



FINANCING OPTIONS FOR LOW-COST WELL DRILLERS & COMMUNITIES FOR RURAL WATER SUPPLY



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FOREWORD

ABOUT THE TOOL KIT

UNICEF, Practica and Enterprise Works/VITA, a division of Relief International, have developed a toolkit for African countries wishing to embark on the professionalization of manual drilling. This toolkit includes Technical Notes, Technical Manuals, Advocacy Materials, Mapping of suitable areas for manual drilling, Case Studies, and Implementation and Training Manuals. This initiative builds the capacity of the local private sector in order to respond to the ever increasing demand for safe water in rural areas.

This manual is a part of this larger set of tools that contribute essential information on how to professionalize manual drilling in Africa.

INCLUDED MATERIALS

Mapping the Potential for Manual Drilling in Africa (12 countries in Africa)

Chad, Madagascar, Niger, Sierra Leone, Central African Republic, Mauritania, Togo, Senegal, Benin, Ivory Coast, Liberia, Mali

Technical Notes

- » The Case for Manual Drilling in Africa
- » Professionalizing Manual Drilling in Africa
- » Selection of Well Construction Methods
- » Manual Drilling Techniques
- » Mapping the potential for manual drilling

Case Studies

- » Sustainable Transfer of Manual Well Drilling to the Private Sector in Niger
- » The Impact of Manual Drilling for the Construction of Sustainable Water Points in Chad

Videos:

- » Advocacy for Manual Drilling in Africa – Highlights (3-min)
- » Professionalizing Manual Drilling Sector in Africa (12-min)
- » How to Professionalize the Manual Drilling Sector in Africa (16-min)

Manuals:

- » Professionalizing the Manual Drilling Sector in Africa.
- » Understanding Groundwater and Wells in Manual Drilling
- » Desk Study: Inventory of Manual Well Drilling Techniques Improving Skills of Manual Drilling Enterprises: Business Management
- » Improving Skills of Manual Drilling Enterprises: Business Management
- » **Financing Options for Low-Cost Well Drillers and Communities for Rural Water Supply (This Manual)**

Successful manual drilling operations that deliver sustainable water supplies to communities and support viable local micro, small, and medium manual drilling entrepreneurs and enterprises must consider technical, management, and financing issues to be successful. The reader is therefore encouraged to review the entire range of resource materials listed above, keeping in mind that the materials have been developed as a set.

I. CONTEXT & BACKGROUND

To successfully achieve the Millennium Development Goals (MDGs) for water, by 2015 the world will need to provide access to safe water to 784 million people. More than one-third of the populations that don't have access to improved drinking water sources, approximately 284 million people, live in Sub-Saharan Africa.

As the countdown to 2015 accelerates, it's becoming clearer that the MDG targets, especially in Sub-Saharan African countries like Tanzania, Angola, Niger, Zambia and Mozambique will not be met. According to a progress monitoring report jointly released by the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO) in 2008, not only has the progress been too slow to reach the MDGs, but the disparity in coverage between urban and rural populations means that the majority of rural inhabitants still do not have access to an improved water source. This is affecting people's health, resulting in increased incidences of diarrhea and other water-borne diseases, contributing to high mortality rates especially in vulnerable populations and children under 5, and severely impacting productivity and income earning potentials.

The high cost of developing potable water sources is a major impediment to improved water access for many rural people. Costing \$16,000 - \$24,000, mechanically drilled or concrete-lined wells equipped with imported hand pumps cost much more than villages can afford and tax the limits of donor capacity. These high costs combined with a reliance on imported technology severely limit the potential of African countries to meet the MDGs. If the Millennium Goals are to be met by 2015, a radical change in the delivery system must be developed for potable water in rural Africa. More emphasis will need to be placed on solutions like low cost manual drilling that

are affordable and allow households and communities to satisfy their need for potable water.

Low-cost manual drilling has already demonstrated its effectiveness in Asia, Africa and Latin America as a means to increase the coverage of potable water. It is important to recognize that a well drilled to the same depth, in the same aquifer and properly developed will be equally productive regardless of the method of drilling. Manual drilling is a practical solution for wells less than 40 meters deep in alluvial soils or soft rock formations and has been practiced for several millennium with the earliest manually drilled wells constructed in China in 1100 B.C. While this is not a practical solution in all geological formations, there are many areas in Africa where it can effectively provide drinking water to un-served rural populations at a small fraction of the cost of conventional drilling. This is especially true in small isolated communities that will never benefit from the large donor funded drilling projects because they are often not included in the national plans.

Defining Low Cost Well Drilling Enterprises and Community Customers; and Financial Clients

Drilling technologies are not radically new; some like manual percussion drilling have been used for centuries in Asia. In order for this approach to work, however, the entrepreneurs and enterprises that provide drilling services ("**low cost well drilling enterprises**") and communities, individuals, NGOs or other entities seeking to obtain drilling services for improved rural water supplies ("**community customers**") need a variety of tools and skills, both technical and managerial. Importantly, both "drilling enterprises" and "**community customers**" must be able to access

Low-cost Manual Drilling Brings Water to Previously Un-served Villages in Niger

An 18-month pilot project funded by the World Bank Development Marketplace program and successfully implemented in Niger by EnterpriseWorks/VITA (EWW) is one of several efforts that have demonstrated that low cost manual drilling solutions can meet the needs of underserved communities. The three private manual well drilling enterprises and two rope pump manufacturers trained by EWW installed 62 demonstration wells and generated enough interest that an additional 42 wells were installed by other individuals and agencies. The wells were 5-10 times less expensive than similar wells drilled by big rigs and are serving the needs of more than 20,000 people that previously did not have access to improved water sources.

Importantly, the enterprises trained have the combined capacity to install 100 wells equipped with rope pumps annually, a capacity that will grow with increased demand. Their capacity is expected to double in three to five years resulting in an additional 50,000 people gaining access to potable water annually.

the funding needed to expand their services and meet the increasing demand for water respectively.

In the context of this manual, both “**low cost well drilling enterprises**” and “**community customers**” are considered “**financial clients**” of financial entities (informal and formal). In order for low cost drilling enterprises and community customers to successfully gain needed financing they must:

- » Carefully evaluate their financial situation & be able to explain it to others;

- » Survey and document their market (in the case of well drilling enterprises the number and places they expect to drill wells and in the case of customers the number of water users and potential fees they might collect from the water users);
- » Evaluate their need for capital, and be prepared to explain this in detail;
- » Survey the most appropriate sources of capital; and,
- » Negotiate an agreement with a financial entity based on concrete income and expense data.

II. HOW TO USE THIS MANUAL

The purpose of this manual is to provide straightforward financing guidance to “low cost well drilling enterprises” involved in water well drilling operations, as well as to village and community groups, individual, and NGOs (“community customers”) intending to borrow the necessary capital to hire such well drilling enterprise. The guidelines are intended for the widest possible range of sites and conditions. Context and local specificity will need to be incorporated by the user(s).

Circumstances will determine whether or not third party assistance will be required to make use of these materials due to language incompatibility or lack of familiarity with written materials on the part of the user. Nonetheless, this manual is intended for both types of financial client: 1) **low cost well drilling enterprises** (entrepreneurs, micro, small and medium enterprises, informal and formal enterprises) and 2) **community customers seeking finance**.

In the event that assistance with the content of the manual is provided by someone other than one of the initiating enterprises or community customers, all parties should respect a number of basic guidelines:

- » **Participation** – The drilling enterprise or community customer that is seeking financing should remain in control of the process. This cannot be overly stressed. Any outside agent should act as facilitator or information intermediary, explaining the contents, describing options, and if a participant, recommending next steps. It is important to always present the information in terms that are most easily understood by the financial client (well drilling enterprise or community customer). Just as in

larger business transactions, the party with the greatest investment in land, labor and capital (including a debt burden), should have an important, if not determining, say in how the process is managed.

- » **Transparency** – Disagreements or distrust are frequent when several parties engage in activities involving finance. These disagreements have led to the breakdown of village associations, when dealing with the ongoing management of water projects. How information and decision making is handled should be agreed upon prior to investment or assumption of debt. The facilitator or information intermediary should have an obligation to keep information open and flowing so that suspicions do not interfere with project implementation and participant cooperation.

The elements covered in this manual will allow the well drilling enterprises and community customers to test assumptions about the need for additional financing, as well as to determine how much debt burden the business income and/or community can support over time.

III. THE FINANCIAL CLIENTS

This manual is concerned with identifying financing needs and credit options for two different types of financial clients:

- » Low cost well drilling enterprises which include : artisanal well drilling microenterprises, small and medium well drilling enterprises; and,
- » Community customers (groups, cooperatives, NGOs, individuals)

Financing can allow well drilling enterprises to invest in improved infrastructure and supplies. Specifically, drilling enterprises may need financing to:

- » Pre-finance purchases of materials for contracts;
- » Purchase/lease drilling tools and equipment;
- » Purchase/lease transportation; and
- » Cover the first months of the business expenses if the business is a start-up.

Community customers need financing to purchase the drilling enterprises' services that will establish the infrastructure needed to gain access to improved water sources.

A. LOW COST WELL DRILLING ENTERPRISES

Microenterprises are defined, very roughly, as enterprises where the operator is also the owner, where there are fewer than 10 employees (counting family members), and fully-owned assets have a value under \$10,000 USD. While all these guidelines are extremely flexible, for the purposes of this manual, the microenterprise is further defined as one that has clientele, but lacks adequate collateral for formal bank loans. It is assumed that this well-drilling microenterprise will have experience manually drilling wells and have access to experienced labor. It will also have basic hand-tools and knowledge of techniques and technologies.

The broad range of institutions that are available to provide "micro-credit" or informal credit, requiring modest collateral, is listed in Section V, later in this manual. Whether informal or not, no credit is available without meeting minimum reasonable requirements. These are reviewed in Section VI.

Conventional wisdom *incorrectly* believes that there are few, if any, sources of financing for the micro or small

business. Generally, there are sources of financing, but they are not exploited by the microenterprise community. Identifying these lenders or investors requires a methodical and programmed procedure.

For an existing business, the enterprise should review the options available in the area where it habitually works. If options are limited or not available, the entrepreneur should also consider surveying options in the capital of the country where many institutions have their headquarters and where lending/investment decisions and policies are often established. New or fast-growing businesses might want to start their surveys in the national or regional capitals.

Before approaching any of these potential sources of financing the enterprise must take time to assess the nature and magnitude of the needed capital.

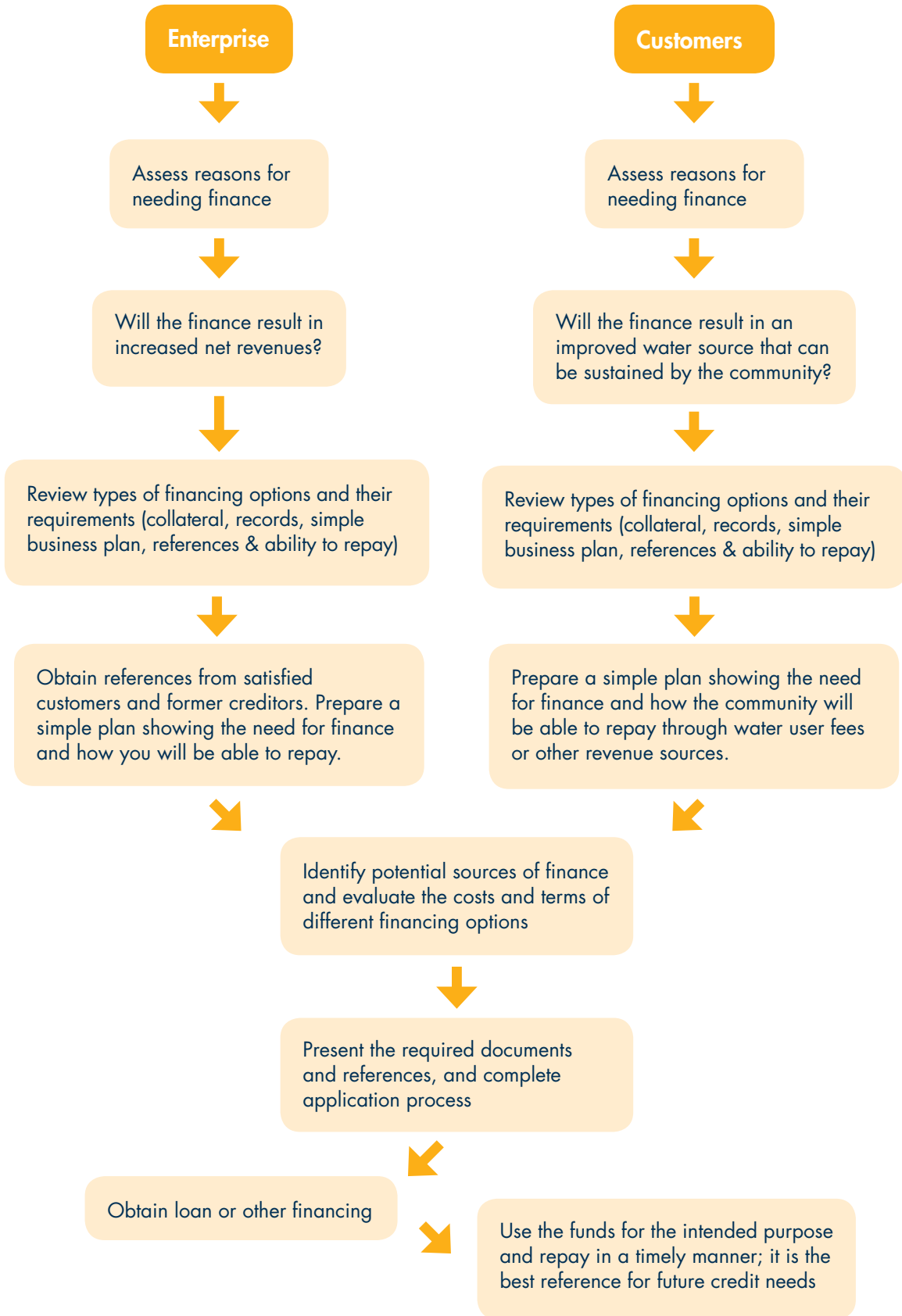
Micro-credit is a term that has no specific definition or financing amount. Originally, the term indicated a system that was simply less formal than the procedures applied by commercial banks. Traditionally, the financing was destined for low-end capital equipment and operating funds. The U.S. government used to consider three hundred USD as the ceiling guideline. The World Bank "micro" ceiling was closer to twenty-five thousand USD. In any case, the objective of microcredit is to facilitate access to credit to enterprises that can't meet formal requirements.

B. COMMUNITY CUSTOMERS

The process remains essentially the same for small or medium enterprises drilling wells as well as community customers planning to hire drillers and install a water source. Both are considered financial clients. Whether the financial client has capital for a start-up operations; requires other investors (equity financing); requires loans (debt financing); or a mixture of these options, financial clients first need to define their needs, their capacity for repayment and identify sources of funding.

Diagram 1 provides and over of the process steps, covered in this manual, that both well drilling enterprises and community customers need take to be successful in evaluating their financing options, applying for and accessing financing, successfully repaying or producing a good return on the investment, and in the long run having a sustainable business and community water source.

Diagram 1: Financing Options for Rural Water Supply



IV. EVALUATING FINANCING NEEDS

Worldwide, there is an assumption that additional capital will resolve any and all financial problems. There is also an assumption that the more capital, the better. This is false. Repayments on borrowed money create an additional drain on a business's cash flow or the community that obtain the drilled well. Without careful planning, reduced operating capital can lead to slow service delivery, dissatisfied clients and possibly loss of contracts for the well-drilling enterprise. Poor financial planning at the community level can lead to repayment stress among community members, or the need to impose higher than necessary water use fees. To avoid this, the prospective borrower must evaluate financing opportunities in terms of well-defined business and community needs.

Table 1 (on following page) provides a very rudimentary but useful tool to help evaluate financing needs. While the financial client evaluates financing needs and options an effort should also be made to evaluate ways to control the amount of funding needed by controlling investment in fixed or working capital.

Table 2 (which follows table 1) summarizes ways to control fixed and working capital financing needs. While many of these items apply more to the well drilling enterprises, it is important for community customers to also review this list to help them interview well drillers to gauge their cost effectiveness. In addition, community customers should obtain references from the well driller's previous customers.

A. WORKING CAPITAL BORROWING – WELL DRILLING ENTERPRISES

Generally there are two purposes for borrowing working capital. The first is to bridge a period between obtaining a contract and payment for services rendered. If the enterprise has been operating for some time, this should only occur under exceptional circumstances, such as non-payment of a previous contract. The well drilling enterprise must negotiate a staged payment plan with the community customer such that some of the working costs are paid in advance, and other payments are to be made at specific times until completion. Otherwise, the cash shortfalls will likely occur during execution of each contract. The amount to be borrowed should be limited to what is needed to complete on-going projects.

The second case for needing to borrow working capital relates to enterprise expansion. If the well drilling enterprise has had to turn down work due to an inability to hire adequate staff or purchase fuel or supplies, or has a need to repair or acquire tools and/or equipment, a working capital loan may well be justified. Once again, the amount to be borrowed needs to be calculated on the basis of what is required to respond to firm and realistic opportunities, NOT the maximum available for borrowing. Before concluding a loan transaction, the well drilling enterprise must create a simple cash flow statement (see Annex 1) to ensure that monthly payments of the loan are less than the increased new income.

Working capital loans are generally related to the firm's business cycle, and given the nature of well-drilling, should be less than one year. The loan term should be for one operating cycle, or drilling season, the time frame in which such a loan should serve its purpose and be repaid.

B. WORKING CAPITAL BORROWING – COMMUNITY CUSTOMERS

Working capital loans for community customers are based on the same principles as working capital borrowing for well drilling enterprises in that they should be related to the community's cash flow cycles. For example if the community only gets cash income several times a year when seasonal crops are harvested and therefore does not have regular flows of user fees, then a working capital loan could be justified. Still, working capital loans for community customers should be approached with extreme caution, as it is preferred to set community expectations from the start that they must implement a plan to keep up with the maintenance and any capital repayments costs of the drilled well from their own resources. Remember that all interest costs associated with loans will have to eventually be recouped from higher water user fees or other collections from the community.

Like well drilling enterprises, it is acceptable to include some working capital for start-up costs - initial operation and maintenance of the well for the first few months - in your overall borrowing plan, to fill the gap before water fees are accumulated.

Table 1: Financing Needs Checklist

Checklist: What kind of finance do you need and how much do you need to borrow?	
What do you want to finance?	Specify the exact item and think through what else may be needed to make the investment work.
Do you need finance only once or regularly?	If you need it only once, you require a fixed investment loan. If you need it regularly, you require a working capital loan.
How much do you need?	Get price information in the market to know what your investment will cost. Think about your need for cash and whether you need working capital as well.
How much do you have yourselves?	If you want to get a loan, the lender may expect you to make a contribution from your own resources as well. Calculate how much you can contribute.
For how long do you need finance?	Calculate your profits and/or fees collected over time from the investment and how long you will need for repayment.
If you do not know how your credit/investment will generate profit or fees from water users, you may have a different problem – not financing.	
Do you need finance because my customers/water users do not pay?	You have a liquidity problem. You should not try to get a loan, but make your customers/water users pay.
Do you need finance because my sales/water use charges collections are low recently?	If you do not plan to invest the money to produce more sales or have a plan to collect water use fees, how can you repay? Think of how to increase your sales (e.g. marketing)/water fees collection instead of getting a loan.

Table 2: Controlling Fixed & Working Capital Financing Needs

Controlling Fixed Capital Costs	
Equipment	<ul style="list-style-type: none"> » Evaluate equipment held and make a realistic assessment of what is really needed. » Determine if it is cheaper to lease some of the necessary equipment rather than to purchase it.
Premises	<ul style="list-style-type: none"> » Assess whether it is cheaper to rent premises rather than buy them.
Controlling Working Capital Costs	
Raw materials (supplies you have to replenish)	<ul style="list-style-type: none"> » Make sure raw materials are bought at best prices. » Keep stock levels as low as possible. » Delay payments if possible.
Work in Progress	<ul style="list-style-type: none"> » Improve productivity. » Improve quality control at an early stage of well drilling to minimize the time spent reworking failed or low-quality wells.
Preparation for Drilling	<ul style="list-style-type: none"> » Maintain equipment in good shape. Repairs should be done when the team returns from a job and not just prior to the next job. » Be prepared to mobilize the drilling teams quickly. » Provide faster response to customers.
Secure Client Payments	<ul style="list-style-type: none"> » Carefully consider a client’s ability and willingness to pay before embarking on the work to be done. » Follow up vigorously to ensure timely payment for work done. » If all else fails, remove well casing. This will demonstrate the seriousness of the intent to get paid and will also help recover a portion of the costs invested.

C. FIXED CAPITAL EXPENDITURES BORROWING – WELL DRILLING ENTERPRISES

Well drilling enterprises may have a variety of assets that require replacing, or feel the need to add to their equipment inventory. In this case, fixed capital expenditures will mean items that have a useful life of three or more years. These might be generators, submersible pumps, compressors, drilling tools, pick-up trucks, etc. Purchase of land or premises for the business is also considered fixed capital.

As a rule, the loan repayment schedule should not extend beyond the useful life of the item to be purchased. While this can create higher loan repayments, it ensures that when the item must be replaced, the enterprise is not still paying for an item with no real value.



A vehicle to transport well drillers and equipment is a fixed capital expenditure

Once again, the borrower should prepare a simple cash flow chart to determine if the revenue generated by the enterprise justifies the monthly loan repayments. It should also be noted that while some equipment can serve as a loan guarantee, it means that the item could be seized for non-payment of the loan.

D. FIXED CAPITAL EXPENDITURES BORROWING – COMMUNITY CUSTOMERS

In developing countries there are a range of communities and/or community groups that want or need access to water and water related services and, therefore, the fixed capital financing to secure them. At a very basic level these have to be actual communities defined in a manner appropriate to local customs and laws and need at a minimum to have 10-20% of the cost of capital investments in hand in cash before they can invest in developing the necessary water infrastructure. At the

more formal end of the spectrum of community groups are cooperatives. In many countries, cooperatives are defined and regulated by the national government. For the most part, the cooperatives are defined as being “purchasing” or “selling” cooperatives, or both. Increasingly, legislation prohibits cooperatives from serving as credit unions or other savings and credit institutions.

Cooperatives generally adhere to well-defined rules and procedures and are considered good clients for financing mechanisms. In many instances, the early cooperatives included a credit component. These credit components have increasingly been split off into autonomous credit institutions governed (and audited) by mandated third-party agencies.

Other credit-worthy groups are those members of credit unions that wish to pool their borrowing capacity in order to raise adequate funding to hire well digging/drilling services. The challenge is to demonstrate that there are means of repayment for activities that are not intrinsically revenue-generating. Of course by collecting water fees (see box) then a community can have a clear repayment plan and sustain the water source.

Communities can sometimes qualify for grants that can help them gain access to clean water, but discipline and record-keeping are required to access grants as well as loans. Remember the community must invest in the systems’ future maintenance and repair. Local reputation and savings account collateral tend to provide adequate guarantee for non revenue-generating loans. Although as more communities can demonstrate that they can operate their water sources as a revenue generating operation by collecting water fees, then this perception should change among lenders.

A Community Customer Financing Example

In Kenya recent field work found that water is being sold in rural areas for about 20 Ksh/ 20 liters delivered and 3 Ksh/20 liters at the source. This is about \$0.002/liter at the source. If a low cost well serves 250 people and they buy just their drinking water (5 liters/person/day) the daily value of the water sold is \$2.50 or \$912.50/year. A well and a rope pump on the open market would likely cost less than \$1,500. If 30% of the \$1,500 is needed for operation and maintenance (working capital) then with a 15% down payment the village could afford a 3 year loan at an annual interest rate of 25%.

V. IDENTIFYING FINANCING OPTIONS

Identifying financing options has similar steps for well drilling enterprises and community customers. The range of options presented in this section will have potential application for both well drilling enterprises and community customers, so both groups are encouraged to review all the options in the context of their local area and the size of loan and investment needed.

Any lender or investor has two primary objectives. The first is to manage, i.e. control, risk. The second is to make a profit. In order to achieve these objectives, institutions and investors have each developed their own custom-tailored policies and procedures. Most of the people that interface with the financial clients are employees and not the actual owners of the capital. Borrowers (financial clients) must therefore follow the established policies and procedures.

The well drilling enterprise and/or community customer looking for financing, needs to understand exactly what the criteria are for each institution or investor that they approach. To this end, it is critically important the borrower (financial client):

- » Personally contact the potential financing sources in their areas;
- » Collect detailed information on the actual conditions for loans as well as the terms and fees associated with them; and,
- » Collect the necessary loan/funding application forms and any other necessary paperwork that will need to be completed.

The borrower must also have a good command of the information about his/her business and/or community. For a well drilling enterprise this will include carefully compiled sales projections, clear cost breakdown, an explanation of how and why additional capital is required, and evidence that the capital will be repaid or a profit made for a partner/investor. For a community customer (group, individual, NGO or cooperative) information needed will include any projected revenues from the sale of water or products dependent on the water source, and will detail revenue from other sources that will be applied to the loan including grants and remittances. The community will also need to explain how they raised their contribution to the well drilling, installation and maintenance, generally 10-20% of the capital cost.

Since most banks and microfinance institutions are likely to want to visit the well drilling enterprise or

community customer group they will be financing, an effort must be made before the visit takes place to ensure that:

- » Premises are presentable;
- » Workshops and offices are clean and well organized;
- » Accounting and other informational documents are up to date and in good order; and,
- » Management personnel or community leaders are prepared for the visit and can answer questions about the financing requested and the enterprise or community.

The following discussion provides specific information on a number of potential financing options. **Table 3** (following pages) below presents a quick comparison of some of their characteristics, advantages and disadvantages:

A. CREDIT UNIONS, MUTUELLES DE CRÉDIT, & CREDIT ORGANIZATIONS

A **credit union** is a membership financial institution that is owned and controlled by its members, and operated for the purpose of promoting savings, providing credit at reasonable rates, and providing other financial services to its members. Many credit unions exist to further community development.

Worldwide, credit union systems vary significantly in terms of total assets and the number of members, ranging from volunteer operations with a handful of members to institutions with many millions of dollars in assets and hundreds of thousands of members. Nonetheless, credit unions are typically smaller than banks.

Credit unions are often defined as not-for-profit cooperative institutions. In practice however, legal arrangements vary by jurisdiction. Strictly speaking, the Board of Directors elected by members is mandated to manage the institution profitably in the best interest of the members/owners. Hence membership and a saving account do not guarantee that the applicant will receive a loan. Loan requests are evaluated like most microfinance organizations.

It does not matter if the lender is a regional credit union, or a local group/organization, the reputation

and demonstrated character of the borrower is critical, as is a source of revenue (job or business) by which the credit worthiness of the client is measured. For business startup loans which tend to be somewhat larger, a complete and well thought out business plan is essential. The plan undergoes financial analysis tailored to the size of the loan and nature of the business.

In many African countries credit unions are called “savings and credit cooperative organizations” (SACCOs), to emphasize savings before credit. French terms for “credit union” include *caisse populaire*, *banque populaire*, or *mutuelle*.

Only a member of a credit union may deposit money with the credit union, or borrow money from it. As such, credit unions have historically marketed themselves as providing superior member service and being committed to helping members improve their financial health. In the micro-finance realm, credit unions provide a broader range of loan and savings products at a cheaper cost [to their members] than do most microfinance institutions.

While there are clear advantages, there are also the following limitations:

- » non-members can't borrow money
- » before borrowing, individuals must have been members and maintained a savings account for a specified length of time, often six months or more
- » borrowing ceilings are established on the basis of past repayment history as well as maintaining a savings account which can be garnished for non-payment.

There are two limitations on the size of a given loan. As mentioned, the savings of a borrower or group of borrowers must have a value equivalent to a percentage of the desired loan amount that varies depending on the policies of the institution. Another limitation is the overall amount of capital that the credit union has available to provide loans to members. Local offices are expected to build their membership and deposits (capital) in order to on-lend which provides the source of interest payments on savings and payment of management costs.

New or isolated credit unions, therefore, are less able to provide mid-to-large sized loans. It should be noted that both individual members and groups of members can borrow at a credit union, group loans can be for higher loan amounts for group activities, such as well drilling.

Credit unions that have grown to a national level may have additional sources of funds beyond member savings. Large international agencies often provide credit unions with security against losses in order to encourage the credit union to invest in particular high priority and under-invested sectors.

Although most of these guarantee fund decisions are centralized at the headquarters of the credit union, the borrower should take the time to make inquiries with the local branch manager to identify what ‘special’ opportunities for larger loans or loans targeted to certain sectors (e.g. water supplies) may be available for community development activities.

B. M-BANKING

Although the system is just becoming popular at this writing, banking using mobile phones (M-Banking) as the vector for transactions is already established in South Africa, Kenya, Nigeria, Zambia, and the Democratic Republic of the Congo (DRC) following a model developed in the Philippines. It is anticipated that the system will grow and develop fastest in Africa, given booming cell phone use and the lack of (infrastructure) alternatives. VodaPhone (U.K.) is planning to add 21 African and Middle Eastern M-banking systems in the near future.

Currently, the system is most frequently used to transfer remittances, for consumer purchases, and to facilitate savings. However, services are expanding to include payment guarantee systems among banks, input and service providers and rural populations. The firm Manobi Development Corporation is preparing to provide services in South Africa and Senegal via mobile phones which would allow rural clients to establish bank accounts, certify the value of their agricultural production, and contract for necessary inputs or services through local or national bank guarantees based on their farm production collateral.

Community Customers (individuals or groups) searching for a means of funding the drilling of wells should inquire at local or regional banks to learn whether these systems might be available to them.

C. ROSCAS, TONTINES & OTHER TRADITIONAL CREDIT SYSTEMS

Traditional credit systems called Rotating Savings and Credit Associations (ROSCAs), Tontines and known by dozens of other names (see Table 4), are found throughout Africa. ROSCAs, also called

Table 3: Summary Overview of Potential Financing Options

Financing Option	Clients Served	Funding Duration	Advantages	Disadvantages
Credit Unions, Mutuelles de Credit, Savings & Credit Organizations (SACCO's)	SACCO members only (both well drilling enterprises and community customers)	Short-to-medium term	Credit worthiness evaluated by membership history rather than collateral.	SACCO loans limited to fixed percentage of individual's term savings account.
M-Banking (Mobile phone banking)	All clients with an open bank, post-office, or communications system m-banking account	This is a loan servicing (repayment) option, not used to initially obtain the loan.	Loan repayments do not require proximity to financial facility, so easier for rural communities to make repayments.	Systems require reliable partners and security. Service providers look for specific country conditions that may not apply to many countries yet in Africa.
ROSCAs, Tontines and other Traditional Credit Systems	Individuals who are members of a tradition credit system.	Financing provided on a rotating basis rather than on an as-needed basis. With a large affiliated group this might mean collection once every six months or once per year.	Membership in an affiliated group stands as collateral. Rule enforcement is a group function. Low documentation requirements.	Have to wait turn to access funds and therefore cannot respond to specific financing needs that are tied to enterprise cycles or market conditions.
Microfinance Institutions (MFIs)	MFIs each have their own client criteria. Local MFI's are organized to respond to needs of a particular local clientele.	Largely short term lending for new clientele. Well-established MFI's can extend to medium-term or investment loans with proven clients.	MFIs are sensitive and respond to local conditions and challenges. Will make personal, unsecured loans.	MFI terms and conditions can vary widely and some institutions may require you to start with small loan and build up to larger amounts, proving creditworthiness.
Individual Lending Projects	Project partners, defined broadly. This may be defined as individuals or communities participating in the particular project.	Various per the project's objectives and financing capabilities.	Conditions are generally extremely flexible. Repayment conditions are often tied to behavior as well as to economic performance and/or repayment rates.	Project dependent, and may involve approaching "intimidating" offices and staff to learn about potential opportunities and get included in the project lending program.
Commercial Banks	Established businesses with a positive credit history and basic collateral.	Usually time-limited operating (working capital) funds. Investment capital (mid-term lending) available with the availability of contracts and/or collateral.	Introduction into the formal credit sector. Competitive interest rates. Establishment of a formal credit history for future finance access.	Relatively high collateral requirements. Need for a credit history.
National Agricultural Banks	Citizens involved in agriculture.	Short-term operating funds and medium-term investment.	Low interest rates. Relatively low entrance criteria for borrowing.	Collateral requirements change frequently as the national government reviews its position on subsidies.
Grants	Grants have target populations that change by project activity.	Various based on grant provider's rules.	No repayment required. Most often recipient's behavior is the only requirement.	Hard to promote sustainability if no personal or community commitment is required to the target project. Does not address the issue of recurrent costs, or individual responsibility.

merry-go-round systems, are where periodic payments from members are collected and given to one member, on a rotating basis. This provides the member with capital to make a purchase or to take advantage of a business opportunity.

In their original form, tontines allowed people in the informal sector to pool their labor, rather than their money. With the introduction of the monetary economy in the 20th century, tontines took on a financial character, as informal savings associations. Every month each member would contribute a fixed share into a "pot." In a 12-member group, each member would receive the pot once a year.

The most recent innovation is the interest-bearing tontine. Each month, members bid the amount of interest they will pay for the tontine pot. Interest payments are collected in a separate loan fund and are distributed to members when the tontine is dissolved. Tontines are usually formed for two-year periods, and are generally limited to 24 members. Tontines, built on trust, are generally made up of homogeneous groups - people from the same ethnic background, the same workplace or the same neighborhood.

Individuals can earn 20% to 40% interest in a sizeable tontine made up of high-revenue import-export merchants. While in contrast a person who belongs to tontines with friends with similar needs for small amounts of capital at low interest, may earn around 20 percent interest over two years. These rates are substantially higher than are generally offered by banks.

The more advantageous rates offered by tontines can be traced to their lack of overhead, their ability to set rates according to supply and demand, and their high repayment record. "Banks are too expensive, too slow and too full of paperwork," said Mr. Nansi, whose interest payments over the four-year life of his \$35,000 tontine loan will total 20 percent. "Banks demand too many conditions - a property title, a guarantor, a certificate of guaranteed future salary earnings, insurance."

When small membership tontines are not available, community customer (individuals or groups) searching for financing for well drilling should consider the ROSCAs, the merry-go-round system in addition to more formal credit options. The downside of the ROSCAs is that the loans only become available after a comparatively long waiting period, during which payments must be made to the group.

D. MICROFINANCE INSTITUTIONS (MFIs)

The term "Microfinance" as it is commonly used, refers to an alternative to traditional credit methodologies such as ROSCAs, "tontine" or any one of many local names (see table 4). The system complements traditional systems in that:

- » The ethnic and social relationships that often serve as the basis of traditional credit mechanisms no longer govern the access to credit.
- » Loan approval depends more on securing the financial obligation beyond the character of the client. Nonetheless, the integrity of the client continues to have a large part in the loan determination.
- » Microfinance Institution's (MFI) overhead and transaction costs are higher, and the returns more modest, than most traditional credit mechanisms.
- » Non-traditional loan objectives are more acceptable on the basis of business planning.

In many communities in Africa, land tenancy rather than ownership is practiced. This is certainly true where land use is often temporary, un-surveyed and assigned through the person of a 'land chief'. Therefore, while many creative means have been devised to reduce lender risk, without land or transferable house as collateral for many entrepreneurs, the bottom line is that very small micro-credit largely involves personal, unsecured, loans. Therefore, the skill and integrity of the MFI owner/manager becomes paramount in the credit decisions of micro-small lending and investing decision making.

When microfinance institutions focus on very small businesses, there often is no collateral beyond group solidarity guarantees. Most well-managed microfinance activities expand beyond this level as groups loans "graduate" to larger, individual loans. The borrowing group or individual needs to investigate the lending conditions available from microfinance institutions. There is virtually no country in Africa that does not have microfinance institutions. To find MFI's in your country you can obtain information from the MIX (www.themixmarket.org) that provides an up-to-date list of MFIs in Africa by country of operation. The terms and conditions of each are different and require review by the prospective borrower.

Table 4: Rotating Saving and Credit Associations (ROSCAs)

Found all over the world, ROSCAs often go by different names in different regions and countries. Following are some of their more common names throughout Africa:

- » *Benin*: Asusu, Yissirou, Ndjou, Tontine
- » *Botswana*: Motshelo, beer parties
- » *Burkina Faso*: Tontine, Tibissiligbi, Pari, Song-taaba
- » *Burundi*: Upato (in Kiswahili)
- » *Cameroon*: Jangi, Ujangi, Djana, Mandjon, Djapa, Tontine, Djanggi, Njanggi, Ngwa, Ntchwa
- » *Egypt*: Gameya, Jam'iyya
- » *Ethiopia*: Ekub, lkub
- » *Gabon*: Bandoi
- » *The Gambia*: Osusu, susu, esusu, Compin
- » *Ghana*: Susu, Nanamei akpee, Onitsha, Nnoboa
- » *Ivory Coast*: Tonton, Tontine, Moni, Diaou Moni, War Moni, Djigi Moni, Safina, Akpole wule, Susu, Aposumbo, Kukule, a tche le sezu, Komite, n'detie, m'bgli sika, Monu, mone
- » *Kenya*: Mabati, Nyakinyua, Itega, Mkutano ya wanwake, Mkutano ya wazee
- » *Liberia*: Esusu, susu, sau
- » *Madagascar*: Fokontany
- » *Mali*: Pari
- » *Mozambique*: Upato, Xitique
- » *Niger*: Adasse, Tomtine, Asusu
- » *Nigeria*: Esusu, Osusu, Enusu, Ajo (Yoruba), Cha (Ibo), Oha, Oja, Adashi (Hausa, Tiv), Bam (Tiv), Isusu (Ot), Utu (Ibo), Dashi (Nupe), Efe (Ibibios), Oku (Kalabari Ijawas), Mitiri, Compiri, Club (Ibo)
- » *Congo, PR*: Temo, Kitemo, Ikilemba, Kikedimba, Kikirim-bahu, Likilimba, Efongo Eambongo, Otabaka, Ekori, Otabi
- » *Senegal*: Tontine, Nath
- » *Sierra Leone*: Asusu, Esusu
- » *Somalia*: Haghad, Shaloongo, Aiuto
- » *South Africa*: Chita, Chitu, Stokfel, Stockfair, Mahodisana, Motshelo, Umangelo
- » *Sudan*: Khatta, Sanduk, Sandook Box
- » *Swaziland*: Stokfel
- » *Tanzania*: Upato, Fongongo
- » *Tchad*: Pare
- » *Togo*: Soo, Tonton, Sodzodzo, Sodyodyo, Abo
- » *Tunisia*: Noufi, Sanduk
- » *Uganda*: Chilemba, Kiremba, Upato, Kwegatta
- » *Zaire*: Ikelemba, Osassa, Bandoi, Kitemo, Kitwadi, Adashi, Tontine, Bandal
- » *Zambia*: Iciliba, Upato, Chilenba
- » *Zimbabwe*: Chilemba, Stockfair, Kutunderrera

Source: <http://www.gdrc.org/icm/rosca/rosca-names.html>

E. INDIVIDUAL LENDING PROJECTS

Pilot lending programs exist in most countries. They are setup by international or national agencies to test the efficiency and practicality of micro and small business lending. They are often oriented towards community development.

They tend to be well known in their areas of operation. The prospective group or individual borrowers should investigate any such projects in their region or sub-region. Despite sometimes having intimidating offices and/or staff (national and international) these projects often are operating precisely to provide funding for projects such as well drilling.

F. COMMERCIAL BANKS

Commercial banks have historically been the source of capital for high revenue transactions. This includes the purchase of capital equipment, guaranteeing foreign exchange transactions, lines of credit for industrial or large-scale agricultural production.

In order to access fresh capital, banks have had to attract depositors by offering financial services for consumer loans as well as financing for small and medium size enterprises. This is worth exploring for formal well drilling enterprises. The basic requirements for such an enterprise approaching a bank for this kind of loan are covered in Section VI of this manual.

Having seen the effectiveness and potential profitability of micro financing activities, commercial banks are increasingly opening micro credit windows in their banks or in areas with high concentrations of micro and small enterprises (MSE). They are organized to cost-effectively operate alongside their national networks and share administrative costs in order to keep interest and fees competitive. Ecobank in Benin and Credit Lyonnaise in Mali are good examples of large banks that are active in the micro credit field. Small well drilling business owners should investigate whether nearby banks include micro and small business windows.

Banks are also being recruited by international agencies to participate in targeting of high risk but



Hand drilled well equipped with locally made rope pump

economically important sectors. Most often, loan guarantees are made available to banks to safeguard participating banks from low loan recovery rates and high transaction costs. Originally, these loan guarantees were most appropriate for large loans. However, with newer guarantees, the mechanism can cover a particular portfolio of loans that address particular economic target areas. The USAID administered Development Credit Authority (DCA) is a good example of public-private-partnership mechanisms being better tailored to service low-end loans for under-served economic sectors.

G. NATIONAL AGRICULTURAL BANKS

Agricultural banks have generally been unsuccessful in the long term. There have been strong political influences that have often undermined the institutions. Some of the weaknesses have included: staff without adequate banking experience, policies that change

based on political agendas, and occasional efforts to target under-served sectors with subsidized loans. None of these activities contribute to a successful financial institution.

Nonetheless, if a well drilling enterprise or community customer identifies an opportunity to borrow from an agricultural bank, the terms and conditions might satisfy their immediate needs. Establishing savings accounts, on the other hand, should be considered carefully, given the highly politicized management of operations.

H. GRANTS

While there is a tendency not to provide grant monies to private sector enterprises (e.g. well drilling enterprises), communities working to improve the public health services of their people, should consider making a survey of grant giving projects in their region and international agencies in the capital city. The efforts of communities to take such initiatives are often encouraged at all levels.

In the case of such community projects, donors like the MVULA Trust discussed in the text box, will want to know how the community intends to provide maintenance and repairs of whatever is financed. Common options include a small, but regular fee from each household or a water usage fee. In all cases, all participating households must agree to a proposed plan, an individual must be nominated to manage the funds, and a reliable ledger must be established and kept up-to-date.

The MVULA Trust: *Helping Community Groups Access Safe Water*

South Africa's MVULA Trust is a national South African organization operating in 4 out of the country's 9 provinces and dedicated to improving the health and welfare of poor and disadvantaged South Africans in rural and peri-urban communities by increasing access to safe and sustainable water and sanitation services. To accomplish this, MVULA works in collaboration with the Financial Services Association, a South African cooperative, through which financial services are made available to village and community groups enabling them to invest in the right water infrastructure. Since 1993, financing has been secured to allow the completion of 126 water supply projects that are providing water to approximately 400,000 people.

Until recently Mvula required that communities make a contribution to the capital cost of a water supply project equal to 8% of the project cost. While this has been changed because of an incompatibility between the practice and local law, before communities can qualify for a grant they are still required to make an upfront contribution to an "emergency fund". The contribution is usually in the order of 5% of the capital cost.

Source: <http://www2.gtz.de/ecosan/download/mvulatrust-casestudy-southafrica.pdf>

VI. FINANCING PREREQUISITES

Financing prerequisites will be similar for many areas for well drilling enterprises and community customers seeking financing. Still, there are some distinctions between artisanal microenterprise well drillers, small and medium enterprise (SME) well drillers, and community customers seeking financing so prerequisite sections are devoted to each of these three groups as financial clients. The typical documentation required to access funding varies depending on the source of the funds but can include the provision of financial records, demonstration of repayment capacity and evidence of collateral.

Financial Records

Financial statements can include cash flow, balance sheet, and profit and loss statements. Financial institutions' flexibility with regard to financial records requirements varies. Those targeting mainly micro enterprises generally do not require balance sheets or profit and loss statements. While they are interested in the past performance of the enterprise they often rely on simple sales records to estimate profitability. Other institutions require the loan applicant to enter their financial data into a form designed by the bank. Filling in forms is less complicated for very small enterprises, eliminating the need for them to invest the time and effort into producing their own records. Still, the enterprise must already have some form of record keeping in place in order to be able to correctly provide the data.

Many financial institutions use an enterprise's bank statements, when available, as a proxy for internal record-keeping when analyzing the enterprise's financial track record. This is another reason why professional manual drillers should have bank accounts.

The strictest forms of financial records are audited accounts. In places where certain corporate forms (such as limited liability corporations) are required to maintain audited accounts, lenders will require audit reports with loan applications. Lenders will also consider the reliability of the auditor in reviewing audit reports.

The main constraint for very small enterprises is convincing lenders and banks in particular, of the reliability of their financial data. Formal bankers and banking institutions have little faith in the reliability of the financial records presented by small

or microenterprises. They verify the consistency of recordkeeping, and compare information presented by loan applicants to original records. When banks analyze bank statements they also make inquiries as to whether the applicant has debts at other banks.

Very small enterprises also often understate their sales and profits for tax purposes. Although some finance providers show a certain degree of leniency towards this practice, access to credit can be seriously hampered. An enterprise that intends to expand will need to eliminate this practice in favor of a good relationship with the prospective credit supplier.

Demonstration of Repayment Capacity

The second constraint for small or microenterprises in accessing credit is the lenders' skepticism of an enterprise's repayment capacity/and financial rigor. Generally, very small enterprises have difficulty convincing a lender, especially if it is a commercial bank, of their ability to repay loans.

Repayment capacity stems from the cash flow of the enterprise after receiving the loan. If the borrower applies for working capital or a fixed investment, the returns are difficult to determine and the analysis of the lender is complex.

Lenders' requirements for demonstrating repayment capacity vary and thus challenge the very small enterprises' ability to respond appropriately to several different lenders.

The strictest means of demonstrating repayment capacity is a formally written business plan including cash flow projections. Not many drilling enterprises are able to meet this requirement. Many banks complain that small enterprises submit business plans that look sophisticated (as they are developed by outside consultants), but the enterprises are unable to understand or implement the plans.

A more flexible way of analyzing repayment capacity is to conduct interviews with the owner/manager of the enterprises. The lender also might conduct a site visit in order to understand the business model.

The main factors considered by the lender include the personality of the owner or manager of the enterprise, the marketability of its service, the reliability of its supplies and the profit margin. These factors are not

only relevant for accessing finance, but they are the basis for business success. If the business model of an enterprise is not viable, the financier is justified in denying credit. In most cases for manual drillers, however, limited access to finance is not because of unsound business models, but rather because of the inability of the drilling enterprise to explain their business model clearly to the banks.

Collateral

The third constraint for well drilling enterprises in accessing credit is often linked to lenders' collateral requirements. Enterprises often do not have assets that qualify as collateral for a loan and lenders' requirements for collateral vary. MFIs often have group facilities in which group members guarantee one another's loans; there are no collateral requirements for this type of loan, since the borrower's ability to pay is monitored by his/her peers. However, participation in a group poses certain constraints on an enterprise, and there is also the risk of having to cover defaults for the other members' loans.

Borrowers can sometimes use contracts or purchase orders as collateral, but usually this is only possible if the loan finances a single transaction (such as the purchase of well-casing in advance of a multi-well project). In this case a third party, the buyer of the driller's wells, enters into the transaction. The enterprise has to present documentation of the buyer's order (contract, purchase order), and the bank creates an agreement with the buyer that his payments will go jointly to the enterprise and the bank.

Personal guarantors can help borrowers overcome the lack of valuable assets for collateral. The acceptance of personal guarantors as a security depends on the guarantor's proven net worth. The person's near cash properties must be sufficient to cover the loan sum. In addition, it must be plausible that the guarantor would pay on behalf of the applicant in case of default. In some cases, the manager/owner of the enterprise may act as a personal guarantor. Still, banks accept personal guarantors only if they are very convinced of the viability of the investment.

Equipment or other moveable assets of the enterprise or its owner can also be used as collateral. This can be a very flexible option for a drilling enterprise as the range of items extends – depending on the loan volume – from office equipment, pumps and generators to vehicles or machinery. Again, the constraints imposed vary depending on the lender. A commercial bank, for example, requires insurance for the pledged

item, especially for vehicles, to ensure that the value is guaranteed even in case of an accident. Furthermore, some lenders, especially commercial banks, reject moveable assets as securities, simply because they can literally be moved out of reach and become inaccessible for the bank in case of default.

Mortgages of landed property can be used to secure larger loans. In theory mortgages are a good security. In practice, however, some lenders particularly commercial banks are reluctant to accept mortgages because establishing the value and marketability of the property can be difficult and there are legal constraints to realizing the value of the mortgage. In case of default, the bank cannot directly sell the property but it must go through a legal process to obtain this right.

The preferred option for most lenders that require collateral/securities is "near cash securities" such as fixed deposits. For smaller loans, some institutions accept savings far below the loan value as a security. In most cases, however, the banks demand securities of at least 100% of the loan value. This makes sense for a short term loan if the enterprise does not want to disinvest a long term investment. In many other cases the availability of near cash securities implies that the enterprise would better off if it sells these instead of taking a loan and paying interest.

The determining factors for security requirements by the banks, apart from the loan amount, are the relationship with the applicant and the degree of trust in his/her repayment capacity. For a drilling enterprise the form of security it can provide depends very much on the individual situation. Those who cannot provide any material assets need to build a relationship either with a group or with somebody who qualifies as a personal guarantor.

The following analysis discusses, by financial client type what artisanal micro well drilling enterprises, small and medium enterprises (SMEs) or community customers (individuals and groups) can do to better position themselves to access the financing needed.

A. ARTISANAL MICROENTERPRISE WELL DRILLING ENTERPRISES

Well drilling enterprises must maintain adequate business records and have an organized program for a future business period of one year. The issue of records is often considered to be an insurmountable barrier for microenterprises. If some basic guidelines are respected, these enterprises can meet the criteria.

An important note when establishing financial documents for the microenterprise is that the time and labor of the entrepreneur as well as that of family members assisting with the enterprise have a cost, even if their contribution is considered to be a normal responsibility within an extended family. In order to evaluate the profitability of the enterprise, cost estimates for such labor must be included in order to safely manage the activity.

1. Integrity/Professional References

The microenterprise owner/manager should be able to provide evidence of his/her creditworthiness that are directly (or sometimes indirectly) verifiable. In a rural context, the reputation of an individual is often well known by community leaders of the relevant ethnic or tribal groups. A message of support from such a leader is often considered significant because these leaders are usually careful to maintain their credibility as arbiters of community behavior and mores. In a more urban environment, while there will still be neighborhood group leaders, well-known business people or religious leaders can provide significant references to a lender or investor.

The two most important references would be former clients and former lenders/investors. Former clients can attest to the microenterprise owner/manager honoring the terms of an agreement. This should include on-time and under-budget factors. An individual who can demonstrate the ability to fulfill obligations in what are often unpredictable conditions a priori represents a more reliable credit risk.

Former lenders/investors can also attest (or not) to the ability of the microenterprise owner/manager to understand and respect the often somewhat resented obligations of loan repayment. These references will also be most accessible to new lenders or investors, and often most respected as colleagues.

Table 5 provides a sample format for listing references. It is intended to demonstrate that the entrepreneur should

Table 5: Sample References

Name & contact	Relationship	Nature of the Reference [letter, telephone]

have an information file that includes a neatly typed or hand-written and professional-looking document to satisfy potential partners and/or investors.

2. Certification/Professional history

Currently hand-drilling or simple mechanical drilling of wells does not generally require technical certification in most developing economies, although this is changing. Well drillers who have successfully completed certification courses should provide evidence of this training. Most lenders or potential investors must rely on either on-site verification of general business acumen or specific technical business history to determine the debt or profit capacity of microenterprise owner(s).

Customarily, community (urban, peri-urban and rural) microenterprise owner(s) have relied on their locally demonstrable practical technical experience and reputation to promote their services. In other cases, new business owners have hoped to exploit technical or academic qualifications to start up their businesses and to assure their clients of effective business management and their ability to deliver on their promises.

Microenterprise owners must substantiate their personal character and integrity by providing credible references from community and business sources. These references can be from former clients, former creditors or investors, business associates, community or religious leaders.

From a lender/investor perspective, the ultimate test is credibility. Which clients are best positioned to reimburse a loan, or to provide a mid-term return on investment?

B. SMALL AND MEDIUM ENTERPRISE WELL DRILLING

Small and medium enterprises (SMEs) will often have larger credit needs and may have to meet more stringent requirements when applying for a loan. These requirements will need to be met whether the entrepreneurs require capital for a start-up operation, need other investors (equity financing), want to borrow (debt financing), or a mixture of both.

1. Market Demand: Marketing & Sales

While many SME's function on the basis of opportunistic, word of mouth, marketing, access to investment or working capital for well drilling will require the establishment of a systematic program for finding new contracts over time.

Marketing of services requires a sustained effort as well as diversity of target opportunities. Waiting to finish one contract before searching for the next will inevitably lead to periods without work and without income. The SME owner is obliged to take on the role of salesperson as well as job supervisor. Given that owners will have the most incentive and flexibility in scheduling the provision of services, the marketing and sales function most often falls naturally to them.

Marketing refers to making a business or service familiar to persons, agencies or businesses that may be interested in using a product or service. A *sale* refers to the commitment on the part of venter and client to implement a specific transaction.

SME owners must present plausible explanations for sales assumptions, based on past experience of their enterprise or other, similar, enterprises. These might focus on geographic issues (areas with favorable drilling conditions), public health issues (high incidence of waterborne diseases), or other broad demand for water provision (increasing awareness by communities). In addition to traditional real consumer demand, entrepreneurs must consider national, bilateral and multilateral donor initiatives to bring improved water sources to the country's population.

Documenting the basis of sales and income assumptions becomes one of the pillars of small and medium enterprise financing. The owner/manager of the SME is obliged to include broadening his/her marketing network to include possible partners beyond the immediate radius of traditional clientele.

From an investor/lender perspective, there must be a reasonable expectation of profitable activities for a future period that covers repayment of debt financing or reasonable return to any equity investor.

The marketing/sales initiative in many instances is the business component that receives the least attention despite being the most critical. Accessing investment or lending requires an assertive, proactive and sustained effort to demonstrate to partners/lenders that the enterprise is managed with a strong commitment to long-term profit.

There is no fixed formula for assessing real demand (that will result in increased business). Each entrepreneur must evaluate opportunities on the basis of on-site conditions and his/her commercial skill and market experience.

2. Geographic Spread

'Local' well drilling enterprises may usefully assess the sustainable demand for their services on the basis of word-of-mouth reputation by former clients. This process has served numerous entrepreneurs for many, many years.

However, unlike initiatives that service only one household at a time, water provision may serve a group of clients located in the same area. This can reduce the real demand in a given community significantly.

How does a well drilling enterprise identify new markets beyond well-known communities? As the primary marketing/sales person, the well driller SME owner is obliged to contact equipment merchants as well as leaders of community/ethnic groups concerning water supply needs.

Most significantly, it is critical for well drilling enterprises to take the initiative to learn what public health or agricultural projects are being financed through the national or regional government. This will involve establishing relationships with decision-makers within appropriate government agencies.

Well drilling enterprises must also learn about internationally funded projects that might require the water-provider's services. While each country will have its own set of bilateral and multilateral donors, knowledge of such projects are quickly spread and will lead the entrepreneur to the appropriate site.

Other institutions that can provide information and business leads are the Chamber of Commerce and the national headquarters of international NGO's.

The well drilling enterprises should not overlook organizations such as the Rotary Club, the Lion's Club, etc. which periodically raise funds to finance community projects, of which water provision is a favorite.

3. Financials

A practical lender or investor will require an income map showing the SME's past performance as well as expectations of future income with justification for these projections. These projections can range from a series of signed contracts (the best option) to declarations of intent and estimates of future income based on historical data.

a. Business Plan Components

Realistic market/sales projections are the first critical component of a basic business plan designed to confirm profitability and measure actual results against projections.

Misconceptions about business plans: Business plans for micro, small and even medium enterprises are NOT lengthy, complex, documents requiring the input of outside "experts". If the data is not understood by the entrepreneur, the benefits of the plan are lost.

The various financials should depict, numerically, the expected financial results over time. Attached is a simplified business plan template (Annex I). Business plans are dynamic guidelines that need to be reviewed and updated on a regular basis, usually dictated by a full cycle of primary business activity. For well drilling, this might be on a quarterly basis.

When a financing institution reviews the business plan, they will ask questions about the various components to determine whether the projections are realistic and achievable based on past performance and current market conditions.

b. Accurate Cost Information

This is the second fundamental item. Both hand drilling and fully or partially mechanized drilling activities encounter the problem of determining real costs and subsequently establishing and successfully defending a pricing policy. The needed information includes both fixed (rent, electricity) and variable (fuel, labor) costs. An entrepreneur must anticipate the realistic costs of operations in order to manage the enterprise.

Note that in developing country economies; most consumers will be well-versed in barter and 'last price' trading. Clients are also most familiar with the fuzzy nature of labor costs and expect extreme reductions on that basis given universally high unemployment and underemployment in both urban and rural environments. This has resulted in below-cost pricing, too low wages, and the frequent turnover in trained staff who leave the business to start out on their own, thus repeating the cycle. From an investment/lender point of view, high turnover and on-the-spot pricing make well-drilling SME's unattractive as a business partner or borrower. Even for the rural client, if there is no differentiation between well drillers in terms of quality or timeliness, the next well contract will go to the lowest bidder, unless the SME can provide evidence of superior quality or reliability.

Demonstrating a thorough knowledge of a real, reasonable, cost structure is the first litmus test for potential investors/lenders.

c. Cash Flow Projections

Basic SME cash-flow projections provide a graphic, numeric, view of monthly sources and uses of cash. They are particularly useful when reconciling fixed costs such as salaries with more irregular revenue input such as payments made on the basis of achieving operational milestones, or intermediate/final work inspections. Without a positive cash flow at the end of well-defined periods (often monthly), the entrepreneur needs to prepare to identify funding that bridges the periods with little or no revenue.

Identifying such low income periods allows the entrepreneur to budget his expenses and program his contracts. The cash-flow projection is a primary tool in the hands of a good manager. Keeping records of past annual or seasonal activities also makes the entrepreneur a better candidate for investors or lenders. Being able to plan ahead is a primary factor in attracting capital for an enterprise.

A simple cash-flow form is included as Annex I and provides the information necessary to anticipate cash flow irregularities and make provisions for them. Although the form is largely self-explanatory, some additional issues are worth noting:

- » Always be realistic and practical when calculating costs and income. The cash-flow document is intended to be used as a management tool by the entrepreneur, and never intended to impress friends, family.

- » When using a simple business plan or cash flow document to generate additional financing, the serious entrepreneur will recognize that a loan or equity obligation is **DEBT**. It is a burden on the entrepreneur and the enterprise, and should only be accessed when the financial information justifies the obligation and will strengthen the overall enterprise.

- » A general ledger – this must be supervised by the entrepreneur, even if a hired bookkeeper is making the entries. Once again, the emphasis is not on sophisticated techniques, but rather on the information being up-to-date and complete. Countries differ somewhat in generally accepted accounting procedures. Whatever the financing institutions commonly use should be used by the entrepreneur.

d. Cost/Benefit Analysis and Balance Sheets

These are both common financial tools. They are documents that have utility after a full business cycle, whether it is a well drilling season or calendar year. However, they will only become significant after the business plan and cash-flow projections have become part of the entrepreneur's normal operations.

Much more significant from the perspective of the good manager and potential partners or creditors, are good accounting records. "Good" in this context does NOT mean sophisticated. "Good" means complete, up-to-date, and verifiable.

There is a tendency in the SME's of developing economies to consider complete accounting records as an invitation to being over-taxed by the government or making the entrepreneur vulnerable to the loss of sensitive business information. Despite conventional wisdom, the keeping of complete written accounts is fundamental to good enterprise management.

Partners for either equity or debt financing will demand complete accounting supported by verifiable documentation. In larger or multi-site enterprises, the entrepreneur should separate the functions of keeping accounting records; and daily in-house petty-cash and receipt keeping. Contracts, receipts, invoices and other correspondence must be kept and filed for audit and review. Investors or lenders will want to see that what are, in part, their funds are managed competently.

The "books" [ledgers] should include:

- » A cash book – recording cash transactions on a daily basis. This can be updated and maintained by an employee or family member.
- » A petty cash box and book – recording the chits and cash equaling the petty cash ceiling. The petty cash is reconciled AT LEAST once per week when the ledger is closed. The petty cash box should have a clear set of uses, such as fuel. The entrepreneur should demonstrate discipline in the use of the petty cash for the staff and for himself.

4. Technology

Whether the SME provides hand-drilled or mechanized services there will be 'technological' changes relevant to services rendered. Some examples include improved quality hand tools, upgraded auger bits, or simply the best means to protect the integrity of a well. GPS and hydro-geology advances may also have the capacity of making the well drilling process more efficient, more effective and less costly.

Using the same technology for other applications provides additional market opportunities for the entrepreneur. Low cost wells can be used both for drinking water and for irrigation. While this document is primarily concerned with wells for drinking water supply there is scope in some places for the same entrepreneurs to drill wells for irrigation. Irrigation wells require more permeable aquifers but the costs of casing and well protection can be reduced, lowering the overall cost of the wells, especially for small scale horticultural operations.

With a reasonable business history, the water-providing MSE's must consider the value of improved technology in terms of more business or more efficient execution. In fact, the up-grading of equipment demonstrates a professional and long-term vision that is attractive to investors or lenders.

Lower costs mean that SME's can play a significant role in increasing agricultural output and enabling farmers to move from subsistence to income generation. The additional cost of upgrading from a traditional well to a hand drilled well may become justified as farmers increasingly use intensive farming techniques and focus more on cash crops. Other rural businesses requiring reliable water supply are also potential clients, food processors, ice plants for fisheries, restaurants, beer brewers, and hotels.

5. Technical/Management Skills

These two different but related skills also require verifiable evidence of professional competence. Different communities throughout the world evaluate and have different expectations in the areas of professional training for trades such as well drilling.

There is an associated responsibility of contract/work scheduling and planning. It may be that a sudden immediate demand to take on several jobs is tempting in terms of short-term income and client satisfaction. However, the SME owner(s) must program the work over time to provide quality control, to avoid building up staff or inventory without certainty of sustained demand, and to provide a stable work environment for qualified and productive staff.

Both clients and lenders/investors will require practical evidence of the capacity of the SME owner/operator to manage the business and to ensure that operations are undertaken in a professional and effective manner.

C. COMMUNITY CUSTOMERS (GROUPS AND INDIVIDUALS)

As referenced earlier, community customers need clear evidence of disciplined record-keeping to qualify for loans. Local reputation and savings account collateral tend to provide adequate guarantee for non revenue-generating loans. Communities also need to:

- » clearly articulate the need and the cost;
- » demonstrate strong and clearly structured relationships between them, the private contractors that will be engaged to perform the work, and support organizations such as NGOs that will assist them with any necessary water management training and advice;
- » set up a water committee or equivalent body that can manage the process of gaining access to an improved water source;
- » in the event that the community is expanding the water supply capacity in the village, evidence that the existing water points are well managed would certainly be viewed favorably by a lender;
- » have a demonstrable plan for collecting payment for the systems and an adequate level of fees to allow for system maintenance and repairs;
- » be prepared to make a contribution to support the work to be done; and

- » have the capacity to identify guarantors as needed.

1. Who is the client?

In Africa, there has been a response to national and international pressure to de-centralize the organization of rural communities. Increasingly, regulations have been established that organize rural communities into identifiable groups with local priorities and objectives. Non-structured groups have the fewest opportunities to access credit on market-based criteria. State-sanctioned groups present the best targets for financial support.

2. Types of loans

Rural communities operate on the basis of agricultural calendars. Community cash-flows reflect these calendars. Borrowing should also be based on community income periods.

a. Short-term loans

This is the optimal loan structure. While interest rates tend to be the highest (2% to 3% per month), the management responsibility is the least burdensome on the borrower. This is particularly true for non-revenue generating projects. Loans may be taken prior to harvest, and repaid from post-harvest sales. The village will have not only cleared an onerous debt obligation, but will have demonstrated its capacity to act collectively as a credit-worthy unit for future operations. What remains is the maintenance responsibility, discussed later.

b. Mid-to-long-term loans

While this alleviates the short-term loan servicing burden, it increases the management burden on a socially-based community structure. Any obligation that goes beyond the current planting/harvesting/sales cycle will invariably lead to disagreements as to reimbursement schedules based on variations in weather, the presence or absence of crop predators (birds, insects), controlled crop prices, and the many other constraints on agricultural production.

3. How to secure a loan without assets

Rural communities have few assets. Land ownership is, in fact, most often land tenancy. Even when this is not the case, using property for collateral in developing economies is a practice that is counter-productive. The assets that exist might be a produce-shipping vehicle, or farming equipment. The potential for depriving the

owner (and therefore, the community) of these assets would suggest that using these as collateral would represent an unreasonable risk.

Lending institutions are uneasy with the financial decisions taken on an ad hoc basis by rural people. However, whenever there is technical back-up and monitoring, these concerns are alleviated. Communities soliciting financing for water provision should associate themselves with an organization, such as an NGO, that can provide monitoring of the work being done, the quality of the work done, and the on-going management of the project by the community. This mirrors the system used in many European countries of having inspectors review work being done on major projects to ensure compliance to agreed-upon standards.

4. Financing well maintenance

The costs associated with maintaining a community water source are not easily allocated, nor are the sanctions realistic. In most of Africa, depriving someone of water under any circumstances is unconscionable, regardless of a previous promise of payment. This is particularly true given the uneven (over time) maintenance expenses, and the concern among contributors about how their funds are being managed between repairs.

Water management, like other community concerns, needs to be assumed by community leaders who regularly meet to discuss and resolve issues concerning that particular community. What is different, is that these leaders must formally accept the responsibility of financing any repairs or updates required for the full utilization of the newly acquired well.

Attempts to formalize family “fees” or obligations outside of this structure will be, at best, short-lived. If the community leaders commit themselves, preferably in writing, to follow the maintenance advice of assigned technical people, maintenance can be assured.

If the maintenance schedule is not respected, it would be worthwhile to determine why. Is the time spent by women to find water elsewhere considered without value? Has the value of fresh water in a convenient location not been seen as particularly beneficial to the community as a whole? Are there land or utilization issues that have not been addressed at the outset? Does the well satisfy all community expectations?

While gathering feedback of this type may be time consuming at the outset, it will more than justify the effort in the long term. Each region (a sub-set of each country) will have its own specificity and operational requirements.

Financing Water at a Community Level

In Togo, the microfinance market for the water sector started in 2001. Six years later in 2007, the market involves five private drilling companies, six MFIs, several NGOs, Togo’s Centre Régional pour l’eau Potable et l’assainissement à faible coût, and the water ministry. Communities apply to one of the MFIs for a loan to construct water points and are approved if the application is supported (guaranteed) by two people who already hold accounts with the MFI. Upon approval the entrepreneur completes the work in installments paid by the MFI with community/household approval. The MFI is repaid for the full amount borrowed in addition to interest and fees.

Source: Microfinance for Water, Sanitation and Hygiene: An Introduction, NWP and IRC, October 2007

VII. FINANCIAL AGREEMENTS

If all the preparations have been successful, the final phase is to finalize an agreement between the well drilling enterprise or the community customer, and the financial institution. The most common forms of agreement are described below, but they share certain characteristics.

These agreements are binding. That is, both parties have obligations, and there are negative consequences to failing to fulfill these obligations. If the borrower fails to meet his/her obligations, there might be social embarrassment, visits from local authorities, or even loss of property. This is why it is so important to carefully evaluate how much financing is required and to know how financial obligations will be met.

A. LOAN AGREEMENT

Early in the negotiation, the lending institution should review its loan security (collateral) requirements. In the standard collateral scenario, the lending institution has a lien or claim on a piece of property or vehicle or other item that can be sold by the institution to make good on the outstanding amount of the loan.

Other options may include a person to act as guarantor. This person agrees as part of your loan contract to reimburse the lending institution if you are unable to do so. Most often this is done by allowing the lending institution to subtract some agreed-upon amount of the guarantor's salary directly at his/her employer.

A standard loan agreement will identify each party (lender and borrower), specify the amount of the loan, specify the 'term' or duration of the loan, and specify the interest amount to be paid over the 'term' or life of the loan.

In addition, the way that the loan interest is calculated should be clearly stated. That is, is the interest expressed as an "APR" or annual percentage rate? On some micro loans, the interest is based on monthly rates. If this is the case, what are those rates? There are many ways to calculate interest rates, and even if you don't challenge their procedures, the loan agreement should specify the method.

You should also be informed about additional fees that are standard for such transactions. Find out about the fees before signing the agreement, and make sure that all requirements are specified on the contract. It is important to learn about any penalties or other

obligations that may not be evident from preliminary discussions.

B. LINE OF CREDIT

For larger enterprises, there is a possibility of opening a special 'line of credit' with a bank or other financial operator. With sufficient collateral/security, this system makes available a pre-determined amount of capital to address a series of costs representing phases of a project over the life of that project. To use a house building example, the first cost might be putting in the foundation, the next raising the walls and ceiling, etc., until the house is finished.

Of particular utility to the borrower, only the part of the loan withdrawn is charged interest. Nonetheless, a cash flow projection should be made keeping the various phases in mind in order to calculate the maximum monthly repayment in comparison to income.

Other than a more flexible disbursement program, the line of credit is still a loan, and guidelines concerning the 'Loan Agreement' (above) should be applied.

C. GRANT AGREEMENT

The focus here is normally on community groups. Although a grant does not have a repayment schedule, there are significant obligations on the part of the grantee.

- » All expenses must be justified by receipts. This includes all labor, materials, transportation, fuel, etc. These receipts must be available to donor representatives during visits, and submitted once the project is concluded.
- » The donor generally requires regular reports on the progress of the project, and will probably visit the site of the project during the project and at its conclusion

D. INVESTMENT AGREEMENT

A particularly promising well drilling enterprise might attract the interest of equity investors. The entrepreneur must consider the advantages and disadvantages of such an arrangement very carefully. In discussions with the potential equity investor, the entrepreneur must

present income projections, and how this investment will improve enterprise profits.

Equity investors have a variety of interests in the enterprise. In some cases, the partial ownership of the enterprise is fundamentally about protecting invested capital with a buy-back provision. Thus, the entrepreneur can pay back the invested capital with a percentage of the enterprise profits, and regain complete ownership. From the investor point of view, s/he expects to gain more from a percentage of profits than from another interest-bearing activity. If the enterprise fails, the investor expects to get all his/her money back with a profit from the sale of equipment.

Other equity investors expect to become active participants in the management of the enterprise. Often they bring management experience, access to additional financing, as well as access to new markets. However, in this case the investor will assume a significant management role in enterprise operations.

The equity investment agreement must be very carefully written. The rights and responsibilities of all parties must be detailed. Since most of our target enterprises

do not have ownership certificates (stocks), how much authority and asset ownership does the investor have? Can the original entrepreneur share management authority.

If there is a buy-back contingency, how is it triggered? How do the co-owners determine what must be liquidated to reimburse the investor? Are there events (such as completing contracts signed before the investment) that need clarification?



Satisfied customers are a good reference for the well driller

VIII. CONCLUSIONS & CLOSING ADVICE

Financing options for well drilling enterprises and community customers do exist. Commercial, cooperative and traditional (a.k.a. informal), structures are available in most countries. A thorough review of available options is crucial to finding the most appropriate financing mechanism. It is a financial mistake to select the first available opportunity without having information about the overall market. Professional well drilling enterprise experiences and community customers from countries throughout Africa have learned that:

- » There are more financial options available than generally recognized.
- » Well drilling can be a viable economic process for both the enterprises and the community customers.
- » Planning and management are critical for both well drilling enterprise and community client.
- » Financing for well drilling is not an impossibly complicated process, but requires planning and management over time.

Some closing advice for both community customers and the well drilling enterprises provides a reality check for the investment and potential risk that needs to be understood. But also hope and promise that if well drilling and maintenance are done properly, long-term benefits to communities throughout Africa can ensure access to safe drinking water, installed and maintained through local professional enterprises and community water management structures.

COMMUNITY CUSTOMERS

Exploring financing options may seem a daunting task for isolated rural communities. However, due to the rise in urban migration, most communities have access to information about what is available in the regional or national capitals through relatives or friends. Even if getting that information requires sending a representative to the nearest urban center, understanding the options is important for the specific well-digging operation as well as for similar community activities in the future.

It is important to note that for the communities, accessing financing is only the first part of an often challenging process. Except for financing through grants or through projects in return for particular behaviors, financing the well-digging creates a debt burden on the community.

The most obvious solution is a 'pay as you go' fee on utilization of the new well. While this has worked in tight-knit communities, it requires good management and good will on the part of the fee-payers and fee collectors. Community agreements must be established in advance of the financing commitment. It is not easy to designate the regulators. In many cultures, refusing water to anyone because they haven't opted for the fee agreement is difficult. Determining fees may be based on regulated usage, family size, status within the community or any other criteria established by the concerned group.

A second option is cost-sharing. In Madagascar, the concept is designated as "bringing your share of the bricks" for community initiatives. To the extent that rural communities apply some part of their agricultural production (crops, livestock, fishing) to cash generation, future cash receipts can be pledged to payment of the well digging process in advance of actual installation. This commitment can serve as the basis for the initial financing and in no way precludes 'fee for use' solutions.

However, it commits pledged community members to monitoring well use and ensuring on-time and sufficient payments to whatever financing agency is involved. If well-use income becomes problematic, payments will be paid from seasonal sales of agricultural production.

While if this payment methodology changes the shape of the reimbursement schedule (equal payments over time versus 'lumpy' payments following agricultural calendars) if relied upon, it provides a guarantee of payments regardless of well income management.

WELL DRILLER ENTERPRISES

As outlined in the manual, well driller enterprises have a wide diversity of profiles. They can be very basic manual labor operations, or far more sophisticated (in terms of management, equipment and business planning) operations with very different financing needs.

A contract labor enterprise (available for any variety of activities) will rarely need formal credit services given the informal nature of its management's obligations towards its workers and its reliance on easily available hand tools (low fixed costs). The reputation for repayment of the owner/operator will make available

limited credit by suppliers for low-cost tools and basic equipment. Clients will make partial up-front cash payments for work to be done. If the entrepreneur can't make day-labor payments for a particular contract, it is not likely that the enterprise can hope to access other credit sources.

On the other hand, if informal or registered enterprises begin to accumulate formal contracts for well-digging work, they must establish a structured system of management, particularly if their activities expand beyond local operations.

While debt financing (loans) may seem attractive to growing businesses, it creates a debt burden on the enterprise that can lead to business failure if not properly planned and managed. Nonetheless, structured well-digging enterprises are an important component to a systematic expansion of accessible water supply in developing economies.

The basic elements of this manual include guidelines for the creation and management of well-digging enterprises. Gaining access to financing is only the first part of the equation. Financial planning such that loan repayments are made on a timely and regular basis is the foundation for a successful enterprise.

ANNEX 1: BUSINESS PLAN TEMPLATE

COVER SHEET

This page should include your company name, contact information, company logo, company trademark and your copyright notice.

TABLE OF CONTENTS

Should be one page and it should give details of the content of your business plan.

EXECUTIVE SUMMARY

This is summing up the purpose or a brief statement or account covering the substance or main points of your business. One page.

What type of business is it?

What is your product or service?

What is your business history?

MARKETING PLAN

This is how you plan to market your business. You will need to explain:

How will your company differ from your competitors?

Who your customers are?

Who is your market?

How long will this market need your product?

What are the characteristics of your average customer?

What are the environmental factors of your business?

Who is your competition?

What competitive advantage do you have over your competitors?

What is the best way you plan to sell your product or service?

How will you sell your product or service?

How will you promote and market your product or service?

PRODUCT OR SERVICES

This is a description of your actual product line and also the benefits of the product line.

OPERATIONS

This is how you plan to actually run the day-to-day operations, bills and customer service of your business.

Who are the employees of your business?

What are their credentials?

How does the business make money?

How do you price your product or service?

Describe what inventory, raw materials and supplies the business uses.

List your supplies and supplier.

How easy or difficult is it to obtain supplies?

Are their prices steady and dependable?

INFORMATION ON YOUR BUSINESS

This is general information about your business formation.

What is your form (sole proprietorship, partnership, other)?

State all of your business licenses.

Describe any other laws and regulations that affect your business.

FINANCIAL PLAN

This is how and where you plan to get money to get your business started and running.

How will you finance your business?

How will you manage your finances?

Describe what needs to be financed.

Where will your finances come from?

FINANCIAL STATEMENT

This is a financial report that includes:

Balance sheet

Income statement

Debt Schedule

This should be included for new and existing businesses, project the following financial statement for the next three years (monthly for the 1st year, annually for 2nd and the 3rd).

Operating (Or Income) Statement

This should include an explanation of sales, expenses and profits.

Balance Sheet

Cash Flow with Explanation

APPENDICES

Include testimonials from present and potential customers research clips miscellaneous charts ad graph.

Your Business Plan should convey your businesses over all goals. It should be written in a manner to help your business succeed today, tomorrow and in the far future.

ANNEX 2: INCOME STATEMENTS

INCOME STATEMENT TEMPLATE

Income Statement For the Month Ended_____	
Revenue	
Commissions Earned	
Sales	
Total Revenue	
Expenses	
Equipment Rental Expenses	
Wages Expenses	
Utility Expenses	
Loan repayment	
Total Expenses	
Profits/Loss	
Tax Owed	
Net Income	

SAMPLE INCOME STATEMENT

Income Statement For the Month Ended_____	
Revenue	
Commissions Earned	\$3,500
Expenses	
Equipment Rental Expenses	\$1,000
Wages Expenses	\$400
Utility Expenses	\$300
Total Expenses	\$1,700
Net Income	\$1,800

ANNEX 3: BALANCE SHEET TEMPLATE

Balance Sheet Template For the Month Ended _____			
<i>Assets</i>		<i>Liabilities</i>	
Current Assets (Cash)	\$ _____	Current Liabilities	\$ _____
Petty Cash	\$ _____	Accounts Payable	\$ _____
Accounts Receivable	\$ _____	Notes Payable	\$ _____
Inventory	\$ _____	Interest	\$ _____
Short Term Investments	\$ _____	Taxes Payable	\$ _____
Prepaid Expenses	\$ _____	Income Taxes	\$ _____
Fixed Assets (Land)	\$ _____	Property Tax	\$ _____
Equipment	\$ _____	Payroll Accrual	\$ _____
Automobile / Vehicle	\$ _____	Long Term Liabilities	\$ _____
Other Asset 1	\$ _____	Notes Payable	\$ _____
Other Asset 2	\$ _____	Net Worth (Owner Equity)	\$ _____
Other Asset 3	\$ _____	Proprietorship or Partnership	\$ _____
Other Asset 4	\$ _____	Retained Earnings	\$ _____
Other Asset 5	\$ _____	Total Net Worth	\$ _____
Total Assets	\$ _____	Total Liabilities	\$ _____

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