



**ECONOMIC AND SOCIAL RESEARCH
FOUNDATION**

POVERTY AND ENVIRONMENT INITIATIVE (PEI)

**BUSINESS PLAN WRITING
TEACHING MANUAL**

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Many people and institutions contributed to the production of this manual, however the opinions stated in the manual and any errors of fact are solely the responsibility of the authors.



1. Introduction

There are two main purposes for writing a business plan. The first, and most important, is to serve as a guide during the life of the district council. It is the blueprint of your district council and will serve to keep district council on the right track. To be of value, your plan must be kept current. If you spend the time to plan ahead, many pitfalls and needless frustrations will be avoided.

Second, the business plan is a requirement if you are planning to seek loan funds. It will provide potential lenders with detailed information on all aspects of the district council's past and current operations and provide future projections. The text of a business plan must be concise and yet must contain as much information as possible.



2. Business Plan Components

Whether it is a new district council, already in existence, or you are buying an existing business, be sure to give any prospective lender/stakeholder a detailed description of the business/district council. A detailed business plan gives the lender/stakeholder an understanding of the business and shows that you have thought through the components of the business: what it is about and where it is going.

It is imperative that you give the lender/stakeholders as much information as possible about your district council/business. This helps the lender/stakeholder not only understand your business/ district council but also better understand your business' needs and evaluate the loan request.

A business plan should include the following topics and be given to the lender /stakeholders when applying for business financing of any kind.

2.1 Executive Summary

The Executive Summary is an overall view of your district council and it's potential. It is a very important part of the Business Plan. It should be brief and to the point. Since the Executive Summary is normally the first part of the plan an investor/stakeholder/donor will read, it needs to be well written and stand out from the many other plans an investor/stakeholder/donor will have received.

The four key ingredients to be highlighted are:

- Why will your project/district council succeed?
- What experience you have in the selected market segment/project that will demonstrate to an investor/stakeholder/donor your knowledge and expertise?
- State why you believe that the project will be viable and profitable.
- Will the business generate adequate profits and cash flow to repay loans advanced?

You should also address the following:

- Business/district council name, owners and location of the business/district council.
- Products and services you intend to sell/provide.
- Summary of target market/beneficiaries and competitors.
- The amount of finance needed, for what purpose and the repayment terms sought.
- The amount of money the district council/central government will invest in the business/project.
- What experience you have in the selected market segment/project that will demonstrate to an investor/donor your knowledge and expertise?
- State why you believe that the project will be viable and profitable.
- Will the business generate adequate profits and cash flow to repay loans advanced?

2.2 Aims, Objectives, Mission & Vision

2.2.1 Business Background

What exactly will the business/district council do? Be specific about the business you are starting/doing. In this section you need to outline your reasons for starting/doing the business, as investors/stakeholders will need to know what really motivates you and will need to consider

the following questions:

- Why are you going into business/project?
- What do you wish to achieve?
- Will the business supplement your main income or replace it?
- Are you starting the business to sell on at a later date as an investment?
- What level of employment will the business/project create?

The answers to these questions will flesh out the aims, the future development and strategy of the business/project. By defining your district council vision you will be in a position to identify clear and challenging objectives. This will determine how to achieve the goals set as the business develops over time. Describe in detail but in plain language the product you intend to make or the service you intend to provide.

2.2.2 Business Description and Purpose

Show how your products / services will differ from your competitors, to attract customers/beneficiaries. How will you differentiate your business/ district council? When describing your business clearly summarise the purpose of the business such that customers and potential investors/donor will easily understand the business. Think of the core purpose, target audience and mission of the business/district council.

2.2 Management & Organizational Structure

In this section you should detail how your business/ district council will be organized and managed. Clearly link the people in the business/district council to the objectives set in the plan. Provide a brief resume to summarise your relevant expertise and establish your suitability for the business/project. If you are planning to set up a larger business with a management team you must provide greater detail of the organisational structure of the business. This should include information about professional advisers and / or technical experts you have retained to help you overcome particular weaknesses and provide you with on-going solutions.

2.3 Market Research & Marketing Plan

In this section you need to detail the market for your products / services. It is important that you know the customers/beneficiaries and market segment you wish to target. So in the introduction give a broad outline of the market you intent to target and its characteristics. You may have collected your information for this section in a variety of ways. It is possible that you have obtained advance purchase commitments from buyers. Whatever your business or method of researching it, you should now be in a position to answer the questions.

2.4 Market Demand

This includes both the need for your product or service and the extent of this need. Evidence of the need must be clearly shown. You should also indicate whether your product or service is a repeat item which will be purchased again and again by your customers or whether sales will be once-off. Indicate if the product or service is likely to be in demand over a long period of time or if it is a short lived fad.

Consider if the market for your product/service will be affected by seasonality, fashion trends, weather, currency fluctuations, price etc.

2.4.2 Target Market

This is the market you intend to seek for your product or service. Generally the larger your potential market the better but, more importantly, you need to know if it is growing, leveling out or declining. Your intended group should have a close affinity with your service/product. Target groups will have a number of features in common e.g., age, gender, area of residence, lifestyle, social class, income, occupation etc. There may be potentially very lucrative niche markets available which you can exploit with limited competition. You will need to carefully consider any entry barriers that might exist and outline how you propose to overcome them.

2.4.3 Market Competition

Regardless of the product or service that you offer you will always have competition. Reaction by your competitors may alter some of the assumptions you have made in relation to price, service, promotion or advertising. You need to think about your potential competitors by bearing the following in mind:

- What are the alternatives for your product/service?
- Who and where are your competitors?
- What range do they offer?
- How broad is their range?
- What are their target groups?
- What are their strong and weak points?
- Have you identified any unique selling points?
- Consider how you might differentiate your product/service from competitors.

2.5 Product Proposition

Detail the product range that will be introduced. It is important to highlight the Unique Selling Points of your product or service. It may be a totally unique product, for instance, it could be a service which includes specialist knowledge or it could be very keen pricing. Does the product/service need to comply with industry or national standards e.g. TBS, TFDA etc. If that is the case then demonstrate in your plan how you propose to meet these regulations, cost involved and time period to become accredited. Will your target market require your operations to be accredited to ISO 9000 standard and if so how do you propose to achieve this?

2.5.1 Pricing Strategy

Pricing has to be carefully considered because the price you select has an important effect on the image of the product or service you are offering. If you choose one price it positions your product for one market. At a lower price or a higher price the same product would be perceived entirely differently. Always remember that once a price is established it is extremely difficult to change.

2.5.2 Product Distribution

You must decide the geographic area in which you will market your product or service and whether it is better to sell directly yourself, go the retail outlets or use wholesalers. You can sometimes beat the competition or generate much more profit by using a unique distribution system. Outline how you propose to get your product/service to your customers/beneficiaries.

2.6 SWOC Analysis

You should now summarise and prioritise the market evaluation detailed in the previous sections. This is referred to as a SWOC Analysis. SWOC means strengths, weaknesses, opportunities and challenges and is a very common method of identifying positive and negative aspects of the business, internally and externally. You commence by detailing the strengths of the business which makes your business unique and then proceed to list the weaknesses which are internal to the business. Then continue to list the external opportunities and challenges as you perceive them.

2.7 Operations

2.7.1 Sales Management

The Operations section outlines how you will run your business and deliver value to your customers/beneficiaries. Operations is defined as the processes used to deliver your products and services to the marketplace and can include manufacturing, transportation, logistics, customer and technical service.

- Who will conduct the selling for your business and are they professionally trained to sell? A personal selling strategy is particularly effective and necessary when a product/service must be explained in order that it is fully understood by the potential customer or where the product/service is of a technical nature.
- What selling methods will you employ, for example telephone selling, following up leads from mail shots, advertising etc?
- What sales volume and activity targets, such as calls per day etc, have you set for each salesperson or selling method?
- How long is the sales process from the customer becoming aware of your product or service to making the buying decision, receiving the product or service and finally paying for it?
- What procedures do you have for handling customer complaints? Will you make the product yourself or buy in either ready to sell or as components for assembly?

2.7.2 Sales Forecast/ government subvention

You will need to prepare a sales forecast/ government subvention on which you can base monthly cash flows and budgets. While it is not always easy for a district council to accurately project sales/ government subvention amount, you should use your market research to give as clear a picture as possible. The realism of the assumptions behind your sales forecasts/ government subvention is one of the most critical factors in the success or failure of the venture. Make sure you give sufficient time to this.

2.7.3 Advertising

Specify in the plan the papers, magazines, directories such as Yellow Pages, radio or TV that you have identified as most appropriate for targeting your customers. The advertising message should be planned carefully and repeated consistently for optimum impact.

2.7.4 Operational Planning

“Operations” is the general name given to all the activities required to implement strategy. Once you have decided what product/ service to sell, to whom and at what price you may still need to find someone to produce product on your behalf, in the case of a manufactured product, and sell / deliver in the case of a manufactured product or service.

2.8 The Financial Plan

You are now ready to develop the financial area of your plan. Financial records are used to show past, current and projected finances. In this section we will cover the major documents you will want to include in your business plan. They will consist of both pro forma (projected) and actual financial statements. Your work will be easier if these are done in the order presented:

- Summary of Financial Needs;
- Application of Loan Funds;
- Cash Flow Statement (Budget);
- Three-year Projection Break-even Analysis; and
- Actual Performance Statements:
 - ✓ Statement of Financial Position;
 - ✓ Income (Profit and Loss) Statement; and
 - ✓ Loan Application/Financial History.

This section of the business plan will provide the reader with the following information:

- The total funding required starting the business and the expected sources;
- A detailed set of cash flow forecasts for the business;
- Business Expenses; and
- A projected profit and loss account for the business.

2.8.1 Comments on Financial Plan

In this section you need to comment on the figures in the budget and justify the need for the investments outlined. In the event that additional future funding will be required then you should indicate the details, amounts and when they are expected to be needed. It is always wise to plan for the unexpected and in forecasting your funding requirements it is advisable to add in a safety factor by erring on the high side. It is far better to err high rather than low.

There is no need to comment on all of the figures, merely comment on those that stand out. You should comment on the forecasted profits/surplus for the first three years, profit margins and break-even sales/ government subvention.

2.8.2 Cash Flow Projection

Once the cash flow projection is complete you will be aware of the working capital required for the business/project. The estimated expenditure and income received along with the timing needs to match the business you intend to run. These will be determined by the length of credit you obtain from your suppliers and the credit terms you give to your customers. Don't be too optimistic and remember to build in an amount for safety to allow for slippages.

You may have to prepare a monthly cash flow projection for year 1 and quarterly for years 2 and 3, depending on the requirements of your financiers. You need to ascertain what is required.

If only year one is required then you should insert a summary of the quarterly cash flows here. However if a three year period is required then you should insert a summary of the annual cash flow for years 1, 2 and 3. Refer your reader to the relevant appendix where this information is shown in more detail.

2.8.3 Financing the Plan

When this section is completed it will demonstrate that you have given consideration to the finance needed to meet the capital needs of the business/project.

The capital requirement field is filled in from the investment budget section, whilst the working capital requirement is provided from the cash flow forecast sheet.

You need to complete the right-hand columns showing where you intend to obtain the finance needed to match the capital requirement total.

Table 1: Statement of Financial Position Sample

Capital Required	Amount (TZS)	Financed by:	Amount (TZS)
Fixed Asset Investment	0	Lease Finance	0
Working Capital Needed	0	Equity	0
		Grants	0
		Term Loan	0
		Investors	0
		Bank Overdraft	0
		Other	0
Total Required Capital		Total Finance Available	

2.8.4 Comments on the Financing Plan

You need to comment on the different sources of finance as outlined in the plan and how you intend to obtain these amounts. Consider alternative sources of finance in the event that you fail to secure those indicated. Also ascertain if you can proceed with less money than the capital requirements indicate and show how you can do this.

2.9 Statement of Comprehensive Income & Cash Flow Statement

It may be necessary to show these statements for the first three years of operation. This will depend on the requirements of the funding source. It is usual to compile a monthly statement and forecast for the first year of operation and quarterly for years 2 & 3.

Table 2: Statements of Comprehensive Income & Cash Flow Statement Sample

DESCRIPTION	YEAR 1	YEAR 2	YEAR 3	TOTAL
REVENUE:				
Sales A/Government Subvention				
Sales B				
Grant				
Total Revenue				
CASH IN:				
Cash From Sales				
Cash Equity (Owner Investment)				
Loan				
Other Loans				
Total Cash In				
CASH OUT: (1+2+3+4)				
1. Direct Expenses				
Material A				
Material B				
Production Labour				
Sales Commission				
Total Direct Expenses				
2. Indirect Expenses				
Lease/Rent				
Utilities				
Insurance				
Property/Business Tax				
Advertising/Promotion				
Office Rent				
Telephone/Fax				
Bank Charges				
Administrative Labour				
Employee Benefits				
Legal/Accounting				
Repair/Maintenance				

Vehicle Expenses				
Licenses/Fees/Dues				
Other - Specify				
Total Indirect Expenses				
3. Loan Payments				
Loan 1				
Other				
Total Loan Payments				
4. Capital Purchases				
Equipment Purchases				
Inventory Purchases				
Renovation Expenses				
Total Capital Purchases				
TOTAL CASH OUT (1+2+3+4)				
NET CASH CALCULATION:				
A. Opening Cash/Balance Forward				
B. Add Total Cash In				
C. Subtract Total Cash Out				
D. Surplus/Deficit (A+B-C)				

3. Appendices Section

Appendices are included at the end of the business plan and are used for reference. Refer to all appendices by number. This will make it easier for readers to retrieve information. Appendices are useful if you want to include information that is formatted differently to the rest of your business plan such as tables, financial forecasts and feedback forms.



In collaboration with the United Nations Development Programme (UNDP) and United Nations Environment Programme (UNEP), the Government of Tanzania has been implementing the Pro-poor Economic Growth and Environmentally Sustainable Development Programme (PEI) since 2003. This programme aims at improving contribution of the environment and natural resources to the national development goals, particularly the poverty reduction, sustainable economic growth and the broader achievement of Millennium Development Goals (MDGs) at both national and local levels.

Subsequently, two studies under the PEI programme were conducted in 2014 to identify and understand institutional, legal, budgetary bottlenecks on implementation of PEI initiatives, local best practices, and potential value adding projects in six Districts; that may facilitate mainstreaming (and implementing) environmental sustainability, poverty reduction, gender and climate change issues into development plans and develop better architecture for financing the interventions. The six Districts are Sengerema, Bunda, Bukoba Rural, Ikungi, Nyasa and Ileje.

These studies have provided recommendations to address institutional capacity bottlenecks, and proposed projects that can be scaled-up to catalyse incremental progress of the PEI agenda. This Business Plan Writing Teaching Manual has been developed in response to these recommendations.

ESRF is an independent policy research institution based in Dar es Salaam, Tanzania. Its primary objectives are to undertake policy-enhancing research and to strengthen capabilities for economic and social advancement



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