



International
Labour
Organization

Start.COOP

A STEP-BY-STEP TOOL
TO START-UP A COOPERATIVE

TRAINING GUIDE



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Start.COOP training guide has been developed as a low-cost, easy to use training guide for those interested in starting and launching a cooperative in a participatory and efficient manner. It draws on technical content from existing materials in different ILO cooperative training tools and peer-to-peer, activity based learning methodology from the ILO's Community-Based Enterprise Development (C-BED) programme. The Start.COOP training guide has been divided into four modules that correspond to each phase of the cooperative formation process to give you time to reflect on the importance of what you are doing at a given time and to see how it fits into the big picture. The focus of the Start.COOP modules is on the decisions to be made at each step with a view to increasing chances of success.

At the end of the training you will be able to:

- Identify the core members of your cooperative
- Define your business idea
- Research the feasibility of your business idea
- Prepare your business plan
- Decide on the organizational set-up of your cooperative

To learn more about the ILO's work on cooperatives visit www.ilo.org/coop or e-mail: coop@ilo.org

To learn more about the ILO's peer-to-peer, activity based learning methodology visit: www.cb-tools.org

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MESSAGE TO THE GROUP

Starting a cooperative is like setting up any business, but what makes a cooperative different from other business models is that it is shaped through collective effort and group decision-making as well as a set of cooperative principles that help to guide the business. The Start.COOP modules will walk you through the process of starting and launching a cooperative in a participatory and efficient manner. Module 1 helps you in identifying the core members and the business idea, Module 2 looks into the feasibility of your business idea, Module 3 assists you in preparing the business plan and Module 4 provides guidance on the organizational set-up of your cooperative.

Throughout the Start.COOP training, you will be playing the role of potential owner-members or the core group who will be leading the set-up of the cooperative. You will carry out the exercises based on the business idea you will define in Module 1. In many cases, the outputs in the various exercises form the basis or inputs for the activities in the next modules. As you go through the exercises or activities, try to think and act as the potential owner-members. It is highly recommended that all individuals who may be involved in the actual set-up of your cooperative undergo the Start.COOP training.

The style of this training is different from traditional approaches. You will work together as a team to follow the simple step-by-step instructions for discussions and activities in this training guide. A facilitator will be around to assist with any questions on the training content and exercises. Because there is no group leader, all group members should take a turn reading the information and instructions out loud to the group, and all group members share responsibility for monitoring time. In this new style of training, you will learn from each other by sharing ideas and opinions, skills, knowledge and experience. For this to work, all group members must participate in discussions.

Before and after the training, you will be asked to complete a knowledge survey to help understand the impact of the training. This information will be kept confidential and will be used to improve the training materials and organization of future programmes. It will also be helpful for identifying other training on cooperatives that can be subsequently introduced to participants. Some participants may also be contacted by the training organizers in the future after 3, 6 or 12 months after the training for another survey to learn about the implementation of their action plans.

CONTENT

MODULE 1 Identifying Core Members and Business Idea

Start.COOP Modules	1
MESSAGE TO THE GROUP	2
Follow the Signs	3
Getting Started	4
Learning Process	4
SESSION 1:	
FINDING THE RIGHT PEOPLE TO START THE COOPERATIVE WITH	5
Activity 1A: Building on your differences and similarities	5
Activity 1B: Competencies and qualities needed during the formation stage	8
SESSION 2:	
DEFINING THE BUSINESS IDEA	10
Activity 2A: Identifying a common need	10
Activity 2B: Identifying root causes and effects	15
Activity 2C: Defining the business idea	18

MODULE 2 Researching the Feasibility of the Business Idea

Start.COOP Modules	24
MESSAGE TO THE GROUP	25
Follow the Signs	26
Getting Started	27
Learning Process	28
SESSION 1:	
RESEARCHING YOUR POTENTIAL MEMBERS	29
Activity 1A: How many members are expected to join?	29
Activity 1B: How much are members willing to invest in the cooperative?	31
Activity 1C: What is the anticipated business volume from the members?	32
SESSION 2:	
CONDUCTING A MARKET ANALYSIS	34
Activity 2A: Who are your target customers?	34
Activity 2B: Assessing your target customers or market	39
Activity 2C: Assessing your competitors	42
Activity 2D: Understanding price trends	45
SESSION 3:	
ASSESSING TECHNICAL FEASIBILITY OF YOUR BUSINESS IDEA	50
Activity 3A: Mapping the activities and resources needed to produce the product or service	50
SESSION 4:	
ASSESSING FINANCIAL FEASIBILITY	58
Activity 4A: Calculating start-up costs	58
Activity 4B: Assessing price competitiveness and profitability	66
SESSION 5:	
SHOULD YOU PURSUE THIS BUSINESS?	69
Activity 5A: Business feasibility assessment checklist	69
SESSION 6:	
ACTION PLANNING	71
Activity 6A: Review of activities from group formation to feasibility assessment .	71
Activity 6B: Preparing your action plan	73
Answers: Activity 6A	76

MODULE 3 Preparing the Business Plan

Start.COOP Modules	78
MESSAGE TO THE GROUP	79
Follow the Signs	80
Getting Started	81
Learning Process	82
SESSION 1: WHAT IS A BUSINESS PLAN?	83
Activity 1A: Structure of a basic business plan	83
SESSION 2: BUSINESS PROFILE	85
Activity 2A: Writing your business profile	85
SESSION 3: MARKETING PLAN	87
Activity 3A: Product and/or service description	87
Activity 3B: Market description	90
Activity 3C: Marketing strategy	92
SESSION 4: OPERATIONS PLAN	96
Activity 4A: Physical resources: facilities and equipment	96
Activity 4B: Work process and system	100
Activity 4C: Cooperative principles and operations	104
SESSION 5: RISK MANAGEMENT	107
Activity 5A: Identifying risks and mitigation measures	107
SESSION 6: MANAGEMENT PLAN	109
Activity 6A: Preparing your organization chart	109
Activity 6B: Job description	111
SESSION 7: FINANCIAL PLAN	113
Activity 7A: Preparing your statement of operations	113
Activity 7B: Preparing your cash flow projection	117
Activity 7C: Preparing your balance sheet	120
SESSION 8: EXECUTIVE SUMMARY	123
Activity 8A: Writing the executive summary	123
Answers: Activity 1A	126

MODULE 4 Organizational Set-up

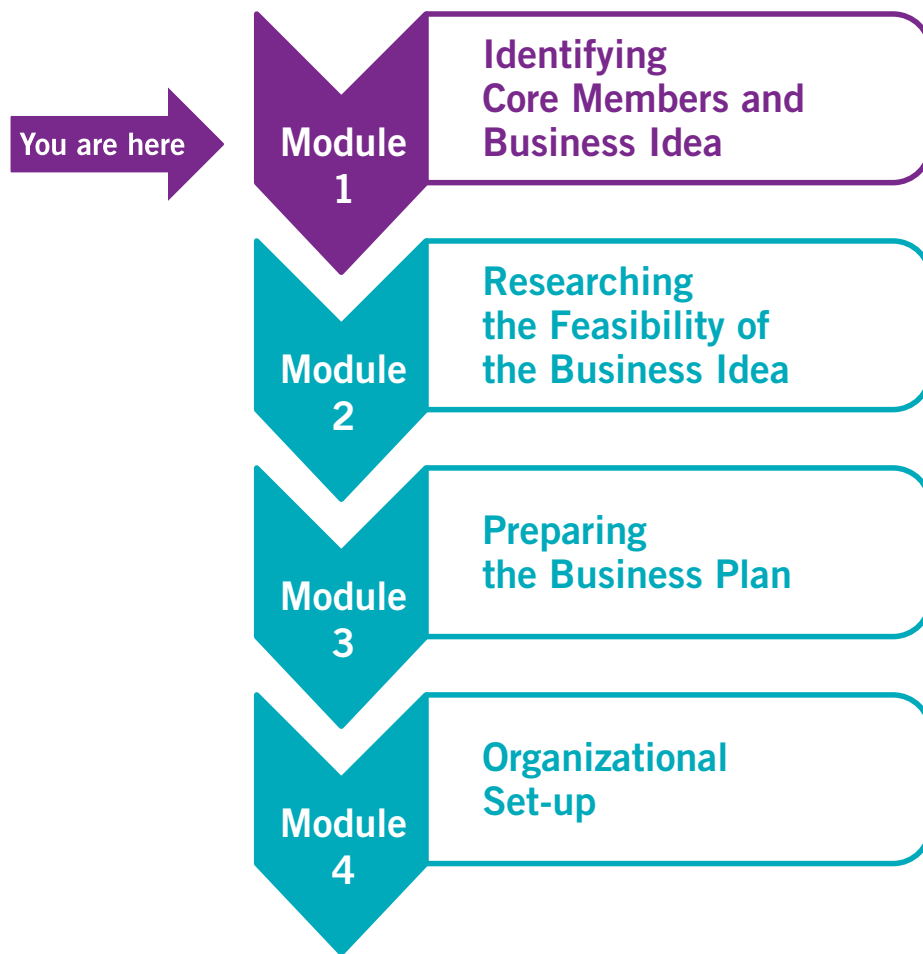
Start.COOP Modules	128
MESSAGE TO THE GROUP	129
Follow the Signs	130
Getting Started	131
Learning Process	132
SESSION 1: BASIC STRUCTURE OF A COOPERATIVE	133
Activity 1A: The core bodies in a cooperative	133
SESSION 2: MEMBERS AND GENERAL ASSEMBLY	135
Activity 2A: Rights of members	135
Activity 2B: Duties of members	138
SESSION 3: BOARD OF DIRECTORS	141
Activity 3A: Responsibilities of the Board of Directors	141
Activity 3B: Officers of the Board of Directors	145
Activity 3C: Qualifications of the Board of Directors	146
SESSION 4: THE MANAGER	148
Activity 4A: Preparing a job description	148
SESSION 5: ARTICLES OF INCORPORATION	150
Activity 5A: Contents of the articles of incorporation	150
SESSION 6: BYLAWS OF THE COOPERATIVE	152
Activity 6A: The importance of the bylaws	152
Activity 6B: Preparing the outline of your bylaws	154
SESSION 7: ACTION PLANNING	159
Activity 7A: Writing of the action plan	159
Answers: Activity 2A	161
Answers: Activity 2B	161
Answers: Activity 3A	161
Answers: Activity 3B	161
Annex 1. Sample Bylaws	163

Start.COOP

MODULE 1

Identifying Core Members and Business Idea

Start.COOP Modules



MESSAGE TO THE GROUP

The success of a cooperative, both in its launch and in its continued operations, is largely determined by its members. Therefore it is important to identify the right people from the start. The core group of potential member-owners must consist of people who have similar ideas, interests and needs. They should have a mutual problem to solve or an opportunity to put to good use. These problems and/or opportunities are the basis of the business idea that would be pursued by the cooperative. The two Sessions of Module 1 guide you toward identifying the right member-owners and the best business idea for your cooperative.

Session 1 helps you identify the right people to join in the forming the cooperative. It shows you how to find synergies among potential member-owners. It also demonstrates the ways they are expected to participate in creating the cooperative and its future operations. It walks you through the capacities and competencies needed among the member-owners for the successful start-up and development of a cooperative.

In Session 2 you will examine how to define the business idea by identifying opportunities for collective action through an analysis of the common problems and/or opportunities faced by the group. During this Session, you will explore practical solutions to the identified problems so that they could be transformed into a business opportunity. At the end of this Module, it is expected that you will have defined a business idea for the feasibility assessment that will be undertaken in Module 2.

The style of this training is different from traditional approaches. You will work together as a team to follow the simple step-by-step instructions for discussions and activities in this training guide. A facilitator will be around to assist with any questions on the training content and exercises. Because there is no group leader, all group members should take a turn reading the information and instructions out loud to the group, and all group members share responsibility for monitoring time. In this new style of training, you will learn from each other by sharing ideas and opinions, skills, knowledge and experience. For this to work, all group members must participate in discussions.

Before and after the training, you will be asked to complete a knowledge survey to help understand the impact of the training. This information will be kept confidential and will be used to improve the training materials and organization of future programmes. It will also be helpful for identifying other training on cooperatives that can be subsequently introduced to participants. Some participants may also be contacted by the training organizers in the future after 3, 6 or 12 months after the training for another survey to learn about the implementation of their action plans.

Follow the Signs

The instructions in the training guide are easy to follow and the suggested timeframe for each step is provided. Look out for these signs:

SIGNS AND THEIR MEANING



This sign indicates the suggested time for the activity



This sign indicates background information to be read to the group



This sign indicates group discussion



This sign indicates that the activity is beginning and that step-by-step instructions need to be read out loud to the group and followed sequentially



The sign indicates a good practice in identifying and meeting the different needs of women and men, promoting active participation of women, and making strategic use of the distinct knowledge and skills women and men have.

Getting Started

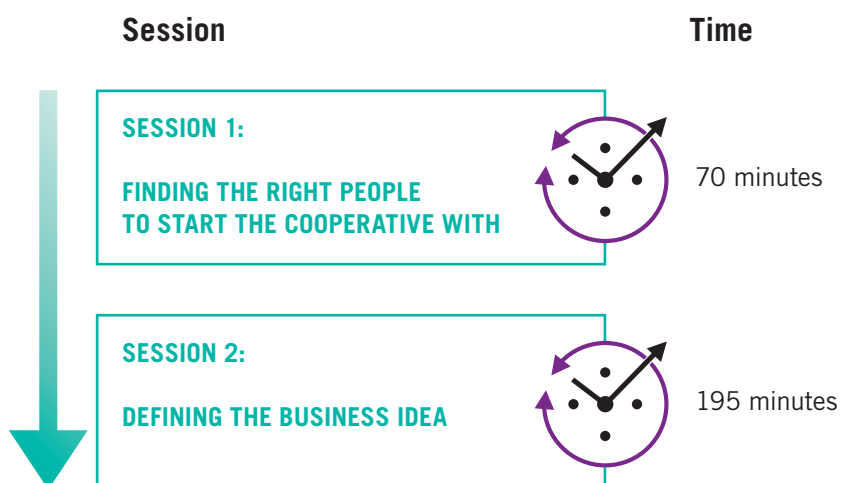
Before you begin the training, follow the simple steps below to get organized:

- Fill out the pre-training survey. Ask the organizers if you do not have a copy or have not already filled it in.
- Organize into small groups of 5 to 7 people maximum. The organizers will guide you in how best to do this.
- Identify one group member to volunteer to start the training as “Group Reader”. The role of the “Group Reader” is to read the information and activity instructions out loud to the group. Any group member with basic literacy can be the “Group Reader” and you should aim to share this role among group members throughout the training.

All group members are responsible for monitoring time, but one group member should be nominated for each session to remind the group when the suggested time for an activity/step has been reached. You do not strictly need to follow the suggested timing, but you will need to manage your time for the total training. If one activity lasts longer than the suggested timing, try to save time in other activities to keep the balance.

All group members will receive this training guide. Individual as well as group work can be completed in this guide.

Learning Process



SESSION 1: FINDING THE RIGHT PEOPLE TO START THE COOPERATIVE WITH

Session Overview



5 minutes

The first task in establishing a cooperative is to form a core group of potential member-owners which should consist of people who have similar ideas and interests and a mutual need or problem to address. The successful establishment of a cooperative depends largely on the people that comprise the organizing group. Their commitment and skills and how well they work together are as important as the business idea. As soon as the cooperative has been established, the core group of people usually becomes the “founding members”. It is advised that a cooperative considers having both women and men as founding members. In certain conditions though such as in more restrictive patriarchal environments, forming women only cooperatives may be a strategy utilized in addressing gendered social inequalities.

Getting the commitment from peers to work together to build the coop



In this session, you will get to know each other, become familiar with the style of this training, and you will gain insights on how to select people to join you in organizing the cooperative.

Activity 1A: Building on your differences and similarities



40 minutes

Before deciding to work together, it is important for people to learn about and understand each other. The identification of synergies among potential member-owners is crucial to the successful establishment and, ultimately, operations of the cooperative. Central to the success of a cooperative is the relationship between the member-owners. Generally, members with similar backgrounds are more likely to trust each other, work together, and accept joint responsibility for their activities. Sometimes, however, people with other backgrounds may bring relevant knowledge or contacts to the group. They can be members of the cooperative as long as they are willing to participate equally, regardless of their gender. Oftentimes, it is also important that members live or work relatively close together since they need to meet regularly for group activities.



Women and men may undertake different activities and have different knowledge and experiences. This does not mean that they cannot join forces to establish a cooperative. This diversity is a value added for the cooperative to perform better

Now, get to know each other, identify your differences and similarities, and assess how these can drive you to work together to start your cooperative. You can also use this exercise in drawing up the long list of potential member-owners. For this activity, you will perform the steps as they are read. You will be using **Worksheet 1A** on page 7.

Steps

STEP 1

In the small circle with the label “This is Me”, write down the following: (5 minutes)

- Your name
- Your livelihood
- Your reason(s) for wanting to form a cooperative
- What you can offer to the cooperative

STEP 2

Next, share with the group what you have written. Each member is given 2 minutes to introduce himself/herself. As each person introduces himself or herself, you will write down the information he/she has shared in a circle labelled “Member #”. (10 minutes)

STEP 3

Based on what has been shared by each of the members, in the big circle, write a list of everything that all team members have in common. (5 minutes)

STEP 4

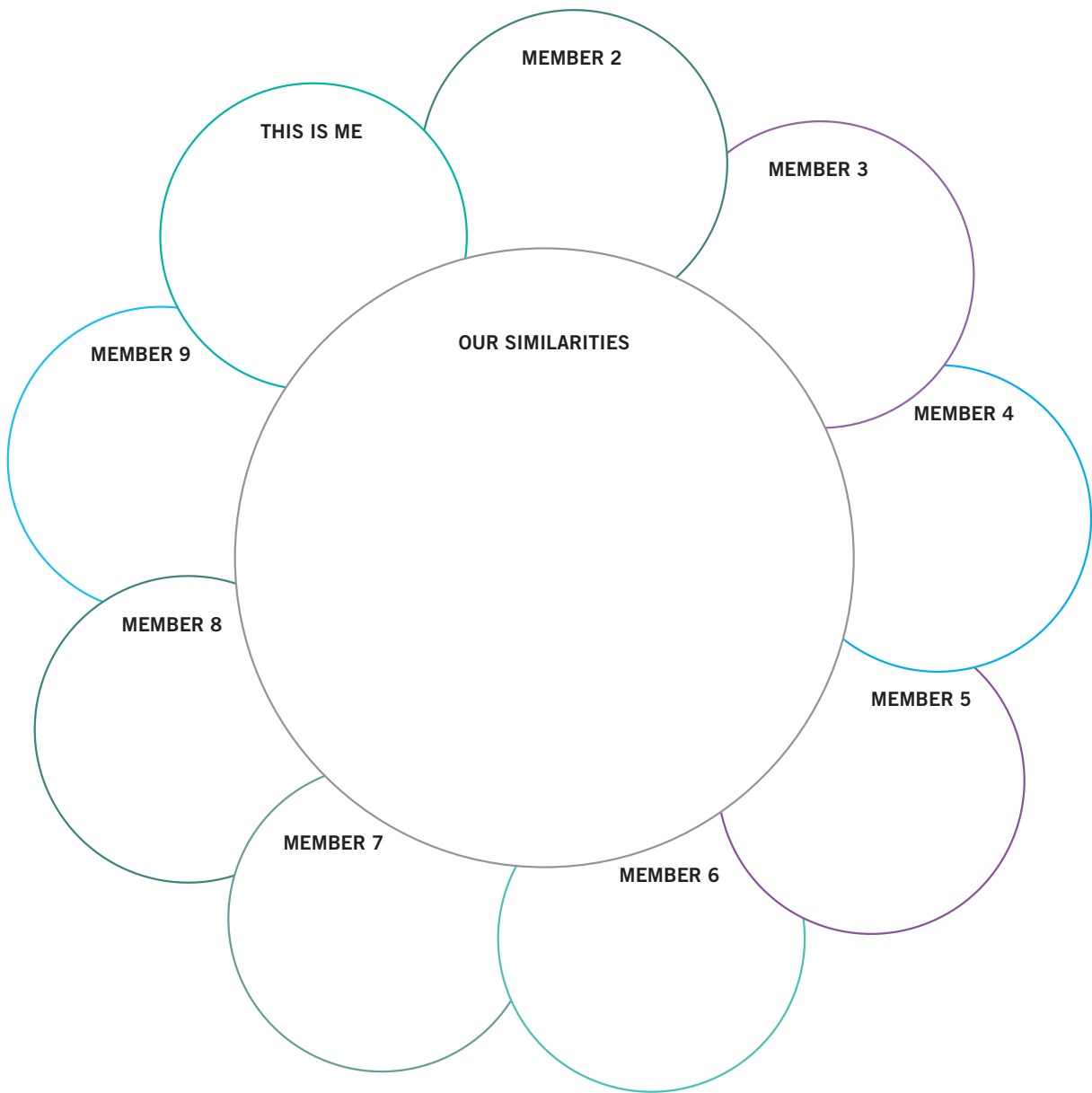
At the bottom of the drawing, answer the following questions: (10 minutes)

- How can your similarities draw you closer together to help build the cooperative?
- How can your differences hinder and/or draw you closer together to help build the cooperative?

STEP 5

Read aloud the similarities you have identified and share your answers to the questions with the group. (10 minutes)

Worksheet 1A



How can your similarities draw you closer together to help build the cooperative?

How can your differences hinder and/or draw you closer together to help build the cooperative?

Activity 1B: Competencies and qualities needed during the formation stage



The core members are expected to participate in the setting up of the cooperative in the following ways:¹

- a) Ensure that the process of setting up the cooperative adheres to the cooperative values of equity, self-help, self-responsibility, solidarity, equality, and democracy.

Cooperative Values



EQUITY: The cooperative provides disadvantaged groups and unprivileged people with fair accommodation and treatment according to their needs in order to put them on equivalent ground.



SOLIDARITY: Members support each other and those in other cooperatives.



SELF-HELP: The cooperative provides the platform for individuals and groups to improve their lives and communities through their own work and effort.



EQUALITY: Each member is entitled to one vote regardless of the number of shares he/she has in the cooperative. Members have equal rights and benefits.



SELF-RESPONSIBILITY: All members are in charge of the cooperative; so individuals must be accountable for their actions, responsibilities, and duties.



DEMOCRACY: A cooperative is controlled, managed and operated by its members. Every voice or opinion is honored and heard.

Photo Source: Barefoot Guide

Adapted from http://cultivate.coop/wiki/Cooperative_Values

- b) Contribute financially to the cooperative by buying shares and/or in-kind (to be given fair value and should form part of the member share).
- c) Allocate time for cooperative work and activities.
- d) Participate in the preparation of the business plan, organizational chart, and other documentation requirements.

It is important for the core members to be realistic about their capacities and competencies to perform the above responsibilities so that at an early stage they can seek external support or recruit members who can provide the resources and skills they lack. The questions in the table below can help you assess your competencies as well as identify your limitations. It is important to be honest with yourselves about whether you meet the requirements and, if not, whether you can acquire the required skills. For this activity, you should perform the steps as they are read aloud.

¹ ILO / Guy Tchami, Handbook on cooperatives for Use of Workers' Organizations, Geneva – Switzerland, International Labour Office, 2007.

Steps

STEP 1 Read the questions carefully and individually place a check in the column that corresponds to your answer. (15 minutes)

Skills/Quality/Knowledge	Yes	No
Are you committed to working democratically and for the good of all the members rather than purely for personal gain?		
Are you willing to share risks and rewards with other members?		
Do you have a good understanding of the cooperative values and principles?		
Do you commit to adhere to the cooperative values and principles?		
Are you willing to devote some of your time for cooperative work?		
Are you willing to contribute resources to help finance the set-up of the cooperative?		
Do you have good communication skills to promote your cooperative business?		
Do you have good decision-making skills?		
Do you have the ability to organize and mobilize resources?		
Are you willing to work with others to achieve a common goal?		
Do you have the courage to try new things?		
Do you have previous business management experience?		
Are you committed to using the services and/or products of your cooperative?		
Do you have the skills to deliver the planned services?		
Are you committed to exercise your voting rights?		
Are you committed to run for office?		
Are you available to participate in meetings and other cooperative activities?		
Do you have the skills to manage financial resources judiciously to achieve your cooperative's goals and objectives?		
Do you have financial management skills and experience?		

STEP 2 Share with the group the questions where you answered "No". As a group, identify the questions to which most of you answered "No" and discuss how you can address these knowledge/skill gaps. (10 minutes)

SESSION 2: DEFINING THE BUSINESS IDEA

Session Overview



Two interlinked elements must be present to initiate the formation of a cooperative. First, the potential member-owners must feel a strong need to solve a common problem or take advantage of a common business opportunity. Second, the problem faced by the potential member-owners is something that is difficult to address on their own and thus, there is a need for a collaborative solution. In this session, you will look into the needs of the potential member-owners and identify one compelling need that can be the basis for the formation of the cooperative. You will then build a picture of how the cooperative will serve your group's needs in the years to come. The outputs in this session can be used as your initial offer to other potential member-owners. Do not forget that all potential women and men member-owners should agree on the identified need and the cooperative vision.

Activity 2A: Identifying a common need



Steps

STEP 1 Look at the pictures below. Write a sentence or phrase below each set of pictures to describe the problem. (10 minutes)

Problem identification set 1



Problems:

Problem identification set 2

I was not able to earn enough money today to pay for the tuition of my kid tomorrow. I hope there is an organization who can help daily workers like us in times of need.



I broke my leg and could not work for the next two weeks. As you know, my family depends on the money that I earn from hauling fruits in the market. I have used up whatever money that I had to treat my leg. I am really desperate now for money to feed my family. Please help me. I will pay whatever interest.



Problems:

- STEP 2** Share your answers with the group. If there are differences in your answers, try to come to an agreement. One of the important characteristics of successful cooperatives is for members to resolve differences of opinions and still retain the trust of each other. (10 minutes)
- STEP 3** Now that you have seen examples of what is meant by common problems, let's now look into your own needs. Use **Worksheet 2A** on page 13. In the box with the label "My Key Concerns", write your top two problems related to your work or livelihood. (10 minutes)
- STEP 4** Each member of the group takes a turn in reading their problems. As each member speaks, write down his/her main concerns in the boxes. Please look at the example after Step 9. (3 minutes per member)
- STEP 5** Look at all the problems mentioned by your peers. In the first column of the **Ranking and Prioritization Table** (page 14), list all the problems as a group. Similar problems should only be listed once. Make sure that all group members listed the problems in the same order. Please look at the example after Step 9. (15 minutes)
- STEP 6** Rank and prioritize the problems. In the column marked "My Ranking", rank the problems in terms of their importance to you. Place 1 on the most important, 2 on the second most important, and so on, until 5 (less important). Please look at the example after Step 9. (10 minutes)
- STEP 7** Now read aloud the rankings. As each member reads his/her ranking, write it down. One column corresponds to one member. Please look at the example after Step 9. (10 minutes)
- STEP 8** When all the members have given their ranking, add the scores for each problem and place the sum in the column "Sum". Then, in the column marked "Average", divide the sum by the number of members to get the Average. Please look at the example after Step 9. (15 minutes)
- STEP 9** As soon as you fill in the "Average" column, identify the problem with the lowest score. This is the priority problem of the group. Discuss briefly if group members agree with the result. (5 minutes)



Women may want to express the particular problems they may have. These problems should be heard, recognized and given the same importance and weight as those identified by men

To help the group in doing steps 3 to 9, please look at the example below. You can use a calculator to complete these steps. (15 minutes)

Example: Group of Cassava Farmers – 5 farmers
Problems:

MY KEY CONCERNS	FARMER 2	FARMER 3	FARMER 4	FARMER 5
High incidence of pests and diseases	High cost of transportation from farm to market	Lack of capital to expand farm	High cost of inputs	Lack of capital to expand farm
Deterioration of quality of cassava	High incidence of pests and disease	Deterioration of quality of cassava	High incidence of pests and diseases	High cost of transportation from farm to market

$1 + 3 + 1 + 4 + 3 = 12$ $12 \text{ divided by } 5 = 2.40$

Problem	Ranking					Sum	Average
	ME	FARMER 2	FARMER 3	FARMER 4	FARMER 5		
High incidence of pests and diseases	2	1	5	1	5	14	2.80
Deterioration of quality of cassava	1	3	1	4	3	12	2.40
High cost of transportation from farm to market	3	2	4	3	1	13	2.60
Lack of capital to expand farm	4	4	2	5	2	17	3.40
High cost of inputs	5	5	3	2	4	19	3.80

Priority Problem: Low quality of cassava

Note: This is a simple way to prioritize problems. You should, however, always ask if the majority of the participants agree with the results.

Worksheet 2A (Steps 3 to 9)

Problems:

MY KEY CONCERNS	MEMBER 2	MEMBER 3
MEMBER 4	MEMBER 5	MEMBER 6
MEMBER 7	MEMBER 8	MEMBER 9

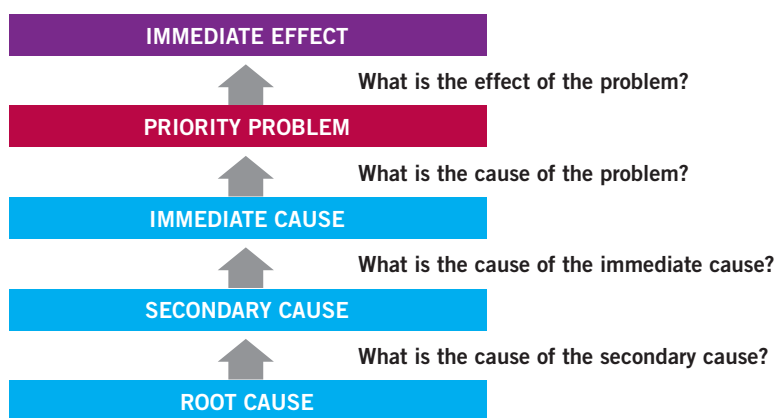
Note: Please add more boxes if there are more than 9 members in your group. Also use the blank space for your notes.

Activity 2B: Identifying root causes and effects



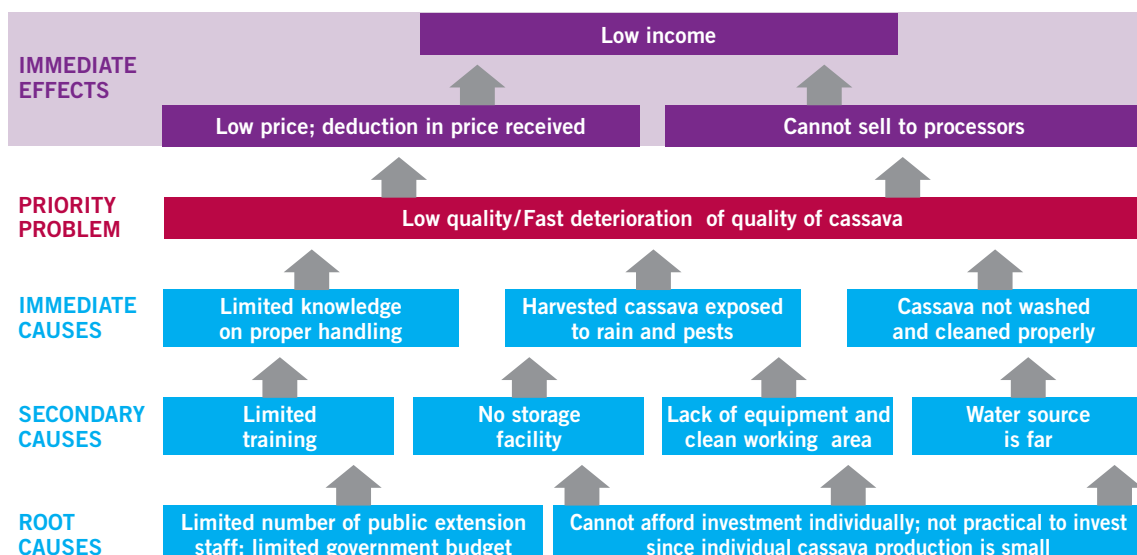
In this session, you will look into why the problem exists. This activity involves asking “what are the causes of the problem?” in order to uncover underlying factors that must be addressed in order to minimize or altogether eliminate the effects of the problem that you commonly share. Root cause analysis is situation specific.

Identifying Cause/s and Effect/s



To familiarize yourself with the process of identifying root causes and effects, let’s go back to your earlier example involving the cassava farmers whose main problem is the deterioration of the quality of their cassava after harvest. Because of the fast deterioration of the quality of their cassava after harvest, farmers are forced to immediately sell their harvest even at a low price. In most cases, they receive 70% to 80% of the prevailing farm gate price because, according to the buyers, their tubers are full of soil and blemishes.

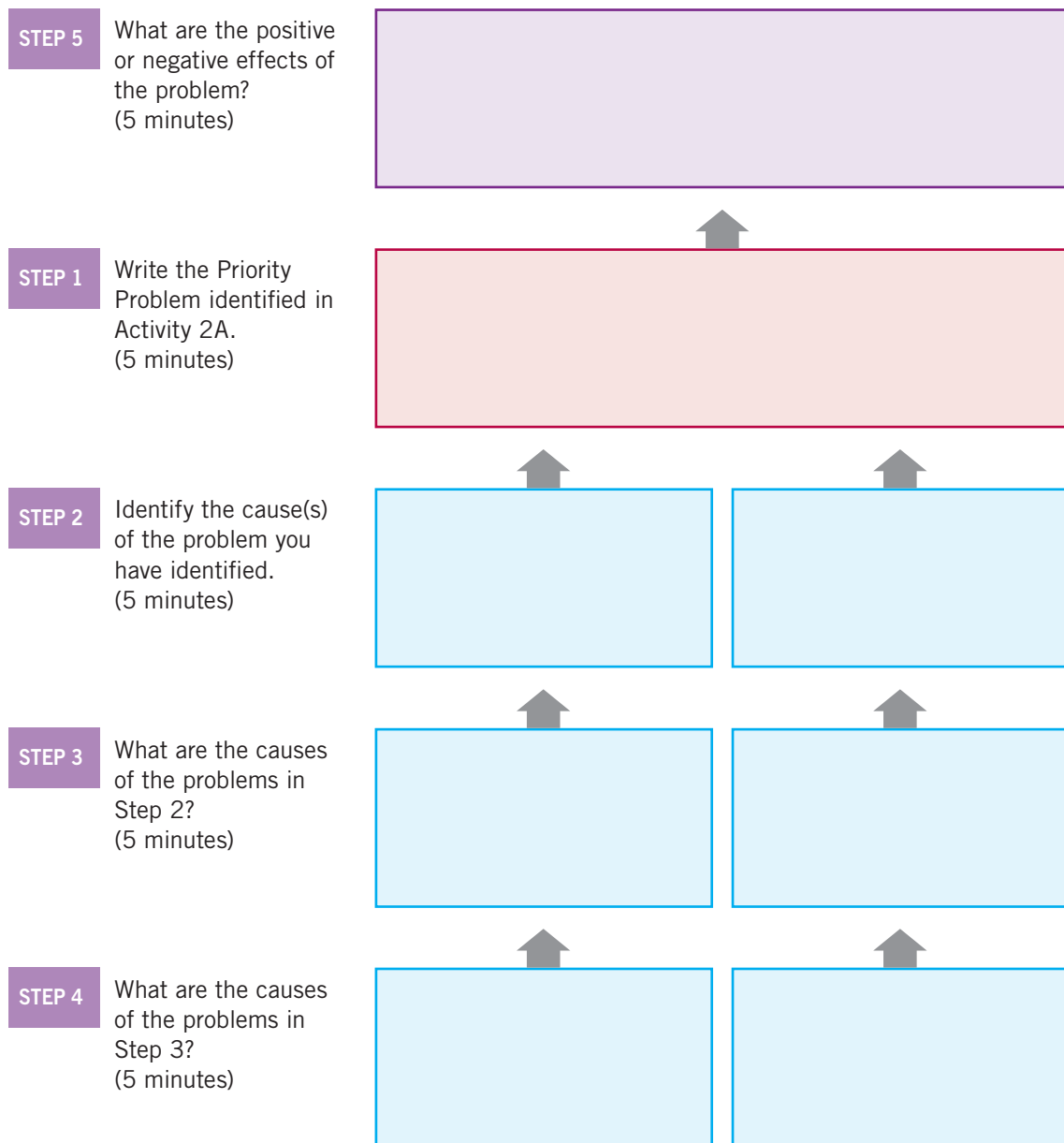
Example: Analysis of Causes and Effects of Low Quality Cassava



Farmers are only able to deliver low quality cassava because they have limited knowledge on proper handling since they have not received any training. They are not able to attend training because it is very seldom that government extension officers are able to visit their areas due to lack of personnel and budget. The blemishes and spoilage are also caused by exposure to rain and pests because they have no storage facility. Farmers are also unable to clean their cassava properly because they do not have adequate equipment and the water source is far from their homes. The average size of cassava plots of the farmers is only about 0.25 hectares. Aside from the fact that they cannot afford the investment, it is also not practical for them to invest in water system and facilities individually since their production volumes are very low.

Now let's analyse the root causes and effects of the top problem we have identified in Activity 2A. You will perform each of the steps outlined below as a group. It is important that each women and men member participates actively in answering the questions and that an agreement is reached on each of the causes and effects.

Worksheet 2B



In case you need more space for your analysis, the next page has intentionally been left blank.

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Activity 2C: Defining the business idea

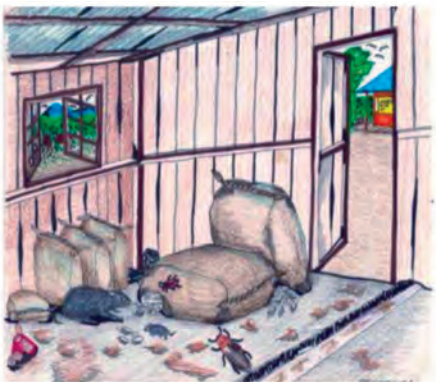


40 minutes

The business idea is derived from or is a response to the shared problem or opportunity. Improving the situation as a group provides the context for a cooperative business project. For example, a group of porters in a vegetable trading centre may want to establish a cooperative in order to: raise resources to buy trolleys to reduce the need to manually carry the baskets of vegetables; access social security benefits; and set up credit services for members instead of relying on usurers. To the extent possible, the business concept should address the root causes and not just the immediate cause(s). When you have a broken wrist, for example, painkillers will take away the pain but you need a different treatment to heal the bones properly.

To give you an idea on how to define a business idea, let's look at how the cassava farmers addressed their quality issues.

Root causes



I do not have a proper place to store my cassava tubers after harvest. I also do not know how to extend the shelf life. The extension staff rarely visits our place.



I am happy that I have a good harvest. But I cannot clean my tubers as it would take more than 30 minutes walk to bring these down to the nearest river.



I cannot afford to invest in a storage facility and water system. I will also not be able to get back my investment as I only have a small plot.

Business solution to address root causes of problem



Let's set up a postharvest facility owned and operated by cassava farmers in our village. Let us contribute for the installation of a water system for the facility and even for our homes. We can also go into production of cassava chips which we can sell to feed companies. We can ask for assistance from the Department of Agriculture, development programmes, and our local government as well as approach banks and microfinance institutions to augment our resources.

Products and services of proposed cooperative



Washing and storage facilities
Water system for the homes



Production of chips for feed companies
Collective marketing of produce



Training for members
Social security benefits for member-workers

Expected results and benefits to members



Access to bigger and more lucrative markets

Less rejects; higher price for products

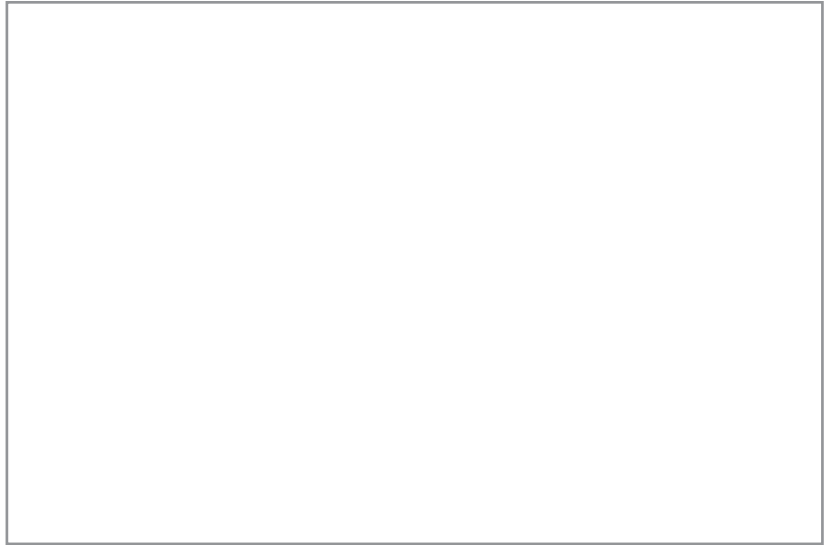


Increase in income
Access to water
Access to social security

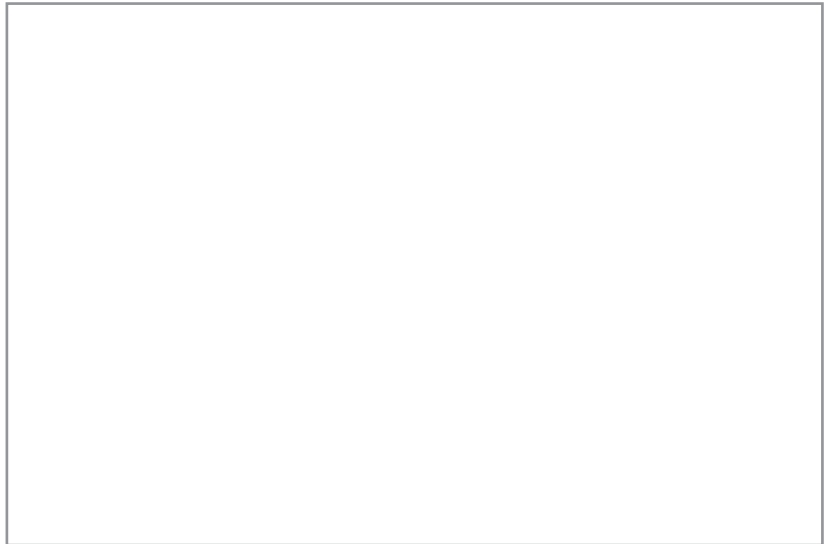
From the example, you have seen how the cassava farmers transformed their shared constraints into a business opportunity where each and every member could potentially benefit. Let's now define your own business solution to the problem you have identified. Perform the steps as a group in the sequence outlined below.

Steps

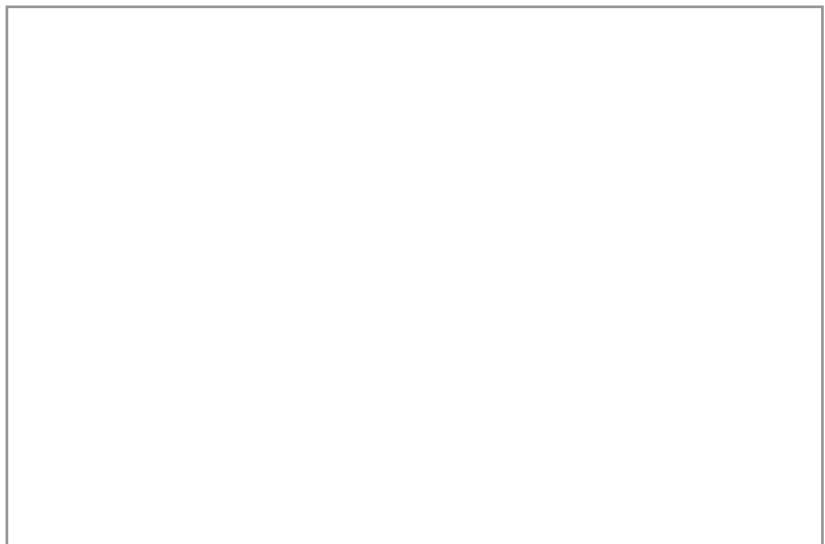
STEP 1 Write down up to three root causes of your problem. (10 minutes)



STEP 2 Brainstorm on how you can address the above root causes in the form of a group business. Write in the box the idea(s) agreed upon by all members. (10 minutes)

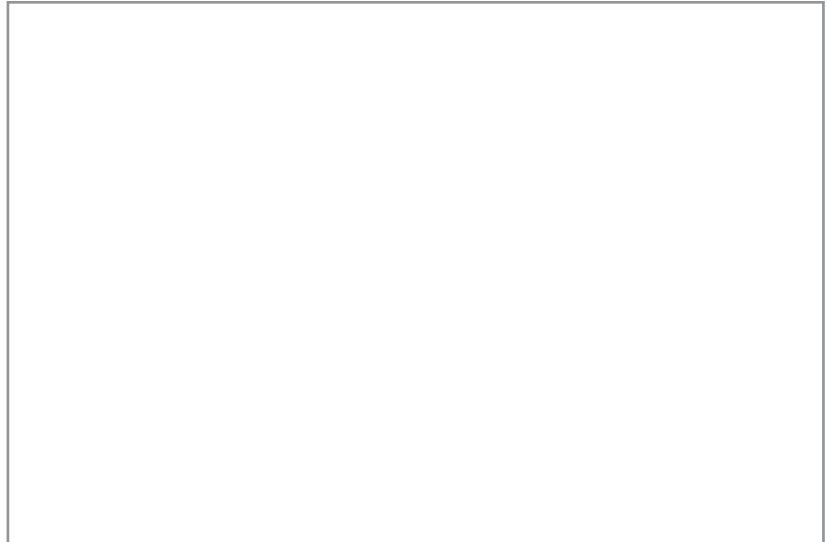


STEP 3 What will be the key services and/or products of your proposed cooperative? Please make sure that the service(s) and/or product(s) address the root causes of your problem. (10 minutes)



STEP 4

What are the expected results and benefits to your members? Review the effects of your problem and see if the expected results and benefits offer a better situation for all members.
(10 minutes)



Congratulations!

You have just defined your business concept.
Learn how to assess the feasibility of your idea in **Start.COOP MODULE 2**, Session 3.

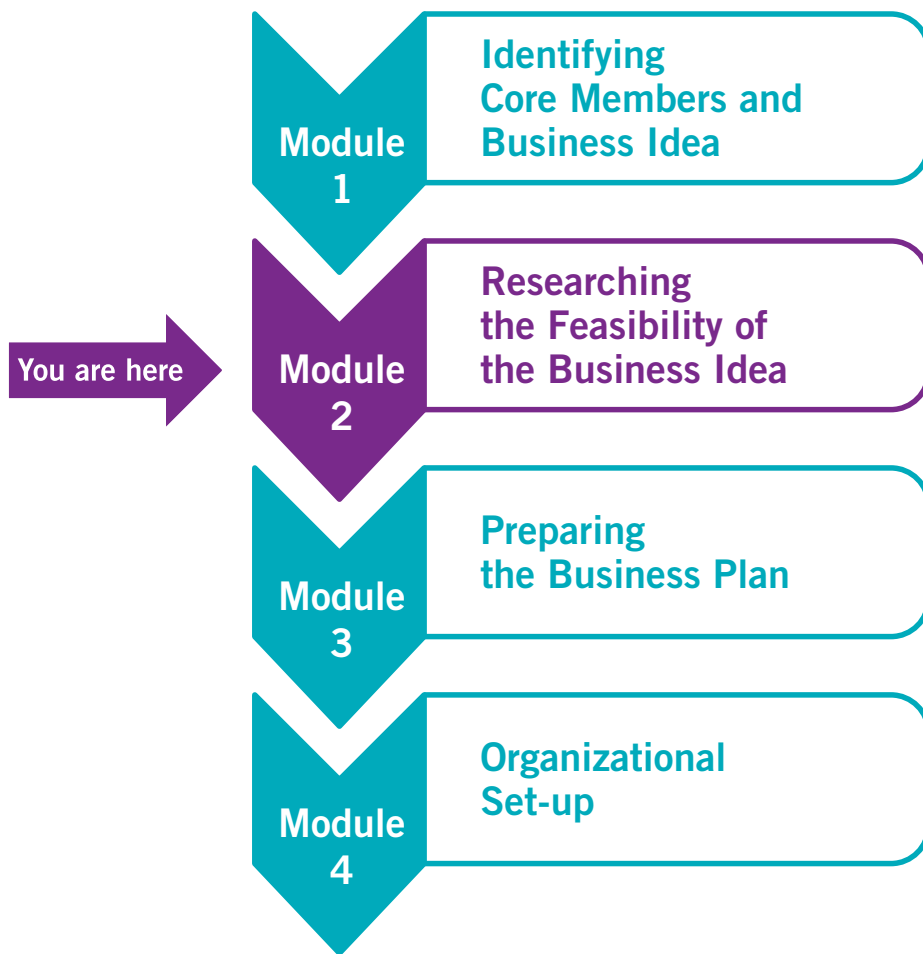
Use this space for your calculations and notes.

Start.COOP

MODULE 2

Researching the Feasibility of the Business Idea

Start.COOP Modules



MESSAGE TO THE GROUP

In Module 1, you defined your business idea. Through the six Sessions in Module 2, you will learn how to assess the feasibility of your business idea. Feasibility mainly means answering this question: Will you be able to produce a product or service that people want to buy and that can be sold profitably? A feasibility study involves the gathering and analysis of information to find out whether the business idea is good or not. The study will help you determine if the proposed business idea can be implemented based on resources you can access and whether you can be competitive in the market you wish to serve. It will also help you further explore whether the proposed business idea can address the common problem(s) faced by the potential member-owners.

Session 1 guides you on how to choose the potential member-owners by defining the expected number of members and their readiness to invest and contribute to the creation and operations of the cooperative. In Session 2, you will learn how to conduct a market analysis by identifying and assessing your target customers, markets and your competitors. It also helps you understand the price trends so you can determine a just and competitive price for your products and/or services. Session 3 assists you in assessing the technical feasibility of your business idea. For this purpose, you will identify the activities and both the human and physical resources, needed to make the product or deliver the service.

Session 4 helps you assess the financial feasibility of the proposed cooperative by assisting you to calculate the start-up costs. It provides you with practical insights on how to obtain the resources needed, either through the potential members or through external sources. It also shows you how to establish a competitive but at the same time profitable price for your product or service. Session 5 assists you in analysing whether you should pursue the business idea or not. If the answer is positive, in Session 6 you will be guided toward the preparation of an action plan in order to complete the formation of the group and the development of the business concept phase. At the end of this Module, it is expected that you will know whether your business idea is feasible for the preparation of the business plan that will be undertaken in Module 3.

Some parts of the feasibility study may be difficult to conduct on your own and, as such, you may need to seek external assistance. However, it is essential that the core group is involved in the gathering and analysis of the information. The core group should make the final decision on how to proceed and whether to pursue the establishment of the cooperative. As you go through each activity in this Module, please take note of the parts where you think you will require external assistance and/or further research.

The style of this training is different from traditional approaches. You will work together as a team to follow the simple step-by-step instructions for discussions and activities in this training guide. A facilitator will be around to assist with any questions on the training content and exercises. Because there is no group leader, all group members should take a turn reading the information and instructions out loud to the group, and all group members share responsibility for monitoring time. In this new style of training, you will learn from each other by sharing ideas and opinions, skills, knowledge and experience. For this to work, all group members must participate in discussions.

Before and after the training, you will be asked to complete a knowledge survey to help understand the impact of the training. This information will be kept confidential and will be used to improve the training materials and organization of future programmes. It will also be helpful for identifying other training on cooperatives that can be subsequently introduced to participants. Some participants may also be contacted by the training organizers in the future after 3, 6 or 12 months after the training for another survey to learn about the implementation of their action plans.

Follow the Signs

The instructions in the training guide are easy to follow and the suggested timeframe for each step is provided. Look out for these signs:

SIGNS AND THEIR MEANING



This sign indicates the suggested time for the activity



This sign indicates background information to be read to the group



This sign indicates group discussion



This sign indicates that the activity is beginning and that step-by-step instructions need to be read out loud to the group and followed sequentially



The sign indicates a good practice in identifying and meeting the different needs of women and men, promoting active participation of women, and making strategic use of the distinct knowledge and skills women and men have.

Getting Started







Before you begin the training, follow the simple steps below to get organized:

- Fill out the pre-training survey. Ask the organizers if you do not have a copy or have not already filled it in.
- Organize into small groups of 5 to 7 people maximum. The organizers will guide you in how best to do this.
- Identify one group member to volunteer to start the training as “Group Reader”. The role of the “Group Reader” is to read the information and activity instructions out loud to the group. Any group member with basic literacy can be the “Group Reader” and you should aim to share this role among group members throughout the training.

All group members are responsible for monitoring time, but one group member should be nominated for each session to remind the group when the suggested time for an activity/step has been reached. You do not strictly need to follow the suggested timing, but you will need to manage your time for the total training. If one activity lasts longer than the suggested timing, try to save time in other activities to keep the balance.

All group members will receive this training guide. Individual as well as group work can be completed in this guide.

Learning Process

Session		Time
SESSION 1: RESEARCHING YOUR POTENTIAL MEMBERS		45 minutes
SESSION 2: CONDUCTING A MARKET ANALYSIS		125 minutes
SESSION 3: ASSESSING TECHNICAL FEASIBILITY OF YOUR BUSINESS IDEA		75 minutes
SESSION 4: ASSESSING FINANCIAL FEASIBILITY		85 minutes
SESSION 5: SHOULD YOU PURSUE THIS BUSINESS?		25 minutes
SESSION 6: ACTION PLANNING		45 minutes

SESSION 1: RESEARCHING YOUR POTENTIAL MEMBERS

Session Overview



To know more about your potential members, you need to talk to them. You can do this by conducting a survey and/or holding small meetings. The objective of talking to potential members is to determine their interest in the potential business. This will also help to clarify the products and services which the cooperative might offer. It will provide you some insights on how your peers perceive the importance of the proposed products or services.

Activity 1A: How many members are expected to join?



The cooperative must be assured that there are sufficient numbers of women and men who will participate in its activities. A producers' cooperative, for example, must ensure that it has enough members to provide the stocks. It is important also to consult the government agency in your country in charge of cooperatives to learn about the minimum number of members required to register a cooperative and other requirements for setting up a cooperative.

How many members can we expect to join?

In my village,
I think I can recruit
5 farmers to join us.

We need to identify
farmers who can join
our cooperative.

I have talked to my
neighbour and she
said she is interested
to join us.



Photo Source: Business Group
Formation, ILO, 2008

Let's answer the questions as a group. After each question is read, discuss and write down the answer that everyone agreed to. For those questions that you do not know the answer to, mark with a check (√) the next action to be taken which could be either "for research" or "external assistance" and add an idea of what should be done. External assistance may be sought from relevant governmental agencies, the cooperative movement, existing cooperatives, and the village leader, among others. Use the idea for the cooperative outlined in the Start.Coop module 1 as a basis for your responses.

Questions	Your Answer	For Research	External Assistance
How many people do you know would benefit from your proposed services and/or products?			<i>Example:</i> √ get information from agriculture extension officer
Of the estimated number of people above, how many would most likely join the cooperative during the first year? <i>This will give you an idea of whether you would have the critical mass to launch your business.</i>			<i>Example:</i> √ seek advice from cooperative extension officer
Where are the potential members located? <i>Possible answers:</i> <ul style="list-style-type: none"> • Same village • Same work place • Far from each other <i>If potential members are far from each other, it may pose problems in coordination, use of service of the cooperative, etc.</i>			<i>Example:</i> √ consult with village leader

Activity 1B: How much are members willing to invest in the cooperative?



The cooperative must have sufficient financial commitment from its potential members to organize (start-up costs) and successfully operate (initial operating costs). Investment from members may be in cash or in kind (value equivalent to agreed contribution).

Are the members willing to invest in the cooperative? How much are they willing to invest?



Photo Source: Business Group Formation, ILO, 2008

Now, let's answer the questions below. Follow the same process as in Activity 1A.

Questions	Your Answer	For Research	External Assistance
How much are the potential members willing to invest especially during the start-up phase?			<i>Example:</i> √ seek advice from existing cooperatives or cooperative movement
Will potential members be able to give their investment at one time at the establishment of the cooperative or will it be spread out over a period of 6 to 12 months?			
How much is the total start-up investment that the cooperative can expect from members? <i>Amount per member multiplied by number of members: US\$ 10/member x 50 members = US\$ 500 start-up capital</i>			

Activity 1C: What is the anticipated business volume from the members?



The cooperative must have some assurance of sufficient volume to operate as a business. Knowledge of anticipated business volume from members will also help core members to plan for facilities and needed equipment and resources.

What is the anticipated business volume from the members?

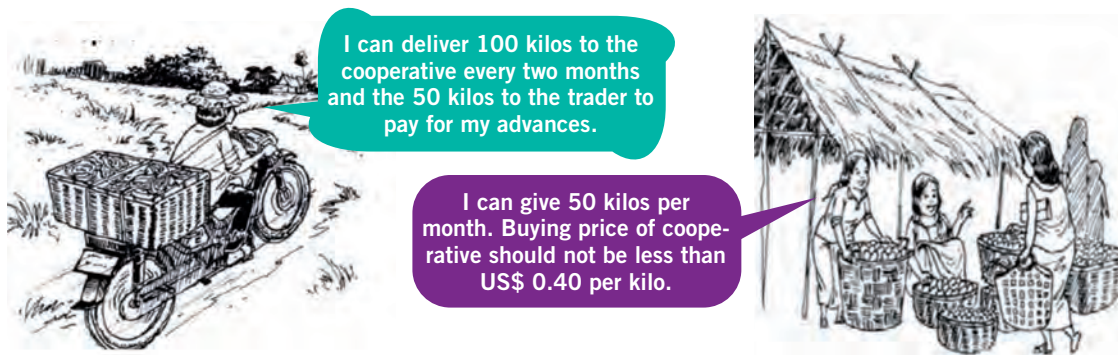


Photo Source: Business Group Formation, ILO, 2008

For marketing and producers' cooperatives, this refers to the volume of products that the members will supply to the cooperative for further processing or collective marketing. It is important to remember that in many cases producers may have previous commitments (e.g. farmer has debt from a trader and is, therefore, obliged to give a portion of the harvest as payment) and, as such, cannot deliver all their production to the cooperative. Emerging good practices also indicate that allowing producers to sell a portion of their production to buyers other than the cooperative will reduce the incidence of side selling (e.g. 60% of production to coop; 40% to buyers of their own choice).

For credit cooperatives, anticipated business volume would be the amount and frequency that members expect to borrow from the coop.

Follow the same process as in Activity 1B. Only answer those questions that are relevant to your proposed products or services.

Questions	Your Answer	For Research	External Assistance
FOR SAVINGS COOPERATIVE			
How much is the expected average loan per member in a year?			<i>Example:</i> √ seek advice from existing cooperatives or cooperative movement
What is the average interest rate that members are willing to pay?			

Questions	Your Answer	For Research	External Assistance
FOR COOPERATIVE THAT WILL BE ENGAGED IN BULK PROCUREMENT OF INPUTS			
What is the average value that members will buy from the cooperative in a year?			<i>Example:</i> √ get info from input suppliers
What is the mark-up from purchase price that members are willing to pay? <i>Example: Cooperative bought fertilizer for US\$ 5 per kilo. Members are willing to pay additional US\$ 1 per kilo to cover costs incurred by coop and for profit. Mark-up is: (US\$ 1 divided by US\$ 5) x 100% = 20%</i>			
FOR COOPERATIVE THAT WILL BE ENGAGED IN MARKETING PRODUCTS OR SERVICES			
What is the average volume that members can commit to the cooperative in a year? <i>Example: Each cassava farmer commits to supply 10 metric tons (MT) of cassava per year. A porter commits to deliver 200 person-days equivalent of services under the cooperative</i>			<i>Example:</i> √ seek assistance of village leader to call meeting of potential members
How much commission are the members willing to pay the cooperative? <i>Commission should be expressed as % of selling price of the cooperative</i> <i>Example: Cooperative sold cassava at US\$ 0.60 per kilo. Farmers agreed that cooperative will get US\$ 0.06 per kilo or a 10% commission</i>			
FOR COOPERATIVE THAT WILL BE ENGAGED IN FURTHER PROCESSING OF PRODUCTS OF MEMBERS			
What is the average volume that members can commit to the cooperative in a year?			<i>Example:</i> √ seek funding from development program to conduct survey
At what price are the members willing to sell their product to the cooperative? <i>Possible answers:</i> <i>At prevailing market price</i> <i>At least ___% higher than prevailing market price (indicate percentage)</i>			

SESSION 2: CONDUCTING A MARKET ANALYSIS

Session Overview



5 minutes

Conducting a market analysis involves talking to potential women and men and understanding what they need and want. Market analysis helps you determine whether you have the right products for your targeted market, identify what prices are acceptable to the market, and estimate the potential share of the market that you can get.



When analysing your potential customers you will need to take into account the practical needs of your potential women and men customers. For example, if you sell agricultural implements and they all come in large sizes only, women may not be able to find smaller sizes that fit them. In this case, women would not only be deprived from buying your products, but you may also be losing potential customers

Activity 2A: Who are your target customers?



25 minutes

It is worthwhile to produce a product if there is someone willing to pay for it. A product or service can only be sold if it has a customer. Knowing where to sell your product is, therefore, critical to the success of your proposed cooperative.

As a group, let's perform each of the steps as they are read.

Steps

STEP 1 Look at the drawing. Identify the products/services and target markets in each of the examples. (10 minutes)

Final products and buyers of cassava cooperative



Clean tubers



Cassava chips or pellets

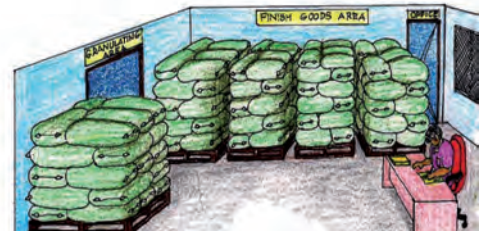


Final Products sold by cooperative to buyers

Supermarket



Feeds Company



Buyers of the products of the cooperative

Products/Services of Cooperative:

Markets of Cooperative:

Cooperative comprised of informal workers

Fruit and Vegetable Haulers and Porters Cooperative



Hauling Services



Clients: Market Vendors, Wholesalers, Processors, etc.

Products/Services of Cooperative:

Markets of Cooperative:

Members are the owners, users, and clients of the cooperative

Savings and Credit Cooperative

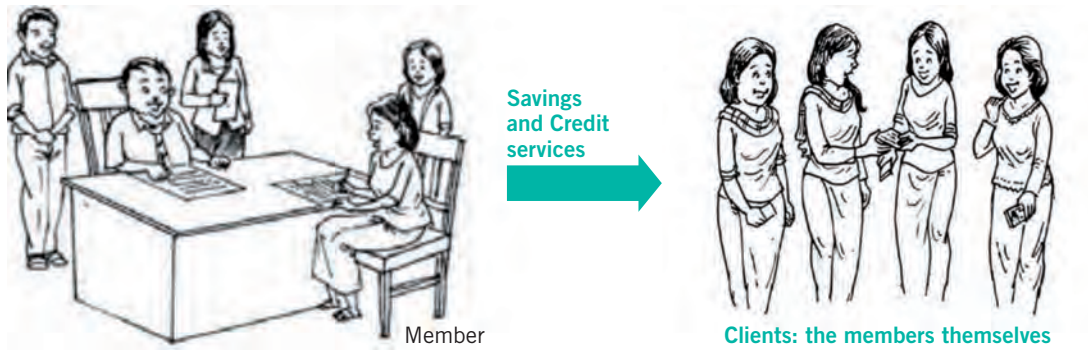


Photo Source: Business Group Formation, ILO, 2008

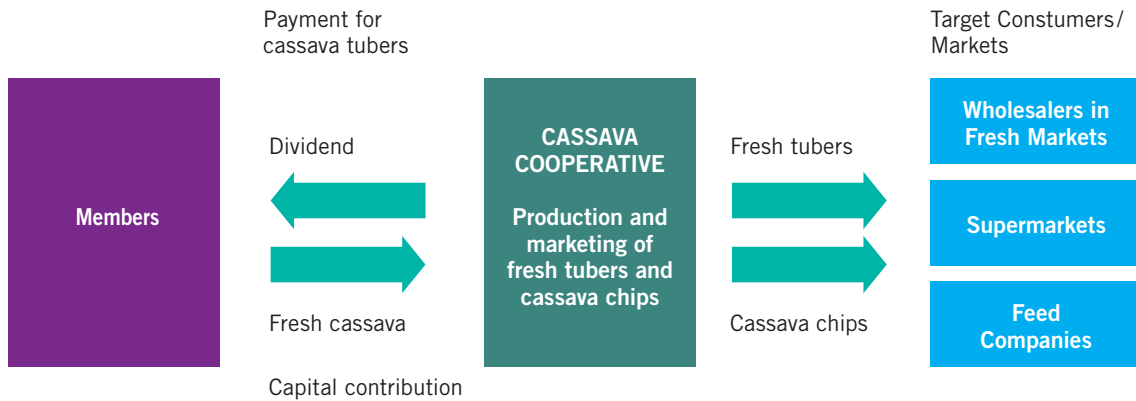
Products/Services of Cooperative:

Markets of Cooperative:

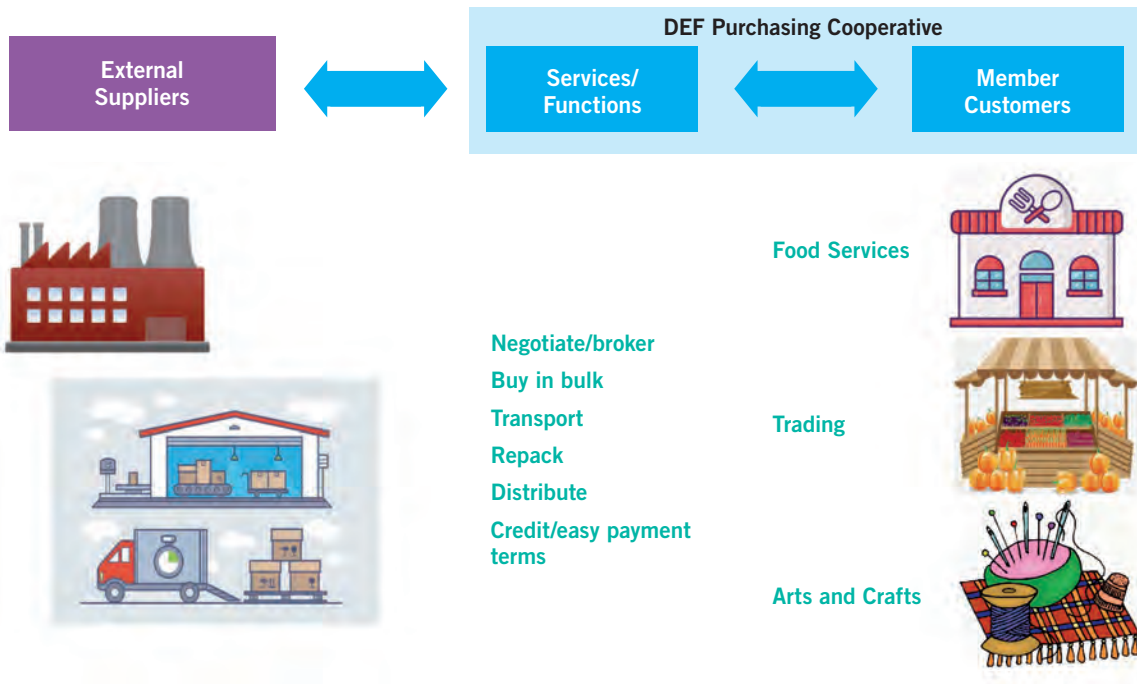
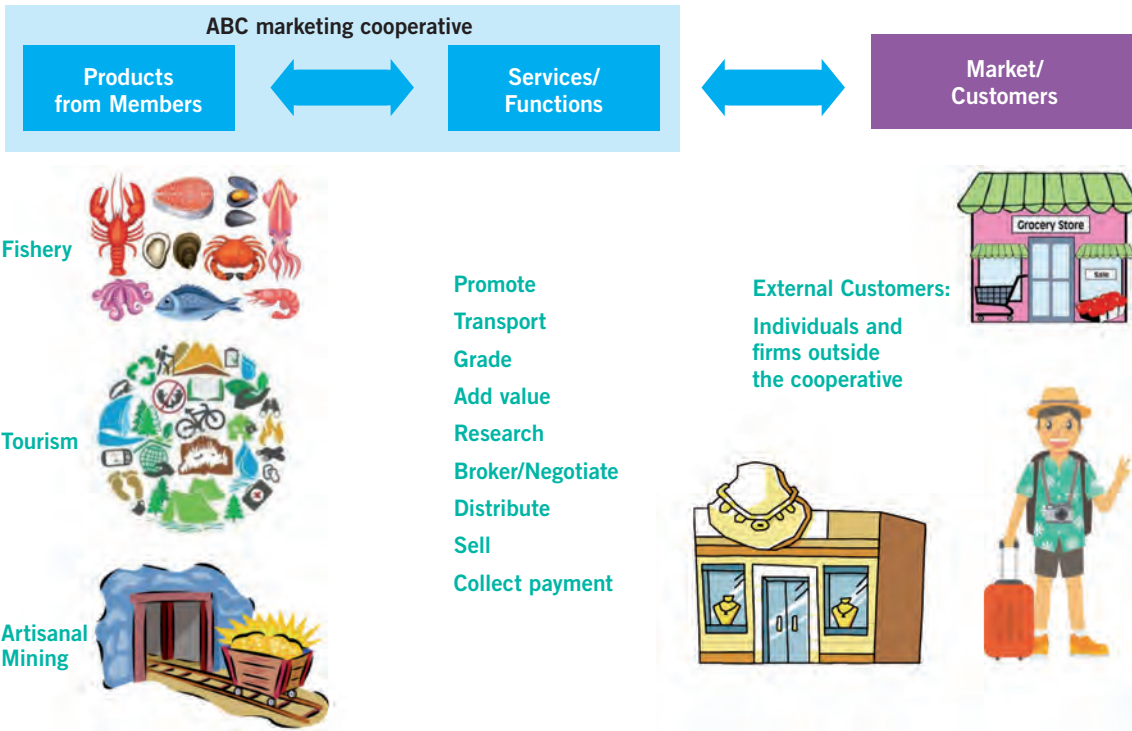
STEP 2

Using the example below as your reference, draw the business model of your proposed cooperative. Identify the products and/or services and the corresponding target markets. (15 minutes)

Business model of proposed cooperative



Below are other generic examples to inspire you as you think of your business model. Remember that a cooperative can provide a range of services depending on the identified needs of your prospective members and resources that you can access for start-up capital.





Delivery of affordable quality services:
 Housing
 Energy
 Credit
 Health care
 Day care
 Home care
 Common service facilities

Village residents
 Working mothers
 Elderly
 Youth
 Artisans
 Others

It may be possible that services are also open to non-members

Draw the diagram here

Activity 2B: Assessing your target customers or market



As a group, read each question and discuss your answers. Then write down the answers that the group has agreed on. The answers to the questions are the basic information you need to determine whether there is sufficient market or customers for the proposed business and the requirements that you need to meet to sell to the customers that you have targeted. Remember, however, that research is needed to gather the information required to answer the questions. As such, for questions that you do not know the answers to or where you lack information, mark with a check (✓) the next action to be taken which could be either “for research” or “external assistance” and add an idea of what should be done.

As a group, let's perform each of the steps as they are read.

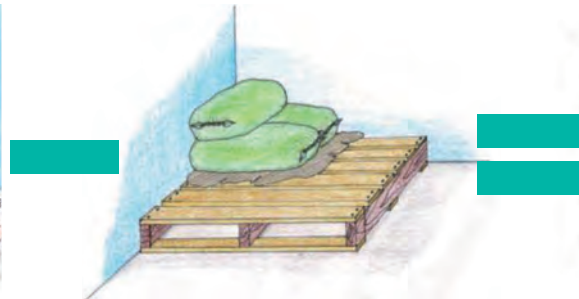
Steps

STEP 1 (15 minutes)

What is the estimated unmet demand for the product or service?



Market demand:
volume of the product that customers are willing and able to buy.



Market supply:
volume that producers are able to take to the market for selling



Unmet demand:
volume required by customers that is not met by existing supply

If the group has several products, choose only one product for this training.
 Analysis of the other products will be part of the action plan.

Question	Your Answer	For Research	External Assistance
Who are the major buyers of your product(s)?			
How many buyers can you potentially sell to?			
What is the estimated total demand or volume needed by target buyers?			
What is the estimated volume that target buyers are currently able to source?			
What is the estimated unmet demand? <i>Unmet demand = Total demand minus supply</i>			
When do the buyers have the highest demand for the product? <i>Indicate months</i>			
What is the demand trend for this product? <i>Choose from the following answers: stable, rising, falling</i>			
Will they still want to buy your product or service in the next five years?			

What characteristics (e.g. types, quality) do customers require from the goods or services?

WE ONLY BUY FRESH BANANAS THAT MEETS THE FOLLOWING SPECIFICATIONS:

Variety: Cardava
 Maturity: Unripe
 Colour: Green
 Size: 3.0 inches and above
 Appearance: Free from bruises
 Pesticide residue: Free from heavy metal residues; lab test analysis

Preference given to organic certified bananas
 No child labour in the farms
 Delivery should not be less than 150 kilos

ABC BANANA CHIPS COMPANY



Question	Your Answer	For Research	External Assistance
What are the quality requirements (<i>variety, maturity, colour, size, packaging, etc.</i>) of target buyers?			
Aside from above, what other requirements (<i>organic certification, no child labour, etc.</i>) would the group need to comply with to sell to target buyers?			
What is the smallest volume that the target buyers will buy from suppliers?			
How often will target buyers need to buy the product? Choose from the following: <i>Every day</i> <i>Weekly</i> <i>Monthly</i> <i>No schedule</i> <i>Other _____ (specify)</i>			
How can your cooperative become the preferred supplier? <i>Being your buyer's preferred supplier means that your buyer prefers to buy from you rather than from your competitors. Preferred suppliers are perceived to add value to the buyer's business. Achieving preferred supplier status is one of the best strategies for ensuring a long-term relationship with your key buyers which can guarantee the cooperative's income</i>			

Activity 2C: Assessing your competitors



In this activity, you will look at your competitors and the way they do business. The information that you gather will help you determine if the proposed cooperative can be a competitive player in the market. It will also help you identify the necessary capacity and ability that the cooperative needs in order to be competitive in the market. For those questions that you do not know the answer to, mark with a check (✓) the next action to be taken which could be either “for research” or “external assistance” and add an idea of what should be done.

As a group, let's perform each of the steps as they are read.

Steps

STEP 1 10 minutes

Who are your competitors?



Competitors are enterprises producing the same products that you plan to make and selling to the same buyers that you would want to sell to.

Question	Your Answer	For Research	External Assistance
Where do your target buyers currently buy their products?			
What are the similarities between your planned business and that of your competitors?			
If other businesses sell similar product(s)/service(s), why might a customer buy from you instead? How can you be different?			

How do your competitors market their product?



Photo Source: Business Group Formation, ILO, 2008

Question	Your Answer	For Research	External Assistance
Is it easy or hard for you to enter the market?			
What are the key features of the products of your main competitors that buyers like very much?			
What are the strengths of your competitors?			
What are the weaknesses of your competitors?			

Question	Your Answer	For Research	External Assistance
<p>What can you learn from your competitors to improve your products or services?</p> <p><i>Tips:</i> Think on how your cooperative can be better than its competitors. Often-times, the cooperative principles can be sources of strength and differentiation. Being more responsive to the needs of women customers may also help you become a preferred supplier</p> <p><i>Examples:</i> Prospective members of your cooperative sell to traders: Identify why your prospective members do not like selling to traders. It can be that traders do not classify the products correctly resulting in incorrect pricing. The cooperative can establish a policy that sorting and grading will be based on agreed standards. Actual classification will be done in front of them and results will have to be mutually agreed</p> <p>Target buyers currently source from traders. Recruit more members to join your cooperative - the more people involved in your cooperative, the stronger is your bargaining power. Help members to produce competitively priced products according to specifications of buyers to win market share. You may also want to explore win-win cooperation with traders rather than "eliminating" them - i.e., consolidation function including transportation and logistics services at fair prices instead of the cooperative investing on a truck, etc. during start-up</p>			

Activity 2D: Understanding price trends



A price is how much customers are charged for goods or services. A successful business is one that sells something customers need or want at a price they are willing to pay while ensuring that this price is higher than the costs to provide the product.² In this activity, you will look at how much customers are paying for products similar to what you plan to produce and the factors influencing prices.

After you finish reading each step and the associated questions, discuss your answers and then write these down in the column labelled “Your Answer.” For those questions that you do not know the answer to, mark with a check (✓) the next action to be taken which could be either “for research” or “external assistance” and add an idea of what should be done.

Steps

STEP 1 10 minutes

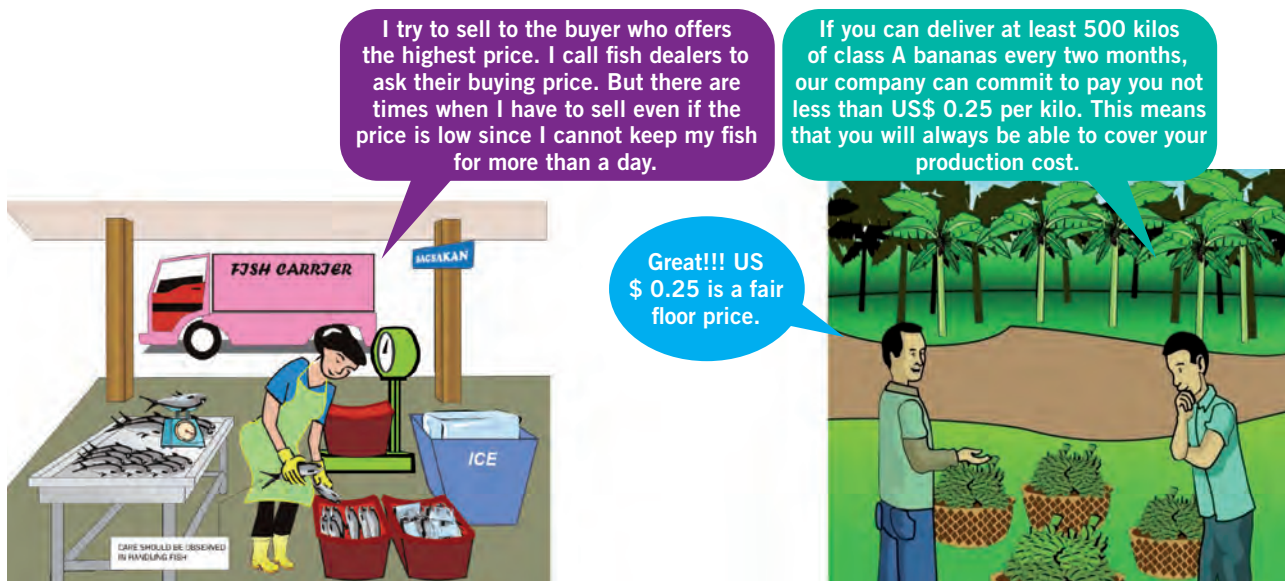
At what price do existing businesses sell the product or service?



Question	Your Answer	For Research	External Assistance
At what price (per unit) do your competitors sell their product or service?			
What is the basis of the price? <i>Possible answers:</i> <i>Quality</i> <i>Skills</i> <i>Volume</i> <i>Other_____ (specify)</i>			

² ILO-ASEAN Small Business Competitiveness, Community-Based Enterprise Development (C-BED) For Aspiring Entrepreneurs in the Tourism Sector

How is the price set?



Question	Your Answer	For Research	External Assistance
<p>What are the common practices in setting the price of products similar to yours?</p> <p><i>Possible answers:</i> Buyers set the price Sellers set the price Buyer and seller agree on the price at the time purchase takes place Buyer and seller have a marketing agreement which includes predetermined price and terms of payment Government sets price Other _____(please specify)</p> <p>It may be possible to have multiple answers</p>			
<p>Is price the main reason for customers to determine who they buy from?</p>			

**How do prices vary within the year?
What are the factors explaining the rise and fall of prices?**

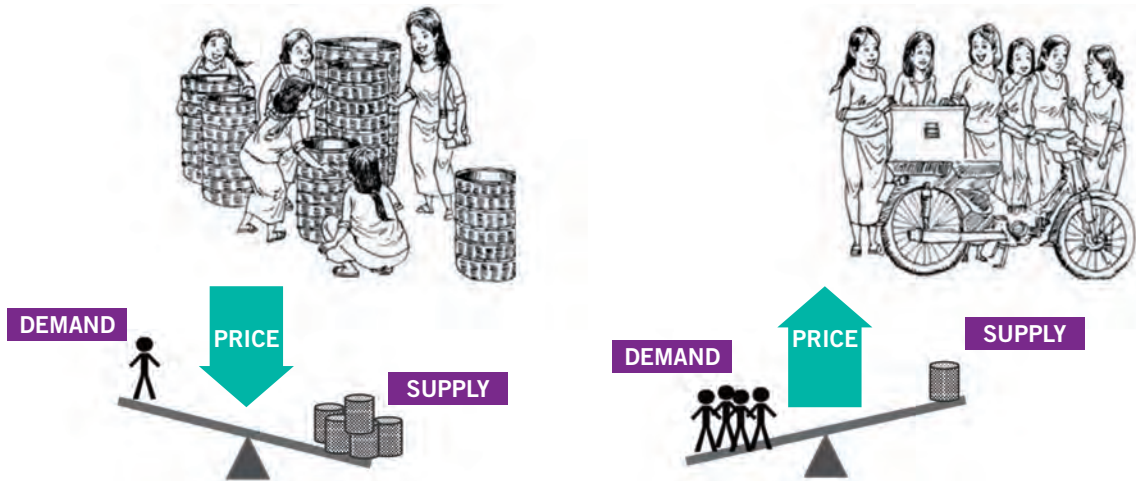
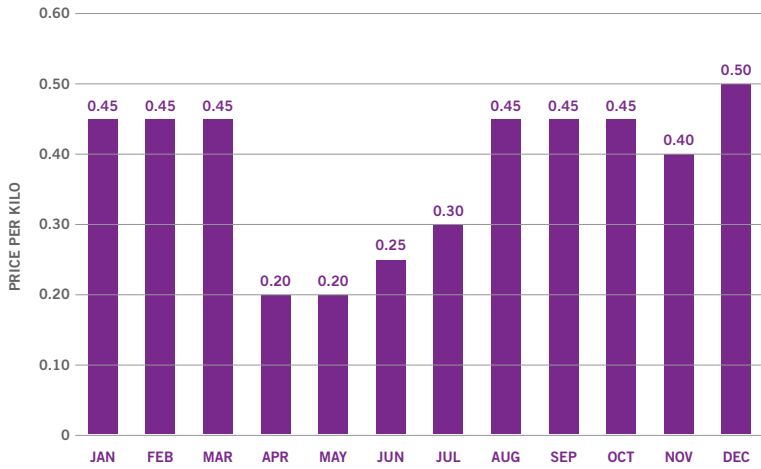


Photo Source: Business Group Formation, ILO, 2008

Question	Your Answer	For Research	External Assistance
<p>Does the price of the product vary within the year?</p>			
<p>What are the factors explaining these patterns?</p> <p><i>Examples:</i> During peak harvest season, the price of tomatoes goes down. During off-season, the price increases significantly</p> <p>The price of native bananas decreases during vacation time. Street food vendors cook less banana snacks since there are no school children who will buy from them</p>			

Are there clear seasonal patterns?



How to calculate the average price per year:

1. Add all the prices during the period being considered

$$0.45+0.45+0.45+0.20+0.20+0.25+0.30+0.45+0.45+0.45+0.40+0.50 = 4.55$$

2. Divide the sum by the number of months

$$4.55 \text{ divided by } 12 \text{ months} = 0.38$$

Question	Your Answer	For Research	External Assistance
Does the increase and decrease of the price follow a specific pattern?			
In which months of the year is price at a high level?			
What is the average price today? What was the average price last year? Two years ago? Three years ago?	Today: Last year: Two years ago: Three years ago:		
During the past five years, are prices generally rising, declining, or at the same level?			

Is there a scope to get better prices based on product quality or specific characteristics of the product?



CLASS B



CLASS A



Question	Your Answer	For Research	External Assistance
Is the pricing system based on quality?			
Do buyers pay more for suppliers who can deliver large volume?			
Are there specific features or characteristics that buyers are looking for and for which they are willing to pay a higher price? If yes, please list features or characteristics <i>Example:</i> <i>Customers may be willing to pay 5% more for vegetables produced without using chemical inputs; or for vegetables they can buy close to their homes</i>			
Which types of customers are most likely to pay higher prices?			

SESSION 3: ASSESSING TECHNICAL FEASIBILITY OF YOUR BUSINESS IDEA

Session Overview



5 minutes

Now that you already have some ideas about your target markets, it is time to think about how the products will be made or how the services will be delivered. You will need to identify the human, time, and equipment resources as well as the raw materials and utilities needed. You should also think about your strengths and weaknesses in relation to these.

What are the skills and resources that the cooperative would need to make the product or deliver the service?

Example: Banana Chips Cooperative

Sourcing of banana



Processing into banana chips



Packing and transport of products



Delivery to exporter (buyer)



Activity 3A: Mapping the activities and resources needed to produce the product or service



70 minutes

Now let's define the step-by-step flow of work that you need to carry out to serve the customer. You will also identify the critical skills, equipment, and other resources needed to perform the activity.

An example is provided for each step to serve as your guide and reference.

Perform the steps as a group. First, look at the example in each step before filling in the table based on your own proposed business.

Steps

STEP 1 Identify the key activities in the production of the final products. For each activity, identify the factors critical to meeting buyers' requirements and complying with standards and regulations. (30 minutes)

Example: Banana Chips Cooperative

Activity	Critical success factor
Sourcing of banana and coconut oil	Cooperative has assured supply of banana and coconut oil Suppliers understand quality requirements and have capacity to comply
Inspection of deliveries from suppliers	Quality inspection and control based on agreed standards Fair and transparent assessment
Weighing, washing, and peeling of bananas	First in, first out policy is observed Use of clean water for washing Use of pre-sanitized stainless peelers and crates Use of properly designed and maintained knives and peelers Seating area available for washers to rest for 15 minutes every four hours Peelers in comfortable sitting position Lifting of very heavy loads are reduced to the extent possible
Slicing of peeled bananas	Size of chips is uniform and per specification Slicer is calibrated before and after production Use of properly designed and maintained slicers
Frying of banana chips	Coconut oil to chips ratio is observed Use of well-designed, clean, and safe cooking utensils Workers use personal protective equipment
Sweetening of banana chips	Use of clean water Sugar or syrup is free from dirt and other contaminants Workers observe proper hygiene
Packing, labelling, and storage	Chips free from dirt, metal, and other contaminants Correct packing and weights Chips are properly stored Workers observe proper hygiene Well ventilated and lighted working area
Delivery to buyer	On time delivery Chips are as per specifications required by buyer Proper handling of chips Chips are packed and loaded in such a way that heavy lifting is minimized

Using the above example as reference, now identify your own key activities and critical success factors. If you do not know the critical success factors, place a check mark (✓) in the column "for research". You may also request the facilitator to help you in defining the major steps or activities to produce your product or deliver the service.

Activity	Critical success factor	For research

STEP 2

Based on the activities and critical factors identified above, identify the people and corresponding skills and knowledge needed to make the product or deliver the service. You will also assess whether the knowledge and skills already exist within your potential members and possible workers within your area of operation. An example is provided below to serve as your reference. (15 minutes)



Think of the knowledge and skills women may bring to your cooperative as potential members or workers. You do not want to assume women are only able to do certain jobs. For example, you do not want to assume that women would be good for washing bananas only. Instead, you could recognize that they are able to perform several jobs, ranging from operating a slicer machine to managing a cooperative

Example: Banana Chips Cooperative

Activity	People needed to produce the product	Critical skills and knowledge needed	Is skill or knowledge available among members or potential workers?		
			Yes	No	Do not Know
Sourcing of banana and coconut oil	Banana farmers	Knowledge in Good Agricultural Practices (GAP)	√		
Inspection of deliveries from suppliers	Inspector/ Receiver	Skill in determining acceptable grades of banana for processing	√		
		Can read, write, and perform basic calculations	√		
Weighing, washing, and peeling of bananas	Sorters	Can read, write, and perform basic calculations	√		
	Washers	Knowledge in Good Manufacturing Practices (GMP)		√	
	Peelers	Skilled and fast in peeling banana	√		
		GMP knowledge		√	
Slicing of peeled banana	Slicer Machine Operators	Experience in operation of mechanized equipment especially slicer machine		√	
		GMP knowledge		√	
		Knowledge reading calliper measurements for chip diameter and thickness	√		
		Background in machinery maintenance and basic troubleshooting		√	
Frying of banana chips	Cook/Fryer	Experience in banana chip production	√		
		GMP knowledge			√
Sweetening of banana chips		Can read, write, and perform basic calculations	√		
	Oven operator	Experience in operating rice hull burner			√
Packing, labelling, and storage	Packers and haulers	Knowledge in GMP		√	
		Can read, write, and perform basic calculations	√		
Marketing	Marketing staff	Good interpersonal and negotiation skills	√		
		Can read, write, and perform basic calculations	√		
		Knowledge on banana chips markets/marketing	√		
Supervision and management	Manager	Experience in managing a processing plant	√		
		Leadership and interpersonal skills			√

STEP 3

Identify the equipment and facilities you would need to make your product or deliver your service. Copy the activities you identified in Step 1 and identify the equipment and facilities needed for each activity. Also identify whether you will be able to access these resources on your own or not. (15 minutes)

Example: Banana Chips Cooperative

Activity	Equipment and Facilities Needed	Can you access it on your own?	
		Yes	No
Sourcing of banana and coconut oil	Truck for picking up banana and rice hull		✓
	Plastic crates	✓	
	Weighing machine	✓	
Inspection of deliveries from suppliers	Receiving area – about 30 square meters	✓	
Weighing, washing, and peeling of bananas	Weighing machine	✓	
	Washing area – about 30 square meters	✓	
	Water/Water system		✓
	Peeling area – about 50 square meters		✓
	Plastic crates	✓	
	Waste recycling facility (banana peels)		✓
	Chairs	✓	
Slicing of peeled banana	Slicing machine		✓
	Work area – around 20 square meters		✓
	Power/electricity	✓	
Frying of banana chips	Large vats	✓	
	Oven with rice hull burner		✓
	Work area – around 40 square meters		✓
Sweetening of banana chips	Stainless tables	✓	
	Work area – around 30 square meters		✓
Packing, labelling, and storage	Metal detector		✓
	Weighing machine	✓	
	Pallets	✓	
	Work and storage areas – around 30 square meters		✓
Delivery to buyer	Trolleys	✓	
	Truck		✓

STEP 4

List the key inputs or materials that you need in your business. In the second column, identify the sources of these materials. You should also indicate whether it is easy or not to source the material (10 minutes).

Example: Banana Chips Cooperative

Material	Source/s	Is it easy to source?		
		Yes	No	Do not Know
Banana	Farmers – members and non-members	√		
Coconut Oil	Coconut oil company in the town; minimum volume for coop to buy directly		√	
Rice hull	Rice mills within the village	√		
Sugar	Grocery	√		
Food grade plastic or sack	Packaging company			√

Using the above example as your reference, discuss and write the materials that you would need for your proposed product or service.

Material	Source/s	Is it easy to source?		
		Yes	No	Do not Know

SESSION 4: ASSESSING FINANCIAL FEASIBILITY

Session Overview



A cooperative must produce income to survive. A financial feasibility study looks at how much money is needed to start and run the business before cooperative starts earning income, where the money will come from, and the projected production cost and profit. This will also provide you with some idea of the volume of business needed to make your cooperative a successful venture. In finalizing your financial feasibility study, it is recommended that you consult an accountant to review your work.

Activity 4A: Calculating start-up costs



In this activity, you will calculate the money that the cooperative would need to start the cooperative business and run it until you make a profit. Perform the steps as a group as they are read.

Steps

STEP 1 10 minutes

How much would it cost for the proposed cooperative business to acquire the basic equipment and facilities needed to produce the product or deliver the service?

To start a business, we would need...



In Activity 3A, you identified the equipment and facilities you need. Now, let's look into the possible ways to access these facilities and equipment. It may be possible that there are financial support programmes or development programmes in your area that can help you with some of the investments needed. Likewise, one of your potential members may have a vacant property or land that you can rent for your working area. It is recommended that you explore all possible means to lower your investment costs. To get some ideas on how to perform this step, take a look at the example below.



In many contexts, women's access, control and ownership over land and/or financial resources are limited because of social norms or even legislation. These situations should not prevent women from joining or forming a cooperative. Women could contribute in many different ways, including through their skills and knowledge, time, etc. Contributions from women should be given the same value as those from men

Example:

Equipment/Facility	Unit	No. of Units	How will you acquire it?	How much will it cost? (in US\$)
Land	Square metre	250	Member will allow coop to use her land	2,000
Building	Square metre	150	Fundraising	4,000
Slicing Machine	unit	2	Submit proposal to a development programme	3,000
Chairs	unit	10	Purchase	100
Weighing scale	unit	2	Purchase	400
Stainless table	unit	3	Purchase	600
Water system	unit	1	Request local government to upgrade existing local water system	10,000
Cooking vat and other utensils	sets	2	Purchase	2,000
Personal protective equipment	sets	10	Purchase	500
Total Costs				22,600
Less: Money from fundraising activities/non-reimbursable third-party contribution				19,000
Total money that cooperative has to raise				3,600

Now, perform this step with information on your cooperative. First, copy the lists of equipment and facilities you have identified in Activity 3A. This also provides an opportunity to review your list. Estimate the number of units that you will need, indicate how these would be acquired, and provide the corresponding costs. Do not worry if most of your answers are estimates. What is important here is that you learn how to do it. When you make your action plan later, you will include the validation and verification as part of your tasks. You can use a calculator to complete this step.

Equipment/Facility	Unit	No. of Units	How will you acquire it?	How much will it cost?
(1) Total Costs <i>(Add all the costs in the last column)</i>				
(2) Less: Costs of equipment and facilities that you will acquire via fundraising activities/ non-reimbursable third-party contribution				
Total money needed by cooperative to start business (1) – (2)				

Production cost

Costs of Raw Materials



Wages



Packaging and Transportation costs



Salaries of manager, office staff, and others not directly involved in production Utilities/rental Taxes



Costs change depending on production volume

Water and electricity costs may also be classified as variable costs if costs change significantly depending on production volume

Costs that remain relatively the same no matter the level of production

Every business incurs costs before it generates a profit. The money required to cover initial operational expenses is called working capital. This is the capital needed to start and keep the business running until it generates sufficient income to cover all costs. It is necessary to estimate your production or operational cost and then determine the period or the number of cycles before the cooperative will start to earn income. Let's read the example.

Example: Banana Chips Production

Target Production Volume: 15 metric tons of banana chips per month

The production volume is based on: (i) volume required by target buyers; (ii) raw material supply

Period before cooperative starts to earn income: Cooperative will start to earn income after one month or after production of the first 15 MT of banana chips. In short, the cooperative would need working capital for one-month of operations.

Assumptions:

- One kilo of banana chips = 4 kilos of fresh bananas
- To produce 15 metric tons (15,000 kilograms) of banana chips, the cooperative will need 60,000 kilograms of fresh bananas
- Cooking oil consumption: 10% of weight of fresh banana; 10% of 60,000 kilograms of fresh banana = 6,000 kilograms of cooking oil
- Sugar: 4.5% of weight of fresh bananas; 4.5% of 60,000 kilograms of fresh bananas = 2,700 kilograms of sugar
- Bulk packaging – banana chips will be sold to exporters
- Peelers: to be paid per kilo
- Operator (2)/Fryer (3)/Sorter and Packer (3): daily rate

Production cost for one cycle prior to earning income

Item	Unit	No. of Units	Unit Cost (in US\$)	Amount (in US\$) Unit Cost x No. of Units
Materials				18,660
Banana	kilo	60,000	0.16	9,600
Cooking oil	kilo	6,000	0.90	5,400
Sugar	kilo	2,700	0.80	2,160
Master carton	pieces	3,000	0.40	1,200
Liners	pieces	3,000	0.06	180
Packaging tape	rolls	150	0.80	120
Direct Labour				3,020
Peeler	kilo	60,000	0.03	1,800
Operator of slicing machine	person day	40	8.00	320
Fryer	person day	60	8.00	480
Sorter/packer	person day	60	7.00	420
Transportation				150
Rental of delivery truck + haulers	trip	1	150.00	150
Fixed Costs				900
Manager	month	1	300.00	300
Bookkeeper	month	1	200.00	200
Office staff	month	1	150.00	150
Janitor	month	1	100.00	100
Electricity	month	1	20.00	20
Water	month	1	30.00	30
Other expenses	month	1	100.00	100
Total Estimated Expenses				22,730

Now, compute the costs involved in the production of your product or service following the example above.

- What is your target volume per month based on the estimated demand of buyer(s) and the capacity of the cooperative?
- How many months after the start of operation will the cooperative begin to earn income?
- What are the key assumptions for your start-up production (e.g., volume of materials or inputs needed for xxx months of production before cooperative begins to earn income, number of workers to produce xxx volume of products, output per worker, how worker will be paid – piece rate, daily rate, monthly, etc.)?

Now, complete the table below. At this time, you may not have all the information on materials, labour, and fixed costs. What is important, though, is that you learn the process of calculating your start-up production costs. You may ask for guidance from the facilitator. You can use a calculator to complete this step.

Item	Unit	No. of Units	Unit Cost	Amount Unit cost x No. of Units
Total Material Costs				
Total Direct Labour Costs (wages of workers producing the product or delivering the service)				
Total Transportation Costs				
Total Fixed Costs (costs that cooperative will incur regardless of the level of production – salaries of manager, marketing staff, cashier, and other staff not directly involved in production, utilities, rental of land and building, etc.)				
Total Estimated Expenses				

Total start-up costs



Costs of Equipment and Facilities

Production/Operation Expenses (while coop has no income or not enough income yet)

Other expenses: licenses, registration, marketing campaign, market research, etc.

To determine the total amount of money you need to establish the cooperative and start its operations, add costs of equipment and facilities (Step 1), production and operation expenses (Step 2), and other expenses that were not yet included in Steps 1 and 2.

Example: Banana Chips Cooperative

Item	Estimated Costs (in US\$)
Equipment and facilities	22,600
Production/operating expenses for 1 month	22,730
Other expenses	600
<i>Registration</i>	100
<i>Licenses</i>	100
<i>Marketing campaign</i>	200
<i>Research and other expenses</i>	200
Total Start-up Costs	46,530

Now, calculate the total start-up costs for your own cooperative. You can use a calculator to complete this step.

Item	Estimated Costs
Equipment and facilities	
Production/operating expenses for 1 month	
Other expenses	
Total Start-up Costs	

How can we raise the money for our start-up capital?



If you sign a marketing agreement with us, our company can give you 30% advance payment.



Each member can give 1,000 kilos of banana; 50% for processing and 50% for selling to traders. The sales can form part of the working capital.



We can give you a grant but we would need to review your feasibility study and business plan.

Many of you may be asking yourselves now how you can possibly raise the money needed to start your cooperative business. Indeed, if you do it individually, it could take your whole life and beyond to raise the capital. But if you work together you can do it. Below is an example of how the banana farmers raised the money to set up their cooperative.

Example: Banana Chips Cooperative

Source	Description	Amount (in US\$)
Members	In kind contribution (banana)	19,600
Buyer	30% advance payment	9,000
Government/ Development Programme/ External contribution	Fundraising activities/ non-reimbursable third-party contribution	20,000
Estimated money that cooperative can raise		48,600
Estimated money needed to establish cooperative		46,530
Balance for contingency expenses		2,070

As a group, discuss how you can raise the money that you need. Be innovative and resourceful. You can use a calculator to complete this step.

Source	Description	Amount
Estimated money that cooperative can raise		
Estimated money needed to establish cooperative		
Balance for contingency expenses		

Activity 4B: Assessing price competitiveness and profitability



To be competitive in the market, you must be able to offer your products at more or less the same price as your competitors. Likewise, you must also check whether the price you are likely to receive for your product or service will enable you to cover your costs and earn a profit. Calculating the breakeven price helps the company determine the price it will need to charge for its products.

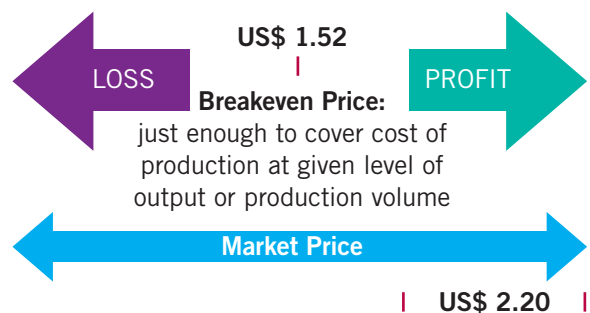
As a group, perform the steps as they are read.

STEP 1 10 minutes

How does your breakeven price compare to the prevailing market price?

Breakeven Price:
Total Production Cost
Total Output

Example:
Production Cost: US\$ 22,730
Total Output: 15,000 kg banana chips
Breakeven Price: US\$ 1.52



Market price must be higher than breakeven price for business to be profitable

Let us now compute the breakeven price for your product or service. You can use a calculator to complete this step.

Question	Your Answer
What is the total production cost? <i>Copy from Activity 4A Step 2</i>	
For the production cost above, how many outputs do you expect?	
What is the breakeven price? <i>Divide total production cost by total output</i>	
How much is the average price that your target buyers are willing to pay?	
Is your breakeven price lower than the price your buyers are willing to pay?	

STEP 2 10 minutes

Profit = total sales or income – total expenses



Expenses > Sales ➔ LOSSES

Expenses < Sales ➔ PROFIT

Every business generates income by selling goods or services. The income is the total amount of money paid by the customers for the product or service. The income generated by a business activity depends on the quantity of goods or services sold and the price they were sold for. The money that comes from sales should provide a reasonable profit so that the cooperative can invest in business growth. Profit is obtained by subtracting total expenses from the total sales. An example is provided below. In the example, it is assumed that the cooperative expects more or less the same level of income every month.

Example: Banana Chips Cooperative

Income	
Price at which product will be sold	US\$ 2.00/kilogram
Estimated volume of product that will be sold in one year	15,000 kilograms x 12 months = 180,000 kilograms
Total Sales or Income	180,000 kilograms x US\$ 2/kilogram = US\$ 360,000
Expenses	
Cost to produce per unit	US\$ 1.52/kilogram
Annual operating expenses	180,000 kilograms x US\$ 1.52/kilogram = 273,600
Profit	
Gross Profit	US\$ 360,000 – US\$ 273,600 = US\$ 86,400
Gross Profit Margin	86,400/360,000 = 0.24 or 24%

Now estimate the profit that your cooperative can potentially earn. Please follow the instructions. Do this as a group.

Question	Your Answer
Income	
How much will you sell your product for? <i>Refer to your breakeven price in Step 1 and the prevailing market price. The price that you set should be higher than breakeven but not more than what the market is willing to pay for</i>	
How many units do you expect to sell in a year? <i>This should be based on market demand, available supply, and capacity of your cooperative</i>	
Total Sales or Income <i>Selling price x number of units you expect to sell</i>	
Expenses	
How much is the unit cost per product? <i>Copy breakeven price in Step 1</i>	
Annual Operating Expenses <i>Number of units you expect to sell x unit cost per product</i>	
Profit	
Gross Profit <i>Total Sales – Annual Operating Expenses</i>	
Profit Margin <i>Gross Profit divided by Total Sales</i>	

SESSION 5: SHOULD YOU PURSUE THIS BUSINESS?

Session Overview



5 minutes

This session will help you decide whether to pursue the business idea based on results of your feasibility study (Sessions 1 to 4). It will also help you identify information that you may still need to gather to make good decisions.

Activity 5A: Business feasibility assessment checklist



20 minutes

The checklist summarizes the key factors that should be looked at when analysing a business idea. Perform the steps as they are read.

Steps

STEP 1

Answer the questions individually. Place a check (✓) in the column that best represents your answer. It may be necessary to review your outputs in Sessions 1 to 4 as you answer each question. (10 minutes)

Question	Yes	No	Do not Know
Is there sufficient interest in and commitment to starting a cooperative? (Session 1)			
Are the core group and potential members willing to provide the capital to start and operate the business? (Session 1)			
Do the members of the core group and potential members have enough free time to dedicate to the cooperative? (Session 1)			
Is there a strong motivation among potential members to operate the business? (Session 1)			
Would the business have a steady, reliable market for its products or services? (Session 2)			
Would the cooperative be able to compete with the existing competitors? (Session 2)			

Question	Yes	No	Do not Know
Would the cooperative be able to offer a price that is competitive in the market? (Session 2)			
Will target customers buy your product or service rather than those of your competitors? (Session 2)			
Are there members in the core group with the ability to produce the product or service? (Session 3)			
Are there members in the core group with the management skills to operate the business? (Session 3)			
Are there programmes or providers that can assist the cooperative in building its capacity to produce the product or service as per standards required by buyers and legal regulations? (Session 3)			
Would the cooperative be able to secure the necessary financial resources to start the business and generate desired levels of income? (Session 4)			
Can the cooperative find suitable premises to work in? (Session 3)			
Is the proposed location for the business accessible by 4-wheel drive vehicle? (Session 3)			
Can the cooperative obtain the tools, equipment, and technology it needs? (Sessions 3 and 4)			
Are the necessary raw materials available for the cooperative to buy on a regular basis? (Session 3)			
If the business requires water and electricity, can the cooperative access these utilities? (Sessions 3 and 4)			
Would the cooperative generate sufficient profits to recover start-up costs and provide money for expansion and growth? (Session 4)			

If you are not able to answer “yes” to most of the feasibility questions, you should reconsider your proposed business idea. For all questions that you answered “Do not Know”, you should gather the needed information.

STEP 2

Share and discuss your answers with the group. Come to a consensus on whether the group should pursue the business idea. (10 minutes)

Should the group pursue the business idea? ___ Yes ___ No



After confirming the feasibility of your business idea, **Start.COOP MODULE 3** will guide you in the preparation of your business plan.

SESSION 6: ACTION PLANNING

Session Overview



5 minutes

In this session, you will make your action plan to complete the Core Group Formation and Business Concept Development phase of starting a cooperative.

Activity 6A: Review of activities from group formation to feasibility assessment



10 minutes

The pictures below show the different activities that must be done in order to reach a decision on whether your business idea is feasible. As a group, identify the order in which the activities should be performed. Place 1 on the first activity to be performed, 2 for the second activity, and so on.

No.

Identify common problem or need



No.

Identify potential owner-members



Photos Source: Business Group Formation, ILO, 2008

No.

Find out if there is a market for the product



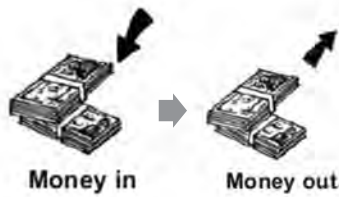
No.

Assess support and commitment of members on proposed business idea



No.

Assess financial viability and start-up costs (affordability; access to funds)



No.

Define business solution that can be done by the group to address top problem



No.

Assess your competitors



No.

Assess prices



No.

Assess technical viability



Photo Source: Business Group Formation, ILO, 2008

Answers are on page 76.

Activity 6B: Preparing your action plan



As a group, look at your worksheets and identify those items for which you lacked information. Identify what you need to do to complete all the activities indicated in Activity 6A.

What activities you need to do	When you will do it	Who will do it	External Assistance Needed
1 Identify potential owner-members			
<i>Example: Survey farmers in your village</i>	<i>1st week January (year)</i>	<i>Core group with Alex as lead</i>	

What activities you need to do	When you will do it	Who will do it	External Assistance Needed
2 Identify common problem or need			
<i>Example:</i> Call for meeting with potential members	3rd week of January (year)	Core group with Milos as lead	
3 Define business solution that can be done by the group to address top problem			
<i>Example:</i> Call for meeting with potential members	3rd week of January (year)	Core group with Milos as lead	
4 Assess support and commitment of members on proposed business idea			
<i>Example:</i> Ask potential members to sign commitment form	3rd week of January (year)	Core group with Zahra as lead	
5 Find out if there is a market for the product			
<i>Example:</i> Meet with processing companies	4th week of January (year)	Noor and Samir	
6 Assess your competitors			
<i>Example:</i> Interview existing processing companies	4th week of January (year)	Theo	√ Ask local government for referrals

What activities you need to do	When you will do it	Who will do it	External Assistance Needed
7 Assess prices			
<i>Example:</i> Analyze data gathered	1st week of February (year)	Anita and Kai with core group members	√ Request extension officer to review analysis
8 Assess technical viability			
<i>Example:</i> List key activities and skills needed	2nd week of February (year)	Core group members with Idris as lead	√ Request development program officer to provide technical inputs
9 Assess financial viability and start-up costs (affordability; access to funds)			
<i>Example:</i> Finalize start-up costs	3rd week of February (year)	Anita and Kai with core group members	√ Request development program officer to provide technical inputs
10 Finding out about the regulatory framework on setting up a cooperative			
<i>Example:</i> Get information from cooperative development agency	3rd week of February (year)	Core group with Milos as lead	√ Request coop extension officer to conduct an orientation
11 Decide whether to pursue business idea			
<i>Example:</i> Present results of feasibility study and go over checklist	4th week of February (year)	Core group with Noor as lead	

Answers: Activity 6A

Identify common problem or need: 2

Identify potential owner-members: 1

Find out if there is a market for the product: 5

Assess support and commitment of members on proposed business idea: 4

Assess financial viability and start-up costs: 9

Define business solutions: 3

Assess your competitors: 6

Assess prices: 7

Assess technical viability: 8

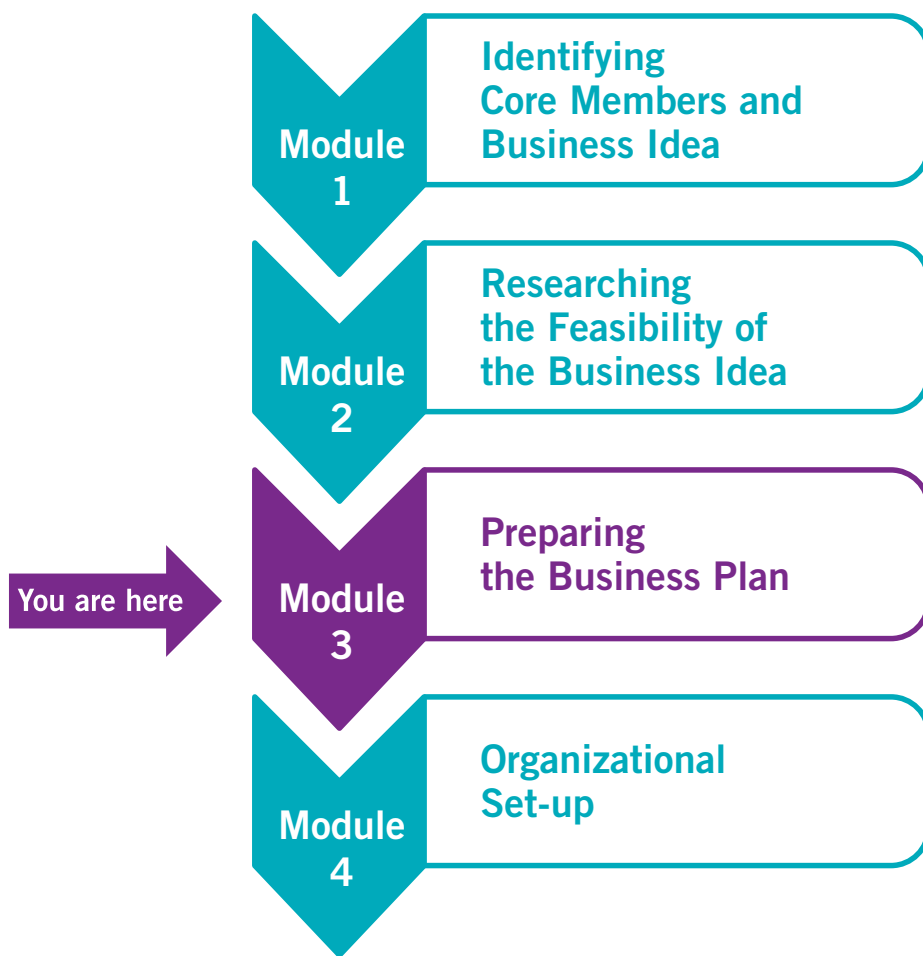
Use this space for your calculations and notes.

Start.COOP

MODULE 3

Preparing the Business Plan

Start.COOP Modules



MESSAGE TO THE GROUP

In Module 2 you undertook a feasibility study. In Module 3 it is time to proceed to the preparation of the business plan. The feasibility study answers the question “will this work”. The business plan answers the question “how will this work”. The seven Sessions of Module 3 focus on the preparation of a basic business plan aimed at providing guidance on how to run the business during the early stages of its operation.

In Session 1 you will learn about the business plan and its structure. Session 2 helps you write a business profile, with the key information on the cooperative. In Session 3 you will become familiar with the elements of a marketing plan such as the description of products and/or services and the market, as well as the marketing strategy. Session 4 provides you with an overview of the operations plan which describes how you will prepare your product or deliver your services. The operations plan includes information on physical resources needed and the requirements in terms of work process and systems. Session 5 consists of the management plan, which focuses on the human resources needed. It guides you toward the establishment of an organizational chart, the identification of the staff you will need to run the cooperative and the preparation of job descriptions. Session 6 helps you estimate the profitability of the business. To do that, it assists you in preparing an income statement, undertaking cash flow projections and composing a balance sheet. Finally, Session 7 helps you prepare an executive summary of your business plan. At the end of this Module, it is expected that you will have drafted your business plan in order to identify the needs in terms of human resources that will be undertaken in Module 4.

At some point in the process of developing your business plan, you may need some external assistance. What is important, however, is that the ideas and content of the business plan come from the core group or potential members of the cooperative. It is, therefore, important that you learn the process of preparing the business plan. At the end of this Module, it is expected that you will have the draft outline of your business plan.

The style of this training is different from traditional approaches. You will work together as a team to follow the simple step-by-step instructions for discussions and activities in this training guide. A facilitator will be around to assist with any questions on the training content and exercises. Because there is no group leader, all group members should take a turn reading the information and instructions out loud to the group, and all group members share responsibility for monitoring time. In this new style of training, you will learn from each other by sharing ideas and opinions, skills, knowledge and experience. For this to work, all group members must participate in discussions.

Before and after the training, you will be asked to complete a knowledge survey to help understand the impact of the training. This information will be kept confidential and will be used to improve the training materials and organization of future programmes. It will also be helpful for identifying other training on cooperatives that can be subsequently introduced to participants. Some participants may also be contacted by the training organizers in the future after 3, 6 or 12 months after the training for another survey to learn about the implementation of their action plans.

Follow the Signs

The instructions in the training guide are easy to follow and the suggested timeframe for each step is provided. Look out for these signs:

SIGNS AND THEIR MEANING



This sign indicates the suggested time for the activity



This sign indicates background information to be read to the group



This sign indicates group discussion



This sign indicates that the activity is beginning and that step-by-step instructions need to be read out loud to the group and followed sequentially



The sign indicates a good practice in identifying and meeting the different needs of women and men, promoting active participation of women, and making strategic use of the distinct knowledge and skills women and men have.

Getting Started









Before you begin the training, follow the simple steps below to get organized:

- Fill out the pre-training survey. Ask the organizers if you do not have a copy or have not already filled it in.
- Organize into small groups of 5 to 7 people maximum. The organizers will guide you in how best to do this.
- Identify one group member to volunteer to start the training as “Group Reader”. The role of the “Group Reader” is to read the information and activity instructions out loud to the group. Any group member with basic literacy can be the “Group Reader” and you should aim to share this role among group members throughout the training.

All group members are responsible for monitoring time, but one group member should be nominated for each session to remind the group when the suggested time for an activity/step has been reached. You do not strictly need to follow the suggested timing, but you will need to manage your time for the total training. If one activity lasts longer than the suggested timing, try to save time in other activities to keep the balance.

All group members will receive this training guide. Individual work as well as group work can be completed in this guide.

Learning Process

Session		Time
SESSION 1: WHAT IS A BUSINESS PLAN?		15 minutes
SESSION 2: BUSINESS PROFILE		25 minutes
SESSION 3: MARKETING PLAN		105 minutes
SESSION 4: OPERATIONS PLAN		115 minutes
SESSION 5: RISK MANAGEMENT		50 minutes
SESSION 6: MANAGEMENT PLAN		35 minutes
SESSION 7: FINANCIAL PLAN		105 minutes
SESSION 8: EXECUTIVE SUMMARY		35 minutes

SESSION 1: WHAT IS A BUSINESS PLAN?

Session Overview



The business plan is a roadmap that details where the cooperative is going and how to get there. It explains what the business is and how it will be operated. Having a good business plan will help cooperatives minimize risks of failure. It can also be used by cooperatives in applying for support from development programmes.

A business plan should be reviewed and updated regularly to reflect changes in the business environment and status of the cooperative. In this session, you will familiarize yourselves with the structure of the business plan.

Activity 1A: Structure of a basic business plan



The following are the different sections of the business plan:

- Executive Summary
- Business Profile
- Marketing Plan
- Operations Plan
- Risk Management
- Management Plan
- Financial Plan

Although the executive summary is the first section of the business plan, it is written after all of the other sections have been prepared. The reason for this is that it will draw from and synthesize all the important information from the succeeding sections.

Most likely, you are already familiar with the titles of the other sections as these were the areas that you investigated when you conducted your feasibility study. As a review, look at the pictures below and identify which section of the business plan it represents (excluding the Executive Summary). For example, Picture 1 shows information that should be included under the Business Profile section.

Share and discuss your answers with your group.



SESSION 1: BUSINESS PLAN

1A. Structure of a basic business plan

SESSION 2: BUSINESS PROFILE

2A. Writing your business profile

SESSION 3: MARKETING PLAN

3A. Product and/or service description

3B. Market description

3C. Marketing strategy

SESSION 4: OPERATIONS PLAN

4A. Physical resources:
facilities and equipment

4B. Work process and system

4C. Cooperative principles and
operations

SESSION 5: RISK MANAGEMENT

5A. Identifying risks and mitigation
measures

SESSION 6: MANAGEMENT PLAN

6A. Preparing your organization chart

6B. Job description

SESSION 7: FINANCIAL PLAN

7A. Preparing your income statement

7B. Preparing your cash flow projection

7C. Preparing your balance sheet

SESSION 8: EXECUTIVE SUMMARY

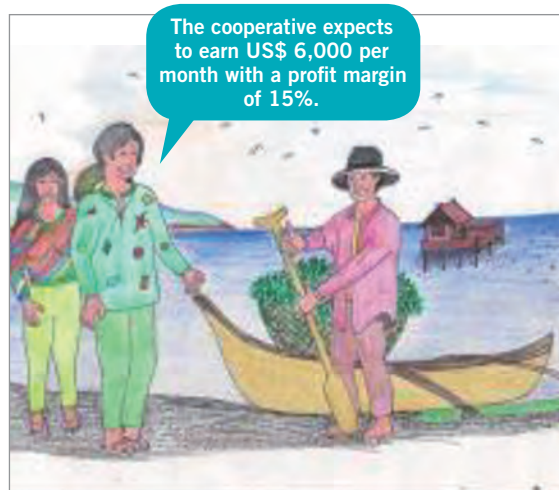
8A. Writing the executive summary

PICTURE 1



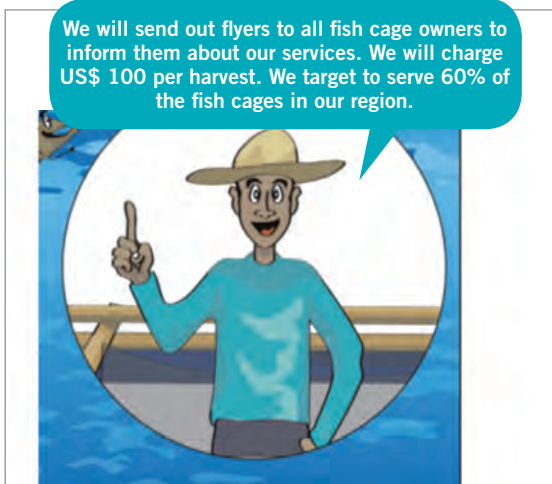
Answer: Business Profile

PICTURE 2



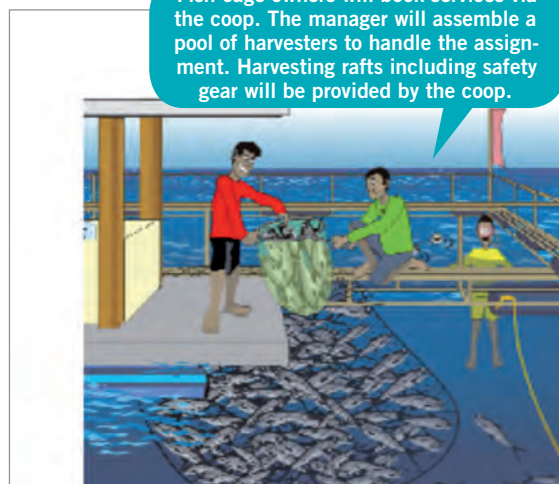
Answer:

PICTURE 3



Answer:

PICTURE 4



Answer:

PICTURE 5



Answer:

PICTURE 6



Answers are on page 126.

SESSION 2: BUSINESS PROFILE

Session Overview



5 minutes

The business profile typically comes after the executive summary. This section outlines vital details about your cooperative such as where it is located, whom to contact, how large the cooperative is, what it does and what you hope to accomplish.

Activity 2A: Writing your business profile



20 minutes

As a group, complete the business profile of your cooperative by answering the questions listed below. The second column provides an example to guide you. Answer the question as it is read. Write your answer in column 3. Many of the answers to the questions can be found in your feasibility study outputs.



YOUR BUSINESS PLAN

- SESSION 1: BUSINESS PLAN
- 1A. Structure of a basic business plan
- SESSION 2: BUSINESS PROFILE**
- 2A. Writing your business profile
- SESSION 3: MARKETING PLAN
- 3A. Product and/or service description
- 3B. Market description
- 3C. Marketing strategy
- SESSION 4: OPERATIONS PLAN
- 4A. Physical resources: facilities and equipment
- 4B. Work process and system
- 4C. Cooperative principles and operations
- SESSION 5: RISK MANAGEMENT
- 5A. Identifying risks and mitigation measures
- SESSION 6: MANAGEMENT PLAN
- 6A. Preparing your organization chart
- 6B. Job description
- SESSION 7: FINANCIAL PLAN
- 7A. Preparing your income statement
- 7B. Preparing your cash flow projection
- 7C. Preparing your balance sheet
- SESSION 8: EXECUTIVE SUMMARY
- 8A. Writing the executive summary

Column 1 Question	Column 2 Example	Column 3 Your Answer
Background Information		
Name of Cooperative	<i>XYZ Cassava Farmers Cooperative</i>	
Address	<i>(Name of the street, city, country)</i>	
Contact Details	<i>(Name of manager and phone number)</i>	
Number and type of members	<i>200 farmers in (name of the region/zone)</i>	
Purpose/Objective of Cooperative		
What are the objectives of forming the cooperative? <i>Tip Review outputs in Start.COOP Module 1</i>	<i>To reduce postharvest losses and engage in value addition activities through production of cassava chips using improved technologies and under hygienic and safe working conditions</i>	
What would the group like to achieve by coming together?	<i>Increase in income Access to bigger and more lucrative markets Stable jobs for household members including access to social security Access to water system</i>	
Products and/or Services		
Type of Cooperative <i>Tick as applicable ✓</i>	<input checked="" type="checkbox"/> Production <input type="checkbox"/> Marketing <input type="checkbox"/> Service <input type="checkbox"/> Others (specify)	Production Marketing Service Others (specify)
What product/service is the cooperative going to provide?	<i>Production of cassava chips</i>	
Why will customers buy your products or use your services?	<i>We can deliver regular supplies of high quality cassava chips at a competitive price. Our chips will be produced under safe and hygienic conditions The cooperative will also advocate for decent and safe working conditions not only in its processing plant but also among its suppliers</i>	
Markets		
Who will be your customers?	<i>The cassava chips will be sold to feed companies located within the region. To minimize risk, we will forge a supply agreement with two to three feed companies</i>	

SESSION 3: MARKETING PLAN

Session Overview



This section of the plan provides the description of the products and/or services with emphasis on the value that you would be providing to your customers. It also presents a summary of the results of your market analysis (conducted as part of your feasibility study) with a focus on the market opportunities for your products and/or services. You will then describe your strategies on how you will reach your target customers and differentiate your business from competitors.

Activity 3A: Product and/or service description



The product and service description describes the features of your product or service, the unique selling points offered by your product or service, and how your product or service satisfies client needs and expectations.

This is a group activity. An example is provided in each step to guide you. Perform each step as it is read.



- SESSION 1: BUSINESS PLAN
- 1A. Structure of a basic business plan
- SESSION 2: BUSINESS PROFILE
- 2A. Writing your business profile
- SESSION 3: MARKETING PLAN**
- 3A. Product and/or service description
- 3B. Market description
- 3C. Marketing strategy
- SESSION 4: OPERATIONS PLAN
- 4A. Physical resources: facilities and equipment
- 4B. Work process and system
- 4C. Cooperative principles and operations
- SESSION 5: RISK MANAGEMENT
- 5A. Identifying risks and mitigation measures
- SESSION 6: MANAGEMENT PLAN
- 6A. Preparing your organization chart
- 6B. Job description
- SESSION 7: FINANCIAL PLAN
- 7A. Preparing your income statement
- 7B. Preparing your cash flow projection
- 7C. Preparing your balance sheet
- SESSION 8: EXECUTIVE SUMMARY
- 8A. Writing the executive summary

Steps

STEP 1 20 minutes

OUR PRODUCTS



Unpeeled Cassava Chips



Peeled Cassava Chips

PRODUCTS SPECIFICATION

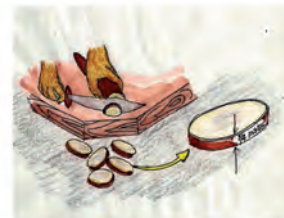


We only use 10-12 month old cassava tubers. The tubers are processed not more than 24 hours after delivery to avoid contamination.



Moisture content of 12% to 14%

PRODUCT DESCRIPTION



Chips are ¼ inch thick for quick drying.



Packed in clean 50 kg sack

Example: XYZ Cassava Farmers Cooperative

You will produce high quality peeled and unpeeled cassava chips. The peeled cassava chips will only be offered during the 2nd year to give the cooperative time to raise money for a mechanical peeler. Key features of your cassava chips are described below.

Parameter	Description
Raw Material: Fresh Cassava Tubers	
Maturity	10 to 12 month production
Freshness	Newly harvested; not more than 1 year old
Appearance	No evidence of pest infestation No rotten or damaged parts
Cassava Chips	
Moisture Content	12% to 14% - tested via a tester
Appearance and colour	Cream to light brown No evidence of pest infestation No rotten or damaged parts No soil or mud
Chip size	Not more than ¼ inch thick
Odour	No fermented odour or bad smell
Texture	Brittle and easily cracks when crushed
Packaging	50 kilogram sack; clean sack – not used for ingredients that could affect food safety
Production Volume	1,800 MT per year
Product Uses	Ingredient for all types of livestock and farmed fish feed

Description of Your Product and/or Service

Use the guiding questions to help you describe your product and/or service. If you have several products or services, describe only one during the activity. You will complete the description of your other products or services when you meet again to finalize your business plan.

- a) What is the product or service of your cooperative?

- b) What are the key features of your product or service?

- c) How much do you target to produce in a month or year?

- d) What are the main uses of your product or service?

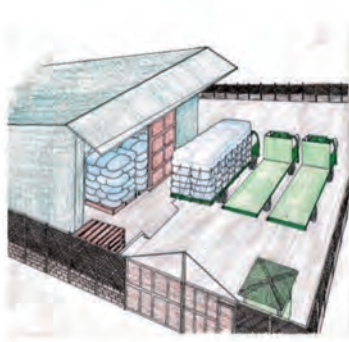
STEP 2 10 minutes

What makes our product better than what is already available in the market?

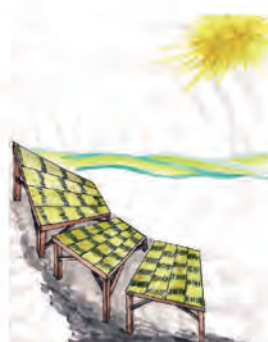
Example: Cassava Farmers Cooperative



Fresh and chemical free tubers: Tubers are grown in farms compliant with Good Agricultural Practices and near the processing plant.



High quality chips at competitive prices: Semi-mechanized production under strict quality control system.



Clean and safe chips: Our chips will be dried in raised platforms.



Safe work, happy and productive workers: Coop will ensure safety at every step of our operations.

When you answer the question below, imagine that you are in a meeting with a prospective buyer and would want to convince him/her to buy from your cooperative.

What makes your product or service better than what is already available in the market?

Activity 3B: Market description



30 minutes

The market description explains who your target customers are and why you chose this market. You should also clearly state why your target customers need the product or service you are planning to sell. An analysis of your competitors should also be presented.



- When targeting your customers, think of both women and men equally
- Women are very likely to be among your target customers. They are often not only bread winners but in some cases the main bread winners
- Think of the particular needs your potential women customers may have and how your product or service could meet those needs

To facilitate the writing of the market description, as a group answer the guide questions in Column 1. Sample answers are provided in Column 2 for your reference. You can also refer to your outputs in the Market Analysis session of Module 2.

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
Who are the possible customers? <i>Indicate the different types of customers or users of your product or service</i>	Feed mills: about 1,730 nationwide Bioethanol companies: 2 companies; start-up phase Brewery: only 1 company so far using cassava chips Flour companies: only small portion of production devoted to cassava flour Snack food processors: generally micro companies Export market with China as the largest importer	
Among all the possible customers you have identified, which type of customers or segment will your cooperative focus on?	Feed mills	
Why did you choose to focus on this market segment?	The top 5 feed mills have facilities in the region which are accessible to the cooperative There is a guaranteed market and floor price via supply agreement Companies also offer advance payment and provide assistance to suppliers	

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
<p>Why do your target customers need your product or service?</p> <p>What specific need in your target market will the product or service address?</p>	<p>There is a lack of supply of cassava chips. Feed mills currently operating at 60% of production capacity</p> <p>Quality of existing supply of chips is of inconsistent quality --- high moisture content and not compliant with food safety standards</p> <p>We will also be able to cater to demand for cassava chips produced from chemical free tubers. Feed companies are expanding their production of natural feed to cater to growing demand from livestock raisers</p>	
<p>Who are your competitors?</p>	<p>Direct competitors are the assemblers who collect tubers from their own farms and from farmers. They process the tubers into cassava chips</p>	
<p>How can you compete with your competitors?</p>	<p>We grow, process, and sell the product. We are, thus, our own suppliers. Although assemblers have their own farms, they depend on farmers who are willing to sell to them. Most of their suppliers only harvest once a year. In our proposed production system, we will promote modular plots and natural farming among our members so that we will have a year-round supply and chemical free tubers</p> <p>Assemblers do not invest in technology and upgrading. Their chips are generally Class B and Class C. We will produce Class A chips</p>	
<p>What is the estimated demand for your product or service?</p>	<p>In the region, total demand is about 200,000 MT per year. The supply gap is about 50,000 MT annually</p>	
<p>What percentage of the market do you hope to penetrate?</p>	<p>Projected annual production volume of cooperative: 1,800 MT</p> <p>This is about 1% of total demand. The cooperative will fill up about 4% of current supply gap</p>	
<p>How can you increase your market share over time?</p>	<p>Members have to increase farm productivity. Current yield is only about 70% of optimum yield</p> <p>We need to improve both farm and processing productivity so as to be competitive with imported cassava chips</p> <p>We also have to increase our production capacity for chips</p>	
<p>Is your market likely to grow? How much?</p>	<p>The market for cassava chips especially for feed mill is expected to grow due to an increase in livestock population. The market is expected to grow by 5% per year based on interviews with feed mills within our region</p>	

Activity 3C: Marketing strategy



You have identified your markets and products or services. It is clear that the markets and products or services you have chosen can help to address your common objectives. In this activity, you will define how you are going to get your customers to buy your products and/or use your services.

This is a group activity. Everybody should share their ideas and listen to each other.

Steps

STEP 1 15 minutes

Promotion strategy: How your target customers will know about your product or service



Visit to prospective buyers



Text messages/social media



Trade fair participation



Advertisement

The development of a promotion strategy involves thinking about how you can inform your customers about your products or services and influence them to buy from you. Read the question (Column 1) and the example (Column 2), share ideas, and write your answer (Column 3).

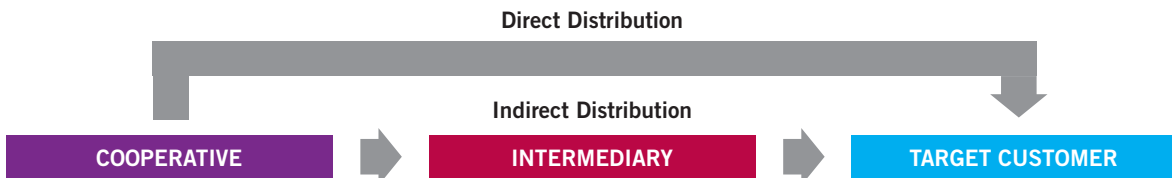


- When promoting and selling your products, think of channels that could easily reach potential women customers. For example, you can consider implementing your promotional activities in places you know women gather
- You may want to think carefully on the promotional message to use, it should show how the product or service could respond to the needs of potential women customers

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
How will you inform your target customers about your product or service and cooperative?	We will meet with our potential customers and provide them with samples and our profile. We will invite them to visit the cassava farms of our members and our processing plant in order to gain their trust	
What will be the main message(s) that you will communicate in your promotional activities?	Use of our cassava chips will help feed mills make better quality feeds We can help feed mills penetrate the natural feed market with our chemical free tubers With a membership base of 200 cassava farmers adopting the modular farming, our buyers are assured of a year-round supply of chips	

STEP 2 10 minutes

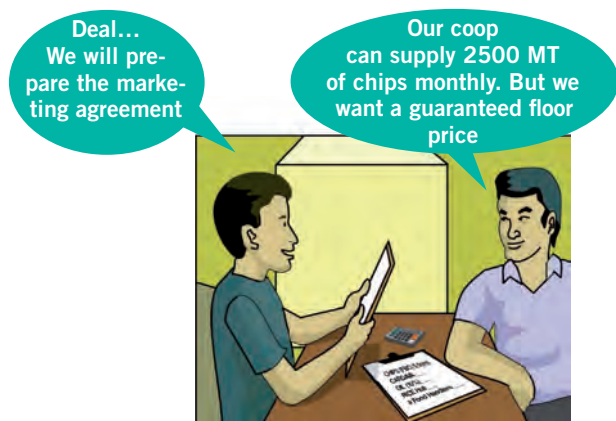
Distribution strategy: How will you get your product to your target customers



Relationship between cooperative and buyer



On the spot transaction



With contractual agreement between buyer and seller

In this step, describe how you will make your product or service available to your target customers by answering the guide questions in Column 1. Read through the example in Column 2 to have some ideas on how to answer the question. Write your answers in Column 3.

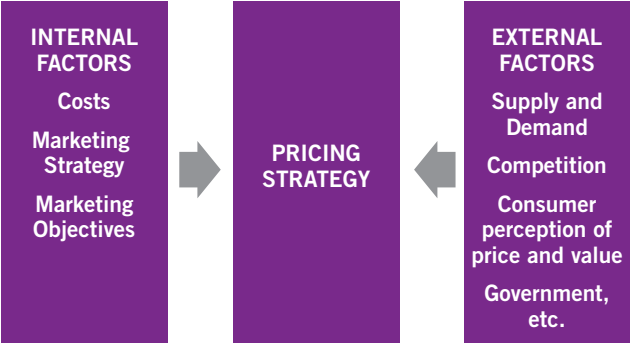


- In some cases your products or services could be used by women but they are not accessible to them. In such instances, you may want to think creatively of how to make them accessible
- For example, you may want to consider a home/workplace delivery or arrange pick-up points next to places where women regularly go such as schools, community centers, health clinics, etc.
- You may also want to consider establishing flexible payments for your products or services

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
How is your product or service going to get to the customer? <i>Describe how your produce will be sold – whether directly to your target customers, via intermediaries, etc.</i>	The cooperative will sell directly to the three feed mills in the region. The three feed mills are less than 30 miles from the proposed location of our processing plant. We will rent a truck to deliver the chips	
What is the contractual relationship between you and your target customers?	The cooperative will sign a non-exclusive marketing contract with the three feed mills. The contracts provide a guaranteed floor price and an advance payment of 20% to 30% of agreed volume for delivery. We will deliver the chips every month	

STEP 3 15 minutes

Pricing strategy



Competition Pricing
 "Hmm... I can give it to you for US\$ 0.10 if you buy 2 kilos"
 "Only US\$ 0.12 per kilo"
 "Buy now ... Introductory price of US\$ 2. The price will surely increase next month"

Market Penetration Pricing

Cost Plus Pricing
 "I sold it at US\$ 1.50 per kilo to cover all costs + mark-up of 25%. Supply is also limited."

Pricing strategy involves determining how you will price your product or service. Work together to answer the guide questions.

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
How will you set the price of your product or service?	<p>We will negotiate with our buyers for a guaranteed floor price that will cover all costs and a mark-up of at least 15%. If prevailing market price at the time of delivery is higher than floor price, the coop will receive the higher price</p> <p>Feed mills set the price of cassava chips based on quality and volume. Chips with moisture content higher than 14% receive a deduction in buying price. To get the optimum value for our products, the cooperative will work towards increasing production volume so as to be eligible for incentives given by feed mills that are able to deliver large quantities of chips per month. We will also ensure that we deliver only Class A chips</p>	
How does the pricing of your product or service compare to the market price of similar products or services?	This is not applicable to us. Feed mills set the price based on available supply of cassava and alternative materials such as corn. For our cooperative to remain viable though, we will invest in continuous productivity improvement to keep our production costs low for both cassava and chips	

SESSION 4: OPERATIONS PLAN

Session Overview



The operations plan describes how you will make your product or carry out the service. It also provides details on the physical location, facilities, and equipment that would be needed to produce the product or deliver the service. Last but not least, the operations plan presents how the business will ensure product or service quality and productivity and safety of the whole operations. Most of the information that you will need in completing your operations plan can be found in your outputs in Module 2.

Activity 4A: Physical resources: facilities and equipment



Physical resources include land, building and other structures, machinery, and equipment. These are the tangible assets that the cooperative will use to produce the product or deliver the service.



When deciding on the location, you may want to think of physical accessibility of the cooperative to women members:

- Will women be able to easily access the cooperative building and other structures?
- Will it be safe for them to reach the cooperative structures?
- Will these structures be equipped with specific facilities for women?

Do the steps together. Listen to all the ideas of your group members.



SESSION 1: BUSINESS PLAN
1A. Structure of a basic business plan

SESSION 2: BUSINESS PROFILE
2A. Writing your business profile

SESSION 3: MARKETING PLAN
3A. Product and/or service description
3B. Market description
3C. Marketing strategy

SESSION 4: OPERATIONS PLAN
4A. Physical resources: facilities and equipment
4B. Work process and system
4C. Cooperative principles and operations

SESSION 5: RISK MANAGEMENT
5A. Identifying risks and mitigation measures

SESSION 6: MANAGEMENT PLAN
6A. Preparing your organization chart
6B. Job description

SESSION 7: FINANCIAL PLAN
7A. Preparing your income statement
7B. Preparing your cash flow projection
7C. Preparing your balance sheet

SESSION 8: EXECUTIVE SUMMARY
8A. Writing the executive summary

Location: Where the business will be located



Basic considerations in choice of location



Electricity/Power Supply



Water Supply



Communication Facility



Accessible Near buyers and suppliers



Allowed by ordinance or law

Read the guiding questions in Column 1 and the examples in Column 2, and write down your answer in Column 3.

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
Where will the business be located?	It will be located in in <i>(name of the region)</i> , which is the top producer of cassava in the country	
What are the advantages and disadvantages of the location?	<p>The proposed location is near the cassava farms and the potential buyers. It is also accessible by 4-wheel drive vehicles. The area is connected to the power grid. A clean water supply is also abundant. The proposed location is not prone to floods. There are no safety risks for women in accessing the location</p> <p>The area, though, does not have landline phone or internet connection. However, it can be reached via cell phone</p>	

**Physical resources:
Facilities and equipment needed to produce product or provide service**



You will identify the equipment and facilities that the cooperative will need and how the group plans to acquire these. By now, the group should have already validated whether the planned mode of acquisition identified during the feasibility study is feasible. Remember, you can also make use of existing assets and facilities of members to lower investment cost.

Example: Cassava Farmers Cooperative

Equipment/Facility	Description	How Coop will Acquire
Land	250 square meters	Member will allow coop to use her land
Building	150 square meters; design and layout will be compliant with Good Manufacturing Practices	Fundraising
Open working area	About 50 square meters; for manual chipping	To be constructed; materials will be donated by members
Slicing machine	2 units	Purchase
Weighing machine	2 units	Purchase
Moisture tester	1 unit	Purchase
Raised platforms	For drying of chips	Construction; materials will be donated by members
Stainless washing vats	2 units	Purchase
Truck	For delivery of chips	Rental

Complete the table below for your own cooperative.

Equipment/Facility	Description	How Coop will Acquire

Activity 4B: Work process and system



This part of the Operations Plan will describe how the business will be operated from sourcing of inputs to after sales services. The process will vary depending on your business. You will also need to show how you will ensure product or service quality and the health and safety of workers.



- You may want to consider products or services delivered by both men and women
- Women should be given the same opportunities as men to become suppliers to the cooperative
- The decision for choosing suppliers should be made based on the quality of products and services and not on the gender of the supplier
- The cooperative may also want to develop a policy for gender sensitive procurement

Work together to complete each of the steps outlined below. Use the examples and illustrations as your guide in answering the questions.

Steps

STEP 1 (15 minutes)

Procurement of inputs/raw materials needed to produce product or service



Promotional campaign to recruit suppliers
Training of suppliers



Receiving, quality inspection,
and sorting



Weighing and
payment

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
What are the key inputs/ raw materials needed to produce the product or service? How many do you need per month?	Fresh cassava tubers – 375 MT per month	

Column 1 Guide Question	Column 2 Example: Cassava Farmers Coop	Column 3 Your Answer
From whom will you source these inputs?	Members and non-members	
How will you ensure that you will have an adequate supply of raw materials?	Members will be required to allocate at least 60% of their harvest for the cooperative Cooperative will regularly conduct promotional campaigns to attract cassava farmers to supply to the plant and eventually become members We will promote modular farming. We will also conduct training to help farmers improve productivity and comply with quality standards	
What are the key requirements to become a supplier?	Zero to very minimal use of chemical inputs; cassava with zero chemical inputs should be appropriately labelled No child labour in their farms Basic work safety is observed	
What are the terms of payment?	Members enjoy guaranteed price of US\$ 0.05 per kilo. If market price is higher than US\$ 0.05 at the time of delivery, members will get the higher price Non-members will be paid based on prevailing market price Price discount of 10% will be applied to immature tubers Cash on delivery	

STEP 2 (25 minutes)

Production/work process



Cleaning and washing of tubers



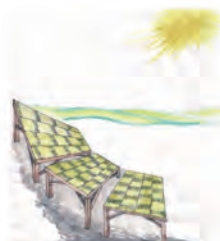
Moisture content testing



Packing and storage of chips



Manual chipping



Drying of chips



Delivery of chips

Measures to ensure quality and safety



Illustration by: Esteban Idrovo

In Column 1, list the key activities involved in making the product or delivering the service. In Column 2, identify the key measures to ensure product quality and workers' safety. In Column 3, identify the profile of people needed to perform the activity.

Example: Cassava Farmers Cooperative

Activity	Measures to ensure quality and safety	Profile
Cleaning and washing of tubers	Clean water will be used for washing	Washers
Chipping	<p>Thickness of chips will be about ¼ inch to ensure high granules recovery</p> <p>Chippers will only use sharp knives to avoid crushing the cassava, reduce physical strain (workers), and minimize risk of injury (workers)</p> <p>Prior to using a mechanical chipper, operator will ensure that: (i) blades and funnels are clean; (ii) blades are properly calibrated to desired thickness; and (iii) motor is in good running condition. Checking and service maintenance of mechanical chipper will be done monthly. At all times, operator will wear personal protective equipment</p> <p>Chipping will be done in a clean and dry place that is protected from animals and pests</p> <p>Area for manual chipping will be well ventilated, shaded, and open to minimize risk of workers inhaling cyanide</p>	Chippers
Weighing of chips	Clean pails will be used to weigh chips. Content of pail will not be more than 15 kilograms to reduce physical strain on haulers	Chipper team leader/chippers
Drying of chips	<p>Chips will be dried in clean platforms without soil and dust particles. Chips will be spread evenly at approximately 12 kg. per square meter</p> <p>Chips will be turned every two hours to have uniform drying</p> <p>Workers will be provided with appropriate sun protection</p>	Workers/Driers
Testing for moisture content	The thickest chip cut from among the dried chips will be tested for moisture content using a tester	Receiving staff
Packing of chips	<p>Only chips that pass the 12% - 14% moisture content will be packed</p> <p>Chips will be packed in clean sacks without holes and rips</p> <p>Sacks will be sealed via sewing to avoid entry of pests</p>	Workers/Driers

Activity	Measures to ensure quality and safety	Profile
Weighing of chips	Chips will be weighed using calibrated weighing scales. Each sack will contain 50 kg. of chips Weight and number of sacks including date of processing will be recorded in inventory logbook. Date processed will be indicated on the sacks	Receiving staff
Storage of chips	Chips will be stored in clean, well-lit storage areas. The sacks will be placed on top of pallets, off the floor and away from the walls Proper stacking will be observed to facilitate easy monitoring, minimize risk of falling off, and proper ventilation “First In, First Out” will be observed in the release of cassava chips	Receiving staff
Hauling and delivery of chips	The vehicle for delivery will be inspected for cleanliness. Vehicles used for the transport of animal manure, fertilizers and harmful pesticides will not be used for the delivery of cassava chips Trolleys will be used for the (un)loading of the sacks to protect both product and workers	Warehouse staff

Complete a similar table for your cooperative. To facilitate the identification of measures to ensure quality and safety, first identify the quality and safety risks in each of the major activities.

Activity	Quality and safety risks	Measures to ensure quality and safety	Profile

Activity 4C: Cooperative principles and operations



45 minutes

Cooperatives are not just businesses. They are based on a set of values and principles. As member driven enterprises, they seek to ensure honesty, openness, fairness and integrity. In this activity, you will describe how your cooperative will live up to the 7 cooperative principles.

You will perform this activity as a group. You may also ask the assistance of your facilitator in completing it.

Steps

STEP 1 Discuss how your cooperative will put into action the principles in its operations. Use the examples as your guide. (35 minutes)

STEP 2 Write in Column 3 the actions and measures agreed by the group. (10 minutes)

Principle	Measures to put into action the Principle	
	Example	Your Answer
1. Voluntary and Open Membership	<p>The cooperative membership is open to all persons able to use its services and willing to accept their responsibilities of membership</p> <p>The cooperative does not discriminate in the basis of gender, social, racial, political or religious grounds</p> <p>The cooperative will actively recruit members and conduct regular orientation on cooperative membership</p> <p>Rights and responsibilities of members will be defined by the members themselves. All policies and practices will target all members equally and will be free from discrimination</p> <p>Probationary period and membership training will be provided to all who want to become members</p>	

Principle	Measures to put into action the Principle	
	Example	Your Answer
2. Democratic Member Control	<p>Members will vote on major decisions. A General Assembly will be conducted annually</p> <p>Equal voting for all</p> <p>Information and Communications Technology (ICT) and social media outlets will be used to promote ongoing conversations with members, as available</p> <p>Members will actively participate in long-term planning</p>	
3. Member economic participation	<p>Members will own the cooperative: They are vital to the start-up capital of the cooperative. The funding structure for starting-up cooperatives include: member shares, member loans and fundraising</p> <p>Member share investments will use payment plans to accommodate different financial situations</p> <p>Surplus will be returned fairly to all the members who support the cooperative</p> <p>Part of the surplus will be utilized to achieve cooperative's long term goals</p> <p>Continuous development of services/products will be promoted so as to ensure their relevance to the needs of members</p>	
4. Autonomy and independence	<p>The cooperative is an autonomous, self-help organization controlled by its members</p> <p>The cooperative will enter arrangements with governments or other organizations only when the terms respect its autonomy and the democratic member control</p> <p>Crowd-funding will be explored as a means to raise capital from a large and diverse audience so as not to affect control of the cooperative by the membership</p> <p>The cooperative will avoid dependence on one or a few large funders/customers to reduce risk of compromising autonomy</p> <p>The cooperative will set up a transparent financial system and effective financial controls</p>	

Principle	Measures to put into action the Principle	
	Example	
5. Education, training, and information	<p>All members and prospective members will receive training on membership and how to better contribute to the cooperative</p> <p>All members and officers, regardless of their gender, will receive training for current and future needs</p> <p>The trainings will be organized in suitable times so to allow participation of all members, including women</p> <p>Awareness raising campaigns on the benefits of the cooperative business model will be regularly conducted. The cooperative will inform the general public, particularly women, young people and opinion leaders about the nature and benefits of cooperation</p>	
6. Cooperation among cooperatives	<p>Networking with cooperatives and promotion of member-to-member links will be actively pursued</p> <p>Cooperative-to-cooperative trade will be pursued</p> <p>Collaboration with other co-operatives will be pursued to achieve economies of scale</p> <p>Opportunities to work with other cooperatives through local, national and international structures will be pursued actively</p>	
7. Concern for community	<p>The cooperative will ensure that their operations and those of their members are free from child labour and forced labour</p> <p>Occupational safety and health standards will be observed in all operations</p> <p>Programs and systems will be established to reduce risk of negative environmental and social impact of operations</p> <p>The cooperative will pursue Fair Trade certification and other ethical and sustainable initiatives</p>	

SESSION 5: RISK MANAGEMENT

Session Overview



As enterprises that handle peoples' resources, you need to assure your members that their hard earned investments are protected. This can be done through proactive handling of potential threats coming within and outside the cooperative. Failure to adequately manage risks exposes cooperatives not only to the possibility that they may suffer losses, but, more importantly, to the possibility that they may not achieve their objectives. In the worst case, inadequate attention to risk management may result in cooperatives closing and members losing their investment.

Activity 5A: Identifying risks and mitigation measures



Risk is defined as any factor that may cause losses to the cooperative. The risks may be external (i.e. arising from outside the cooperative). The group may have little control over such risks (i.e. change in market preferences, political situation in the country, etc.). There are several risks that are internal to the cooperative (i.e. members not using the services of the cooperative, members not participating in the cooperative meetings and activities, cooperative not being managed effectively, etc.). The cooperative needs to manage these risks. Managing risks means to understand, evaluate, and take the necessary steps to increase the probability of success and reduce the likelihood of failure.

Steps:

STEP 1 As a group, think of all the things that can go wrong in your cooperative. List them down in Column 1. (20 minutes)

STEP 2 Assess possibility of it happening (5 minutes):

- Most likely to happen
- Likely to happen
- Not likely to happen



SESSION 1: BUSINESS PLAN
1A. Structure of a basic business plan

SESSION 2: BUSINESS PROFILE
2A. Writing your business profile

SESSION 3: MARKETING PLAN
3A. Product and/or service description
3B: Market description
3C: Marketing strategy

SESSION 4: OPERATIONS PLAN
4A: Physical resources: facilities and equipment
4B. Work process and system
4C. Cooperative principles and operations

SESSION 5: RISK MANAGEMENT
5A. Identifying risks and mitigation measures

SESSION 6: MANAGEMENT PLAN
6A: Preparing your organization chart
6B: Job description

SESSION 7: FINANCIAL PLAN
7A: Preparing your income statement
7B. Preparing your cash flow projection
7C: Preparing your balance sheet

SESSION 8: EXECUTIVE SUMMARY
8A: Writing the executive summary

STEP 3 Assess its potential impact to the cooperative (5 minutes):

- Very bad
- Bad
- Not so bad

STEP 4 Identify what you can do to prevent it from happening and/or if it happens, what you can do to reduce damage. (15 minutes)

Risk	Likelihood it will happen	Impact if it happens	Measures to prevent from happening and/or reduce damage if it happens
Buyer stops buying from us	Likely to happen	Very bad	<p>Policy that not one buyer should comprise more than 35% of sales. This is to avoid over dependence on one buyer (not to put all eggs in one basket). This will also reduce risk of compromising autonomy</p> <p>The cooperative will establish linkages with cooperatives engaged in similar business to share market information, conduct joint marketing activities, help each other in achieving volume, or disposal of excess inventory, etc.</p> <p>Constant communication with buyers to anticipate changes</p> <p>Continuous product and market development.</p> <p>Diversifying customer base by actively investing in the promotion of goods and services provided by the cooperative</p> <p>If it happens: immediately reduce production until new customers/buyers are secured. If not possible, identify ways that excess stocks can be disposed of immediately, especially if it is perishable, or extend shelf life if possible</p>

SESSION 6: MANAGEMENT PLAN

Session Overview



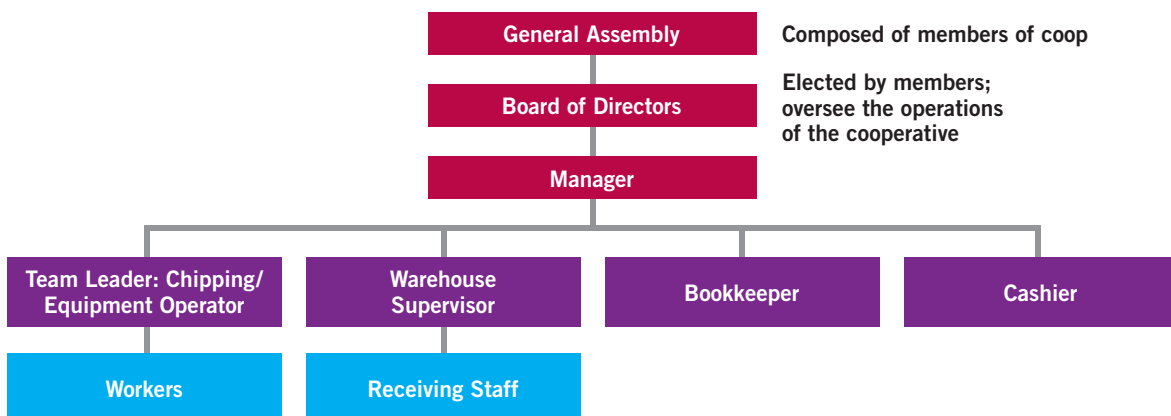
The Management Plan section describes how the cooperative business will be structured. It also identifies the human resources and skills that the business will need to meet the demands of customers.

Activity 6A: Preparing your organization chart



The organization chart is a diagram showing the structure of the business. It is drawn using boxes for the job titles or functions and vertical lines to demonstrate the reporting relationships of supervisors and their reporting staff. An example of an organization chart is shown below.

Example: Organization chart: cassava farmers cooperative



You will learn about the General Assembly and Board of Directors in Module 4. For now, let's focus on the people who are directly involved in the daily operations of the business.

Now draw together the organization chart of your own cooperative. A review of your production plan can help you identify the profiles that you need. As soon as you have identified the functions that you need, then decide on who should report to whom.

Your organization chart

Activity 6B: Job description



15 minutes

After completing the organization chart, describe the specific duties of each of the positions and the required skills, experience, and other qualifications. For this activity, only describe positions starting from the manager to the workers.



In doing this exercise, you may want to think of the qualifications and skills needed, rather than the gender of the person

Example: Cassava Farmers Cooperative

Position	Job Description	Qualifications
Manager	Manages operations in the processing facility Oversees financial operations Reports to Board of Directors	At least 3 years of experience in managing processing facility Familiar with cassava chips production (or similar) Good management and marketing skills
Equipment Operator/ Chipping – Team Leader	Operation of machines Cleaning and maintenance of the machines Quality control Monitoring of output of workers	Knows how to operate the chipping machine With background in equipment maintenance and basic troubleshooting With 2 years of experience in production of banana chips Good leadership skills
Warehouse Supervisor	In-charge of warehouse and storage operations including ensuring cleanliness Responsible for procurement of supplies Records and monitors raw material stock and finished products Quality control	At least 2 years of experience in warehouse operations and cassava chip production Knows basic business math
Receiving staff	Grading and sorting of fresh cassava Records all incoming supplies and deliveries to buyers Maintains inventory record	Familiar with cassava chip production Knows basic business math
Bookkeeper/ Finance Clerk	Recording of financial transactions Maintenance of relationships with suppliers Checking and processing of payment to suppliers	Background in bookkeeping
Cashier	Collection of payment from customers Release of payment to suppliers Safekeeping of cash/money of cooperative	Has previous similar work experience

Position	Job Description	Qualifications
Chippers	Manual chipping of cassava Hauling and weighing of cassava chips	Has similar work experience
Washer	Cleaning and washing of cassava chips	Has similar work experience
Driers	Drying of cassava chips Weighing and hauling of cassava chips Packing and stocking of cassava chips Loading of cassava chips	Has similar work experience

Using the example as your guide, complete the table below for your cooperative.

Position	Job Description	Qualifications

SESSION 7: FINANCIAL PLAN

Session Overview



The Financial Plan section of the business plan provides details on how potentially profitable the business will be. You will also need to provide projections that would show that the business will survive on the start-up capital until it makes a profit. In short, you have to demonstrate in this section that the proposed business is a good investment.

You also need to present here the money that is needed to start the business and how you will raise the required funding. Since you have already studied this in Module 2, you can skip this today. It is recommended though that you review your start-up costs before finalizing your business plan.

Activity 7A: Preparing your statement of operations



An income statement or statement of operations for a new business shows how much it will earn or lose during a given period of time. It shows the estimated amount of sales, cost of goods or services sold, expenses incurred in the running or operation of a business and the surplus (profit) earned for a given period.

To prepare the statement of operations, you need to know how to compute surplus (profit) and loss. You have already learned this in Activity 4B in Module 2. For this activity, you will need to review your previous outputs and write them in a statement of operations template.

YOUR BUSINESS PLAN

- SESSION 1: BUSINESS PLAN
- 1A. Structure of a basic business plan
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- 3A. Product and/or service description
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- 4A. Physical resources:
facilities and equipment
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- 4C. Cooperative principles and
operations
- SESSION 5: RISK MANAGEMENT
- 5A. Identifying risks and mitigation
measures
- SESSION 6: MANAGEMENT PLAN
- 6A. Preparing your organization chart
- 6B. Job description
- SESSION 7: FINANCIAL PLAN**
- 7A. Preparing your income statement
- 7B. Preparing your cash flow projection
- 7C. Preparing your balance sheet
- SESSION 8: EXECUTIVE SUMMARY
- 8A. Writing the executive summary

Steps:

STEP 1 Read example. (10 minutes)

Statement of Operations of Cassava Farmers Cooperative For the Period January to December 2018				
Particular	Unit	No. of Units	Unit Price	Amount (US\$)
TOTAL INCOME <i>Income: money paid for your services or products</i>				360,000
Sales from cassava chips	Metric ton	1,800	200	360,000
TOTAL EXPENSES <i>Expenses: money spent or cost incurred to generate income</i>				282,500
Materials				226,200
Fresh cassava	Metric ton	4,500	50	225,000
Sacks	Pieces	6,000	0.2	1,200
Salaries/Wages				50,400
Manual Chipper	Metric ton	1,500	4	6,000
Equipment Operator	Person month	12	375	4,500
Washer	Person month	12	200	2,400
Driers/Laborers (5 people)	Person month	60	200	12,000
Warehouse Supervisor	Person month	12	375	4,500
Receiving Clerk	Person month	12	200	2,400
Bookkeeper	Person month	12	200	2,400
Cashier	Person month	12	350	4,200
Manager	Person month	12	500	6,000
Social security benefits	Person month	12	500	6,000
Utilities and Other Expenses				4,500
Electricity	Month	12	50	600
Water	Month	12	25	300
Transportation	Trip	12	200	2,400
Other expenses	Month	12	100	1,200
Depreciation and Amortization				1,400
Depreciation: Building Purchase price divided by expected number of years of use For building: expected number of years of use is usually 20 years Purchase Price: refer to Module 2 Start-up Costs for Equipment and Facility <i>Example:</i> <i>Building Cost: US\$ 4,000</i> <i>Number of Years of Expected Use: 20</i> <i>Depreciation: 4,000/20 = 200</i>	Annual	1	200	200

Particular	Unit	No. of Units	Unit Price	Amount (US\$)
Depreciation: Small equipment and tools Purchase price divided by expected number of years of use For vehicles, furniture, small equipment and tools: expected number of years of use is usually 5 years <i>Example:</i> <i>Total purchase price of all small equipment, furniture, etc.: US\$ 6,000</i> <i>Expected number of years of use: 5</i> <i>Depreciation: : 6,000/5 = US\$ 1,200</i>	Annual	1	1,200	1,200
Amortization <i>This refers to payment for money borrowed by the cooperative. If you plan to borrow from a bank, get information on your monthly payment</i>				0
GROSS SURPLUS (PROFIT) <i>Gross Surplus: Total Income – Total Expenses</i>				77,500
Less: Taxes (depends on country)				6,200
NET SURPLUS (NET PROFIT) <i>Gross Surplus – Taxes</i> <i>Note:</i> <i>The cooperative returns the Net Surplus to the owners as patronage refund. The cooperative can distribute the patronage refund to each owner as cash or retain a portion as additional investment in the business. You will learn more about Patronage Refund in Manage.COOP Module 5</i>				71,300

STEP 2 Take out your output from Activity 4B in Module 2.

STEP 3 Fill out the Income Statement template based on data from your output in Activity 4B in Module 2. As you fill it out, review and decide whether there are changes you would want to make. You can use a calculator to complete this step. (20 minutes)

Statement of Operations template

Statement of Operations of <i>(Name of your Proposed Cooperative):</i> For the Period <i>(One year):</i>				
Particular	Unit	No. of Units	Unit Price	Amount (US\$)
TOTAL INCOME <i>Income: money paid for your services or products</i>				
TOTAL EXPENSES <i>Expenses: money spent or cost incurred to generate income</i>				
Materials				
Salaries/Wages				
Utilities and Other Expenses				
Depreciation and Amortization				
GROSS SURPLUS (GROSS PROFIT) <i>Surplus: Total Income – Total Expenses</i>				
Less: Taxes <i>(If you do not know tax rates, please leave blank and include in your action plan)</i>				
NET SURPLUS (NET PROFIT) <i>Gross Income – Taxes</i>				

Use this space for any calculations that you may need to make.

Activity 7B: Preparing your cash flow projection



The cash flow projection shows the amount of money that you expect to come into your business and money that will be going out of your business. The projection is useful to determine the viability of the cooperative, particularly its ability to pay for the expenses needed to produce the product or service and the overall operations of the business. The cash flow statement monitors the flow of cash over a period of time (a year, a quarter, a month) and shows you how much cash you have on hand during a given period. It also shows you whether your cash position has improved and by how much during a given period (e.g. start of business and after 12 months of operation).

Cash flow

CASH IN

How does money come in to your business?

By producing and selling goods



By giving a service



By getting a loan



By getting a grant



CASH OUT

How does money go out of your business?

By purchasing raw materials



By paying wages and salaries



By paying for transportation and other utilities



By renting a stall



The steps can be found on the next page. This is a group activity. Perform the steps as they are read.

Steps

STEP 1 Study the example. (10 minutes)

Cassava Farmers Cooperative Cash Flow Projection For the Period January to December 2018												
Particulars	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
BEGINNING CASH <i>Copy the ending cash of previous month</i>		1,675	8,350	14,725	21,400	28,075	34,450	41,125	47,800	54,175	60,850	67,525
Cash In <i>List sources of cash</i>	20,000											
Contribution from members												
Grants	15,000											
Sales: Cassava Chips (refer to income in Income Statement)	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
TOTAL CASH IN <i>Add entries in Cash In</i>	35,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Cash Out <i>List projected expenses (refer to expenses in Income Statement)</i>	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850	18,850
Materials												
Salaries/Wages	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Utilities	275	275	275	275	275	275	275	275	275	275	275	275
Repair/Maintenance			300			300			300			300
Equipment /tools	6,000											
Construction of facilities	4,000											
Amortization (loan repayment)	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CASH OUT <i>Add entries in Cash Out</i>	33,325	23,325	23,625	23,325	23,325	23,625	23,325	23,325	23,625	23,325	23,325	23,625
NET CASH FLOW <i>Cash In - Cash Out</i>	1,675	6,675	6,375	6,675	6,675	6,375	6,675	6,675	6,375	6,675	6,675	6,375
ENDING CASH <i>Beginning Cash + Net Cash Flow</i>	1,675	8,350	14,725	21,400	28,075	34,450	41,125	47,800	54,175	60,850	67,525	73,900

STEP 2

Complete the Cash Sales Projection table for your own cooperative. Work as a group. You may request assistance from the facilitator. You can use a calculator to complete this step. (30 minutes)

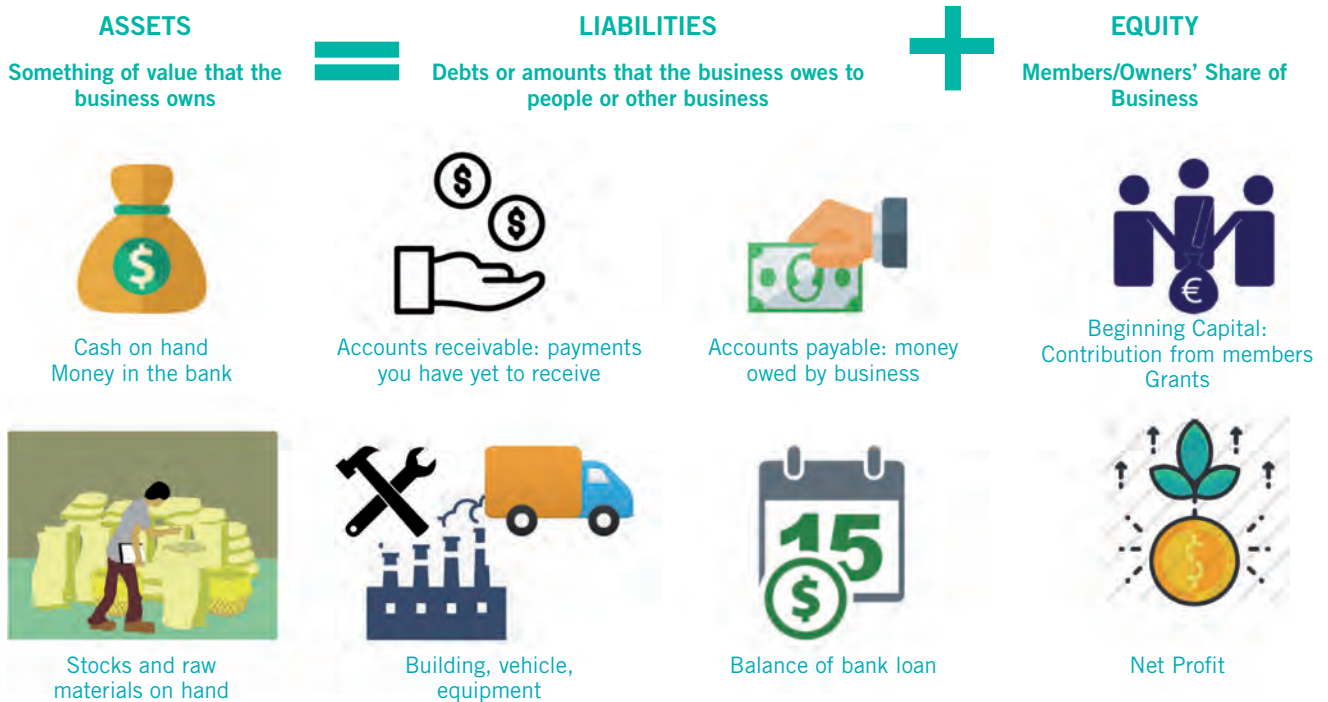
Name of Cooperative: Cash Flow Projection Period:		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
		Particulars											
BEGINNING CASH <i>Copy the ending cash of previous month</i>													
Cash In <i>List sources of cash</i>													
TOTAL CASH IN <i>Add entries in Cash In</i>													
Cash Out <i>List projected expenses (refer to expenses in Income Statement)</i>													
TOTAL CASH OUT <i>Add entries in Cash Out</i>													
NET CASH FLOW <i>Cash In - Cash Out</i>													
ENDING CASH <i>Beginning Cash + Net Cash Flow</i>													

Activity 7C: Preparing your balance sheet



While the income sheet shows what the cooperative is earning, the balance sheet shows the total worth of the cooperative. A balance sheet adds up everything the cooperative owns, subtracts everything the cooperative owes, and shows the difference as the net worth of the cooperative. The balance sheet reflects the financial position of the business at a given period (e.g. end of the year).

Balance sheet



Steps

STEP 1 Read and study the example. (10 minutes)

Cassava Farmers Cooperative Balance Sheet as of 31 December (year)			
ASSETS List all the things that the business will own and the corresponding value by 31 Dec (year)		LIABILITIES + MEMBERS' EQUITY	
		LIABILITIES List all the estimated debts and value by 31 Dec (year)	
Cash on hand	US\$ 73,900	Accounts Payable	US\$ 0
Equipment and facilities	US\$ 10,000	Loans	US\$ 0
Payment for Dec delivery	US\$ 30,000	Patronage Refund Payable (for this activity, assume that patronage refund will start next year)	US\$ 0
		Total Liabilities Add all entries	US\$ 0
		MEMBERS' EQUITY How much capital will the business have by 31 Dec (year)	
		Beginning Capital <i>Contribution from members, grants, etc. – refer to Cash Flow</i>	US\$ 35,000
		Net Surplus <i>Refer to Income Statement</i>	US\$ 78,900
		Ending Capital <i>Add all entries under Owner's Equity</i>	US\$ 113,900
TOTAL ASSET <i>Add all entries under Assets</i>	US\$ 113,900	TOTAL LIABILITIES + MEMBERS' EQUITY	US\$ 113,900

Figures should be the same

Note: Members' Equity in subsequent statements will be broken down into Members' Capital, Allocated Equity Credits, Retained Earnings, Education and Training Fund, Community Development Fund. You will know more about these in Manage.COOP Module 5.

STEP 2

Prepare the balance sheet for your own cooperative. You can use a calculator to complete this step. (20 minutes)

Name of Cooperative: Balance Sheet as of _____ (indicate date)			
ASSETS List all the things that the business will own and the corresponding value by <i>(date indicated above)</i>		LIABILITIES + MEMBERS' EQUITY	
		LIABILITIES List all the estimated debts and value by <i>(date indicated above)</i>	
Cash on hand		Expenses incurred by coop that have not yet been paid	
Fixed Asset		Loans	
Payment for goods or services sold or delivered that coop has yet to collect			
		Total Liabilities Add all entries	
		MEMBERS' EQUITY How much capital will the business have by <i>(date indicated above)</i>	
		Beginning Capital <i>Contribution from members, grants, etc. – refer to Cash Flow</i>	
		Net Surplus <i>Refer to Income Statement</i>	
		Ending Capital <i>Add all entries under Owner's Equity</i>	
TOTAL ASSET <i>Add all entries under Assets</i>		TOTAL LIABILITIES + MEMBERS' EQUITY	

Check that figures are the same

SESSION 8: EXECUTIVE SUMMARY

Session Overview



5 minutes

This is a summary of each section of the business plan. As indicated in Session 1, this is the first section of the business plan, but you can only complete this after all the sections have been completed. It should provide a short, concise and optimistic overview of the cooperative business that captures the readers' attention and gives them an interest in learning more about it.

Activity 8A: Writing the executive summary



30 minutes

The easiest way to write the executive summary is to review the business plan and make one or two sentences to summarize each section.



YOUR BUSINESS PLAN

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3B. Market description

3C. Marketing strategy

SESSION 4: OPERATIONS PLAN

4A. Physical resources:
facilities and equipment

4B. Work process and system

4C. Cooperative principles and
operations

SESSION 5: RISK MANAGEMENT

5A. Identifying risks and mitigation
measures

SESSION 6: MANAGEMENT PLAN

6A. Preparing your organization chart

6B. Job description

SESSION 7: FINANCIAL PLAN

7A. Preparing your income statement

7B. Preparing your cash flow projection

7C. Preparing your balance sheet

SESSION 8: EXECUTIVE SUMMARY

8A. Writing the executive summary

Steps

STEP 1 Read and review the example. (10 minutes)

Sample Executive Summary	
Name of Cooperative	
	Cassava Farmers Cooperative
Location	
	Our cooperative is located in <i>(name of the region)</i> , the largest cassava producing area in the country.
Members	
	About 200 cassava farmers have indicated interest in joining the cooperative. This represents about 40% of the total number of cassava farmers in the province. We expect that membership will grow by 5% each year.
Product/service and uses	
	The cooperative will process the fresh cassava tubers from its members into high quality peeled and unpeeled cassava chips for feeds. The peeled cassava chips will only be offered during the 2nd year to give time to the cooperative to raise money for a mechanical peeler.
Production capacity	
	For the first year, our target production volume is 1,800 MT of cassava chips. We plan to increase production volume by 5% per year.
Production Process	
	We will promote modular plots and natural farming among our members so that we will have a year-round supply and chemical free tubers. Processing will be semi-mechanized. Our plant will be compliant with Good Manufacturing Practices. Safety of workers will be a top priority.
Customers	
	The cooperative will sign a non-exclusive marketing contract with the three feed mills. In the region, total demand for cassava chips is about 200,000 MT per year. Supply gap is about 50,000 MT annually.
Human Resources/Management	
	The Board of Directors will oversee the operations of the processing plant. We will hire a Manager to manage and supervise the daily operations. Our workers will be trained in Good Manufacturing Practices and workers' safety and health.
Financial Projection	
	We will need US\$ 35,000 to start our business. Contribution from members is expected to reach US\$ 20,000. We hope to fundraise the remaining US\$ 15,000. Annual income is estimated at US\$ 360,000 with total expenses at US\$ 282,500 Estimated annual surplus (profit) is US\$ 77,500 (before tax).

STEP 2

Prepare an executive summary for your own business plan. Please refer to your outputs in previous sections to fill in the guide below. Assign two to three members to work on each topic. (20 minutes)

Sample Executive Summary	
Name of Cooperative	
Location	
Members	
Product/service and uses	
Production capacity	
Production Process	
Customers	
Human Resources/Management	
Financial Projection	

Answers: Activity 1A

- Picture 1: Business Profile
- Picture 2: Financial Plan
- Picture 3: Marketing Plan
- Picture 4: Operations Plan
- Picture 5: Management Plan
- Picture 6: Risk Management



Learn how to set-up your cooperative.
Join the **Start.COOP MODULE 4** training.

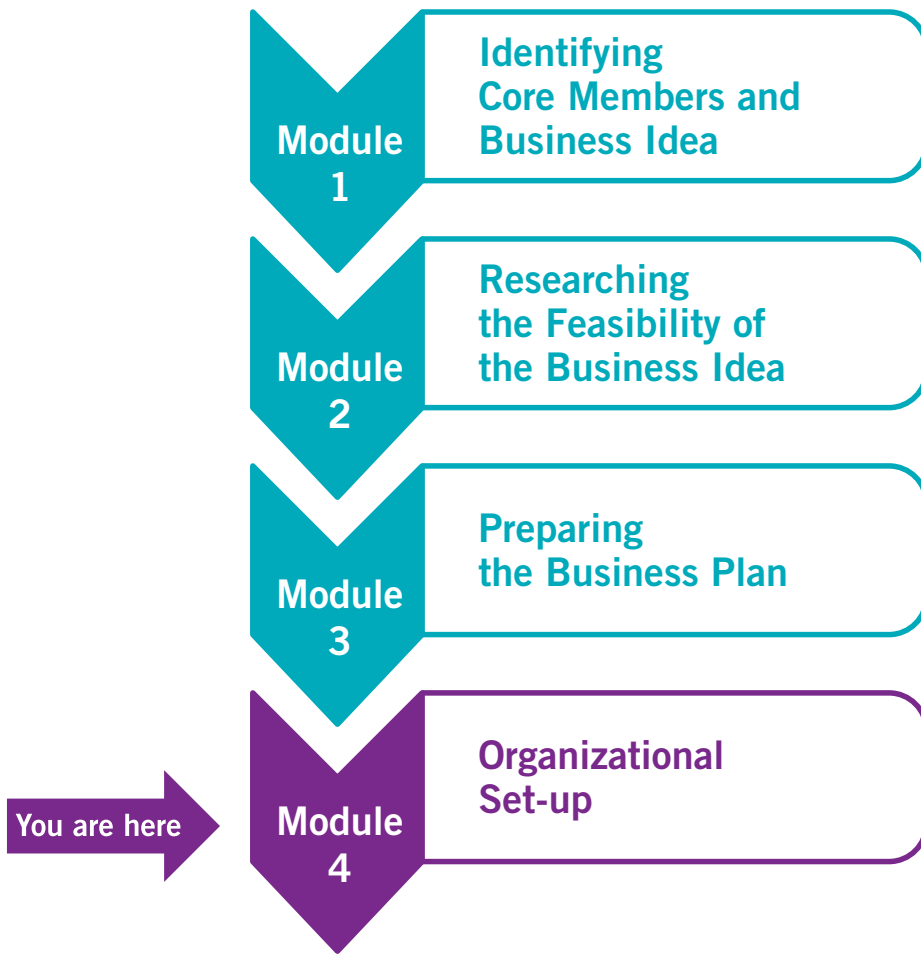
Use this space for your calculations and notes.

Start.COOP

MODULE 4

Organizational Set-up

Start.COOP Modules



MESSAGE TO THE GROUP

As you have already seen in the previous Modules, a cooperative is owned, controlled, and used by its members, who have the responsibility to support the cooperative by being active members. In return, the cooperative must strive to serve the needs of its members and customers at all times in order to remain viable. Throughout the seven Sessions of Module 4, you will learn about how the cooperative should be structured and governed to effectively implement the business plan. You will further define the organizational chart that you have made in the management plan section of your business plan. You will draft the rules and regulations needed to ensure good management of the affairs of the cooperative and its members.

Session 1 provides you with an overview of the basic structure of a cooperative. Sessions 2, 3 and 4 provide further details on the roles and responsibilities of the main bodies and staff identified in Session 1, including the members and the General Assembly, the Board of Directors and the Manager. In Session 5 you will learn about the contents of the articles of incorporation. This document will be needed to register your company as a legal entity. Session 7 stresses on the importance of the bylaws and guides you in the process of drafting your cooperative bylaws. Section 8 shows you how to establish an action plan to launch the cooperative. The elements of the action plan include the preparatory work needed, the dates and the responsible members to undertake the preparatory work. At the end of this Module, it is expected that you will have identified the needs in terms of human resources and the organizational structure of your cooperative.

The style of this training is different from traditional approaches. You will work together as a team to follow the simple step-by-step instructions for discussions and activities in this training guide. A facilitator will be around to assist with any questions on the training content and exercises. Because there is no group leader, all group members should take a turn reading the information and instructions out loud to the group, and all group members share responsibility for monitoring time. In this new style of training, you will learn from each other by sharing ideas and opinions, skills, knowledge and experience. For this to work, all group members must participate in discussions.

Before and after the training, you will be asked to complete a knowledge survey to help understand the impact of the training. This information will be kept confidential and will be used to improve the training materials and organization of future programmes. It will also be helpful for identifying other training on cooperatives that can be subsequently introduced to participants. Some participants may also be contacted by the training organizers in the future after 3, 6 or 12 months after the training for another survey to learn about the implementation of their action plans.

Follow the Signs

The instructions in the training guide are easy to follow and the suggested timeframe for each step is provided. Look out for these signs:

SIGNS AND THEIR MEANING



This sign indicates the suggested time for the activity



This sign indicates background information to be read to the group



This sign indicates group discussion



This sign indicates that the activity is beginning and that step-by-step instructions need to be read out loud to the group and followed sequentially



The sign indicates a good practice in identifying and meeting the different needs of women and men, promoting active participation of women, and making strategic use of the distinct knowledge and skills women and men have.

Getting Started

Before you begin the training, follow the simple steps below to get organized:

- Fill out the pre-training survey. Ask the organizers if you do not have a copy or have not already filled it in.
- Organize into small groups of 5 to 7 people maximum. The organizers will guide you in how best to do this.
- Identify one group member to volunteer to start the training as “Group Reader”. The role of the “Group Reader” is to read the information and activity instructions out loud to the group. Any group member with basic literacy can be the “Group Reader” and you should aim to share this role among group members throughout the training.

All group members are responsible for monitoring time, but one group member should be nominated for each session to remind the group when the suggested time for an activity/step has been reached. You do not strictly need to follow the suggested timing, but you will need to manage your time for the total training. If one activity lasts longer than the suggested timing, try to save time in other activities to keep the balance.

All group members will receive this training guide. Individual as well as group work can be completed in this guide.

Learning Process

Session		Time
SESSION 1: BASIC STRUCTURE OF A COOPERATIVE		20 minutes
SESSION 2: MEMBERS AND GENERAL ASSEMBLY		55 minutes
SESSION 3: BOARD OF DIRECTORS		75 minutes
SESSION 4: THE MANAGER		25 minutes
SESSION 5: ARTICLES OF INCORPORATION		30 minutes
SESSION 6: BYLAWS OF THE COOPERATIVE		100 minutes
SESSION 7: ACTION PLANNING		35 minutes

SESSION 1: BASIC STRUCTURE OF A COOPERATIVE

Session Overview



A cooperative is a business entity that is member-owned, meaning the business is controlled and owned by the same people who utilize its services. The owners of the cooperative finance and operate the business, striving for a mutual benefit by working together. All members are expected to participate and share the responsibility of running the organisation. The organizational structure is geared toward democratic control and shared decision-making.

Activity 1A: The core bodies in a cooperative



The core bodies of a cooperative are the General Assembly, the Board of Directors, the Manager and the workers. As owners of the business, the members are the decision makers. Decisions are made primarily through the General Assembly. Members control their cooperative through a Board of Directors that they elect from among themselves. The Board of Directors makes the policies subject to approval of the members through the General Assembly. The Board of Directors hires a Manager to supervise the daily operations of the cooperative. Successful operation of a cooperative is based on the active cooperation of the members with the Board of Directors, manager, and workers.

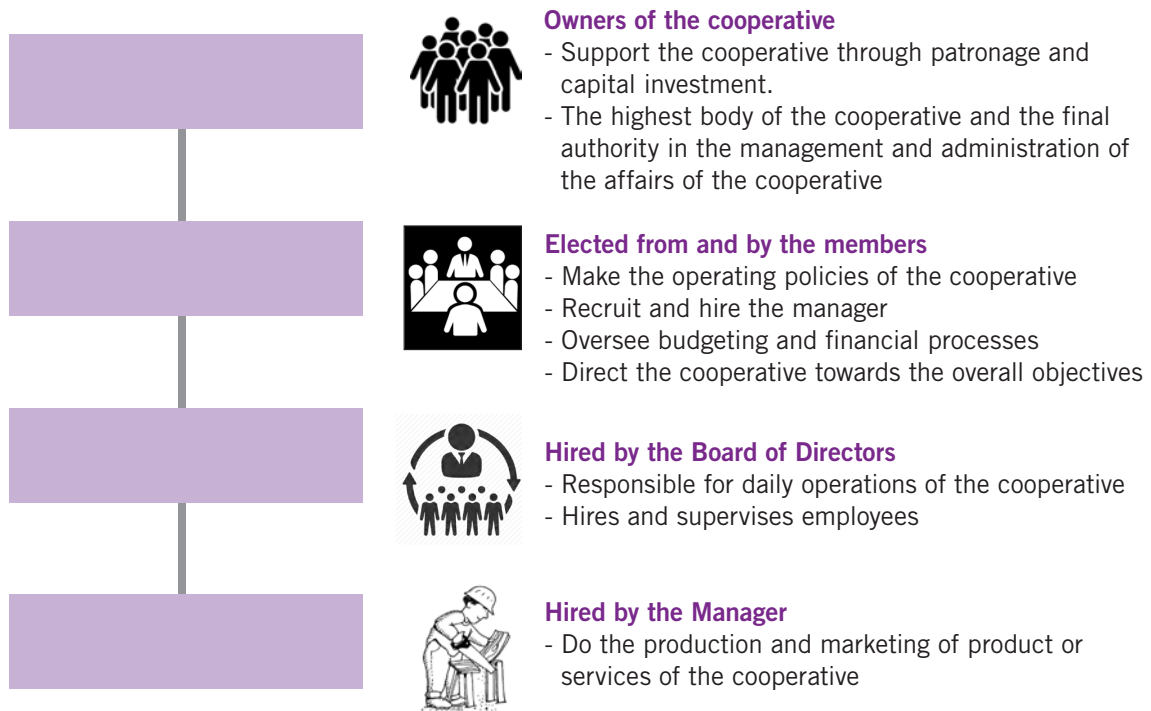


- All members of the cooperative, regardless of their gender, should actively participate in the General Assembly
- Similarly, all eligible women and men should be given equal consideration on their skills and qualifications when electing the members of the Board of Directors and when hiring the manager and other workers of the cooperative

Basic Organizational Chart of a Cooperative

In this activity, fill in the boxes in the organizational chart with the name of the correct body. You will also label pictures by reading the description for hints. This is a group activity.

Core bodies of a cooperative: **General Assembly, Board of Directors, Manager, and Workers**



To help the Board of Directors and the officers in managing the cooperative, it is important to form various committees to handle the various affairs of the organization such as elections, audit, credit and collection, membership, finance, and education and training. Each committee will have a board member assigned to them as a liaison. You will learn more about how to form committees and their tasks if you participate in the Manage.COOP training after you have set up your cooperative.



All eligible members should be able to take part in the cooperative committees, regardless of their gender

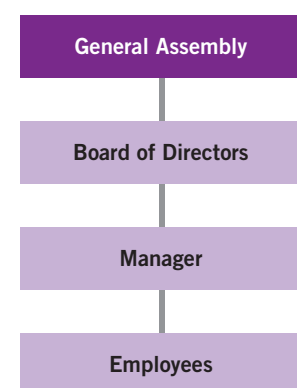
SESSION 2: MEMBERS AND GENERAL ASSEMBLY

Session Overview



As you have learned in Session 1, the General Assembly is the highest decision-making body in the cooperative that has the final authority on the management of the affairs of the cooperative. The General Assembly is composed of members in good standing. To be in good standing, the member must comply with the duties and responsibilities as written in the bylaws of the cooperative. In this session, you will draft the rights and duties of members. The outputs will later form part of the rules of the cooperative or the bylaws.

Basic Organizational Chart of a Cooperative



Activity 2A: Rights of members



Rights are acquired on admission to membership without discrimination. Rights of members refer to fundamental rules of what is allowed or due to members based on the bylaws of the cooperative. The rights are defined by members themselves and are also based on existing cooperative legislation in the country. In this activity, you will look into the basic rights of members so as to get some ideas on what you should include in your bylaws.

This is a group activity. Perform the steps as they are read.

Steps

STEP 1 Identify the basic right illustrated in the pictures. Choose your answers from the list given below. Please just write the number corresponding to your answer. (15 minutes)

Some of the Rights of Members

- 1) Right to propose matters for discussions/participate in meetings
- 2) Right to be informed/access to information on affairs of cooperative
- 3) Right to vote
- 4) Right to voluntarily withdraw from the cooperative
- 5) Right to be elected to serve on the Board of Directors
- 6) Right to make use of facilities and services of the cooperative
- 7) Right to amend bylaws
- 8) Right to receive a patronage refund

PICTURE 1



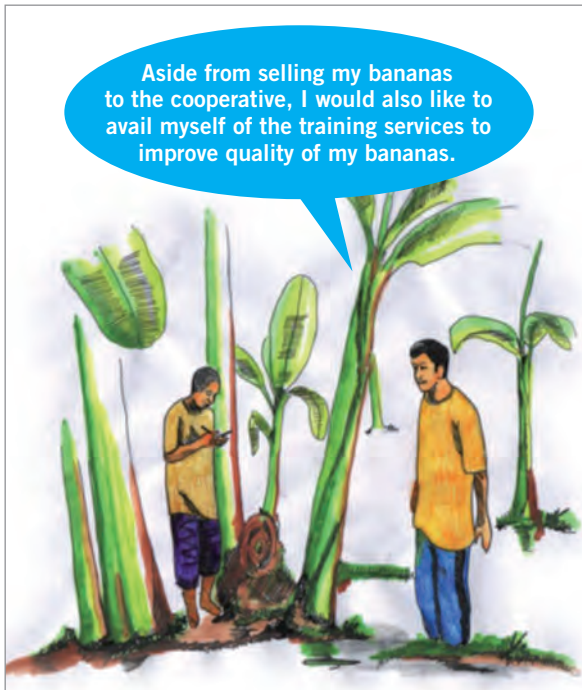
Answer:

PICTURE 2



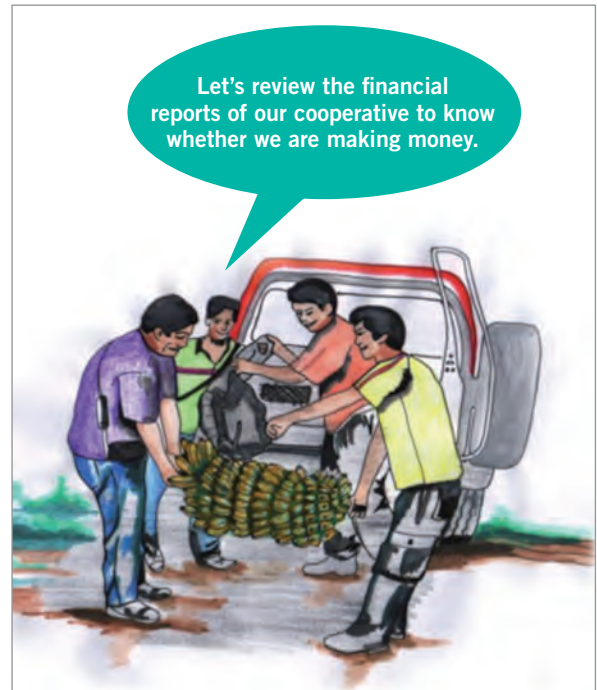
Answer:

PICTURE 3



Answer:

PICTURE 4



Answer:

PICTURE 5



Answer:

PICTURE 6



Answer:

PICTURE 7



Answer:

PICTURE 8



Answer:

Answers are on page 161.

STEP 2

Write down other rights of members that you would want to be considered when you prepare the bylaws of your cooperative. (10 minutes)

Activity 2B: Duties of members



Along with the rights, members also have duties and responsibilities. These duties and responsibilities are also outlined in the bylaws of the cooperative. In this activity, you will identify the main duties of members. This is a group activity.



As in the case of rights, all members, regardless of their gender, have duties to comply with in the cooperative. Nevertheless, there may be particular cases where women could not comply with certain duties. For example, they may not be able to attend cooperative activities during hours when they have to take care of their children. In these cases, the cooperative may want to accommodate hours of activities so that women could participate and comply with their duties as cooperative members

Steps

STEP 1

Identify the duty being described in each picture. Choose your answer from the list given below. Please just write the number corresponding to your answer. (10 minutes)

Some of the duties of members

- 1) Patronize the services or products of the cooperative
- 2) Pay agreed share of capital and other dues
- 3) Attend required coop training
- 4) Participate in evaluating and selecting members of the Board of Directors/Exercise the right to vote
- 5) Comply with production requirements and agreements (both quantity and quality)

PICTURE 1



Answer: _____

PICTURE 2



Answer: _____

PICTURE 3



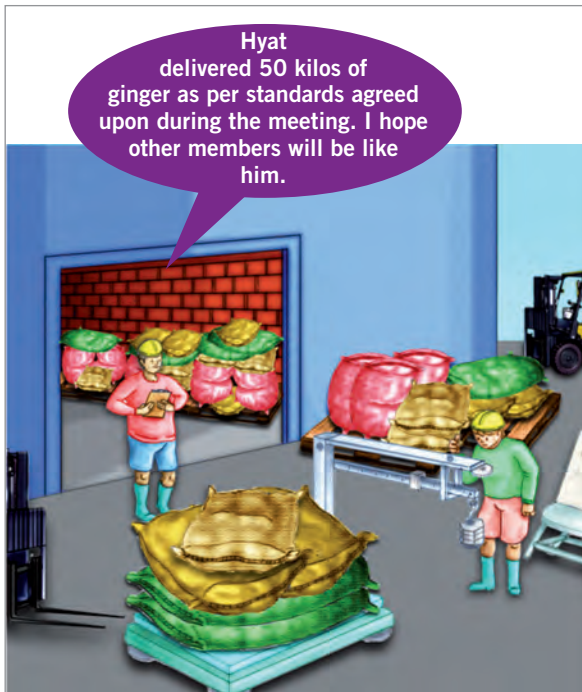
Answer: _____

PICTURE 4



Answer: _____

PICTURE 5



Answer:

Answers are on page 161.

STEP 2

What other duties do you believe should be included in the bylaws of the cooperative?
(10 minutes)

SESSION 3: BOARD OF DIRECTORS

Session Overview

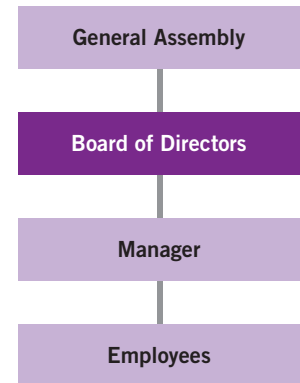


5 minutes

The Board of Directors governs the operations of the cooperative on behalf of its members. They are the leaders of the cooperative. Members place their trust, their needs, and authority in a Board of Directors of their own choice. The members of the Board of Directors are elected from and by the members.

In this session, you will draft the duties and responsibilities of the Board of Directors and how they should be chosen and elected. The outputs of this session will also form the basis for the drafting of the bylaws or the internal rules of the cooperative.

Basic Organizational Chart of a Cooperative



Activity 3A: Responsibilities of the Board of Directors



25 minutes

Responsibilities are the specific tasks or duties that the Board of Directors is expected to do as a function of their role. The power to act on behalf of the cooperative is given to the Board of Directors as a body, not to individual directors. They are required to act in the best interest of the members. Clear definition of responsibilities is essential to the successful performance of the Board of Directors.

Let's work together to define the duties and responsibilities of the Board of Directors.

Steps

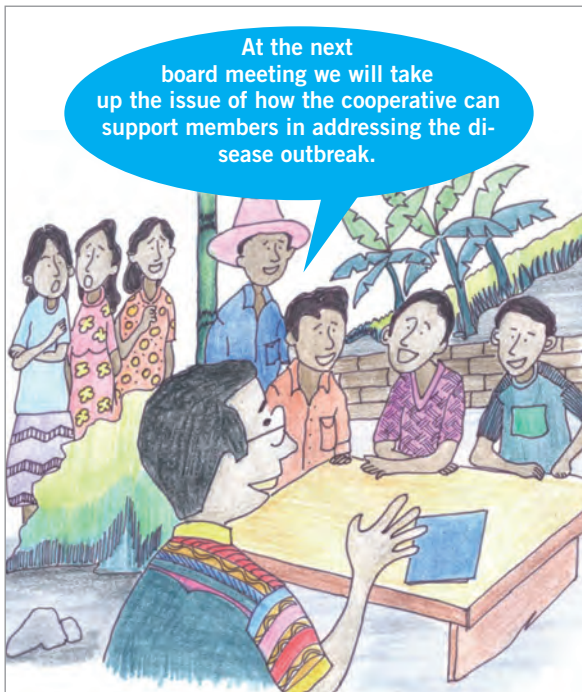
STEP 1

The pictures illustrate the core responsibilities of the Board of Directors. Identify the responsibility that is being described. Choose your answer from the list of responsibilities. Please just write the number corresponding to your answer. (15 minutes)

Core Responsibilities of the Board of Directors

- 1) Oversee preservation and management of cooperative assets
- 2) Inform members
- 3) Preserve the cooperative character of the organization
- 4) Establish cooperative policies
- 5) Hire and supervise manager/management team
- 6) Represent members
- 7) Assess the cooperative's performance

PICTURE 1



Answer:

PICTURE 2



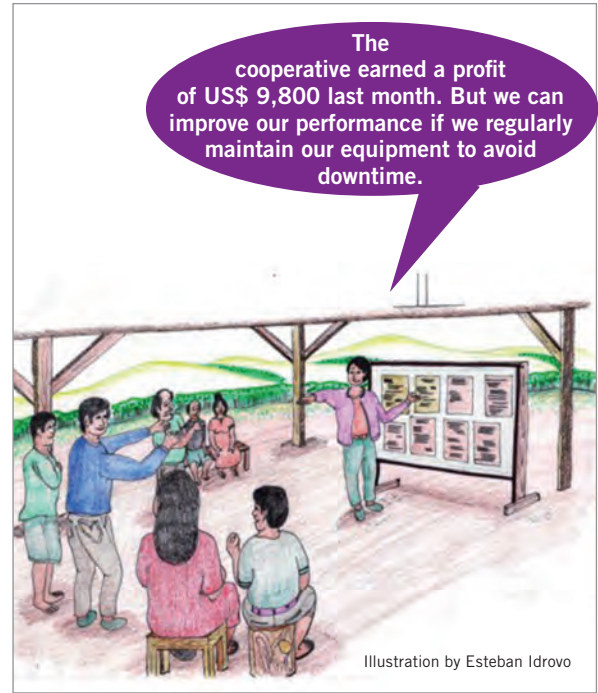
Answer:

PICTURE 3



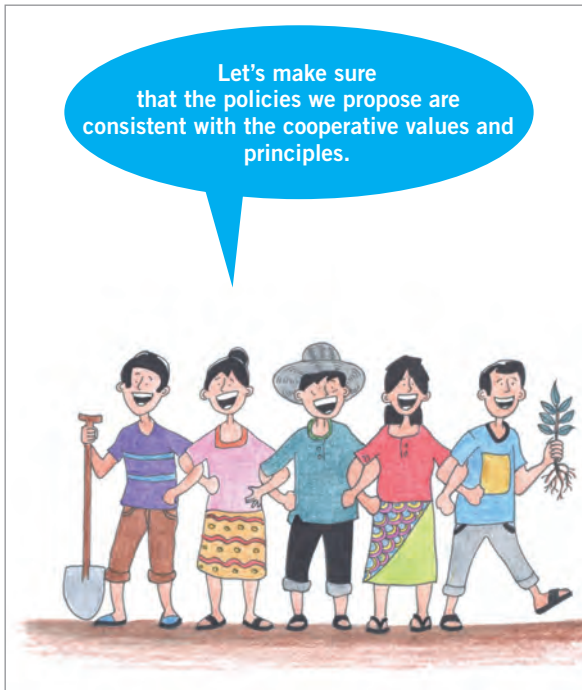
Answer:

PICTURE 4



Answer:

PICTURE 5



Answer:

PICTURE 6



Answer:

PICTURE 7



The board of directors determines cooperative policy. As such, each and every member should ensure that the cooperative is controlled in a democratic fashion and that all elections are public, fair, and open to the participation of both women and men members

Answer:

Answers are on page 161.

STEP 2 List other duties that you think are very important and should be considered during the preparation of the bylaws. (10 minutes)

Activity 3B: Officers of the Board of Directors



15 minutes

Depending on the cooperative laws of the country and the cooperative's bylaws, officers of the Board may include a chairperson, vice chairperson, secretary, and treasurer. The chairperson and vice chairperson are usually elected from and by the members of the Board. The secretary, treasurer, and other positions that may be needed by the cooperative may be appointed or elected by the Board. Each officer has specific duties as detailed in the cooperative's bylaws.

To develop a clear understanding of the duties of each of the core officers of the cooperative, answer the questions below. As each question is read, mark your answer individually and then share with the group. The group should come to a consensus on the answer before moving to the next question.

1. Who performs the duties of the chairperson if the chairperson is absent or unable to perform his/her duties?
 - Manager
 - Vice Chairperson
 - Secretary
 - Treasurer
2. Who keeps the complete list of members and the records of all meetings of the Board of Directors and the General Assembly?
 - Chairperson
 - Vice Chairperson
 - Secretary
 - Treasurer
3. Who pays all money transactions based on the recommendation of the manager or the Board of Directors, and certifies the correctness of the cash position of the cooperative in all financial statements and reports submitted to the Board of Directors?
 - Chairperson
 - Vice Chairperson
 - Secretary
 - Treasurer
4. Who prepares the notice and minutes of the meetings?
 - Chairperson
 - Vice Chairperson
 - Secretary
 - Treasurer

5. Who presides at meetings and makes sure that all the rules, policies and procedures are followed?
- Chairperson
 - Vice Chairperson
 - Secretary
 - Treasurer
6. Who has the custody of all the money and other financial documents of the cooperative?
- Chairperson
 - Vice Chairperson
 - Secretary
 - Treasurer
7. Who is the official custodian of the cooperative's bylaws, membership records, and other official documents?
- Chairperson
 - Vice Chairperson
 - Secretary
 - Treasurer

Answers are on page 161.

Activity 3C: Qualifications of the Board of Directors



The number of directors depends on the cooperative and incorporation laws of the country as well as the nature and scope of operations of the cooperative. As a general rule, an effective Board needs a minimum of five directors. It is advisable to have an odd number (such as 5, 7, 11, 13, 15) of directors to avoid tie votes. The Board of Directors should encourage parity and be composed of both women and men. Election of directors usually involves the following process:

- Another member must nominate the person for the position.
- The person nominated must say he/she is willing to vie for the position.
- The General Assembly must elect the person to the position.

The success of a cooperative depends, to a significant extent, on the quality of its leaders. It is, therefore, very important that you carefully choose the members of the Board of Directors.

Steps

STEP 1

Individually, study and review the qualifications listed in Column 1. Place a checkmark on the top 5 qualifications that you believe members should possess to be eligible for election to the Board of Directors of your cooperative. (10 minutes)

Qualifications of Board Candidates	Place <input type="checkbox"/> on your Top 5
Honest and fair	
Accepted by the members for having good judgment and business sense	
Loyal to the cooperative	
Community leader, capable of working with people	
Successful in his/her own business operation	
No conflict of interest	
Knowledgeable about cooperatives and the job of a director, including listening to members	
Willingness to attend regularly scheduled and special meetings of the board of directors, as well as any director training seminars	
Experience in the business of the cooperative	
Active participation in cooperative affairs as a member	
Experience on other boards, working with community-based organizations	
Knowledge and understanding of finance and ability to read financial statements	
Sensitive to gender equality and inclusion	

STEP 2

List other qualifications not on the list above that you think are very important qualifications of board candidates. (10 minutes)

STEP 3

Share and discuss your answers with the group. Come to a consensus on the qualifications that a prospective board member should meet. (10 minutes)

SESSION 4: THE MANAGER

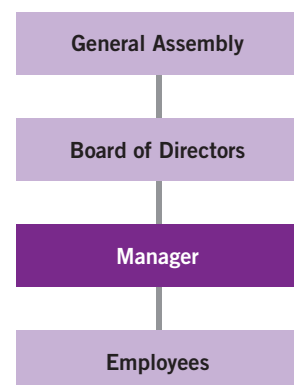
Session Overview



5 minutes

The manager of the cooperative is selected by and accountable to the Board of Directors. The manager implements the policy set by the Board of Directors. He/she is in-charge of the overall operation of the cooperative as delegated by the Board. In many cases, the manager also participates in board meetings as an active, non-voting participant. The manager is hired to operate the business and ensure that members and customers are well-served. Often the manager is a non-member with sufficient qualifications.

Basic Organizational Chart of a Cooperative



Activity 4A: Preparing a job description



20 minutes

When the cooperative decides to hire a manager, the Board of Directors must prepare a job description. A job description is a document that describes the general tasks and responsibilities of a position including the qualifications or skills needed by the person to be able to perform the job.



- Sometimes assumptions are made about the abilities of women when it comes to performing certain type of jobs that require leadership skills, for instance, managerial positions. For this reason, it is important that when you draft any job description you consider the qualifications and skills needed to fulfil the position instead of the gender of the person who could do it
- Women as managers and leaders of cooperatives are performing their responsibilities effectively across sectors and regions around the world

As a group, prepare an outline of the job description of the manager of your cooperative. Do the steps as they are read.

Steps

STEP 1

Based on your proposed business, identify the tasks of the manager. Examples of tasks are listed in column 1. (10 minutes)

Column 1 Examples of Tasks of Manager	Column 2 Your Answer
Organizes the work – decides who does what	
Approves deliveries from suppliers	
Supervises quality and output	
Prepares quotations	
Receives orders	
Prepares invoices	
Receives payment	
Selects and hires workers	
Monitors inventory of stocks	
Ensures that all equipment is in good and safe condition	
Conducts training on workers' safety and monitors adoption of safety procedures	
Participates in all board meetings	
Helps in recruitment of new members	

STEP 2

Based on the tasks you have identified, identify the key skills or qualifications needed for a Manager. (10 minutes)

SESSION 5: ARTICLES OF INCORPORATION

Session Overview



Most countries require cooperatives to file the Articles of Incorporation before it can operate as a legal entity. In some countries, this legal document is called the Articles of Cooperation. The document has to be notarized before it can be submitted to the agency in charge of registration of cooperatives.

Registration is part of the process of formalizing your cooperative. Formalizing your cooperative means:

- Registration and licensing with the appropriate authorities in your country
- Access to social security for cooperative members and employees
- Compliance with the legal framework, including tax, social security, and labour laws.

Formalizing your cooperative will facilitate access to finance, business development services, and technologies from government, financial institutions and development organizations. It will reduce your exposure to government fines and reputational risks. Registered cooperatives have also better access to markets as they have the legal personality to enter into contracts. Most institutional buyers conduct business only with registered enterprises. Registration also legally safeguards members' share or investment.

Activity 5A: Contents of the articles of incorporation



Most countries have their own prescribed template for the Articles of Incorporation. It is important to seek the assistance of the agency in charge of cooperative development and/or a lawyer when preparing the Articles of Incorporation. In this activity, you will learn the basic information that you need to provide to facilitate the preparation of the Articles of Incorporation.

Do the activity together and help each other in providing the information needed. An example is provided to guide you. If you do not yet have the information, just write "to be defined" and include in your Action Plan (Session 7).

Information Commonly Needed for the Articles of Incorporation	Example	Your Answer
Legal name of cooperative	XYZ Cassava Farmers Cooperative	
Purpose and scope of operations	To provide members access to common service facilities To collectively process and sell cassava chips	
Terms of existence <i>Number of years that the cooperative will exist. Check with the agency in charge of cooperatives if there is a law in regard to this</i>	50 years	
Location	<i>(name of the region/zone)</i>	
Incorporators <i>(name, age, and address)</i> <i>The incorporators include the members of the core group and Board of Directors. Check with cooperative law in your country for minimum and maximum number of incorporators</i>	To be defined	
Common bond of membership <i>The thing that the members share in common - for example, all members are taxi drivers, members live in same village, etc.</i>	The members of the cooperative are all cassava farmers in <i>(name of the region/zone)</i>	
List of names of Board of Directors	To be defined	
Amount of Share Capital and names and addresses of its contributors <i>List contribution of members</i>	To be defined	

SESSION 6: BYLAWS OF THE COOPERATIVE

Session Overview



The bylaws of the cooperative are rules that govern day-to-day procedures. These rules help the group avoid internal conflicts and make the responsibilities of each of the bodies clear. The bylaws should reflect the nature of the activities of the cooperative and should conform to the cooperative laws of your country. At some points in the preparation of the bylaws, it will be good to seek the assistance of the agency in charge of cooperatives in your area. This session aims to provide you with a general understanding of the contents of the bylaws so as to be able to make informed decisions on its contents.

Activity 6A: The importance of the bylaws



The values, principles and bylaws should be understood, accepted and followed by all members of the cooperative. Even if you are the owners of the business, you need rules and regulations to guide you on the way you conduct business. To gain a better understanding of the importance of bylaws, perform the steps as they are read.

Steps

STEP 1

Describe what you see in the picture. After writing your answer, share your answer with the group. (10 minutes)



STEP 2

Why do you think everybody on the bus wants to follow their own directions and personal agenda? Write your answer and share with the group. (10 minutes)

STEP 3

If such a situation happened in a cooperative, how would it affect the business? Write your answer and share with the group. (10 minutes)

STEP 4

How can having rules and regulations reduce the risk of conflict and dissatisfaction with the group? Write your answer and share with the group. (10 minutes)

Activity 6B: Preparing the outline of your bylaws



The bylaws are designed to establish the rights and duties of members and, at the same time, define the responsibilities of each of the core bodies in the cooperative. It also defines the procedures that must be followed to ensure a transparent and democratic management of the group's business. It is, therefore, critical that members are involved in the development of the bylaws to ensure that the rules are understood and accepted by the members. It is also important that your rules and regulations support the achievement of your objectives. The bylaws should be officially approved by the General Assembly. Depending on the cooperative laws in your country, a copy of the approved bylaws may be needed to register the cooperative.



- You may want to consider including a gender equality clause in your bylaws to state equal treatment of women and men, including equal access to board of directors' and committee's positions within the cooperative
- This clause is a critical element in ensuring gender equality in your cooperative

In this activity, you will look at the basic questions that should be answered in the bylaws. Try to answer to the extent that you can. If you do not know the answer at the moment, write "to be defined" in the answer column. An example of a cooperative bylaws can be found in Annex A to further guide you.

Question	Your Answer
<p>1. What are objectives of the cooperative? <i>Refer to your business plan</i></p>	
<p>2. Who can become members of the cooperative? <i>List qualifications (e.g., taxi drivers in Phnom Penh)</i></p>	
<p>3. How many people can become members of the cooperative? <i>Some cooperatives would want to limit their cooperative to a specific number of people.</i></p>	
<p>4. How can an interested individual apply for membership? <i>Example: Procedures for application</i></p> <ul style="list-style-type: none"> • <i>Fill in membership form</i> • <i>Interview with Board of Directors</i> • <i>Membership committee evaluates application</i> • <i>If approved, attend coop orientation</i> • <i>Pay membership fee</i> 	
<p>5. Can non-members use the services of the cooperative? If yes, under what conditions? <i>Example: Will non-member cassava farmers be accepted as suppliers?</i></p>	
<p>6. What are the rights of members? <i>Refer to Activity 2A</i></p>	
<p>7. What are the duties of members? <i>Refer to Activity 2B</i></p>	
<p>8. How much is the share capital, in what form can it be paid, and what is the schedule of payment? <i>It may be possible that a coop will accept in kind (e.g. fresh cassava) contributions instead of cash as the share capital of members.</i></p>	
<p>9. Under what conditions can a member be removed or terminated from the cooperative? <i>Examples:</i> <i>Member does not deliver cassava to the coop and prefers to sell all harvest to the town trader.</i> <i>Member does not attend meetings.</i></p>	

Question	Your Answer
<p>10. What is the procedure for termination?</p> <p><i>Examples:</i> <i>Member will be given a warning. If member receives three warnings, he/she will be automatically terminated</i> <i>Terminated members can withdraw their share capital less whatever they owe to the coop</i></p>	
<p>11. How often will the General Assembly meet?</p> <p><i>The General Assembly should meet at least once a year</i></p>	
<p>12. How will members be informed about the meeting?</p> <p><i>Example:</i> <i>Letters will be sent to members; the meeting is also advertised in a local newspaper</i></p>	
<p>13. What is the number and percentage of membership which constitutes a quorum?</p> <p><i>This is important – quorum is needed for a policy or resolution to be considered approved by the General Assembly.</i></p>	
<p>14. What are the qualifications to be eligible to be elected to the Board of Directors?</p> <p><i>See Activity 3C</i></p>	
<p>15. How many members should the Board of Directors have?</p> <p><i>Ideal number should be between 5 and 15; should be an odd number</i></p>	
<p>16. What is the process of selecting and electing members of the Board of Directors?</p> <p><i>Example:</i></p> <ul style="list-style-type: none"> • <i>Nominations should be made during the General Assembly</i> • <i>Voting will be done after the list of nominated candidates is published</i> • <i>Voting will be done through secret ballots</i> • <i>Canvassing should be done during the General Assembly</i> 	
<p>17. What are the positions in the Board of Directors and their duties?</p> <p><i>Refer to Activity 3B</i></p>	
<p>18. How will the officers of the Board of Directors be selected?</p> <p><i>Example:</i> <i>Members of the Board elect the officers themselves or the General Assembly can elect the Chairman from the members of the Board of Directors</i></p>	

Question	Your Answer
<p>19. What is the term of office of the Board of Directors?</p> <p><i>Term of office refers to number of years that they serve as members of the Board. Ideal is two to three years</i></p>	
<p>20. How many consecutive terms can a director serve?</p> <p><i>For example, can a current director be elected again in the next election?</i></p>	
<p>21. What are the causes for removal or suspension of the members of the Board of Directors?</p> <p><i>Examples: corrupt treasurer, conflict of interest</i></p>	
<p>22. What is the procedure for removal or suspension of the members of the Board of Directors?</p> <p><i>Example: The General Assembly schedules a special/ extraordinary meeting to vote on the removal of a member of the Board of Directors based on verified facts of the case. A board member can be removed by a two-thirds vote of the General Assembly</i></p>	
<p>23. Will the members of the Board of Directors receive an honorarium? If yes, how much?</p> <p><i>Example: Board members will receive an honorarium of US\$ 100 at the end of the year provided that cooperative is in good financial standing</i></p>	
<p>24. How will profit of the cooperative be used and distributed?</p> <p><i>Example: 30% of the cooperative's profit will be used for training of members; 40% for reserves/savings and capital expenditures; 30% for distribution to members as patronage refund</i></p>	
<p>25. Who decides what portion or percentage of the net surplus will be distributed back to members as patronage refund?</p> <p><i>A patronage refund is the amount returned to individual members who patronize the goods and services of the cooperative in proportion to their individual patronage</i></p> <p><i>In some cooperatives, the ratio is determined by the Board, based on their analysis of the financial health of the cooperative. Others have pre-defined the ratio of distribution in their by-laws. Some cooperatives decide the ratio each year at their annual meeting based on financial reports</i></p>	

Question	Your Answer
<p>26. What is the policy of the cooperative with regards to the distribution of the patronage refund?</p> <p><i>Patronage refunds may be cash or non-cash. Cash patronage refunds are those returned to members after each year's operations end, while non-cash refunds are those that members invest in the cooperative</i></p> <p><i>Example: The amount allocated for patronage refund shall not be less than thirty percent (30%) of the net surplus after deducting the statutory reserves based on the principle of equity</i></p> <p><i>In no case shall the rate of patronage refund be more than twice the rate of interest on share capital.</i></p> <p><i>The sum allocated for patronage refund shall be made available at the same rate to all members of the cooperative in proportion to their individual patronage, provided that:</i></p> <p><i>a) In the case of a member with paid-up share capital contribution, her/his proportionate amount of patronage refund shall be paid to her/him unless she/he agrees to credit the amount to her/his account as additional share capital contribution</i></p> <p><i>b) In the case of member with unpaid share capital contribution, her/his proportionate amount of patronage refund shall be credited to her/his account until the share capital has been fully paid</i></p>	
<p>27. Other matters relating to the core activities of the cooperative</p> <p><i>Example: Set up of committees – education and training committee, election committee, audit committee, etc.</i></p>	



Inquire from the nearest agency in charge of cooperative development in your area about the requirements to register your cooperative.

SESSION 7: ACTION PLANNING

Session Overview



5 minutes

Congratulations to all of you. You have completed the whole set of the Start.COOP modules. The remaining things to do are to complete all the preparatory work and launch your business. As a culminating activity, you will prepare your action plan.

Activity 7A: Writing of the action plan



30 minutes

Complete the action plan as a group. Key tasks have been listed in Column 1. If you have already completed the task, move on to the next row. In column 2, indicate when you will work on this task. In column 3, write the person assigned to take the lead in completing the task. Finally, in column 4, indicate the external assistance that you may need.

Tasks that have to be completed	When will you do it?	Who will do it?	External assistance you will need
Identify core group members			
Finalize business idea			
Complete feasibility study			
Complete business plan			
Prepare bylaws			
Open membership application			

Tasks that have to be completed	When will you do it?	Who will do it?	External assistance you will need
Conduct 1st General Assembly and election of Board of Directors Agenda: Adopt the by-laws Adopt the business plan Appoint an external auditor Elect the members of the board of directors			
Prepare Articles of Incorporation			
Prepare job description(s)			
Register the cooperative			
Start collection of contributions from members (share capital)			
Start sourcing of additional funds			
Start negotiations with buyers			
Start negotiation with suppliers			
Procurement of facilities and equipment/ Set-up of facilities			
Hiring of manager			
Hiring of workers			
Launching of business			



Once you have set up your cooperative, participate in the **Manage.COOP** training to help you with the day-to-day running of your cooperative business!

Answers: Activity 2A

Picture 1: 1
Picture 2: 5
Picture 3: 6
Picture 4: 2
Picture 5: 3
Picture 6: 4
Picture 7: 8
Picture 8: 7

Answers: Activity 2B

Picture 1: 2
Picture 2: 3
Picture 3: 4
Picture 4: 1
Picture 5: 5

Answers: Activity 3A

Picture 1: 6
Picture 2: 4
Picture 3: 5
Picture 4: 1
Picture 5: 3
Picture 6: 7
Picture 7: 2

Answers: Activity 3B

1. Vice Chairperson
2. Secretary
3. Treasurer
4. Secretary
5. Chairperson
6. Treasurer
7. Secretary

Use this space for your calculations and notes.

Annex 1. Sample Bylaws

The Bylaws are provided for guidance only. Make sure that any Bylaws you adopt are tailored to the specific needs of your cooperative and to the laws in your country. As soon as you have completed the draft, it is recommended to ask a lawyer or the cooperative development authority in your country to review it.

Article 1: The Organization and Purpose

- 1.1 **Name.** The name of the organization shall be *(name of cooperative)* (hereinafter, the “Cooperative”). The Cooperative is organized under the laws of *(country)*.
- 1.2 **Purpose.** The Cooperative aims to improve economic condition of its members and the *(name of sector – e.g., coconut farming)* community in general. The mission of the Cooperative is to serve *(target groups – e.g. coconut farmers)* in *(geographic area)* by operating a socially responsible and financially sound business that provides services that will promote *(objectives of cooperative --- e.g., sustainable farming, safe work, value addition, and improved access to markets)*.

Article 2: Membership

- 2.1 **Eligibility.** Ownership in the cooperative is open to *(target groups – e.g., coconut farmers)* in *(area – if location based)* who support the purpose of the cooperative and willing to accept the responsibilities of membership.
- 2.2 **Non-discrimination.** Membership is open without regard to any characteristic that does not directly pertain to a person’s eligibility.
- 2.3 **Requirements for Membership.** A member must have complied with the following:
 - a) Submitted duly accomplished application form.
 - b) Interviewed and recommended by Membership Committee and approved by the Board of Directors.
 - c) Subscribed to the minimum number of shares.
 - d) Committed to contribute regularly towards capital build-up and other mandatory dues prescribed and approved by the annual General Assembly.
 - e) Signed a marketing agreement with the Cooperative.

Article 3: Membership Rights and Responsibilities

- 3.1 **Membership Rights.** Members shall be entitled to:
 - a) Avail of services from the Cooperative on terms available to all owners.
 - b) Vote in elections of the Board of Directors and on all issues to be decided by the Cooperative’s owners. Each owner shall have one vote.
 - c) Receive notice of and attend owner meetings.
 - d) Approve amendments to these bylaws.
 - e) Receive reasonably adequate and timely information about the Cooperative’s operations and finances.
 - f) Receive patronage refunds.
 - g) Serve on the Board of Directors or on committees.
- 3.2 **Membership Responsibilities.** Members should fulfil the following responsibilities to remain in good standing:
 - a) Remain current in equity investments due to the Cooperative.
 - b) Abide by these bylaws and the policies of the Cooperative.
 - c) Avail of the services of the Cooperative.

- d) Abide by commitments made in the marketing agreement.
- e) Participate in educational activities mandated by the Cooperative.
- f) Keep current on the activities and actions of the Cooperative, attend annual and special member meetings, vote in election, and respond to surveys.
- g) Participate in committee work.
- h) Share experience and provide member-to-member education as requested.
- i) Assist in the product and market development.
- j) Promote the cooperative and encourage others to become members.

3.3 **Inactive Status.** A member is of inactive status if:

- a) Delinquent in meeting the share purchase requirement by *(number)* months
- b) Did not patronize the Cooperative for a period of *(number)* months
- c) Did not deliver the volume and quality of produce as agreed in the marketing agreement for *(number)* consecutive seasons.

Participation rights including the right to vote of inactive members shall be suspended. A member in inactive status may attain good standing upon rectifying cause of inactive status.

3.4 **Liability of Membership.** A member shall be liable for the debts of the Cooperative only to the extent of his/her subscribed share capital.

Article 4: Termination of Membership

4.1 **Termination of Membership.** Termination of membership may be automatic, voluntary or involuntary, which shall have the effect of extinguishing all rights of a member in the Cooperative, subject to refund of share capital contribution.

- a) Automatic termination. The death of a member shall be considered an automatic termination of his/her membership in the Cooperative.
- b) Voluntary termination. A member may withdraw his/her membership from the Cooperative by giving a sixty (60) day notice to the Board of Directors.
- c) Involuntary termination. A member may be terminated by a vote of the majority of all the members of the Board of Directors for any of the following causes:
 - i. Has not patronized the services of the cooperative for more than *(number)* months
 - ii. Has violated terms of cooperative policy and these bylaws.
 - iii. Acted contrary to the best interests of the Cooperative.

4.2 **Manner of Involuntary Termination.** Involuntary termination of membership will follow the following procedures:

- a) The board will send a certified letter stating the reason for the proposed termination and outline specific incidences of violation of policies or bylaws. The letter must be sent at least *(number)* days prior to the vote to terminate membership.
- b) The member will be invited to the board meeting to be heard.
- c) The decision of the board is appealable within *(number)* days from receipt thereof to the General Assembly whose decision is final.

4.3 **Refund of Share Capital Contribution.** A member whose membership is terminated shall be entitled to a refund within *(number)* days of his/her share capital contribution and all other interests in the Cooperative, after offsetting against the share price any debts owed by the member to the Cooperative. However, such refund shall not be made if upon payment the value of the assets of the Cooperative would be less than the aggregate amount of its debts and liabilities exclusive of his/her share capital contribution. In which case, the member shall continue to be entitled to the interest of his/her share capital contributions, patronage refund and the use of the services of the Cooperative until such time that all his/her interests in the Cooperative shall have been duly paid.

Article 5: The General Assembly

- 5.1 **The General Assembly.** The General Assembly is composed of all the members entitled to vote, duly assembled and constituting a quorum and is the highest policy-making body of the Cooperative.
- 5.2 **Powers of the General Assembly.** Subject to the pertinent provisions of the Cooperative Code of (*country*) and the rules issued thereunder, the General Assembly shall have the following exclusive powers which cannot be delegated:
- a) To determine and approve amendments to the cooperative Articles of Cooperation and Bylaws
 - b) To elect or appoint the members of the Board of Directors, and to remove them for cause.
 - c) To approve development plans of the Cooperative.
- 5.3 **Regular General Assembly Meeting.** The General Assembly shall hold its annual regular meeting at the principal office of the Cooperative or at any place in (*city/town*) within ninety (90) days after the close of its fiscal year. The fiscal year of the Cooperative begins on (*month*) and ends on the last day of (*preceding month*).
- 5.4 **Special General Assembly Meeting.** The Board of Directors may, by a majority vote of all its members, call a special General Assembly meeting at any time to consider urgent matters requiring immediate membership decision. The Board of Directors must likewise call a special General Assembly meeting within one (1) month from receipt of a written request from:
- a) At least 10% percent of the total number of members entitled to vote
 - b) The Audit Committee
 - c) Federation or Union to which the Cooperative is a member
 - d) Cooperative Development Authority (government authority in-charge of cooperatives in the country)
- 5.5 **Notice of Meeting.** All notices of meetings shall be in writing and shall include the date, time, place, and agenda. It shall be accompanied with meeting minutes of the last General Assembly Meeting, consolidated reports of the Board of Directors and Committees, audited financial statements, and other papers which may assist the members to actively participate in the proceedings and make informed decisions.
- a) Written notice of every regular and special meeting of members shall be prepared and mailed to the last known post office address of each member at least (*number*) days before such meetings.
 - b) The meeting notice may also be delivered by electronic means.
 - c) For special meetings, no business shall be transacted at any special meeting other than that referred to in the notice.
- 5.6 **Quorum.** During regular or special General Assembly Meeting, at least (*number*) percent of the total number of members entitled to vote shall constitute a quorum.
- 5.7 **Order of Business.** As far as possible, the order of business of a regular General Assembly meeting shall be:
- a) Call to order
 - b) Declaration/Consideration of presence of quorum
 - c) Reading, consideration and approval of the minutes of the previous meeting
 - d) Presentation and approval of the reports of the Board of Directors, officers, and the Committees, including audited financial statements of the Cooperative
 - e) Unfinished business
 - f) New business
 - g) Election of Directors and Committee members
 - h) Approval of development and/or annual plan and budget
 - i) Hiring of external auditor
 - j) Other related business matters
 - k) Announcements
 - l) Adjournment

- 5.8 **Voting System.** Only members entitled to vote shall be qualified to participate and vote in any General Assembly meeting.
- a) A member is entitled to one vote only regardless of the number of shares he/she owns.
 - b) Election or removal of Directors and Committee members shall be by secret ballot. Action on all matters shall be in any manner that will truly and correctly reflect the will of the membership.
 - c) Proxy voting is allowed. Each proxy shall be in writing, and no member shall vote more than one proxy. Cumulative voting is not permitted. (Note: cooperative has to decide whether to allow proxy voting.)

Article 6: Board of Directors

- 6.1 **Number of Directors.** The Board of Directors shall be composed of at least (*number – e.g., 5*) Directors.
- 6.2 **Functions and Responsibilities.** The Board of Directors shall have the following functions and responsibilities:
- a) Provide general policy direction.
 - b) Formulate the strategic development plan.
 - c) Determine and prescribe the organizational and operational structure.
 - d) Review the annual plan and budget and recommend for the approval of the General Assembly.
 - e) Establish policies and procedures for the effective operation and ensure proper implementation of such.
 - f) Evaluate the capability and qualification, and recommend to the General Assembly the engagement of the services of the External Auditor.
 - g) Appoint the manager/management team.
 - h) Appoint members of the committees except supervisory, election, and audit committees.
 - i) Declare the members entitled to vote.
 - j) Perform such other functions as may be prescribed in the Bylaws or authorized by the General Assembly.
- 6.3 **Eligibility.** Any member who is entitled to vote and has the following qualifications can be elected as member of the Board of Directors:
- a) Has paid the minimum share requirement.
 - b) Has no delinquent account with the cooperative.
 - c) Has continuously patronized the cooperative services.
 - d) A member in good standing for the last (*number*) years.
 - e) Must not be engaged in a business similar to that of the Cooperative, in competition with the cooperative, or that can pose conflict of interest.
 - f) Has completed or willingness to complete within the prescribed period the required cooperative education and training.
- 6.4 **Nomination.** Directors may be nominated by:
- a) The existing Board
 - b) Nominating Committee
 - c) Petition signed by at least (*number*) members and submitted to the Cooperative at least (*number*) days before the date of the Annual General Assembly.
- 6.5 **Election of Directors.** Directors will be elected at the Annual General Assembly.
- a) The first election of the Board of Directors will be during the first Annual General Assembly. They will succeed the incorporating directors.
 - b) All directors shall be elected by secret ballot, and the nominee(s) receiving the greatest number of votes shall be elected.
- 6.6 **Terms of Office.** Terms are staggered to preserve the continuity of governance.
- a) In electing the first Board, two Directors shall be elected for a two year term and three directors for a three year term. (*assuming 5 directors*)

- b) At each annual General Assembly thereafter, new directors shall be elected, for a term of three years each, to succeed those directors whose terms are expiring.
 - c) No director after having served for *(number)* consecutive full terms shall be eligible to succeed himself or herself, but after a lapse of *(number)* years shall again be eligible.
- 6.7 **Regular Board Meetings.** Regular meetings of the Board of Directors shall be held monthly.
- 6.8 **Special Board Meetings.** A special meeting of the Board of Directors shall be held whenever called by the president or by a majority of the Directors. Only the business specified in the written notice shall be transacted at a special meeting.
- 6.9 **Notice of Board Meetings.** Notice of regular or special meetings of the Board of Directors shall be served by the Secretary in writing or by any electronic means to each Director at least *(number)* days before such a meeting.
- 6.10 **Quorum in Board Meeting.** A majority of the Directors shall constitute a quorum. An act of the majority of the Directors present at a meeting at which a quorum is present shall be an act of the Board.
- 6.11 **Vacancy in the Board.** Any vacancy occurring in the Board of Directors by reason of death, incapacity, removal or resignation may be filled-up by a majority vote of the remaining Directors, if still constituting a quorum; otherwise, such vacancy shall be filled by the General Assembly in a regular or special meeting called for the purpose. The elected Director shall serve only for the unexpired term of his/her predecessor in office.
- 6.12 **Termination of Term of Office.** A Director's term of office may be terminated prior to its natural expiration in any of the following ways:
- a) Voluntarily when a Director gives notice of resignation to the Secretary.
 - b) Automatically upon termination of the Director's ownership interest in the Cooperative.
 - c) By decision of 2/3 of the other Directors for conduct contrary to the Cooperative's purpose or policies, provided that the Director is given fair notice of the reason for the proposed termination and an opportunity to respond in person or in writing.
 - d) A Director who is absent from *(number)* consecutive Board meetings, unless excused by the Board for good cause, shall be deemed to have resigned.
 - e) Members, through petition noting of the charges and signed by at least *(number) percent* of the membership may request the removal of any member of the Board. Such Director shall be notified in writing of the charges and given an opportunity to be heard at a General Assembly meeting (regular or special). Removal of a Director shall require a vote of at least *(number) percent* of members voting. Any vacancy resulting from such action shall be filled by nomination and vote of members at such meeting.
- 6.13 **Compensation of the Board.** The Cooperative shall reimburse Directors for all reasonable expenses incurred in carrying out their duties and responsibilities. The compensation, if any, of the members of the Board of Directors shall be determined by the members of the Cooperative during the General Assembly. No member of the Board of Directors or member of the immediate family of any Board member shall occupy any position in the Cooperative on regular salary.
- 6.14 **Liability of Board of Directors.** A member of the Board of Directors shall not be liable to the Cooperative for monetary damages for conduct as a member of the Board, except for acts or omissions involving intentional misconduct or a knowing violation of the law by the individual.

Article 7: Officers of the Board

- 7.1 **Election of Officers.** The Board of Directors shall meet within *(number)* days after the first election and within *(number)* days after each annual election and shall elect by ballot a chairperson (president), vice chairperson (vice president), secretary, and treasurer, each of whom shall hold office for one year unless earlier removed by death, resignation, or for cause.

- 7.2 **Duties of the Chairperson.** The chairperson shall:
- a) Set the agenda for Board meetings in coordination with other members of the Board.
 - b) Preside over all meetings of the Board of Directors and of the General Assembly.
 - c) Sign contract, agreements, certificates, and other documents on behalf of the Cooperative as authorized by the Board of Directors or by the General Assembly.
 - d) Coordinate the activities of the Board.
 - e) Maintain effective communication with the manager.
 - f) Present a report of operations at the annual meeting of owners.
 - g) Perform such other functions as may be authorized by the Board of Directors or by the General Assembly.

- 7.3 **Duties of the Vice Chairperson.** The vice chairperson shall:
- a) Perform all the duties and responsibilities of the chairperson in the absence of the latter.
 - b) Perform such other duties as may be delegated by the Board of Directors.

- 7.4 **Duties of the Secretary.** The secretary shall:
- a) Keep an updated and complete registry of all members.
 - b) Prepare and maintain minutes of the meeting of the Board of Directors and the General Assembly.
 - c) Ensure that instructions and decisions made by the Board of Directors are transmitted to the management for compliance and implementation.
 - d) Issue and certify who are in good standing and entitled to vote as determined by the Board of Directors.
 - e) Prepare and issue share certificates.
 - f) Serve notice of all meeting called and certify the presence of quorum of all meetings of the Board of Directors and General Assembly.
 - g) Keep copy of the Treasurer's report and other reports.
 - h) Serve as custodian of the Cooperative seal; countersign and affix the seal of the Cooperative to all papers and documents requiring such action.
 - i) Prepare reports as required by law.
 - j) Perform such other functions as may be authorized by the General Assembly.

- 7.5 **Duties of the Treasurer.** The Treasurer shall:
- a) Ensure that all cash collections are deposited in accordance with the policies set by the Board of Directors.
 - b) Have custody of all funds, securities, and documentations relating to all assets, liabilities, income, and expenditures.
 - c) Has supervisory responsibilities of all funds, securities, and documentations relating to all assets, liabilities.
 - d) Monitor and review the financial management operations of the Cooperative, subject to such limitations and control as may be prescribed by the Board of Directors.
 - e) Regularly render a report to the Board of Directors on the above matters.
 - f) Provide members with financial reports and financial statement.
 - g) Perform such other functions as may be authorized by the board of directors.

Article 8: Management Team

- 8.1 **Management Staff.** A core management team composed of manager, cashier, bookkeeper, accountant, and other position as may be necessary shall take charge of the day-to-day operations of the cooperative. The Board of Directors shall appoint, fix their compensation and prescribe for the functions and responsibilities.

- 8.2 **Duties of the Manager.** The manager shall be responsible for administering the day-to-day activities of the Cooperative under the direction and control of the Board of Directors. The following are the duties of the manager:

- a) Oversee the overall day to day business operations of the Cooperative by providing general direction, supervision, management and administrative control over all the activities and staff subject to such limitations as may be set forth by the Board of Directors or the General Assembly.

- b) Formulate and recommend, in coordination with the staff under his/her supervision, the Cooperative's plans, programs and projects, for approval of the Board of Directors and ratification by the annual General Assembly.
- c) Implement the duly approved plans and programs of the Cooperative and any other directive or instruction of the Board of Directors.
- d) Provide the Board of Directors with monthly reports on the status of the Cooperative's operation vis-a-vis its target and recommends appropriate policy/ies or operational changes, if necessary.
- e) Represent the Cooperative in any agreement, contract, business dealing, and in any other official business transaction as may be authorized by the Board of Directors.
- f) Ensure compliance with all administrative and other requirements of regulatory bodies.
- g) Perform such other duties as the Board of Directors may prescribe and turn over to his/her successor all properties belonging to the Cooperative in his/her possession or over which he/she has control upon the expiration/termination of his/her services.

8.3 Qualifications of the Manager. The following are the qualifications of the manager:

- a) Must be familiar with the business operation of the Cooperative.
- b) Must have at least (*number*) years of experience in the operations of Cooperative or related business.
- c) Must not be engaged directly or indirectly in any activity similar to the business of the Cooperative.
- d) Must not have been convicted of any administrative, civil or criminal cases involving moral turpitude, gross negligence or grave misconduct in the performance of his/her duties.
- e) Must be of good moral character.
- f) Must not have been convicted of any administrative, civil or criminal case involving financial and/or property accountabilities at the time of his/her appointment; and
- g) Must have undergone basic cooperative education.

8.4 Duties of Cashier. The cashier, who shall be under supervision and control of the manager, shall perform the following duties:

- a) Handle monetary transactions.
- b) Receive/collect payments and deposits.
- c) Be responsible for money received and expended.
- d) Prepare reports on money matters.
- e) Perform such other duties as the Board of Directors may require.

8.5 Duties of the Accountant. The accountant, who shall be under the supervision and control of the manager, shall perform the following functions:

- a) Install an adequate and effective accounting system within the Cooperative.
- b) Render reports on the financial condition and operations of the Cooperative monthly, annually or as may be required by the Board of Directors and/or the General Assembly.
- c) Provide assistance to the Board of Directors in the preparation of annual budget.
- d) Keep, maintain, and preserve all books of accounts, documents, vouchers, contracts and other records concerning the business of the Cooperative and make them available for auditing purposes to the chairperson of the Audit Committee.
- e) Perform such other duties as the Board of Directors may require.

8.6 Duties of the Bookkeeper. The bookkeeper, who shall be under the supervision and control of the manager, shall perform the following functions:

- a) Records and update books of accounts.
- b) Provide assistance in the preparation of reports on the financial condition and operations of the Cooperative monthly, annually or as may be required by the Board of Directors and/or the General Assembly.
- c) Perform such other duties as the Board of Directors may require.

Article 9: Committees

9.1 **Finance Committee.** The Finance Committee shall be composed of the Treasurer and at least two other members appointed by the Board. It shall be the duty of this Committee to review financial reports of the Cooperative and review the proposed cooperative budget for the fiscal year, and submit it to the Board of Directors for approval. Committee shall also assist financial planning; budget adjustment, and other money matters as directed by the Board of Directors.

9.2 **Audit Committee.** An Audit Committee shall be composed of (*number*) members to be elected during a General Assembly meeting and shall hold office for a term of one (1) year or until their successors shall have been elected and qualified. Within (*number*) days after their election, they shall elect from among themselves a chairperson, vice chairperson, and a secretary. No member of the Committee shall hold any other position within the Cooperative during his/her term of office. The Committee shall provide internal audit service, maintain a complete record of its examination and inventory, and submit an audit report quarterly or as may be required by the Board and the General Assembly.

The Audit Committee shall be directly accountable and responsible to the General Assembly. It shall have the power and duty to continuously monitor the adequacy and effectiveness of the Cooperative's management control system and audit the performance of the Cooperative and its various responsibility centers.

9.3 **Election Committee.** An Election Committee shall be composed of (*number*) members to be elected during a General Assembly meeting and shall hold office for a term of one (1) year or until their successors shall have been elected and qualified. Within (*number*) days after their election they shall elect from among themselves a chairperson, vice chairperson and a secretary. No member of the committee shall hold any other position within the Cooperative during his/her term of office.

The Election Committee shall:

- a) Formulate election rules and guidelines, and recommend to the General Assembly for approval.
- b) Implement election rules and guidelines duly approved by the General Assembly.
- c) Recommend necessary amendments to the election rules and guidelines, in consultation with the Board of Directors, for approval of the General Assembly.
- d) Supervise the conduct, manner and procedure of election and other election related activities and act on the changes thereto.
- e) Canvass and certify the results of the election.
- f) Proclaim the winning candidates.
- g) Decide election and other related cases except those involving the Election Committee or its members.
- h) Perform such other functions as prescribed in the bylaws or authorized by the General Assembly.

9.4 **Education and Training Committee.** An Education and Training Committee shall be composed of (*number*) members to be appointed by the Board of Directors and shall serve for a term of one year, without prejudice to their reappointment. Within (*number*) days after their appointment, they shall elect from among themselves a vice chairperson and a Secretary. The vice chairperson of the Board of Directors shall act as the chairperson. The committee shall be responsible for the planning and implementation of the information, educational and human resource development programs of the Cooperative for its members, officers and the communities within its area of operation.

9.5 **Marketing Committee.** A Marketing Committee, chaired by a board member, consisting of at least three (3) members shall be appointed by the Board. Within (*number*) days after their election, they shall elect from among themselves a chairperson, vice chairperson, and a secretary. This Committee shall be responsible for the development of a market development plan and oversee its implementation.

9.6 **Other Committees.** By a majority vote of all its members, the Board of Directors may form such other Committees as may be deemed necessary for the operation of the Cooperative.

Article 10: Operations

10.1 Adhering to the principle of service over and above profit, the Cooperative shall endeavour to:

- a) Offer the following services to members:
 - Marketing services, with buying price from members not to fall below production cost and at par or higher than prevailing market price.
 - Sale of production inputs, supplies and other requirements which the Cooperative shall procure in bulk to achieve economic efficiency
 - Common service facilities: the Cooperative, based on the need of its members and on sound economic considerations shall acquire, lease, maintain and operate a pool of machinery and equipment, warehouse and other facilities aimed at improving productivity and facilitating value addition.
- b) Continuously develop program strategies that will provide members and the communities within area/s of operation needed goods/services.
- c) Adopt and implement plans and programs which ensure the continued build-up of capital structures with the end view of establishing other needed services for the members and the communities within its areas of operation.
- d) The Cooperative shall coordinate closely with other cooperative businesses as a means of improving economies of scale and sustainability.

Article 11: Capitalization

11.1 **Sources of Funds.** The Cooperative shall derive its funds from any or all of the following sources:

- a) Member's share capital contribution
- b) Revolving capital build-up which consists of the deferred payment of patronage refund or interest on share capital
- c) Retentions from the proceeds of services acquired /goods procured by members
- d) Loans/Borrowing
- e) Crowdfunding
- f) Other sources of funds as may be authorized by law

11.2 **Continuous Capital Build-Up.** Every member shall have invested in any or all of the following:

- a) At least (*amount*) of (*currency*) per month
- b) At least (*number*) percent of his/her annual interest on capital and patronage refund
- c) At least (*number*) percent of each good procured /service acquired from the cooperative.

11.3 **Borrowing/Loan.** The Board of Directors, upon approval of the General Assembly, may borrow funds from any source, local or foreign, under such terms and conditions that best serve the interest of the Cooperative and without compromising the autonomy of the Cooperative.

Article 12: Allocation and Distribution of Net Surplus

12.1 **Allocation.** At the end of its fiscal year, the Cooperative shall allocate and distribute its net surplus as follows:

- a) Reserve Fund. (*number*) percent shall be set aside for Reserve Fund.
 - The reserve fund shall be used for the stability of the Cooperative and to meet net losses in its operations. The General Assembly may decrease the amount allocated to the reserve fund when it has already exceeded the authorized share capital.
 - The reserve fund shall not be utilized for investment, other than those allowed in the law. Such sum of the reserve fund in excess of the authorized share capital may be used at any time for any project that would expand the operations of the cooperative upon the resolution of the General Assembly.

- Upon the dissolution of the Cooperative, the reserve fund shall not be distributed among the members. However, the General Assembly may resolve: (i) to establish usufructuary fund for the benefit of any federation or union to which the Cooperative is affiliated; or (ii) to donate, contribute or otherwise dispose of the amount for the benefit of the community where the Cooperative operates.
- b) Education and Training Fund. (*number*) percent shall be set aside for Education and Training Fund.
 - This will be spent by the Cooperative for education and training purposes.
 - Upon the dissolution of the Cooperative, the unexpended balance of the education and training fund pertaining to the Cooperative shall be credited to the Cooperative education and training fund of the chosen union or federation.
- c) Community Development Fund. (*number*) percent shall be used for projects and activities that will benefit the community where the Cooperative operates.
- d) Optional Fund. (*number*) percent shall be set aside for Optional Fund for land and building, and any other necessary fund.

12.2 **Interest on Share Capital and Patronage Refund.** The remaining net surplus shall be made available to the members in the form of interest on share capital not to exceed the normal rate of return on investment and patronage refunds. The sum allocated for patronage refund shall be made available at the same rate to all members of the Cooperative in proportion to their individual patronage, provided that:

- a) In the case of a member patron with paid-up share capital contribution, his/her proportionate amount of patronage refund shall be paid to him/her unless he/she agrees to credit the amount to his/her account as additional share capital contribution.
- b) In the case of member patron with unpaid share capital contribution, his/her proportionate amount of patronage refund shall be credited to his/her account until the share capital has been fully paid.

Article 13: Miscellaneous

13.1 **Investment of Capital.** The Cooperative may invest its capital in any or all of the following:

- a) Shares or securities of any other Cooperative
- b) Any reputable bank in the locality or any Cooperative and Cooperative banks
- c) Securities issued or guaranteed by Government
- d) Real estate primarily for the use of the Cooperative or its members
- e) In any other manner approved by the General Assembly

13.2 **Accounting System.** The Cooperative shall keep, maintain and preserve all its books of accounts and other financial records in accordance with generally accepted accounting principles and practices, applied consistently from year to year, and subject to existing laws, rules and regulations.

13.3 **Financial Audit, Performance Audit, and Social Audit.** At least once a year, the Board of Directors, in consultation with the Audit Committee, shall call for the conduct of an audit of the books of accounts of the Cooperative, performance audit, and social audit by accredited social auditor and Cooperative compliance officer.

13.4 **Annual Report.** During the annual regular assembly meeting, the Cooperative shall submit a report of its operation to the General Assembly together with the audited financial statements, performance audit and social audit reports. The annual report shall be certified by the chairperson and manager of the Cooperative as true and correct in all aspects to the best of their knowledge. The audited financial statements and social audit reports shall be certified by accredited independent auditors. The Cooperative shall submit the following reports to the Authority within (120) days from the end of every calendar year: (*refer to cooperative law in your country*)

- a) Cooperative Annual Performance Report
- b) Social Audit Report
- c) Performance Report
- d) Audited Financial Statement duly stamped "Received" by revenue office
- e) List of officers and trainings undertaken/completed.

