



Sample Business Proposal – Goat Farming

The purpose of this session is to give you an illustration of all the aspects that should ideally be considered when submitting a business proposal. This proposal aims to provide a view both from the Lender's and the Borrower's perspective.

Private & Confidential

"Our aim is to do Gods will, by assisting the poor and impoverished in setting up various business enterprises, so that they can enjoy basic human rights, a reasonable living standard and become self sustaining."

Proposed Business Venture

Parties involved

Lender: Microlend Australia Ltd thereafter referred to as Microlend

Borrower(s): **Name of Borrower**

Support Group: **Name of Support Group**

Details of proposal:

In our discussions in **Date** you mentioned to me that you would like to look at commencing a goat breeding programme for some of the villagers/ members of the **Name of Support Group** in order to provide them with further income and a livelihood. As such you have asked us to develop a financing program to facilitate such a venture.

Goals and objectives of the venture

The goals and objectives of the venture is to establish a small business enterprise within a village using a Goat breeding programme that is run on business principles to ensure future sustainability. By doing this you should be able to provide an ongoing income as well as provide a means whereby the villagers can obtain food (milk and meat) for their own survival

Proposed Business Model

Required Finance/Loan

Approx \$ 2400.00 (ie. approx \$150.00 per goat)

That a total of 16 Goats be purchased and distributed to 8 families (2 goats each) within a community. The goats will then be used for two purposes:

1. to provide milk to the villagers
2. to breed further goats to provide a supplementary income and/or food for the Villagers and meet finance repayments.

The Business Proposition

That two goats be distributed to each of 8 individual families within a village. That every second future offspring/kid will be raised and then sold for the specific purpose to repay the above mentioned finance (up to a maximum of 24 kids ie 3 per family).

Once the final repayment from the sale proceeds of the 24 kids have been made, all remaining goats and kids will become the property and responsibility of the respective families within the village.

Terms and Conditions of the business proposition

Within the proposed business proposal there is the presumption that each village has the capacity to provide enough land, fodder and clean water in order to be able to maintain and rear the proposed goat herd. As such a feasibility study should be conducted by the finance provider in conjunction with the support group and the villagers concerned to ensure that such a venture is possible before the commencement of the project.

There is also the presumption that either members of the village and/or the support group have, or can obtain the necessary animal husbandry skills to rear and maintain a goat herd.

Additionally there are some obligations that each party involved needs to accept

Obligations of the finance provider

- To provide the finance for the initial purchase of the goats
- To provide the monetary funds for animal health requirements eg. Immunization and drenching
- To provide further financing for any replacement goats (up to a maximum of 3) in the unfortunate event that a goat should die due to ill health. For the replacement of the goat to occur the caretaker/villager/goat herder would need to be able to demonstrate that is death occurred due to an illness that was outside their ability to prevent or control.
- To provide the financing for the services or purchase of a Billy Goat.

Obligations of the Village and the individual Village Families that accept the business proposal

- That the village elects 8 families that may be suitable and accept the responsibility of tending the proposed goats.
- That the 8 families be selected on the following basis:
 - That the villagers primarily be selected on the basis of economic need

- That each caretaker of the goats has the capacity to look after the general wellbeing of the goats and their offspring.
 - That the caretaker/owner and responsible entity in each family preferably be the woman of the household as they are the most likely person who will be at home to look after the goats and kids
 - That there be no corruption, nepotism or cronyism present in the selection of the individual families
 - That the families selected, work in unison in order to meet their loan repayment obligations
- That each caretaker that has accepted the loan to purchase the 2 goats accepts the liability to repay this loan by selling each 2nd kid born by the goats after the kids have reached twelve months of age.
 - That the obligation to repay the loan ceases after the repayment of the sale proceeds of the 24th kid (ie. 3 kids per family, 3x8 = 24 kids in total).
 - That the caretakers that accept this business proposal have a **joint liability** to repay the loan by paying the funds from the sale of the 24 kids. That is, should one of the caretakers fail to meet their obligation to repay the loan (ie sale of 3 kids) then the other villagers will become responsible for the repayment. Eg. Should one villager fail to repay the loan by the sale of one of their kids then the other seven villagers would have to sell one of their kids to continue the repayment of the loan.

Obligations of the support group

- That the support group assists in the selection of the potential village
- That the support group assists in the selection of the individual caretakers and their families within the village.
- That the support group will provide the general governance to ensure that both the finance provider and the villagers involved in the project carry out their obligations.
- To oversee the orderly repayment of the loan

Ownership issues

- The ownership of the goats will rest with the individuals within the village who have agreed to participate in the finance project.

Possible issues and other contingencies

- The selection on the type and breed of goat to be purchased should be made jointly by the villagers and the support group. Ideally the breed of goat selected should have the characteristic of being able to be bred for both milk and meat production purposes. At the end of this report we have enclosed a summary of the different types of goats you may wish to look at as well as some of their characteristic to assist in the selection process.
- The owners of the purchased goats agree not to sell their goats within a **three year period** of the date of purchase unless:
 - Their loan repayment (ie. The sale proceeds of 24 kids) has been met, or
 - The finance provider has agreed in writing to allow the sale.

The sale or slaughter of kids, outside of the ones that are being used to repay the loan, can be done at any time at the owners discretion.
- Infertility of the purchased goats – In the event that a particular goat is infertile the goat should be sold. The sale proceeds should then be used to purchase another goat. Should there be a shortfall due to the sale and repurchase of the goats, the finance provider will agree to provide the difference.
- Should a goat die through ill health that was outside the ability of the goat herder to prevent or control, the finance provider will agree to replace the goat at their cost (up to a maximum of 3 goats).
- Should a goat die due to the general neglect of the goat herder (ie. Failure to provide adequate food or water) or should a goat be lost through theft (ie failure to look after

or protect the herd) then that loss will be borne by the goat herder. The obligation to repay the loan by the provision of the sale of up to 3 kids still remains. Should the individual goat herder be unable to continue to meet this obligation then the liability will fall back to all the remaining participating goat herders within the village.

- Should one of the caretakers kids die that is there for the purpose of repaying the loan then the following kid that is born under that caretaker shall act as a replacement
- Provision of a Billy Goat for breeding purposes. For the purposes of this project it is intended to agist the use of a Billy goat for the purposes of reproduction. The cost of the agistment is to be borne by the finance provider. In the event that a suitable Billy goat cannot be found for this purpose, then it is the intention of the finance provider to purchase a suitable Billy goat. At the end of the Billy goat's usefulness the Billy goat should then be sold with the proceeds to be returned to the financier.
- Care should be taken in the suitable use/purchase and replacement of a Billy Goat to ensure the continuation of a good gene pool as well as the prevention of possible 'in breeding'
- Once the financing obligations have been met by the villagers, the responsibility to purchase a Billy goat will become their obligation. The future owner of the Billy goat should then command a fair and reasonable agistment fee for the use of that Billy goat's services.
- Vaccination and drenching. It is expected that all vaccination and drenching costs associated with the general health of the goats within the project will be borne by the financier until the completion of the finance period (subject to a maximum overall period of 3 years). At the end of that time the costs of vaccination and drenching will revert to the owners of the goats.
- The usage of the production of milk from the goats is at the discretion of the owner. This could be used by the owner for:
 - Feeding of young kids
 - Personal consumption
 - Sale to other people
 - To meet other costs associated with the rearing of the goats

Future issues

- It is the intention of the financier to use the repayments of this project (plus any other monies that may be available) for further funding of other worthwhile projects. As such the future viability of other projects will be heavily dependent on the success of this project. As an example some of these other projects may involve the increased development of this or similar projects, the development other business enterprises that may improve the economic wellbeing of the villagers, or the provision of such items as power, water, education for the children & adults, health clinics or better housing. The financier will be open to any suggestions that the individual villagers or the support groups may have that can be developed under a business type structure.
- In the event that this finance project has failed due to various circumstances (eg major disease, malnutrition within the heard, failure to repay the loan etc), it will then mean the closure of the project. The failure of the project will then be analysed to discover the factors that contributed to that failure. Any issues arising from this failed project and/or lessons that can be learned, will then be taken into account as to whether any financing will be provided for future projects.

Sample Proposed Budget (Profit & Loss Statement) for all Borrowers/Villagers
Over say 3 year period

	\$	\$
Income		
Sales of Goat kids 48 @ \$130.00 each		6240.00
Sale of Milk		300.00
Sale of fertiliser (goat dung)		<u>100.00</u>
Total		6640.00
Expenditure		
Land agistment \$8.00/week	1248.00	
Maintenance eg fencing, milk buckets	100.00	
AI or fertilisation costs	0.00	
Immunisation & drenching	0.00	
Loss of kids (say 3 @ \$120.00)	360.00	
Loan Repayments – 24 Goat kids	<u>3120.00</u>	
Total	4828.00	
Nett Profit (Loss)		\$1812.00

Profit margin $1812/6640 * 100 = 27.28\%$

Assumptions made:

- That 48 kids are born and sold over a 3 year period
- That all the milk is sold
- That no supplementary fodder is required
- That the loan is repaid in that time (ie. Sale of 24 kids)
- That the landowner is not the same as the owner of the goats and as such expects an agistment fee for the use of the land (at say \$50c/week/mother goat)
- Costs such as agistment and loan repayments could be repaid in installments after the sale of the baby goats.
- The above figures are hypothetical only and may not reflect the actual costs incurred. Details on agistment fees, stud fees, animal health etc. would need to be worked out based on past experience,
- no ongoing health maintenance costs have been included as they are met by financier in the first years
- no costs have been factored into the stud fees of the goats as they are met by financier in the first years
- no costs have been factored in due to deaths of goats as they are met by financier if cause by death due to illness

Note 1: the last three expenditure items mentioned above will need to be factored in after the loan has been repaid, however the cash flow should double at that stage as there are then no further loan repayments.

Note 2: In addition to the above the villagers would also own 16 mother goats as well as any progeny that hasn't been sold yet

Sample Proposed Budget (Profit & Loss Statement) for individual
Borrowers/Villagers
Over say 3 year period

	\$	\$
Income		
Sales of Goat kids 6 @ \$130.00 each		780.00
Sale of Milk		37.50
Sale of fertiliser (goat dung)		<u>12.50</u>
Total		830.00
Expenditure		
Land agistment \$1.00/week	156.00	
Maintenance eg fencing, milk buckets	12.50	
Stud Fees	0.00	
Immunisation & drenching	0.00	
Loss of kids (say ½ @ \$120.00)	60.00	
Loan Repayments – 3 Goat kids	<u>390.00</u>	
Total	618.50	
Nett Profit (Loss)		211.50

Profit margin $211.50/830 * 100 = 25.48\%$

Note1: In addition to the above the villagers would also own 2 mother goats as well as any progeny that hasn't been sold yet.

Note 2: The villagers income should increase dramatically once their loan has been repaid even if taking into account extra costs associated with stud fees, immunisation & drenching.

Assistance and other roles provided by the Name of Support Group

For the project to be viable it is expected that the **Name of Support Group** will play a primary role in:

- Initially finding a suitable group of people that have the fiducial integrity as well as the willingness to take on the project.
- Act as an intermediary between the financing group and the potential borrowers
- providing assistance in the form of training and explanations to the borrower
- providing assistance in setting up the initial business.
- that the **Name of Support Group** will monitor the progress of the project on an ongoing basis to guarantee its success.
- That the **Name of Support Group** will take receipt of and/or monitor the 'loan' repayments

- Towards the conclusion of the project (that is after the finance has been repaid) it is also expected that the **Name of Support Group** will remove itself gradually as a support group to the borrower/business owner to ensure eventual total independence

At all times however the primary running and the responsibility of the business as well as the ownership rests with the borrower and their family. The model also clearly shows a way in which any finance obligations are repaid thereby making the borrower/business owner independent of **Microlend**.

Future issues for the **Name of Support Group**

The success of each and every proposed project will have a large bearing on future funding of other projects. As such there is a huge incentive for the **Name of Support Group** to assist in each and every project that it is involved in to ensure its success. The level of success and future funding levels will depend on:

- The successful completion of each project. At the completions all or most of the initial finance provided should have been returned to the financing group thereby making it possible to use the capital for the next venture.
- Additionally, the successful completion of each project will mean that the business developed is a profitable enterprise for the borrowers. This will mean that the borrowers are now financially better off and hence enabling them to take on further projects.
- If the proposed business venture is successful the finance provider will be more encouraged to provide further financing for other ventures

Benefits to the Borrower

The obvious benefit to the borrower(s) is that, providing the project goes as suggested, the borrowers should have an increased living standard due to the potential profits the project should generate

For this particular venture some of the other benefits would be:

- that instead of selling the proposed milk, in real life the milk would probably be used for personal consumption.
- Additionally some of the kids could be slaughtered (outside of the one needed to repay the debt), again for personal consumption instead of being sold. This would improve the nutritional intake of the individual villagers.

Human Rights issues

Microlend will undertake meet all basic human rights issues as indicated below:

- *No rights abuse*
- *Right to collective bargaining*
- *No forced labour*
- *No child labour- The Financing Business will have policies and procedures to promote the safety and well being of all children accessing their services and programs, particularly to minimise the risk of abuse of children*
- *No discrimination- Does the proposal seek to enhance gender equity?*
- *Environmentally friendly*
- *Promote the environment*
- *No corruption- Funds and other resources designated for the purposes of providing finance towards any business or development will be used only for those purposes*

and will not be used to promote support for a political party, or to promote a candidate or organisation affiliated to a political party.

Fairness test

One of the priorities of this proposal is that this business proposition meets the needs and interests of the borrowers. It does this clearly by providing the borrowers with:

- A pathway towards creating an increased income. This in turn provides them with a better living standard and thereby an increased ability to sustain themselves
- A means whereby it gives the borrower ownership and an asset
- An ongoing sustainable business

This in turn will benefit other members of the borrowers extended family by providing an increased ability to meet their health and education requirements.

We can not see any moral and ethical issues that arise from developing this business venture as described as the industry we are involved in (eg. Primary production of goats) we do however anticipate the following possibilities:

- Possible cronyism ie. Only allow other members of the family or friends to participate in the project
- Possible misappropriation of goats
- Inter social jealousies. Eg villagers outside the project.
- Internal family issues eg pressure from other family members to sell/slaughter the goats and ignore loan repayment obligations
- Stresses within the family structure due to increased responsibilities, time constraints and better socio economic welfare.

Future viability of Business

From the business model proposed you can see that the borrower will end up being the owner of the business. Additionally they are expected to conduct the day to day running of the business with Microlend and the **Name of Support Group** only providing the initial training, set up and development of the business.

Other options in the future are:

- The granting of further finance to expand the business. Issues arising from that would have to include the viability of such an expansion and the capacity to be able to do so.
- The introduction of further finance to develop another line of business that may involve the same borrower, other family members or members of the community.

Economic & Social issues

As a further benefit this business model could be used to extent it to other members of the village or other villagers or use larger herd numbers/family thereby further improving their economic wellbeing.

During the course of establishing the business proposal other issues may arise that could jeopardize the project. Some of these issues may be due to unforeseen issues Eg. Religious constraints, social issues or the environment that may prohibit the venture or ownership issues. These will need to be addressed if and when they occur.

Lenders Obligations

Micolend will meet all relevant state and federal laws including corporations laws, rules of incorporation of associations, fundraising and charitable institutions legislation, privacy legislation, equal employment opportunity principles, occupational health and safety standards, anti discrimination legislation, intellectual property and copyright legislation and other codes of ethics

Micolend will provide open and accurate disclosure of information concerning its goals, programs, finances and governance. Due regard will be given to the human rights and personal safety of staff, partners and finance recipients, legal requirements regarding privacy and confidentiality, proprietary information and personnel matters

In the model proposed several forgiveness of debt mechanisms are enclosed or embedded into the business model. These are:

- The forgiveness of debt if an individual goat dies through misfortune eg illness
- The forgiveness of debt if the whole venture should fail
- Automatic payment of all health related issues eg. Immunization & drenching
- Automatic inclusion of Stud fee services

The last two items were included as these costs could occur before any income is derived by the individual villagers which could result in either:

- A decrease in their cash flow which they could ill afford or
- A failure on their behalf to provide adequate health care for the goats, resulting in higher mortality rates or
- A lower fertility rate of the goats resulting in less income

As such it was decided to include these costs as items to be borne by the financier

Corruption

Micolend will oppose and not be a willing party to wrongdoing, corruption, bribery, or other financial impropriety in any of its activities. It shall take prompt and firm corrective action whenever and wherever wrongdoing is found among its own organization, paid staff, contractors, volunteers and partner Organizations.

Micolend will try and implement appropriate control and risk management mechanisms (such as contractual arrangements specifying funding conditions and relevant reporting and monitoring obligations) in order to mitigate the risk of misappropriation or improper use of the funds or resources once disbursed

Identification of possible issues and prevention measures.

Possibly the main risk we have identified for this particular project is that individuals may decide to simply take the two initial goats supplied and either sell them or slaughter them for personal consumption with the view of never repaying the loan. To minimise this risk, Micolend stipulates a joint liability amongst all the villagers as to the repayment of the debt. That way it is hoped that there is an increased likelihood that the loan will be repaid.

Dispute Resolution Process

Disclosure

The lender is Microlend.

Microlend's overall aim is to assist poor, impoverished or insolvent people or communities in setting up various business enterprises to the point where they become self sustaining.

The idea is to provide finance or capital for any proposed project that it finds will meet the above mentioned aim. To improve the likelihood of success the organisation plans to provide support in the establishment of that new venture as well as use any existing group that may be able to assist.

Ideally the new venture becomes profitable to the point where it is able to meet its obligations, provide a better living standard to its owners, as well as be able to repay its finance obligations.

Upon return of the finance provided, and any profits that may be applicable, Microlend intends to use these funds for the next venture. In the absence of the organisation being able to find and establish another suitable venture, it is Microlend's intention to donate suitable sums of monies to existing charities, other external micro finance type projects and other worthwhile projects for the betterment of mankind. It should be noted that there is no intention for Microlend to ever return any of this capital to the owners of the organisation for personal use.

The location of these enterprises is expected to be in (but not necessarily restricted to) third world type countries.

Microlend's specific intentions and purpose for this project.

The proposed idea is to assist poor, impoverished or insolvent people in setting up various business enterprises to the point where they become self sustaining. The businesses are intended to be set up and developed to the point where they are making a reasonable profit to ensure their viability into the future.

Ideally, it is also the intention of Microlend to have a return of their capital at the end of each project so that the capital can be reused for further projects. As such, most business model proposals are planned in such a way as to be able to repay the finance plus a small profit. The small profit is primarily factored in to allow for unforeseen expenses and not as an intention of Microlend to make a profit. In the event however that Microlend does make a profit it is the intention of Microlend to use these funds for new projects as well.

The location of these enterprises is expected to be in (but not necessarily restricted to) third world type countries.

In the absence of finding or being able to establish such suitable enterprises it is the intention of Microlend to donate suitable sums of monies to existing charities and other worthwhile ventures for the betterment of mankind.

With regards to any possible or expected profit to be made from this project please refer to the proposed profit & Loss statement below:

Sample Proposed Budget (Profit & Loss Statement) for Microlend

		\$	\$
Income			
	Sales of Goat kids 24 @ \$120.00 each		3120.00
	Sale of Billy Goat		300.00
	Interest & Investment Income		<u>10.00</u>
Total			3430.00
Expenditure			
	Loan to villagers for goats	2400.00	
	Loan for Purchase of Billy Goat	400.00	
	Loan for Immunisation & drenching	240.00	
Remuneration to support Group	(Say 10%) of loan repayments ie. 10% of \$3420	342.00	
Total		3382.00	
Nett Profit (Loss)			48.00

Profit margin $48/3382 * 100 = 1.41\%$

Profit or Loss over proposed period \$48.00

Microlend will also provide an annual report upon request by the borrowers and/or any other associated parties which will outline:

- a statement of the Organisation's goals or purposes;
- a summary of overall program activities by country or region;
- the names, qualifications and experience of current members of the Governing Body as well as those who served at any time during the period being reported on;
- financial statements using Internationally accepted accounting standards; and
- an audit opinion on the financial statements, clearly identifying the auditor (name, company, address and signature).

Code of Conduct

Micolend will accord due respect to the dignity, values, history, religion, and culture of the people with whom it works consistent with principles of basic human rights.

Micolend's policy enables any staff, on a confidential basis, to bring to the attention of the Executive Officer evidence of misconduct on the part of anyone associated with the Organisation.

Micolend will conduct itself in ways that do not denigrate other agencies, or make misleading or false public statements regarding other agencies

Micolend will satisfy itself that the third party to whom funds or resources are to be disbursed have the capacity to utilise the funds or resources in accordance with the specific instructions of the Organisation, in accordance with relevant provisions of the Code of Conduct and in a manner consistent with the Organisation's finance promise, express or implied

Micolend will satisfy itself that the funds and resources will be disbursed in accordance within relevant laws including counter terrorism financing and anti-money laundering legislation

Attachments

Eg. Proposed budgets, business models, proposed Cashflows etc