

River Park Church  
Community Development Course

**Income Generation Promotion**

# Review

- Health promotion in community development
- Key lessons learned last week

# Income Generation Promotion

- Why is this topic included?

# Income Generation Promotion

- Increase “effective” (purchase power) demand
- Increase access to better health and education opportunities, resources
- Train about nutrition without the possibility of accessing these dietary inputs, products
- Promote human dignity
- Restored vocation
- Necessary for sustainability

# Various Approaches

- Job training, vocational skills (soft, technical)
- This is mainly in North America where the job market is relatively reliable
- Momentum in Calgary
- Business training, financial management
- Entrepreneurial attitudes and skills
- Microfinance

# Various Approaches...

- Survival through self-employment is most common in developing world communities
- Microbusiness, microenterprise
- ABCD; business development includes this

# Vocational Training

- Must know market; supply and demand
- Must know participants; current knowledge, skills, values, culture, lifestyle, etc.
- Integral capacity building is fundamental
- Soft skills (communication, punctuality, etc.)
- Technical skills also important (mechanic, plumber, carpenter, driver, computer expert, ...)

# Entrepreneurial Development

- Most poor people in the world have some business skills (buy, sell, market, budget, etc.)
- Start with existing situation, capacity
- Support decision making ability, management, numeracy, “think outside box”, risk management

# Business Training

- Must match content with current level of ability and local context
- Be aware of the market
- Formal classes versus consulting
- Specific felt needs, challenges
  
- **ACTIVITY** in groups: teach one “business skill”
- How?

# Financial Management

- Numbers
- Budgets
- Receipts
- Assets
- Savings
- Contracts
- Etc.

# Microfinance

- What is it?
- Not for everyone
- Special challenge for church organizations
- Specialized knowledge about informal sector and microfinancial management

# Microfinance

- Financial services for informal sector (those excluded from formal financial services)
- Includes loans for business, consumption, housing, payroll loans, agriculture, etc.
- Microinsurance
- Savings instruments (short, long, group, etc.)
- Money transfers, bill payments, etc.

# 3 C's of Credit

- What are they?

# 3 C's of Credit

- In Formal Sector:

- 1) Collateral (asset guarantee such as a house)
- 2) Capacity to pay (income flow)
- 3) Character (credit bureau)

In Microfinance, this order is reversed:

- 1) Character
- 2) Capacity to Pay
- 3) Collateral

# Character Verification

- How to do this?

# Character Verification

- Pre-loan sessions (participation, punctuality)
- Reference Checks
  - social, work, commercial, credit, official
- Home and business visits
- Personal investments (shared risk)

# KISS in Microfinance

- Very small loans to start -why?
- Biblical (responsible with little, ...)
- Incremental lending
- Long pre-loan period
- Simple, limited documentation
- Heavy emphasis on relationships

# Lending Methodologies

- Individual loans
- Solidarity groups
- Community Banks (Trust Groups, Village Banks)

# Mutual Guarantee System

- Group members are self selecting
- Groups of 4 to 30 people
- Mutual knowledge is required
- Residences must be close by
- Mutual, integral support is promoted
- If one member cannot pay, others make payment   ACTIVITY

# Next Class (Last Class)

- Interactive review
- Practical, real life application in groups
- Five possible groups:
  - 1) River Park Church
  - 2) Our Calgary community
  - 3) East end Vancouver
  - 4) An international community
  - 5) Affia in Sierra Leone (RPC partnership)