Making Cents, a committed Non-profit Organization working in West Africa and Latin America countries to improve the livelihoods and creation of jobs worldwide through effective and relevant entrepreneurship education. In Senegal, the Making Cents, had built the capacity of approximately 450 participants from 60 different organizations to deliver management training to a wide variety of entrepreneurs. The Fédération Nationale des Groupements de Promotion Feminine (FNGPF) is one of the Senegalese organizations that has incorporated the making Cents training materials into its work. Created in 1987, this national NGO companies groups with a membership of 2,000,000. FNGPF's principle objective is to assist women's economic and social development in large part through revenue generating activities.

FNGPF has 37 trainees who offer training to women entrepreneurs. Feedback received from FNGPF about the impact of offering the management training is an increase in trainee's revenues and their savings. From November, 2001, through March 2002, Making Cents trained the organization's volunteers to deliver business skills and microenterprise training to low income microentrepreneurs and potential entrepreneurssin rural and peri-urban areas in

Latin American countries. Feedback from entrepreneurs showed that the experiential nature of the course enabled them to discover the business principles both in theory and in practice for their own lives. Entrepreneurs with already existing businesses were able to gain skills and insight through role-playing alternative businesses, which allowed them to take risks they would not normally take, learn from the consequences and apply their new learning and acknowledge to their actual business (Making Cents Conference Report, 2003).

University of Dar es Salaam's Entrepreneurship Centre (UDEC) conducted a research in 2001, through funding from International Labour Organization's InFocus Programme (IFP) on Boosting Employment through Small Enterprise Development (IFP/SEED), as part of the ILO's Jobs for Africa (JFA) programme, has identified and zeroed in on several critical issues concerning women owned enterprises performances in Tanzania and highlighted some research research research findings. The UDEC report argues that women in the MSE sector are concentrated in the informal, micro, low growth, low profit areas, where competition is intense. The growth rate of their MSEs is very low – indeed much lower than that of male-owned enterprises.

The UDEC literature review report identified a number of constraints to the performance of women-owned enterprises. Report argued that poor levels of education and lack of technical and business management skills among women entrepreneurs including the sophistication to negotiate and work with financial institutions (Human capacity problems) is major constraint

to microenterprise performance. Also the report cited the constraint of lacking the entrepreneurship and business training. Many MSE operators have low levels of education and training. Recent studies (ILO, 2001; Olomi, 2001) show that, more than half of the respondents have attained secondary or higher levels of education, however, only a small minority had business planning or entrepreneurship training. Lack of business and entrepreneurship skills inhibit potential entrepreneurs in accessing relevant business information, articulating their needs as well as dealing with regulatory and other challenges, such as bureaucracy. Inappropriate” attitudes constraints also affect microenterprise performance. Most women in the MSE sector are said to have little or no interest in or commitment to business activities and the entrepreneurial career. They are also said to have limited motivation for developing their activities to more sustainable and profitable levels. It has been noted that women prefer to develop several microenterprises, rather than develop existing businesses into small and medium sized enterprises. In Tanzania currently due to UDEC report, there are many institutions which offer training to MSEs and report cited some weaknesses of the microenterprise and entrepreneurial training and skills delivered by the institutions to MSE operators as follows:

- SIDO, which provides training to MSEs using a number of approaches including ILO’s Start and Improve Your Business (SIYB) kit, it offers little in terms of modifications of attitudes (developing “Entrepreneurial spirit”)

- UDEC , which focused on facilitating the growth of MSEs, their programmes are too expensive for most MSEs and outreach is limited to a few MSE operators
- Cooperative College, Moshi which is recently introducing MSE curriculum, relies almost fully on donors funding for its training programme and offers little in terms of entrepreneurship
- NGO rely almost fully on donors funding and most of their trainers have a limited skills
- EDC targets mostly small business operators who can contribute significantly to their costs and focuses almost exclusively on business management skills.

Most of the support available in terms of training is very basic and general. MSE operators who have acquired experience through running businesses or who have already undergone training, typically need a higher level or specialized kind of support in such areas as investment analysis when planning for growth or new projects. Such type of support is not available to MSEs. UDEC literature review contains several critical issues that merit further investigation and research on which training required to prepare microenterprise operators engaging in beneficial entrepreneurial projects. (UDEC, 2002)

2.3 POLICY REVIEW

There is virtual consensus on the need for expanding and strengthening micro-enterprises (MEs) in Tanzania. This is in part due to the potential they offer for employment creation, poverty alleviation and a healthier economy in general, and in part due to recognition that the

capacity of the agricultural sector to absorb the increasing number of people in country with less modern technology is very limited. Many micro-enterprises highlight certain common problems: undercapitalization and low ability to command loan finance due to insufficient collateral, track record or financial expertise, lack of broad-based management skills, inadequate understanding of cash flow management and heavy dependence on local markets and a limited number of customers (Bradford, 1993).

2.3.1 National Microfinance Policy, 2000

While a number of projects demonstrate that the poor are a better credit risk than the more conventional borrowers, lending banks remain reluctant to undertake small lending. Financial sector reform, currently pursued by several countries including Tanzania, must make an effort to establish a basis for the evolution of an efficient and effective micro-financial system in the country that serves the low-income segment of the society, and thereby contribute to economic growth and reduction of poverty (National Microfinance Policy, 2000). While privatization of state-owned banks and opening new commercial banks should, to some extent do this, it is also necessary to promote further the expansion of the successful NGOs and CBOs schemes and innovative lending programmes (Tanzania Banking and Financial Institutions Act, 1991).

This raises a more fundamental question. Can improved access to self-sustainable financial services automatically result in poverty reduction? Can aggressively expanding microfinance

institutions be relied upon to avoid earlier mistakes made under former cooperative unions' credit programmes which resulted in default, indebtedness and demise of lending institutions? (Adams and Pischke; 1992). A great deal of capacity building is required here to bring small entrepreneurs and borrowers to the level at which they can operate with large outreach, quality services and profitable operations and then be able to repay loans. The National Microfinance policy should work to supplement on the major objective of Community Development Policy (CDP) which is aiming to enable Tanzanians as individuals or in the families and/or groups/associations to contribute more to the government objectives of self reliance and therefore bring about development at all levels and finally the nation as whole.

2.3.2 Community Development Policy, 1996

The CDP provides direction in ensuring that all authorities/institutions concerned with community development should establish close and sustainable cooperation with CBOs in planning and implementing development plans, ensuring that CBOs participate fully in formulating, planning implementing and evaluating development programs. The policy should establish a favourable legal and economic environment which encourages organizations, financial institutions and investors to invest in community development activities (education, water, health services and industries). (Community Development Policy, 1996)

2.3.3 Small and Medium Enterprise Development Policy, 2003

The Small and Medium Enterprises (SMEs) Policy tend to affect positively the growth and development of microenterprises in Tanzania. Policy states that the government should promote entrepreneurship development through facilitating improved access of SMEs to financial and non-financial services. The overall objectives of SMEs policy is to foster job creation and income generating through the creation of new SMEs and improving the performance and competitiveness of the existing ones to increase their participation and contribution to Tanzania economy.(Small and Medium Enterprise Development Policy, 2003). In ensuring that the policy becomes effective to development of microenterprise in Tanzania including improvement for business skills among small entrepreneurs, the government has proposed the following strategies:

- embark on capacity building of business training institutions aimed at improving quality of services provided
- facilitate tailor-made business training programmes for start-ups and for strengthening existing businesses.

CHAPTER III

3.0 RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

In the course of my attachment to UDG, it was noted that the CBO has very weak capacity building mechanism in place, so an important capacity building tool was to be established i.e. microenterprise training model. Since May 2000, two projects were initiated by the CBO: Food processing, packaging and distribution project and Batiki dying, tailoring and distribution project. As a result due to weak or non-existence of microenterprise capacity among members all two projects failed to grow and sustain.

I set out to find the magnitude of the problem on the capacity of CBOs dealing with micro-enterprise programs, engaging into my research to find the best microenterprise skills available that can assist them to become competent qualify for support or assist them to become capable in leading and managing the projects for betterment of beneficiaries?

Results from the research research research findings will be useful, based on the facts that all CBOs are required by development policies (SME and CDP) to establish the programs which will be profitable, sustainable and non-dependency to government or donors. The reasons therefore for this research are:

- CBOs engaging into micro-enterprise programs to acquire knowledge, skills and abilities of running the projects which will increase capacity.

- If CBO or SME are found to have sound practices, it can build high confidence level among lending institutions i.e. Microfinance Institutions, government or donors.
- Contributing to government poverty alleviation strategy among local people through informal sectors i.e. microenterprise which established by government to improve citizens' well being.

3.1.1 Unit of Enquiry

All UDG participants were involved and administered an intake questionnaire at enrolment to provide baseline data and demographic information (N=20). The participants attended two focus group meeting to collect qualitative data on problem situational analysis and solution options.

3.1.2. Sampling of the respondents

There are more than ten registered groups that are operating in Kisarawe districts and more than fifty groups that are operating in Kinondoni district (Private Sector Initiatives: 2000). A Simple random cluster sampling was used to choose the respondents from three Kisarawe groups and two Kinondoni groups which are engaging with microenterprise programs. The reason why I have decided to cluster them in this way is to find out if there is any particular characteristic of microenterprise skills and entrepreneurial management experience that is adhered to by either of the group.

3.2. RESEARCH APPROACH AND STRATEGY

In this project, Participatory Action Research was used to produce information resources geared to the needs and concerns of the UDG, and designed to contribute to local capacities for action. The research framework for the project is fundamentally guided by the principles of Participatory Action Research (PAR). PAR is one of several names for research that is oriented towards active engagement with locally significant issues and practical outcomes. Five phases of action research life cycle were implemented in order to collect data for this project:-

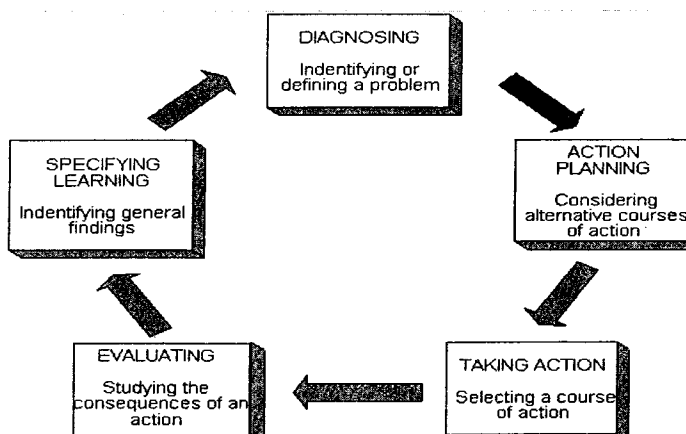


Fig 2: *Participatory Action Research (PAR) Stages*

3.3. SAMPLING TECHNIQUES

In this particular research, interviewing by use of questionnaires to provide qualitative and quantitative answers was used. The reason for this choice was that: the groups' physical addresses and operations are available and reachable.

3.3.1 Sampling Techniques

Structured questions (questionnaires) were used to collect qualitative data from the surveyed groups. Open-ended and closed-ended questions were prepared and distributed to groups. Fact research findings questions were set to collect data about groups' awareness in micro-enterprise projects, involvement and participation in decision making, gender issues in income generating projects. Furthermore questionnaire designed to assess the gap between group's current situations and expected future situation.

3.4. DATA COLLECTION AND PROCESSING

Data used in this research dependent entirely on questionnaire administered. 20 participants were interviewed to collect the qualitative data. The primary data was collected in order to have more precisely and accurate information from grassroots level. Primary data collection practice seems to be simple and less time consuming due to size and geographical locations of group survey.

A Statistical Package for Social Sciences (SPSS) tool was used to calculate and establish percentages (quartiles) of data variables. MS Excel spreadsheet package was used to create statistical charts for easier data interpretation.

Secondary data were collected purposely for research reference and for situational analysis predication. Some indicators were used to assess the microenterprise awareness among

people, poverty status, illiteracy and local government initiatives of supporting micro-enterprise activities into informal sectors.

The Poverty & Human Development Report (PHDR) 2003 and Tanzania Household Budget Survey Report (HBS) 2000 are showing evidence of the real status of poverty in Tanzania. Data collected from selected indicators relating to economic activities, education, consumption and poverty cohorts showing the average of TShs. 10,500/= mean expenditure per capita for 28 days. 27% of populations live below food poverty line while 46% of populations live below basic needs poverty line. On the case of education the report shows 39% average of all adults live without basic education and only 2.9 acres mean land owned by rural households used for economic activities.

3.5. LIMITATIONS OF STUDY

- Lack of previous documentation on this subject within the CBO itself did not provide enough material for a good reference of the research.
- The 10+ CBOs operating in Kisarawe are not homogeneous in their activities. Some deal with HIV/AIDS campaign, environment, vocation training, culture and traditional beliefs and income generating programs. Because of this, there can be de-similarities in capacity building strategies.
- There was no funding of the research, so as to have extensive coverage. So this limited the extend of coverage, even though almost all CBOs operating at peripheral of Kisarawe district.

CHAPTER IV

4.0 RESEARCH FINDINGS AND RECOMMENDATIONS

4.1 RESEARCH FINDINGS

4.1.1. Participants Characteristics

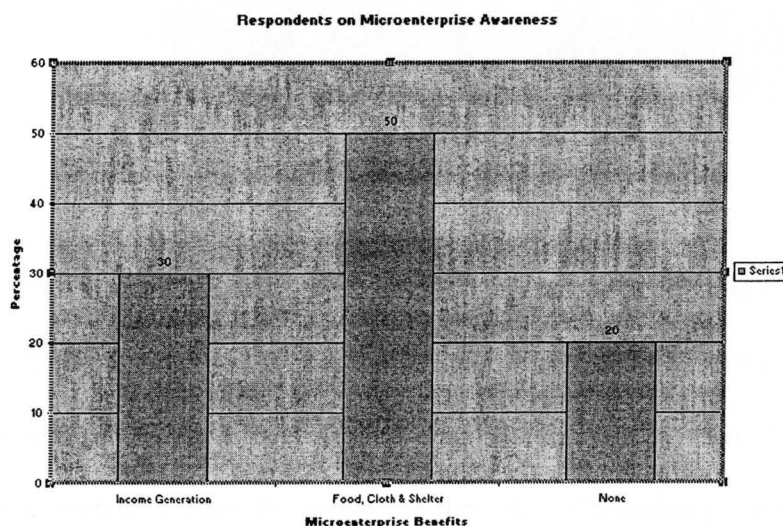
The majority of participants are women (75%, 15) and (25%, 5) are males. The ages of participants ranges from 22 to 55 with average age of 32. Almost quarter of the participants (25%, 5) have form four education level and rest are having basic primary education. The average monthly income is TShs. 25,000/= and annual income of TShs. 300,000/= which is almost below poverty level based on UN guidelines. 75% of participants upon interview identified that they need assistance in starting business, with 21% indicating a need for developmental planning, and 7% indicating business expansion.

4.1.2. Research Findings

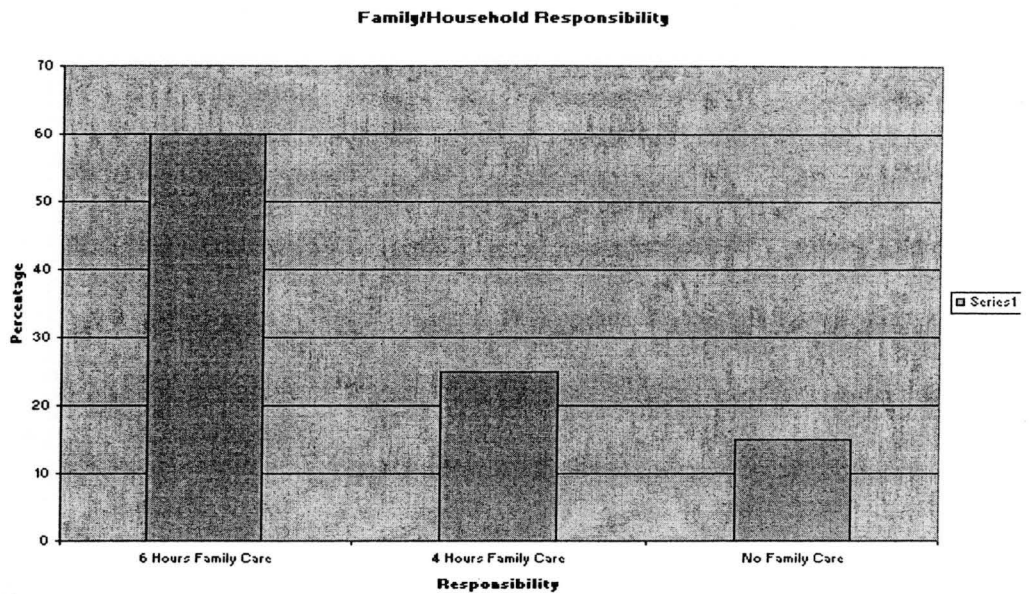
The primary objective of this project was to conduct the situational analysis of UDG activities in order to outlines the research findings on recommendable measures that should be taken by UDG to make it growing and become sustainable. The following are research findings focused on situational analysis of UDG and its stakeholders:-

Microenterprise awareness among group members is very important simply because the participation and involvement to group income generating activities would be high if the

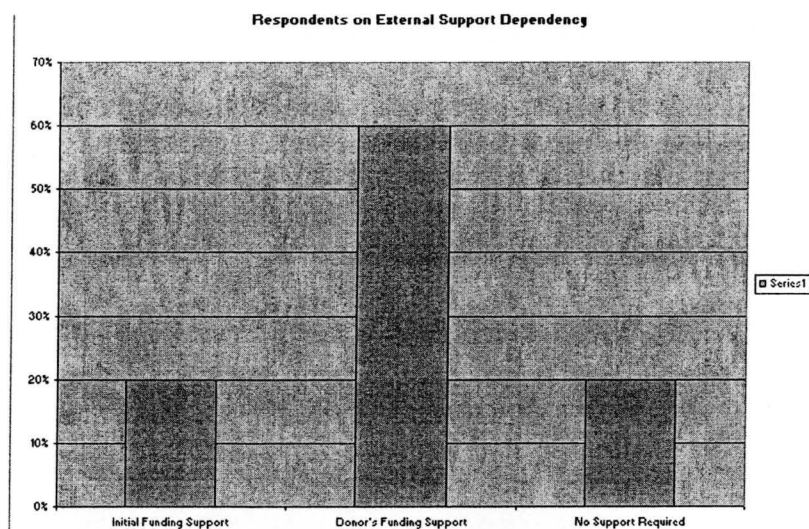
group members are aware of microenterprise benefits to their income. The research findings showing that only 30% of respondents showed that income increase and having better life are the most benefits of microenterprise expected. 50% of respondents mentioned microenterprise as a tool to assist the entrepreneurs getting basic needs i.e. food, cloth and shelter while 20% were not aware with any microenterprise benefits. The research findings outline the UDG weaknesses in involving all group members into microenterprise programs.



Family responsibility such as children and dependant care among group members would affect the time consuming to group activities if no external labour is hired to perform the activities when members are busy with family matters. The research findings showing that 85% of UDG members are household/family members and 60% of them are engaged to family activities for 6 hours a day. This gives an average of maximum of 2 hours to work for group activities. Currently UDG has not yet employed a full time worker to work for group, this situation is contributing to lack of enough time for members to work hence affect the group performance.



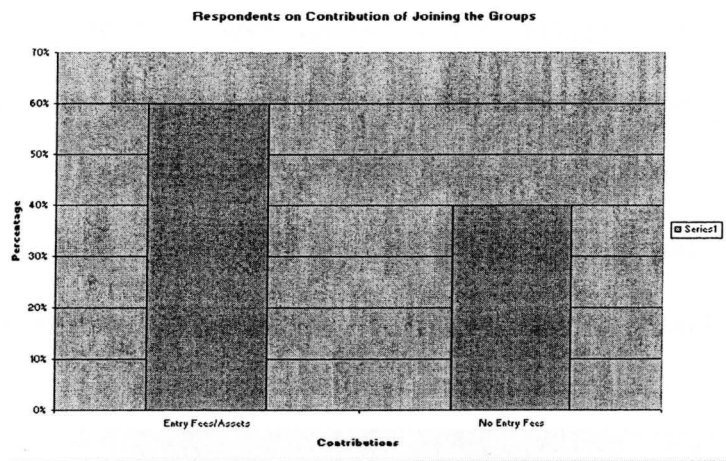
A tendency of depending on external assistance or donors funding for running and managing CBOs projects used to be constraints to many groups' performance, decision making freedom, participation, involvement and sustainability. The research findings showing that 40% of respondents joined the group for the sake of benefiting from donor's funds which would be available in future. 20% of respondent agreed that the groups should be supported by external support during the beginning stage of the projects. The rest 20% of respondents have no comments, and the findings showed that these few members who joined the group after being convinced by colleagues. This situation realises that some members are not involved in any decision relating with group programs hence affecting their participation as well.



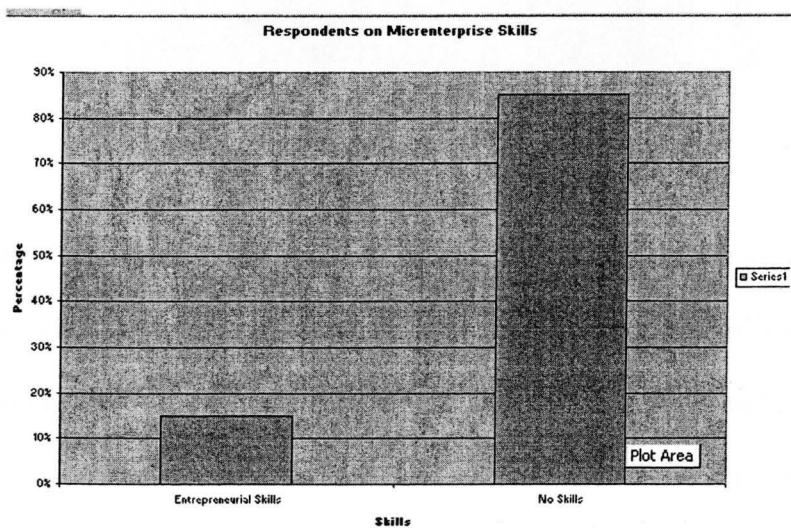
Normally leaders who are nominated or appointed by the external powers to the group became answerable to external nominators instead of group members. The research findings showing that 80% of respondents recommended electing their own leaders democratically while the rest 20% would prefer leaders with vision and focus to group development. Reasons given by the 80% of respondents outline the consequences of leaders coming from outside the group to have less commitment and would fail to organise the group members working together.

The Entry fee or contribution to a member joining a group would create the spirit of involvement and ownership. The research findings showing that 60% of respondents joined the group by paying a fee or any contribution in terms of cash or assets. 40% did not contribute anything in advance before joining the group. The research findings showed that

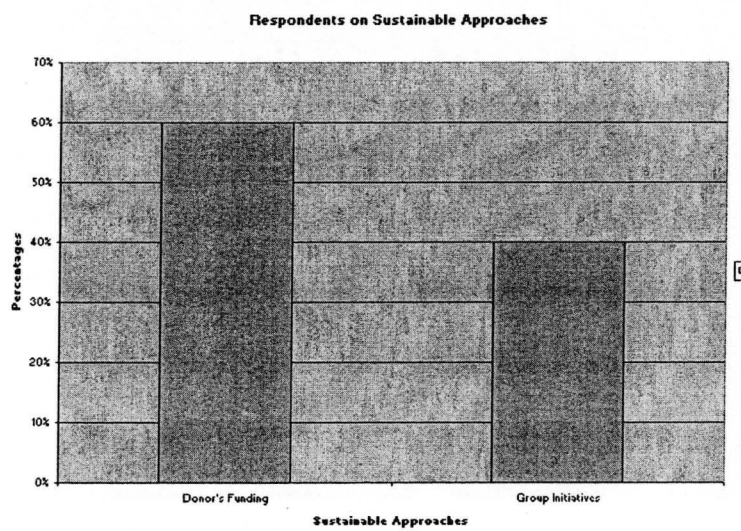
the 40% of members indicating less commitment and participation to the group projects at initial stage.



Entrepreneurial and business skills to microenterprise projects are very essential. The research findings showing that 15% of respondents have a little knowledge on business while 85% have not. Because there is no clear skills among all members, no motivation and clear participation to group activities hence affecting the performance.



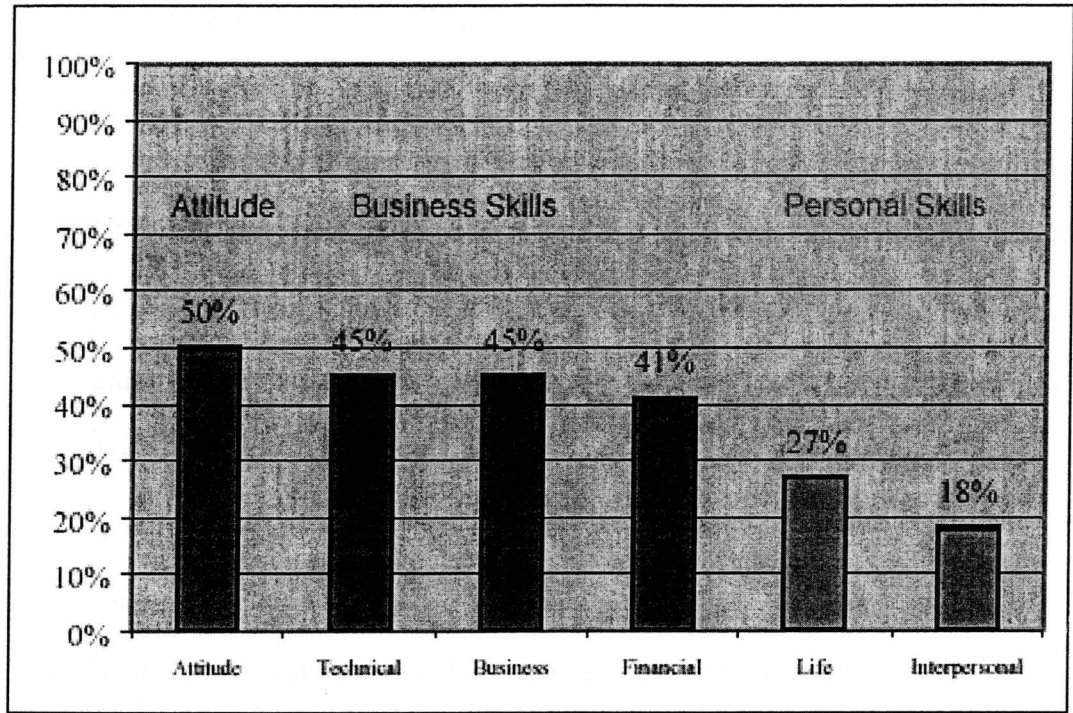
Nowadays, Project sustainability is a big challenge to many entrepreneurial groups. In order to the group projects to grow and sustain, needs good plans, proper monitoring and control of day-to-day activities. Looking at the views from the group, the research findings showing that 60% of respondents suggest that the projects should be supported by donors' funding or other external supports e.g. government subsidies in order to be sustainable. 40% suggesting that the group should be sustainable by its clear plans, good participation and involvement, from all group members and a group leader's transparency from on how the group perform.



Knowledge and skills on how to run the income generating programs by the group or individual is important issue because would make the microenterprise grow and become sustainable to the betterment of members. The UDG members were asked whether or not they need skills (advanced skills) on how to run their existing projects. The research findings showed that half of the respondents (50%, 10) indicated that they need change in attitude which assists them to have entrepreneurial spirit. Between 60% (12) and 75% (15) indicated

a need of more skills relating to their business including gains in technical business, and financial skills. 27% (5) indicated a need in life skills and 18% (3) reported a need in interpersonal skills which would assist them to have a discipline and business punctuality.

Respondents on Skills, Knowledge and attitudes Requirements



The need of change in attitude among respondents include: commitment and participation to programs established in the group. Also including attitude and culture change among Kisarawe residents of not be involved into genetinmg into any income generating activities. Areas of business and professional skills required include: developing a business plan, keeping financial records, problem solving, realistic goal setting, self-evaluation and employment, computer skills and skills relating to professional behaviour and culture.

4.2. RESEARCH RECOMMENDATIONS

According to the research findings outlined above, the following recommendations would be taken in order to assist UDG grows and performs well:-

- Creativity and risk taking spirit among UDG members is required. A community which is rich with entrepreneurial spirit is more likely to have ideas and people willing to work hard towards putting them into places. Group initiatives and small business development for economic diversification require risk taking, innovation and management skill to ensure viability.
- UDG should have entrepreneurial training program which will make members to be entrepreneurs hence group ownership building and commitment among members. The training will assist group leaders to learn leadership attitude towards entrepreneurial development so that can be a catalyst to others in the group.
- It is also recommended that policies and regulations which govern the small and medium enterprises (SMEs) should be available to all levels of community so that local government agencies should act as focal point in microenterprise development at grassroots level.

The training manual that will provide entrepreneurial skills in terms of planning, marketing and financial management techniques is recommended for this project to meet its requirements. Microenterprise training model will have positive impact on participants' lives beyond financial gains that enabled them to start a business or make steps towards start-up by

attending workshops and seminars. Knowledge and skills which will be provided during training should change the attitude of participants from not being committed to income generating activities to being committed and participated. Interpersonal skills including good communication to lenders should be improved tremendously and now give a possibility of acquiring loans from microfinance institutions.

In fact, without a proper knowledge and skills to local entrepreneurs on how to operate the micro-enterprise projects, the positive impact outcomes would not be seen even though other initiatives including loans, savings and credit schemes to borrowers would be in place.

CHAPTER V

5.0. IMPLEMENTATION OF RECOMMENDATION

5.1. TRAINING MANUAL

5.1.1. Introduction

Around the world, millions of low-income entrepreneurs are building better lives for themselves and their families by starting and expanding tiny businesses. Poor families launch micro-enterprises to generate income, build savings, and acquire assets as a cushion against natural disasters, illness or death, and other crises. As these enterprising households pull themselves out of poverty, they can improve their access to safe drinking water and more nutritious food, improve their housing, and educate their children. Engaging in micro-enterprise is not only improving the people's economic position, but it also provides the local people an opportunity to improve their skills in business. "Small victories" against their reticence or lack of confidence serve as building blocks towards regaining control of their own lives.

Micro-enterprise training model is a tool suggested by many micro-enterprise practitioners accelerating the whole process of micro-enterprise development among experienced and inexperienced entrepreneurs. Microenterprise knowledge, skills and abilities assist the participants to realize their own strengths and potentials and hence realizing that they need to operate as a group to consolidate their resources. Microenterprise training leading the

participants to develop their own policies and procedures, managing themselves as an organization, the operation of their savings and loan fund, the identification of the micro-enterprise, the planning, the management and control of their chosen micro-enterprise enhance their skills as well as their sense of confidence in themselves.

5.1.2 Microenterprise Development Training Manual

Initially, this manual has been developed as a cooperative effort between FAO and China's WPD local project officers in 1993. This tailored-made microenterprise training manual has been designed for project personnel or community development practitioners in China, need to provide assistance for community development groups namely: (a) development of policies and procedures for savings and loan operations as well as the management of the group capital fund (sourced from the group savings and loan operations and their loan from the project revolving fund); (b) at the inception stage in assisting individual people in developing a feasible business plan; (c) follow through assistance during the micro-enterprise operation. The tailor made manual has been customized to suit the objectives and requirements described in this project.

This training has been designed in such a way as to have few lectures but many opportunities for experience sharing, simulation and other exercises with the use of case studies and other output-oriented tasks. Participants will learn through "doing and thinking" rather than through "listening and reading". The Manual proper contains the "answers" and "summaries" as guide

for trainers and therefore should not be given to participants until after completion of the training.

No previous education in micro-enterprise economics is required for participants in the training where this Manual will be used. The training methodology used is highly participative, meaning that few lectures are utilized. Rather a problem-solving methodology is applied using case studies, exercises and group work. The Manual has five major content areas.

The **first Module** focuses on the role of micro-enterprise development as a means to achieve group goals, major among which is to improve members' income and self reliance. The following concepts are dealt with: the fundamentals of what a business is and the characteristics of micro-enterprise: the role of micro-enterprise in the Income generating programs; elements which leads to success or failure of a business: the major weaknesses and constraints of micro-entrepreneurs and finally identification of the major areas of needed project assistance.

The **second Module** deals with the required attitude, knowledge end skills for business planning. The tools, the basic information required and the financial indicators for preparation and assessment of business plans and loan applications are discussed. What trainees would have learned are then applied. Trainees are given an opportunity to work with village entrepreneurs to develop an actual Business Plan.

The **third Module** deals with the needed attitude, knowledge and skills in performing the Group leadership task of providing technical assistance during the operational phase of the micro-enterprise operations. This is what project implementers call the "follow thorough" phase. Emphasis has been placed on the preparation and interpretation of business records since we have observed that there is an absence or poor quality of business records among micro-entrepreneurs.

The **fourth Module** deals with fund utilization and management both at project and group level. The relationship between the savings fund and the project revolving fund is addressed; how these funds need to be managed and controlled; the preparation and processing of loan applications from the member's groups; how to monitor loan utilization; and the establishment and maintenance of the required record systems. Training design is attached in appendix as table 4.1.1.

The **fifth module** deals with evaluation process in which participants will have to fill in an evaluation form after each module. The facilitators therefore already have a consolidation of the written evaluation when this topic starts. In this topic participants will be asked to evaluate the whole training and to come up with suggestions for improvement for the facilitators. The evaluation will show which parts of the training require special attention, which were most useful for the participants and what follow through action can be expected.

5.1.3 Manual Perspectives

CBOs play an important role within, the community economy through the micro-enterprises members engage in. Once local people realize their own potentials, they are able to raise their own resources and develop the capacity to manage external resources as well. Through the Micro-entrepreneurial skills programs local people proved that they can manage loans from external sources, such as those provided through the project revolving fund. Members themselves are determined to address common weaknesses and constraints of their micro-enterprises. They are able to take risks and adopt innovative approaches in problem-solving.

But often times we hear remarks like "the poor will not be able to repay... they do not know how to manage their business.... they are used to hand outs... etc..."

Our experience in this Micro-enterprise Training Manual does not validate the above remarks. On the contrary we have found that the poor can be accountable and actually repay their debts. They have good instincts about business and are realistic in gauging risks according to their estimate of their own capacity. They would rather determine and decide on resources they need rather than outsiders determine this for them. They have a sense of pride in being able to achieve their own goals which they themselves determine.

5.2. HOW TO USE MANUAL

The main body of the Manual is organized into Modules. For each of the 5 modules there are four major parts:

Rationale and Objectives

The description of the rationale and objectives of the Module are for the participant to have a clear focus on the major objectives of the Module, Lessons and Sections. This will help the participant in preparing for the lessons and to put the content in context.

Outline of the Workshop Sessions

This consists of the Steps and the major Pointers in facilitating the content of the lessons and sections. Reference is made to the Case studies of some fiction groups and Standard Tools to be used in the section.

Case Studies

The Cases are for participants to practice what they have learned. Note that there are two parts in the cases namely: Discussion questions and suggested answers.

The tables and diagrams are to be found in the Appendices. Tables are Business Plan Forms, Group Financial Records. During the training the participants should therefore make sure that they have a good understanding of these tables and on how to use them.

This training has been designed in such a way as to have few lectures but many opportunities for experience sharing, simulation and other exercises with the use of case studies and other output-oriented tasks. The workbook for participants contains all the cases, exercises and tools. Participants learn through "doing and thinking" rather than through "listening and reading". The Manual proper contains the "answers" and "summaries" as guide for Trainers. It is therefore important that participants are not "spoon-fed" with these "answers" and "important summaries". The Manual should therefore not be given to participants until after completion of the training.

5.3. BUDGET JUSTIFICATION:

Training

No cost estimated for this training manual development since the training manual was tailor made and the task of customizing it so that it can suit UDG training requirement was done as part of this research assignment. The training will be conducted at UDG centre for 10 working days by a trained facilitator who will be using the developed training manual.

Personnel

The UDG office bearers (Chairman, secretary and group advisor) including CED practitioner would be involved in personnel activities such as arranging training venues, inviting the participants to the course and clerical activities. Therefore, the group would only incur the stationary cost and lunch food for facilitator who will be conducting the training.

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