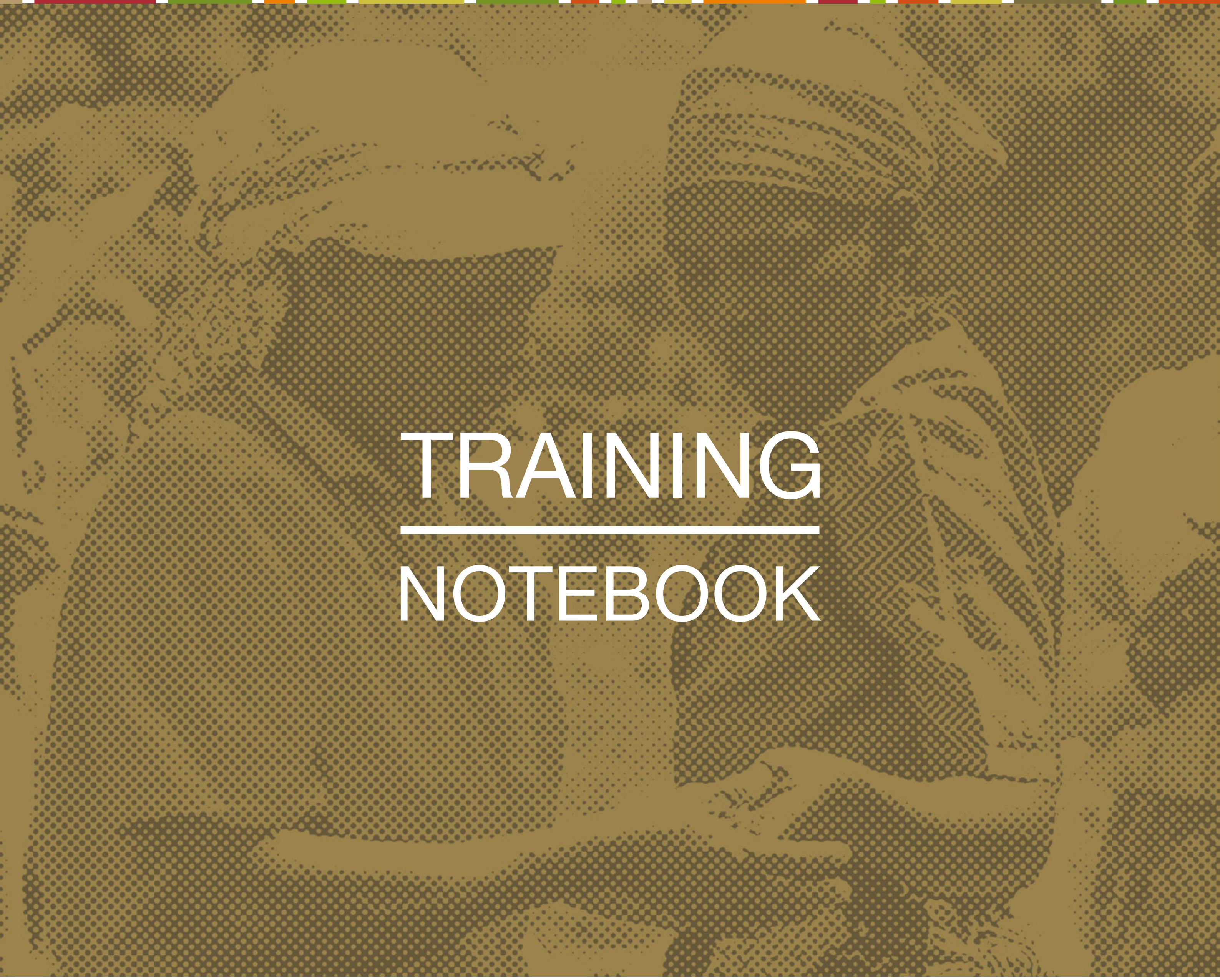


TRAINING NOTEBOOK

- MANAGEMENT OF ORGANISATIONS AND BUSINESS DEVELOPMENT -

CORPORATE FUNDING MANAGEMENT

COLEACP

This training manual was produced and designed by the Training, Information and Communication services of COLEACP.

This background information document has been prepared by the COLEACP as part of co-operation programmes funded by the European Union (European Development Fund – EDF), the Organisation of African, Caribbean and Pacific States (OACPS), the Agence Française de Développement (AFD) and the Standards and Trade Development Facility (STDF).

COLEACP implements two intra-ACP Fit For Market programmes. The Fit For Market programme, co-funded between the EU and the AFD, now in its fifth year, aims to strengthen the competitiveness and sustainability of the African, Caribbean and Pacific (ACP) horticultural sector, primarily for the private sector.

Fit For Market SPS began in January 2019 and focuses on strengthening the sanitary and phytosanitary (SPS) systems of the ACP horticultural sector, primarily for the public sector.

Both programmes form part of the intra-ACP indicative programme (2014-2020) ofcooperation between the EU and the OACPS.

CORPORATE
FUNDING MANAGEMENT

Dear trainers, some advice…

WHY A TRAINING NOTEBOOK?

The "Manuals" edited by COLEACP are valuable training materials. To write them, COLEACP approached the best experts in the field with the aim of producing a technical document for a large public on a given theme that brings together and structures most of the current knowledge. These manuals are intended to be as accurate and complete as possible, adapted to the ACP context and focused on cross-cutting issues in horticulture. But the objective was also to make them affordable, understandable and enjoyable to read by people who are not necessarily experts in the field. Nevertheless, it is a **considerable effort to** assimilate all the material collected in a short time.

The training manuals, which are aimed primarily at experts and the most qualified people, are **often voluminous and complex**, and **it was necessary to help the expert trainers to identify the most important elements to retain**, and to collect for them a list of "key messages" to be disseminated to learners during COLEACP training. This Training Notebook is therefore **a valuable and practical tool** that is at your disposal to **help you prepare your training on the** topic covered in this booklet.

WHAT DOES THE TRAINING NOTEBOOK CONTAIN?

Each Training Notebook contains:

1. The list of materials to be delivered to participants during the training

This is a summary table of contents of the Training Manual. This list allows you to have an **overview of** all the **main points that** will have to be covered during the training. The **order of the list does not necessarily have to be respected**, as the organization of the sequences is left to your discretion and may depend on other factors (e.g. availability of an expert trainer; timing of the training sequences; space reserved for exercises;...).

In some cases, **only certain aspects** (or chapters) of the **subject will be covered** (for example: if the participants have a perfect command of certain parts of the subject covered in the training, it is not necessary to present them in detail; a small reminder may be sufficient and effective to cover the rest).

However, when you cover part of the material (a chapter), the main 'points' listed for each chapter allow you to organize your presentations and animations in a logical and relevant way for the learner. **You are also advised to present all the points of a chapter**.

2. Training leaflets

A Training Notebook contains as many 'leaflets' as there are chapters in the training manual (only the "case study" is not included). Each sheet contains, on the one hand, the **Training objectives of** this part of the subject to be delivered (what the learner must be able to deliver...), and on the other hand, according to the structure of the table, the '**key messages**' (what the learner must absolutely have assimilated at the end of the training). It is therefore very important to ensure that **all messages are well distributed during the training sequence**.

3. A summary of the content of the manual

A summary of the manual has been included in this Training Notebook. Structured in the same way as the manual, it contains most of the content in 15-20 pages but remains much less complete (the summary does not include figures or case studies).

This summary is **primarily intended for the trainer**:

- *At the beginning of the mission*, when preparing its intervention sequences and supports, it allows you to quickly become familiar with all the content you will need to address and to visualize the links between the different parts of the material to be delivered.
- *During the training*, you can use this summary **to prepare your daily summaries**, reminding participants of the essential elements seen during a day (15-20 minute summary at the end of the day with answers to questions).
- *At the beginning or end of the training,* if you wish, you can give participants a copy of this summary. If the summary is distributed at the beginning of the training, it is advisable to ask participants to highlight the passages mentioned in your end-of-day summary (benchmarks in the subject).

The summary is also useful for learners at the end of the course: it will allow them to **remember in a** few minutes the **main part of the topic covered** (for example before an assessment of prior learning), whereas reading the entire manual could be tedious.

HOW CAN THIS TRAINING NOTEBOOK HELP YOU PREPARE YOUR TRAINING INTERVENTIONS?

The intention of making this Training Notebook available to you is to **help you prepare your training sequences and structure your program day by day**:

- **Consider that each leaflet represents a whole**: if there are for example 4 leaflets, it means that there must be 4 distinct parts in your training. Sufficient time must therefore be allowed in the programme for each of these 4 parts. Each part of the subject will also have to be subject to a competency assessment.
- **Then consider the training objectives**: this will help you to choose: (a) the most appropriate training method for achieving your objectives (e.g. should you plan exercises, simulations, group activities, etc.); (b) the method for evaluating the learning acquired in this part.
- **Finally, prepare your materials** (e.g. power point, flipcharts or animation sheets, evaluation questions) by ensuring that all key messages are included (have I planned to discuss all these points? have I planned an evaluation on each key point?).

DON'T FORGET TO COMPLETE THIS TRAINING NOTEBOOK!

This Training Notebook is made **for you**... It is **a tool that must live!**

At the end of each leaflet, a space was left free to add **your personal notes**: as a trainer you can note some thoughts on how to get messages across, note your questions, participants' reactions, points that raise difficulties... *i.e.* **capitalize on your experience as a trainer!**

You can also **note the types of media you have used.** This will be very useful when you have a new session to facilitate on the same theme. COLEACP provides you with many tools and materials, but do not hesitate to create others or use other existing materials that may be available... the **rule is to master each of the materials used in training** and to ensure that they help to convey key messages more effectively than in their absence.

Materials to be delivered

CHAPTER 1 – KEY HORTICULTURAL MSMES FUNDING REQUIREMENTS

- Introduction to corporate funding management
- Identifying the funding requirements
- Growth and expansion of the business
- Working capital management

CHAPTER 2 – THE AVAILABLE FUNDING OPTIONS AND SOURCES

- Sources of finance
- Types of finance
- Financing structure
- Selecting the appropriate source of finance

CHAPTER 3 – THE IMPACT OF THE FUNDING OPTIONS ON THE FINANCIAL STATEMENTS

- Financial statements
- Interpretation and analysis of financial statements
- The impact of funding options on the financial statements
- Cost of financing

CHAPTER 4 – INSURANCE AND GUARANTEE SCHEMES

- Insurance schemes
- Guarantee schemes

CHAPTER 5 – FINANCIAL PLANNING

- Introduction to financial planning
- Steps in financial planning

Training leaflet

LEAFLET 1

Funding requirements in the horticulture sector

TRAINING OBJECTIVES

At the end of this training sequence, the participant must be able to:

- Identify the funding requirements for the Horticultural MSMEs.
- Explain the role of corporate finance in the business.
- Classify the requirements into capital expenditure and operating expenditure.
- Recommend appropriate options and sources of funding for the respective activities/ investments of the enterprise.

KEY MESSAGES

1. Introduction to corporate funding management

- Corporate finance is the area of finance that focuses on how businesses raise and utilise finances to ensure continuous operations.
- The business owners will need to acquire funds for the businesses from appropriate sources and prudently utilise these funds by planning their respective expenditure on various assets and operations.
- Finance is one of the most important functions of any business, because it good indicator of the overall health of a company and plays a critical role in ensuring business growth.

2. Identify the funding requirements

- Identify the key funding requirements of a firm and these include: capital expenditure items and operational expenditure items.
- Capital expenditure items include Land Acquisition, Construction, Acquisition of machinery etc.
- Operational expenditure items include Production and post-harvest requirements, Product out sourcing, marketing etc.

3. Growth and expansion of the business

- Investment decisions are either long term or short term which include capital budgeting.
- Capital budgeting decision is the process of selecting the asset or an investment proposal that will yield returns over a long period.
- The financing decision is another crucial business decision relating to the financing-mix of an organisation.
- The objective of financial decision is to maintain an optimum capital structure, i.e. a proper mix of debt and equity, to ensure the trade-off between the risk and return to the shareholders.
- Factors affecting financing decisions include cost, Access and timing, risk, cash flow position etc.
- Working capital management is the investment made in the current assets or short-term assets.

4. Working capital management

- Working capital refers to the SME ensuring it always has adequate finances to meet its short-term obligations.
- Working capital management include cash management, inventory management, debtor management, short-term financing.
- Factors determining the requirement of working capital are: sales, length of operating cycle, nature of business, term of credit, seasonal variations etc.

PERSONAL NOTES AND MEDIA USED

LEAFLET 2

The available funding options and sources

TRAINING OBJECTIVES

At the end of this training sequence, the participant must be able to:

- Develop capacity for managers to Identify and distinguish the various funding opportunities available to Horticultural MSMEs.
- Identify appropriate funding options and sources for their respective capital and operating.
- Identify the available financial institutions and their financial services.
- Develop managers' capacity in selecting the funding option for a business.

KEY MESSAGES

1. An introduction to the available sources of income to the horticulture farmers

- Horticultural SMEs will always require funds for both the capital and operating expenses, the owners of the SMEs will have to choose between financing the business activities using either long term or short term finances.
- The long term finances are used to: finance fixed assets, finance permanent working capital and finance growth and expansion of the business.
- The factors determining the need for long-term finance include nature of the business, scale of business operations and Technology used in the business.
- Sources of long-term finance include Equity and debt. The sources of equity finance include: personal finances, Angel investors, crowdfunding and venture capitalist. The providers of debt include: Financial institutions, Government and leasing companies.
- Short-term funds are funds extended to SMEs for a period not exceeding a year. Sources of short-term finances include trade credits, unsecured short-term loans, Inventory Financing, bank overdrafts among others.

2. Explaining the types of finance in the horticulture sector

- SMEs raise financial resources through either equity financing or debt financing.
- Equity finance is a method of raising funds in which the SME provides an ownership stake in exchange for the financing.
- Debt financing is where the SME is under obligation to repay the providers of the financing over an agreed period. The SME repays the debt together with interest.
- The debt to equity ratio indicates the relationship between external equities or outsider's funds and the SME owners' funds.

3. Financial stucture

- The commercial banks are the main providers of short-term financial services to the fruits and vegetables SMEs. The key products provided by the commercial banks include Agricultural Loan Products, Working Capital Loans, and term loans among others.
- Development Finance Institutions are financial institutions mainly owned by Governments and Development partners that provide medium-term to long-term debt to SMEs at lower interest rates in comparison to commercial banks. Their key products include: asset finance, term loans, equity and venture capital among others.
- Micro-finance Institutions (MFIs) play a vital role in the horticulture sector by providing appropriate financial services to value chain actors who are normally don't have access to formal financial services because they are deemed risky clients.
- An investment fund is a pool of capital that a number of individual investors pay into, which is used to collectively invest in stocks and bonds.

4. Selecting the appropriate source of finance

- The business needs to know its long-term goals; the available interest rates, the need for control, and the borrowing requirements before selecting the source of finance.
- How much finance can the business obtain and efficiently invest?
- The available equity and debt finance options.

PERSONAL NOTES AND MEDIA USED

LEAFLET 3

The impact of funding options on the financial statements

TRAINING OBJECTIVES

At the end of this training sequence, the participant must be able to:

- Select financing options based on their knowledge of the impact of the financing option on profitability, financial position, and capital structure of the MSME.
- Analyse financial statements using standard financial ratios of liquidity, profitability activity and solvency.
- Understand the funding options choosing one with the minimum cost of finance and better return on shareholder value.
- Plan a sound capital structure-There should be sound and fair composition of capital so that a balance is maintained between debt and equity capital.
- Apply techniques for estimating the cost of each component of the cost of capital and understand how to assemble this information into a cost of capital.

KEY MESSAGES

1. Define and understand financial statements

- Financial statements represent a formal record of the financial activities of an SME.
- Components of financial statements include: statement of financial position (balance sheet), income statement and statement of cash flows.
- Financial statements include: relevancy, accuracy, comparability, timely, understandability and objectivity.
- Financial statements are key for the management, shareholder, employees, lenders, creditors, customers and to the government.
- Financial statements have a number of limitations like ignoring qualitative information, showing historical information and being influenced by personal judgement.
- Statement of financial position, also known as the balance sheet, presents the financial position of an SME at a given date. It shows a snapshot of a business's assets, liabilities and owners' equity.
- An income statement is a report that shows how much revenue the SME earned over a specific period. It's comprised of incomes and expenses.

- A statement of cash flows is a financial statement showing how changes in balance sheet accounts and income affect cash and cash equivalents. The movements in the cash flow are classified into segments which are operating activities, investing activities and financing activities.

2. Interpretation and analysis of financial statements

- Financial objectives of a firm include profitability, liquidity, solvency, and efficiency.
- The key performance ratios are profitability ratios, liquidity ratios, solvency ratios and efficiency ratios.

3. Understanding impact of funding options on the financial statements

- Equity financing has no effect on the firm's profitability; however, it dilutes the existing shareholders' holdings because the company's net income is divided among a larger number of shares.
- Equity improves the liquidity position in both the short-term and long-term since the SME receives cash to finance its operations without the challenge of having to repay the amount to the equity holders.
- Equity improves the firm's solvency position since the funds available for settling total debts increases.
- Principal and interest payments on debt reduces the net income hence affecting the profitability of the firm.
- Money received from debt acquisition increases the SME's liquidity and therefore its ability to meet its obligations due to the improved liquidity position.
- If a firm raises funds through debt financing, the liabilities on the balance sheet increases, this liability is either long term or short term. This therefore increases the debt burden of the firm.

4. Understanding the cost of financing

- Cost of equity is the return that an investor requires for investing in a company, or the required rate of return that a company must receive on an investment or project. The cost of equity is computed using the capital asset pricing model.
- A company's cost of debt is the interest rate a company pays on its debt obligations, including bonds, mortgages, and any other forms of debt the company may have.
- Capital structure refers to the mix of long-term sources of funds, such as, long-term debts, and equity share capital including reserves and surplus.

PERSONAL NOTES AND MEDIA USED

LEAFLET 4

Insurance and guarantee schemes

TRAINING OBJECTIVES

At the end of this training sequence, the participant must be able to:

- Identify and select Insurance and guarantee schemes that provide the best development options for growth of horticultural MSMEs.
- Understand Agricultural insurance as a special line of insurance applied to individuals and firms engaging in agribusiness undertakings that seeks to mitigate losses in agricultural production.
- Identify the various agricultural risk exposures in the horticultural MSMEs and the various insurance schemes designed to mitigate risk.
- Understand guarantee schemes and appreciate their major role of cushioning the risk of lending to borrowers.

KEY MESSAGES

1. Definition of insurance and agricultural insurance

- Insurance is a risk mitigating measure that seeks to protect a business from financial loss.
- Agricultural insurance is a special line of insurance applied to individuals and firms engaging in agribusiness undertakings.
- Two major risks are of concern to the agricultural sector i.e. Price risk and Production risks.
- Other risks are Human or personal risks, Institutional risks, Financial risk, and Asset risks.
- Agricultural Insurance schemes enhance stability in farm incomes by distributing losses sustained by certain farmers in certain areas of a country over wider number farmers and in many more areas.
- The scheme is set to provide insurance cover for crops, for both small and large-scale farmers.
- The Insurance schemes include those listed from the point of view of the risks covered, and the Insurance schemes listed from the Product applications point of view.
- Given the importance of agricultural insurance it is envisaged that the government has a role to play in the agricultural insurance, for the growth of horticultural MSMEs.

- The factors that would justify government intervention in agricultural insurance include, among others; the prevalence of systemic risk, lack of insurance culture, regulatory impediments, low risk awareness, and the existence of post-disaster assistance programs.

2. Definition and purpose of guarantee schemes

- These credit schemes provide guarantees on loans to borrowers by covering a share of the default risk of the loan. In case of default by the borrower, the lender recovers the value of the guarantee.
- The principal objective of guarantee schemes is to cushion the risk of lending to borrowers that would ordinarily not meet the lenders' requirements especially collateral.
- Four major types of guarantee funds exist, and these are: public guarantee schemes, corporate funds, international schemes and mutual guarantee associations.
- Guarantee schemes operate by facilitating the access to finance for the SMEs to obtain loans from financial institutions backed by governmental or other financial agencies.
- The development of a sound credit guarantee scheme will be an important step in filling the financing gap of SMEs.
- Credit guarantee schemes play a key role in the development of horticultural MSMEs, and this is demonstrated in enabling access to finance, overcoming of information asymmetries, diversification or transferring of risk, and reduction of collateral requirements.
- The main challenges include financial sustainability, regulatory and institutional framework, risk management, fees charged by credit Guarantee Schemes, the type of loans to provide, and the default rate.
- To ensure success of their agribusiness, horticultural MSMEs need to:
    1. identify what guarantee schemes are accessible,
    2. identify the participating or eligible financial institutions in the specific guarantee schemes,
    3. prepare and actively push their loan applications, without much fear about their unacceptability on the conventional requirements basis,
    4. seek for loan guarantee support where necessary,
    5. do what is in their capacity to repay the loans,
    6. once they access credit, try to enhance their bankability status by addressing the key access requirements.

PERSONAL NOTES AND MEDIA USED

LEAFLET 5

Financial planning

TRAINING OBJECTIVES

At the end of this training sequence, the participant must be able to:

- Identify and understand the structure of financing plans.
- Develop the ability to prepare appropriate financing plans for the horticultural enterprises.
- Monitor and track financial performance.

KEY MESSAGES

1. Definition and the relevance of financial planning

- Financial planning refers to the setting of financial objectives and the development and implementation of appropriate strategies to achieve the quantifiable targets for all the financial objectives.
- The SME on securing the funding will invest in critical business operations that include: Investment in non-current assets, Sustain the SME's operations through initial loss-making periods and Investment in current assets as the business operations grow.
- It is important for the SMEs to develops good financial plans to ensure that funds are always available to pay off the various sources of funds while also continuing to invest in the business activities to ensure continuity and growth of operations.

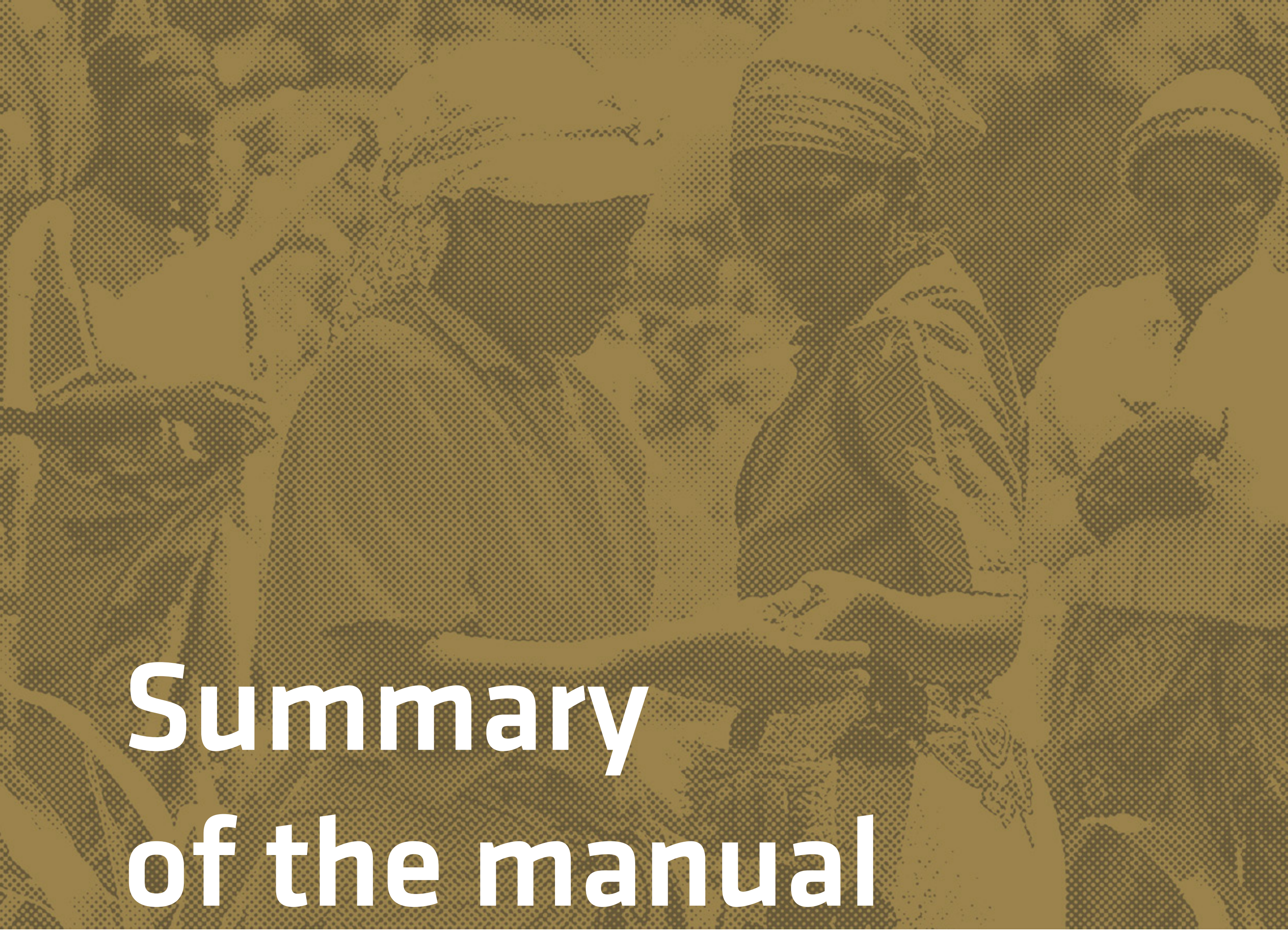
2. Understanding the steps in financial planning

- Good cash flow management is critical to running a successful business. The SME must be able to pay bills while awaiting payment from the customers including from the export markets.
- The general principle of cash flow management is that the company has to speed up cash inflows and slow down outflows within reason as much as possible.
- A financial plan has six steps to its creation, which are review your business plan/ strategic plan, develop financial projections, arrange financing, and plan for contingencies, monitor, and review.

3. Ethics in corporate funding management

- Business ethical values are a set of guiding principles that encourage individuals in an organization to make decisions based on the SME's stated beliefs and attitudes toward business practices within its industry, which in this case is the horticulture sector.
- The role of business ethics in corporate funding management is to balance, protect, and preserve all the SME stakeholders' interests.
- Typical standards found in a code of ethics in finance include act with honesty and integrity, Avoid conflicts of interest in professional relationships.

PERSONAL NOTES AND MEDIA USED



Summary of the manual

Corporate funding management

1. KEY HORTICULTURE SMES FUNDING REQUIREMENTS

The first chapter is organized around 4 sections. The first section defines corporate funding management and explores the key horticultural MSME business activities and funding requirements. The key activities/equipment that the company will need to fund may include; acquisition/ leasing of land and equipment; logistical requirements, supplies of key inputs, equipment and packaging, and other relevant operations-related activities such as labour, overheads, insurance, legal, etc. The section further highlights the importance of corporate finance in ensuring the SME achieves its Strategic Plans, the choice of using either equity or Debt/Loan to finance the business, adequately managing the cash flow to ensure business continuity. Since the SME seeks to remain profitable, it should properly plan its profits as well as control cost while also managing unavoidable risks and investment opportunities.

The second sections shows the detailed funding requirements classified into Capital Expenditure (CAPEX) and Operating Expenditure (OPEX) necessary for the SME to achieve its overall business objectives as highlighted in the business plans. The level of expenditure on CAPEX and OPEX depends on the nature and size of business undertaking. For proper funding management, both CAPEX and OPEX items must be properly determined in regard to quantities, capacity, timing of acquisition, quality, etc. Their costs must be realistically determined from reliable information sources such as supplier inquiries and quotations, catalogues and web search in order to avoid excessive cost variances at the time of acquisition or contracting the providers.

As the horticultural SME grows and continues to expand its operations, it will need to continually make the following key finance decisions; what to investment in, how to finance the investment, and how to reward the business owners (dividend decision). The choice of investments will depend on the business goals and objectives as articulated in the business plan. Having determined the investment choice, the SME will seek to decide on financing the investment using either equity or debt finance. The choice of finance will be determined using parameters like the debt equity ratio amongst others. The third key decision is the dividend decision, which entails choosing between retaining profits to finance future growth and rewarding the equity investors with dividends.

The last section of this chapter looks at working capital management. The SME needs to ensure it is adequately liquid to meet its short-term obligations. The key elements of working capital management include cash management, inventory management, and debtor management. The factors that determine the amount of working capital include sales, length of operating cycle, nature of business, term of credit, seasonal variations.

2. THE AVAILABLE FUNDING OPTIONS AND SOURCES

This chapter covers the available funding options and key sources of funding for the various SME funding requirements. It covers the key questions that enables the SME decide on upon the appropriate funding source for its business operations. The key questions include:

1. What are the SME's short-term, medium-term and long-term business objectives?
2. What business activities are they going to implement to achieve the short-term, medium-term and long-term objectives?
3. How much finance is required for implementation?
4. When and for how long is the financing required?
5. What collateral (if any) is required from the source of finance?
6. Are the business owners willing to give some control (ownership) of the enterprises in return for finance?

The answers to these questions will enable the SME to make a choice between equity financing and debt financing or long-term finance and short-term finance. Equity finance refers to funding injected in the SME, which gives the finance providers an ownership stake in the business and entitles them to engage in decision-making processes. Equity financing is 'permanent' since the equity holder cannot withdraw it from the SME and divesting interest in the SME is only through selling the equity stake to another investor. Debt financing on the other hand is 'temporary' in the sense that the SME will repay it to the providers of the finance along with interest. The repayment period of the debt will vary depending on whether it is short-term or long-term.

The sources of equity finance include:

1. **Personal fnances:** equity injection from the owner demonstrates long-term commitment to the SME and convinces other long-term finance providers such as bankers to support the SME.
2. **Angel investors:** these generally wealthy people provide seed capital to horticultural SMEs owned by other people. The angel investors are often leaders in their own field who not only contribute their experience and network of contacts but also their technical and/or management knowledge.
3. **Crowdfunding:** is another avenue through which SME owners can raise equity finance by asking a large number of people each for a small amount of money.
4. **Venture capitalists:** these are professional investors seeking business start-ups with high potentials but very risky undertakings. Venture capitalist provide equity and take up ownership stakes in the SME in addition to participating in the management of the SMEs.

The key financial structures that provide financing to the SMEs include commercial banks that are the main providers of short-term financial services to SMEs. Development finance institutions (DFIs) are financial institutions mainly owned by Governments and development partners that provide equity, medium-term to long-term debt to SMEs at lower interest rates in comparison to commercial banks. Micro-finance Institutions (MFIs) also play a vital role in the horticulture sector by providing appropriate financial services to value chain actors who normally don't have access to formal financial services because they are deemed risky clients. Investment funds/ Impact funds are a pool of capital that a number of individual investors and DFIs pay into and the funds are used to invest in various business undertakings including horticulture SMEs.

3. THE IMPACT OF THE FUNDING OPTIONS ON THE FINANCIAL STATEMENTS

This chapter discusses the financial statement of horticulture SMEs highlighting their characteristics, importance, limitations, and the elements of each type of financial statement. The chapter covers the structures of the key components of financial statements, which are the statement of financial position (balance sheet), statement of comprehensive income (profit and loss statement), and statement of cash flows.

The chapter then delves into the interpretation and analysis of these key financial statements to assess the extent to which the SME is achieving its financial objectives. The key financial performance parameters covered include profitability, liquidity, solvency, and efficiency. The interpretation of the financing performance of the SMEs is done using selected financial ratios.

The chapter further explains the impact of the various funding options that is debt and equity on the firms' profitability, liquidity, and solvency of the MSMEs. In selecting the various funding options, focus is put on the impact of the option on the overall long-term profitability, performance, and financial leverage of the MSMEs.

Lastly, the chapter explains the firms' cost of financing which includes cost of equity and cost of debt. Cost of equity is explained in the chapter as the return that an investor requires for investing in a company while cost of debt is the interest rate a company pays on its debt obligations and capital structure is the mix of long-term sources of funds, such as long-term debts.

4. INSURANCE AND GUARANTEE SCHEMES

This chapter will explore the option of using insurance and guarantees to mitigate financing risk exposures of MSMEs while minimising the overall cost of capital as well as cushioning any collateral shortfalls when accessing credit and providing transactional comfort to the counterparties.

The chapter goes ahead to explain agricultural insurance and the two major risks of concern to the agricultural sector which are price risk and production risk. It also explains the importance of agriculture insurance to the farmers. It further explains the relevance of the government intervention in the agricultural insurance.

The chapter also defines guarantee schemes as credit schemes that provide guarantees on loans to borrowers by covering a share of the default risk of the loan. The chapter identifies four major types of guarantee funds exist, and these are; public guarantee schemes, corporate funds, international schemes and mutual guarantee associations and the role they play in the development of horticultural MSMEs.

To ensure success of their agribusiness, horticultural MSMEs need to identify and select Insurance and guarantee schemes that provide the best development options for growth of horticultural MSMEs, understand Agricultural insurance as a special line of insurance applied to firms engaging in agribusiness undertakings, that seeks to mitigate losses in agricultural production.

5. FINANCIAL PLANNING

As part of the business planning process, the SME will set goals and objectives along with the strategies and activities to achieve the desired performance targets. The goals will include both financial and non-financial goals that the SME will seek to achieve during the planning period. The SME will thus require financial resources to implement the planned short-term, medium-term and long-term activities needed to realise the desired goals over the planning period. This chapter on financial planning equips the business leaders with the skills to develop plans that ensures the business are well resources to implement activities.

The managers will be cognisant of the fact that it may take several years before business can generate a return on investment, so developing an appropriate financial plan will ensure the business has sufficient funds or alternative sources of income over the years. Also important in proposing the financing plans, the managers will take into consideration the need to finance short-term needs with short-term sources and long-term needs with long-term sources.

The chapter explains that good cash flow management is critical to running a successful business. The SME must be able to pay bills while awaiting payment from the customers including from the export markets. The chapter also states the steps to the creation of a financial plan which are: review the business plan/strategic plan, develop financial projections, arrange financing, plan for contingencies, monitor and review.

Business ethical values are also explained as a set of guiding principles that encourage individuals in an organization to make decisions based on the SME's stated beliefs and attitudes toward business practices within its industry, which in this case is the horticulture sector.

The role of business ethics in corporate funding management as explained in the chapter is to balance, protect, and preserve all the SME stakeholders' interests. Typical standards found in a code of ethics in finance include: act with honesty and integrity, avoid conflicts of interest in professional relationships.

The purpose of the chapter is to help identify and understand the structure of financing plans, develop the ability to prepare appropriate financing plans for the horticultural enterprises, monitor and track financial performance of the business and also train other farmers on how to develop a financial plans.

PERSONAL NOTES AND MEDIA USED

COLEACP E-LEARNING PLATFORM

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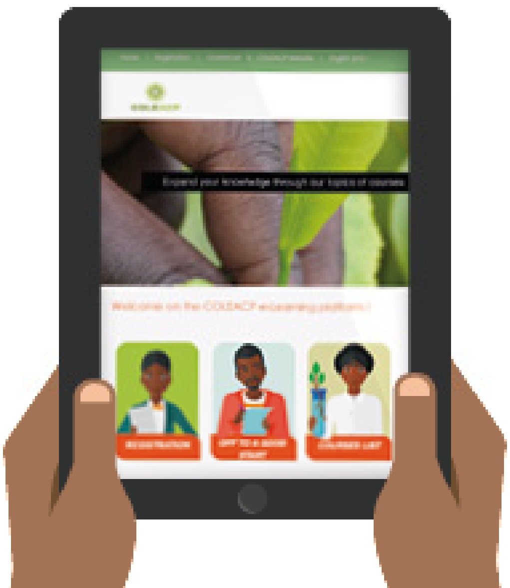
- PLANT HEALTH
- MANAGEMENT OF ORGANISATIONS AND BUSINESS DEVELOPMENT
- SOCIAL ACCOUNTABILITY AND EMPOWERMENT
- SUSTAINABLE PRODUCTION AND TRADE
- AGRICULTURAL PRODUCTION AND PROCESSING



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SUSTAINABLE PRODUCTION AND TRADE

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FOOD SAFETY

AGRICULTURAL PRODUCTION AND PROCESSING

SOCIAL ACCOUNTABILITY AND EMPOWERMENT

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