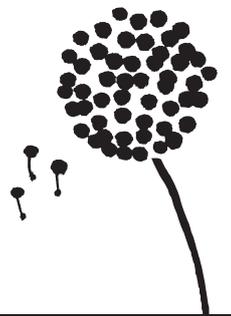


Footsteps

No.57 DECEMBER 2003

MANAGING MONEY



TEARFUND

Does money matter?

by Keith Tondeur

Managing money is never easy. Families on low or uncertain incomes often struggle to cope with payments such as school fees or healthcare. We often live in societies where articles and advertisements on the radio and TV, or in newspapers and magazines, encourage us to spend money. We are always being told how 'good' certain products will make us feel. Increasingly, our societies see success as the possession of wealth, rather than having a good character or serving others.

Jesus talked about money more than anything else! In the Bible there are about 500 verses concerning faith and about 500 on prayer. However, there are 2,350 verses about money and possessions. As Christians, we really need to take managing money seriously. We need to gain an understanding of biblical teaching on money and possessions.

Money within the family

If families do not face up to money worries, there can be all kinds of serious consequences. Money can be a source of conflict in many households. Lack of openness over money can lead to a breakdown of trust. Financial pressures can lead to all kinds of tensions at home. Continuous stress over money can cause various health problems. Many people who are in financial difficulty cut themselves off from their friends, due to pride. Over time, they may lose many of their friends.

The importance of good communication

Relationships can break down if couples do not communicate well about money. Perhaps the wife wants to talk more about their financial situation and her worries. Maybe the husband argues that as he works long hours in order to provide for the family, there is no need to discuss the situation. Couples may not understand or share each other's priorities. There is often a lack of understanding between couples in this area.

Without openness and financial planning, a family will struggle even more when they meet a financial crisis. There is a real danger that only one partner, or sometimes neither partner, will take control. This can lead to frustration and resentment. There is nothing wrong with one partner being responsible for the book-keeping, but there should be agreement about all decisions made.



Photo: Richard Hanson, Tearfund

Managing money wisely is a challenge for any household, regardless of their income level. Some of the most common issues faced are:

- planning and keeping to a budget
- saving for the future

IN THIS ISSUE

- Cambodian savings banks
- Rebuilding after conflict
- Letters
- Mango's financial 'health check'
- Plastic bag sealer
- Managing cash flow
- Minoti's story: the impact of HEED's Micro Finance Programme
- Bible study: a challenging role
- Resources
- Corruption in our societies

Footsteps

ISSN 0962 2861

Footsteps is a quarterly paper, linking health and development workers worldwide. Tearfund, publisher of *Footsteps*, hopes that it will provide the stimulus of new ideas and enthusiasm. It is a way of encouraging Christians of all nations as they work together towards creating wholeness in our communities.

Footsteps is free of charge to individuals working to promote health and development. It is available in English, French, Portuguese and Spanish. Donations are welcomed.

Readers are invited to contribute views, articles, letters and photos.

Editor: Isabel Carter
PO Box 200, Bridgnorth, Shropshire,
WV16 4WQ, UK

Tel: +44 1746 768750
Fax: +44 1746 764594
E-mail: footsteps@tearfund.org
Web site: www.tilz.info

Sub Editor: Rachel Blackman

Language Editor: Sheila Melot

Administrators: Judy Mondon, Sarah Carter

Editorial Committee: Ann Ashworth, Simon Batchelor, Mike Carter, Paul Dean, Richard Franceys, Martin Jennings, Ted Lankester, Simon Larkin, Sandra Michie, Nigel Poole, Alan Robinson, José Smith, Ian Wallace

Illustrator: Rod Mill

Design: Wingfinger Graphics, Leeds

Translation: S Boyd, L Bustamante, Dr J Cruz, S Dale-Pimentil, N Gemmell, L Gray, R Head, M Machado, O Martin, N Mauriange, J Perry, L Weiss

Mailing List: Write, giving brief details of your work and stating preferred language, to: Footsteps Mailing List, PO Box 200, Bridgnorth, Shropshire, WV16 4WQ, UK.
E-mail: judy.mondon@tearfund.org

Change of address: Please give us the reference number from your address label when informing us of a change of address.

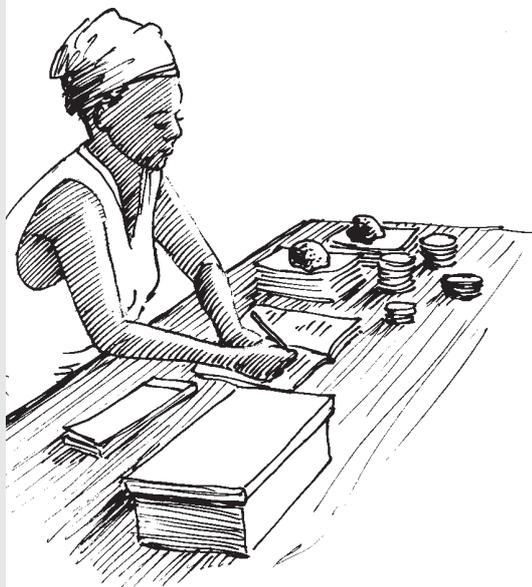
Articles and illustrations from *Footsteps* may be adapted for use in training materials encouraging health and development provided the materials are distributed free of charge and that credit is given to *Footsteps*, Tearfund. Permission should be obtained before reprinting *Footsteps* material.

Opinions and views expressed in the letters and articles do not necessarily reflect the views of the Editor or Tearfund. Technical information supplied in *Footsteps* is checked as thoroughly as possible, but we cannot accept responsibility should any problems occur.

Tearfund is an evangelical Christian relief and development agency working through local partners to bring help and hope to communities in need around the world. Tearfund, 100 Church Road, Teddington, Middlesex, TW11 8QE, UK.
Tel: +44 20 8977 9144

Published by Tearfund. A company limited by guarantee. Regd in England No 994339. Regd Charity No 265464.

- planning when work is temporary and uncertain
- coping with sudden expenses for healthcare, funerals or weddings
- getting out of, and staying out of, debt.



Budgeting

Making a simple budget can help to give a clearer picture of your financial situation. It can help you make your money go further as you may find opportunities to make savings. Budgeting can prevent you getting into debt. Developing a budget together can stop arguments about money and may help prevent financial stresses within the family.

Making a budget

A budget is only useful if it is accurate and you are able to keep to it. Begin with the current situation and be honest. Involve all family members who are old enough to understand. Ask them to record everything they spend, including rent, water, fuel, food, clothes, entertainment and travel. List all the money coming into the household each month and all the money going out. Take account of large payments such as school

Jima looks for advice

Stellah works for a local NGO. The RUKU People's Association invited her to a fund-raising event. During the evening she talked with their treasurer, Jima, who told Stellah how worried she was about her responsibility for the association's money.

Jima was unable to attend the association's last meeting. Six members went to her house after the meeting to pay in their contributions. She was out at the clinic, but her husband received the money. He then went out with his friend for a beer and decided to use some of the money. In the morning he told Jima about the money and who had paid. He promised that sometime soon he would pay back the money he had spent on beer.

Next day, Mrs Dang came to get 2,000 *naira* to buy refreshments, as was agreed in the meeting. Jima explained that she keeps the money in a padlocked iron box under her bed, but the padlock is not very strong. After giving the money to Mrs Dang, she realised she had forgotten to get the money from her husband and put it in the box. She wasn't feeling well after caring for the children all night. She couldn't remember who had not yet paid and how much her husband said he had taken. She was worried that the box might not contain the correct amount, and was unsure how to check this. She told Stellah that her young daughter, who was at school, had said 'I can help you Mama. If you buy me a notebook and pencil I can write down everything for you.'

Stellah offers to go along to RUKU's next meeting to help them improve their records and procedures. At that meeting, the association finds that they have raised around 36,500 *naira* in cash in the fund-raising event, and members are very pleased with this. What advice should Stellah give them?

Questions

- What risks and problems does the Treasurer face?
- What financial processes could help overcome these?
- What reasons would you give to the RUKU People's Association to encourage them to have written records? What should they record?

Adapted as a case study from financial training materials prepared by CRUDAN, PO Box 13484, Jos, Nigeria.



The power of advertisements

Even very poor people will sometimes spend a large part of their income on products that are of no benefit to themselves or their families, and may even damage their health. These include cigarettes, sodas, beauty creams and alcohol.

- What advertisements in our country tempt people to buy products that are of little or no benefit?

fees and healthcare that are only made two or three times a year. Can money be saved up regularly to cover these? The more discussion and agreement that takes place, the more likely there is to be cooperation and togetherness. Remember that there will be individual priorities as well as family ones. When the budget is finished, get all the family to check it again. Can anyone think of anything that is missing? Aim to develop a budget that the whole family is happy to try to keep to.

Discussion points

- Do we find it difficult to talk to family members and friends about money? Why is this?
- What does it mean to be rich as a family?
- What kind of wealth does Jesus promise to those who sacrifice things for him and the gospel?
- Why does working hard honour God?
- If we thought of God as our boss, how would it affect our attitude to work?
- How much should we plan and save for the future and how much should we rely on God to provide?

Adapted from the book A family's guide to better money management by Keith Tondeur. Keith is Director of Credit Action, a UK organisation that aims to give a biblical perspective on understanding and managing money. Credit Action, 6 Regent Terrace, Cambridge, CB2 1AA, UK

E-mail: office@creditaction.com
Web site: www.creditaction.com



Photo: Mike Webb, Tearfund

Budgeting for education will equip children for the future.

EDITORIAL

Talking about money often proves very sensitive. The way we manage what money we have is very personal. Though we all depend on money to live, we rarely receive much training or advice in managing it. We learn through experience and sometimes make painful mistakes. Despite the fact that the Bible talks more about money and possessions than almost any other subject, personal financial stewardship is rarely taught in churches. Jesus does not promise us wealth, but does promise us peace if we trust in him.

In this issue, we try to provide some practical help in managing money, both within our families and within small organisations. We look at issues concerning budgeting, savings and avoiding debt. There are case studies highlighting the benefits that come from small savings groups, where members trust each other and take turns to receive either a loan or a payment. There is a short quiz to check our understanding of managing money within a small organisation. Another helpful article by John Cammack provides guidance on managing funds and cash flow. Corruption is an issue of concern in all societies and we finish with a challenging article on this. Christians need to be guided by the Bible's teaching and standards on managing money, rather than simply taking the world's view. Ultimately, everything we possess is only on loan to us from God and we are accountable to him for how we use it, however little we may have.

The centre pages have a simple and useful idea for packaging all kinds of food and goods. The plastic bag sealer has been designed with *Footsteps* readers in mind!

Future issues will look at the use of theatre in development and ideas for recycling.

Isabel Carter



Cambodian savings banks

by Craig Greenfield

For the poorest people in Cambodia, life is full of uncertainty. They typically have several possible sources of income. On a good day they will make enough to feed the family. Other days they go hungry or may be forced to take out expensive loans to pay for emergencies, particularly medical problems.

The high interest charged by local lenders on loans means that this debt grows rapidly and quickly spirals out of control. Often, families can lose their homes or land, over what started as a loan for a couple of hundred dollars. The most vulnerable families are those who have lost members to AIDS. Households consisting of teenagers, or grandmothers looking after orphaned children, are very susceptible to 'loan sharks' (people who lend money and charge very high rates of interest) and others who will exploit them for selfish gain.

In the year 2000, Project HALO (Hope, Assistance and Love for Orphans) was launched in Cambodia by the organisation Servants to Asia's Urban Poor. Project HALO takes a holistic approach to development, bringing hope (spiritual), assistance (practical support) and love (emotional support for children facing grief and loss) to orphans who have lost their parents through AIDS.

We work with child-headed households and extended families caring for orphans. Advice on budgeting is given

to both adults and children. We teach people how to save a tiny amount each day for emergencies. They are each provided with their own 'savings bank' – a small metal box, complete with padlock and key, to be kept at their homes. We help them monitor their level of savings each month and provide encouragement and advice. Sometimes small business loans are made, to help families begin earning an income. Low rates of interest are charged.

Each family is helped to plan how to become financially secure in the future. The poor families we work with cannot afford to take any unnecessary risks. They are reluctant to use money for anything except meeting their daily needs. Here are a few of the things we have learned...

Use existing cultural practices

In Cambodia, as in many other Asian countries, people buy jewellery with their savings because it is easier to look after than cash. Once the families we work with save enough money, they often buy a gold ring. They can wear this and sell it quickly if money is needed. We encourage this practice.

Another common cultural practice in Cambodia is *tong teng* – small savings and credit groups. These bring people together in groups to save and lend to each other. The groups depend on trust.

Start young

In Cambodia, even very young children are given small amounts of money to spend. We realised that the boxes could help them to save, too. In one household of orphans, the older children were given a savings box and began to save money. Later we found that the two younger children had gone out, bought a little box and had begun saving too! We now have children as young as six years old who take part in saving.

Set realistic goals

Each family is encouraged to save just a tiny amount each day, rather than setting a monthly target which would be too difficult. Since poor people usually earn a little cash each day rather than a monthly wage or salary, the daily savings target is much more realistic.

Financially self-sufficient

71 year old grandmother, Ow Ngaa, has become a 'mother' for her grandchildren since her daughter died of AIDS, leaving two little girls.

Every day, Ow Ngaa sits selling her goods from the front window of her home. She watches her two granddaughters play with the neighbours and go to the local school. At this stage in her life she expected to be peacefully living with her daughter and son-in-law. When they died of AIDS, her plans were shattered.

At first, Project HALO supported them with rice and materials for school. Staff then discovered that Ow Ngaa was locked into a cycle of debt. She was making huge interest payments to a *loan shark* each month in order to buy stock for her small shop. Now, with a small loan from Project HALO, she has been able to avoid taking loans from money lenders and has increased her earnings by 20% (the money previously paid as interest each month).

Project HALO gave her a metal savings box complete with padlock and key. They agreed with her how much she would need to save each day in order to pay them back at the end of the month and buy new stock. One day, Ow Ngaa's savings box was stolen and she lost several days' savings. It was a huge blow, but she persevered. Ow Ngaa is now financially self-sufficient.



Photo: Heang La, Project HALO

After explaining how little they need to save each day, we then encourage people by showing them how much they could potentially save in a month or six months. We also encourage them to save for a specific goal (such as a bicycle). This motivates people to make the daily sacrifice in order to achieve their goal.

Project HALO now helps communities to care for over 500 children whose parents are dying or have died of AIDS. Our vision is to see communities, supported by the church, caring for all the different needs of their own orphans.

Craig Greenfield is Country Director for Servants to Asia's Urban Poor, Cambodia. Web site: www.servantsasia.org

He is also co-founder and advisor to Project HALO.

E-mail: projecthalo@servantsasia.org



Cambodian orphans proudly holding their savings box.

Photo: Heang La, Project HALO

Rebuilding after conflict

Land, livestock, roads and services are often destroyed during armed conflict or natural disasters. Farmers need to know what kind of action they can take to rebuild their farms and businesses. Recovering from these crises is easier when people share the load.

In Sierra Leone, farmers have been hit hard by conflict. Many farmers have lost crops and livestock. Amina is a farmer from the south of Sierra Leone. Like many others in her area, she has needed to rebuild her farm. Poor transportation and a lack of local services have made things even more difficult.



Amina is a widow with three children to feed. She needed tools and seeds to start planting again. Tools and seeds are expensive and she has little money. If she could just get the money to buy these things, she could begin to farm again. She applied for a bank loan, but the bank refused because she did not own a house or land. Amina despaired. But the next day, when the sun was rising, she had an idea. She invited a group of local people to her home. They all shared her dismay about their situation. Others had also tried to get a loan and were refused.

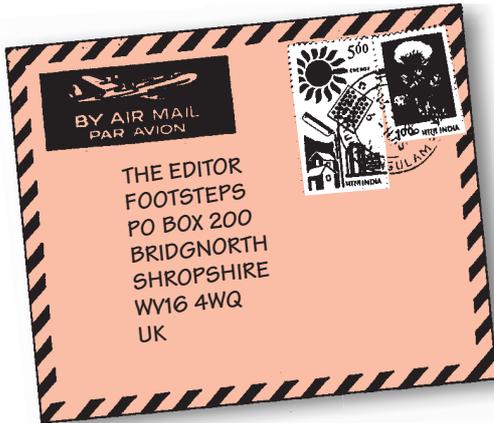
Amina suggested forming a group to start a revolving credit fund. 'Every month we will all contribute a small amount of money to the fund. Every month all the money collected is given to one person in the group. That person can buy whatever they need. The next month, another person receives all the money in the fund, until everyone has had a chance to receive the fund.'



One of Amina's neighbours asked what would happen if someone could not make a payment one month. They agreed that someone else would pay that person's contribution until they could pay them back. They decided to make a simple written agreement that they would all sign and to keep a record of all contributions. 'Everyone must be honest to make this plan work,' said Amina.

Twelve people agreed to try Amina's idea. People used the money to buy a cow, some chickens, and to hire a truck to take produce to market. When it was Amina's turn, she bought tools and seeds. In just one year, they saw real improvements in their farms and in their lives.

Developing Countries Farm Radio Network, Package 67, No 4 June 2003



Alcohol

Alcohol is a product of amazing versatility.

It removes stains from designer clothes. It will also remove the clothes from off your back.

If used in sufficient quantities, alcohol will remove:

furniture from the home,
rugs from the floor,
food from the table,
vision from the eyes,
and judgement from the mind.

Excess alcohol will also remove:

good jobs, friends,
happiness from children's hearts,
sanity,
freedom,
relationships,
and even life itself.

As a remover of things, alcohol has no equal!

From the notice board at Emmanuel Ministries' home for recovering addicts, Calcutta.

Organic vegetable gardens

I work as a social assistant in a district of São Paulo, where I coordinate income-generation projects. Part of my work is to develop activities among groups who are excluded from the community. We do this work in a collective spirit of economic solidarity.

We have had particular success in establishing community organic vegetable gardens. These benefit the local community with healthy vegetables and herbs, while also generating income for the families involved. They eat healthy food and can also sell their

seeds, compost, green crops and vegetables. We are grateful to receive *Passo a Passo*, with its rich content, always full of information.

Eunice de Cássia Santos Pereira Chuves
São Bernardo do Campo
CEP 09861-550, São Paulo
Brazil

E-mail: obediencia@aol.com

Midwife training

Here is a practical suggestion that I find useful in training midwives in Haiti.

As a teaching aid, I use a child's doll with a firm head (made of rubber) and a soft body (made of stuffed cloth.) I make a model of the pelvis from a large, empty 2.5 litre tin (for powdered milk). This is open at both ends with one end slightly flattened, to represent the bones of the pelvic cavity. This is covered in cloth with an opening to represent the perineum (birth opening). I use a fabric bag with stuffing at one end sewn into its base to represent the amniotic sack and the placenta. Then there is a second bag with an elasticated opening to represent the uterus and the opening of the cervix. Several demonstrations are possible with these teaching aids:

- Using the tin, you can explain the baby's descent into the pelvis before birth.
- Using the two bags, you can show the gradual opening of the cervix and the actual birth.
- The doll, when placed on the abdomen of a female volunteer and covered with a thin pillow, can be used to demonstrate how to feel for the position of the baby before birth.
- The doll can also be used to demonstrate resuscitation of the



The training doll, with the amniotic sac and placenta.

newborn (if babies are born unable to breathe).

These simple teaching aids have proved very helpful for our students, and contributed to the happy atmosphere of our study days.

Dr Claire Chappuis
Mission Eben-Ezer, BP 91, HT 4110 Gonaives
Haiti

E-mail: claire.chappuis@hotmail.com



Photo: Diocese of Northern Uganda

Bishop sleeps on the streets

In northern Uganda there is little protection for children from night-time abduction from their homes by a rebel group, the Lord's Resistance Army. Parents try to protect their children by sending them to sleep in large groups on the streets in the town of Gulu, where soldiers provide some security. In order to express their solidarity with the situation, the religious leaders of Acholi, including myself [the bishop], decided to sleep out with them. We walked 3km into Gulu carrying a bag and a polythene sheet to spread on the ground. We slept (or tried to sleep) for four nights in the bus station. We experienced cold and rain. It was a hard experience!

This is the kind of life the children in northern Uganda go through. In the cold and wet weather, they are vulnerable to catching serious illness. Many children of school age have no time or place to study. From our experience of sleeping out, the religious leaders hope to be a prophetic voice drawing attention to the suffering of children in northern Uganda.

Bishop Onono-Onweng
Diocese of Northern Uganda
PO Box 232, Gulu
Uganda

Mango's financial 'health check'

Money is essential to every organisation. All organisations or businesses have to look after their money carefully. That means using good financial management.

Here is a simple 'health check' on basic financial systems and budgeting. This check will tell you if your basic systems are healthy or sick – and whether you need to call a doctor!

The checklist consists of a series of 15 simple statements. In a group, discuss each statement, decide which of the following responses is appropriate and circle your score.

- **Always true** (score 5)
True 100% of the time
- **Mostly true** (score 4)
True more than 80% of the time
- **Sometimes true** (score 1)
True between 20% and 80% of the time
- **Seldom or never true** (score 0)
True less than 20% of the time

Interpreting your score

Add up your total score and compare it with the following risk categories.

Low risk (score 60–75) Well done! Your basic systems and budgets are in good shape. But, you cannot afford to relax. You should aim for a score of 75 points! Other areas of financial management may also need attention, such as reporting and staff training.

Medium risk (score 45–59) Your basic systems and budgeting are not too bad – but not too good, either. There is a medium level of risk that financial problems will prevent you carrying out your work. This is a cause for concern.

High risk (score 0–44) You have serious problems. Your basic systems and budgeting are not in good health. There is a high risk that you will face financial problems in the near future. You should consider calling in assistance as soon as possible. This must be done right now.

Checking your financial management

Supporting documents Every financial transaction should be backed up by a 'supporting document', such as a bill, invoice or receipt.

	Always	Mostly	Sometimes	Never
1 A supporting document is available for every payment.	5	4	1	0
2 A supporting document is available for every item of income.	5	4	1	0
3 Supporting documents are neatly filed, so that it is easy to find any document when it is needed.	5	4	1	0
4 Bank statements are neatly filed.	5	4	1	0
5 Supporting documents and bank statements are kept for the previous seven years.	5	4	1	0

Cashbooks Every transaction should be written down in a cashbook. A cashbook is simply a list of the money that an organisation has spent and received. It can be kept on paper or on a computer.

6 The date, description and amount of every transaction are recorded in a cashbook.	5	4	1	0
7 All cashbooks are updated at least once per month.	5	4	1	0
8 A separate cashbook is kept for each bank account.	5	4	1	0

Cash records

9 All cash is kept in a locked cash box or safe.	5	4	1	0
10 Petty cash records are checked every month by a different person from the person who writes them up.	5	4	1	0
11 The balance in the cashbook is checked against the balance on the bank statement every month.	5	4	1	0
12 The balance in the cashbook is checked against the actual amount of cash in the office every month.	5	4	1	0

Budgeting

13 Budgets are prepared every year.	5	4	1	0
14 Budgets include enough income to pay for all planned expenditure.	5	4	1	0
15 Each month, a cash flow forecast is prepared for the next six month period.	5	4	1	0

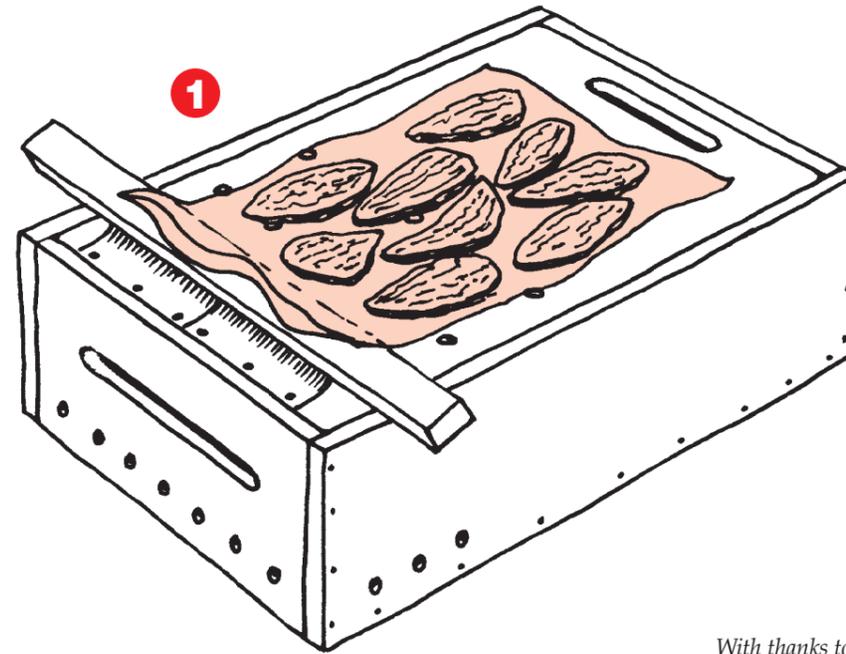
Add up the numbers you circled, to give **your score**:

This article is a shortened version of Mango's Financial Health Check for NGOs. Mango is a UK-based NGO which exists to strengthen the financial management of NGOs. Mango publishes freely available tools, like this one, as well as running training courses, providing finance staff to work with NGOs, and publishing books. The full version is available on their web site: www.mango.org.uk.

Mango, 97a St Aldates, Oxford, OX1 1BT, UK. E-mail: enquiries@mango.org.uk

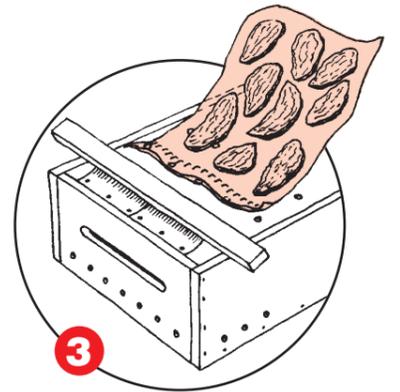
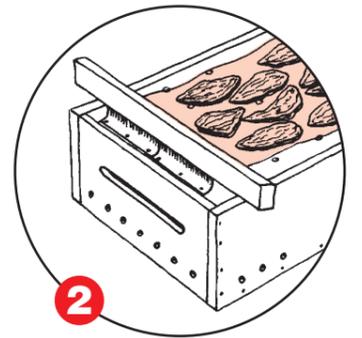
Plastic bag sealer

Usually, the best packaging materials are those which are natural and can be recycled. But when these cannot be used, plastic bags may be the best choice. This simple tool is ideal for small businesses. It can be used to package food, clothing or craft work. Sealed plastic bags will protect the contents from dirt, damp or loss and make products look more professional for marketing.



Using the bag sealer

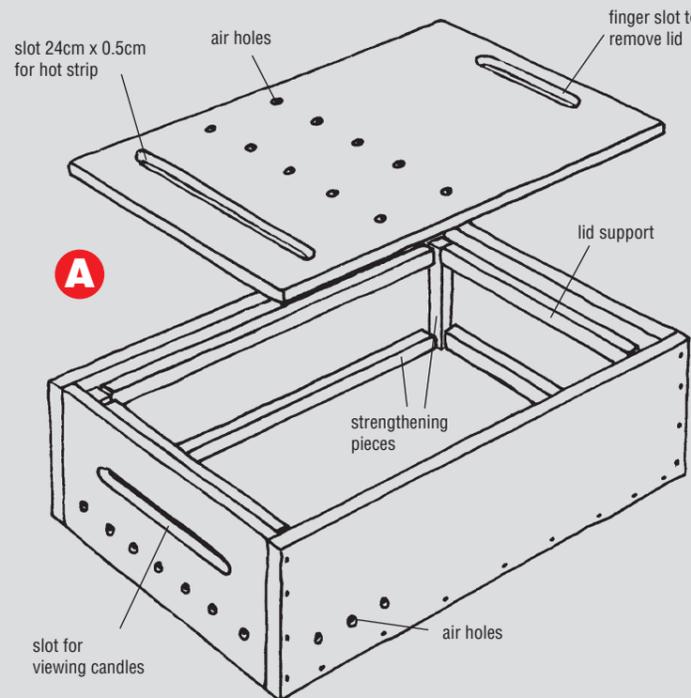
- Light the candles, close the lid and wait for 10 minutes to allow the strip to become hot.
- Place the plastic bag on the box so the open end of the bag rests on top of the clamp plate (1).
- Lift the clamp plate with both hands so that the open end of the bag falls onto the hot strip (2). Lower the clamp plate so that it presses the bag against the strip for 1 or 2 seconds. Raise the clamp again and remove the bag, which is now sealed (3). With practice, many bags can be sealed each minute.
- After use, blow out the candles.



Construction

Making the box

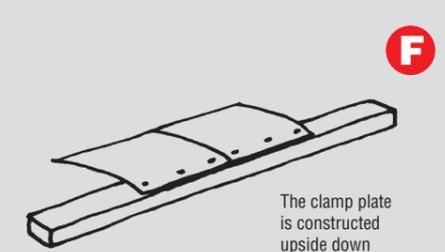
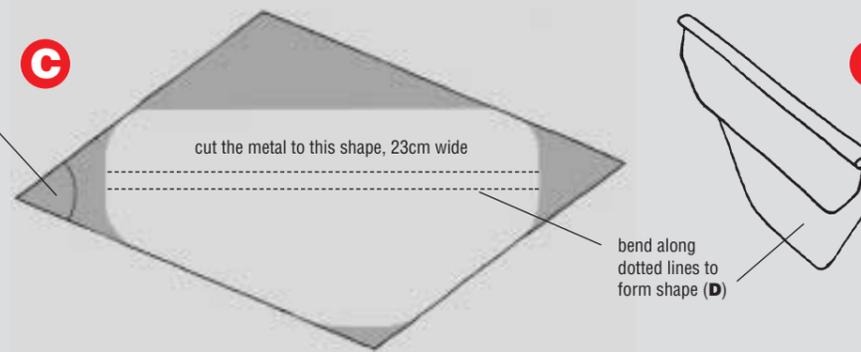
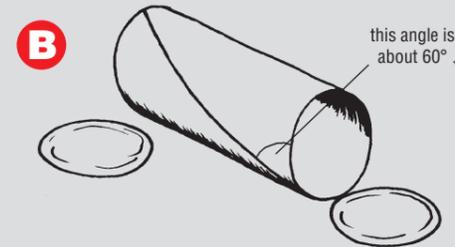
- Find or build a strong, firm wooden box with a lid (A). A good size is 40cm long, 30cm wide and 8cm deep, which should fit most plastic bags.
- The box can be made from a board cut to the following sizes: 2 pieces 40 x 30cm, 2 pieces 8 x 42cm and 2 pieces 8 x 30cm. Glue and nail the box together and strengthen the joints with strips of wood.
- Use a fret saw to cut a narrow slot half way up the front of the box for viewing the candles. Drill air holes as shown, to allow air to reach the candles.
- Make the lid the same size as the base. Drill holes to allow air to reach the candles. Use a fret saw to cut the other slots, as shown.
- If available, glue aluminium foil to the inside of the box and lid. Pierce the foil where it covers the air holes and slots.



With thanks to Mike Clifford and Gavin Peterson from the School of Mechanical, Materials, Manufacturing Engineering and Management at the University of Nottingham, NG7 2RD, UK. They welcome further challenges for engineering projects.
E-mail: mike.clifford@nottingham.ac.uk

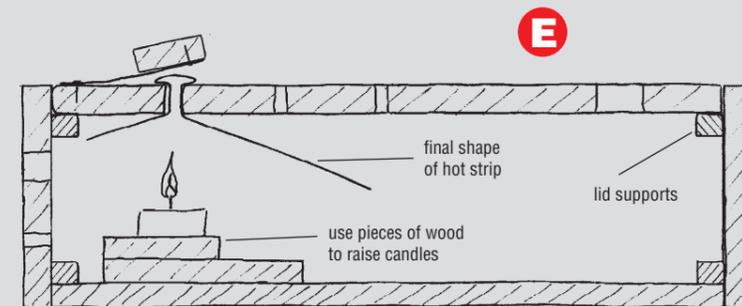
Warning!

- Be careful using sharp tools and metal cans.
- Make sure there is always a bucket of water or sand available in case anything should catch fire.
- Never leave the sealer unattended while the candles are lit.
- Be careful when removing the bag, as the strip will be hot enough to burn the operator.



The hot strip

- Make the 'hot strip' from an aluminium drinks can. Remove both ends and cut the cylinder at an angle of about 60° (B) to obtain a diamond shape of flat metal. Cut this to the lighter, rounded shape shown (C). The paint is a possible fire risk, so remove it with sandpaper and water.
- Mark a 1cm band down the centre of the sheet and bend into a shape with a cross section, as shown (D). Fit into the lid of the box and fold to finished shape, as shown (E).
- Place five small 'night-lights' or candle stubs in the box, directly under the strip in the lid of the box.



The clamping plate

- Remove the ends of another drinks can. Cut the cylinder twice down its length to produce two equal rectangles (F). Again, remove the paint. Nail them to a strip of wood 3cm by 35cm.
- Turn the wood over and place it directly over the strip in the lid of the box (E). Nail the metal to the lid of the box, close to the edge, and trim away the metal, making sure there are no sharp edges.

Managing cash flow

by John Cammack

Many of us have experienced the situation where we have a bill to pay, but we do not have enough money to pay it until we receive money owed to us. As individuals, we can generally keep these details in our head, but this is not possible within a group or organisation.

This temporary lack of money is a common situation for groups or organisations. An organisation, if it is not careful, can find itself without any money when it has to pay a bill or wages to its staff. There are likely to be many more transactions for an organisation than for an individual and it is not so easy to remember what is happening. The organisation should therefore write a record of transactions.

Cash flow forecasts

One simple way that the leader or other member of an organisation can monitor money coming in and going out, is regularly to complete a *cash flow forecast* (sometimes called a *cash budget*). It shows **when** money will come in and go out, and highlights times when there may be a shortage. If this is known in advance, it is then possible to take steps to reduce the problem of not being able to pay bills or wages.

Preparing a cash flow forecast

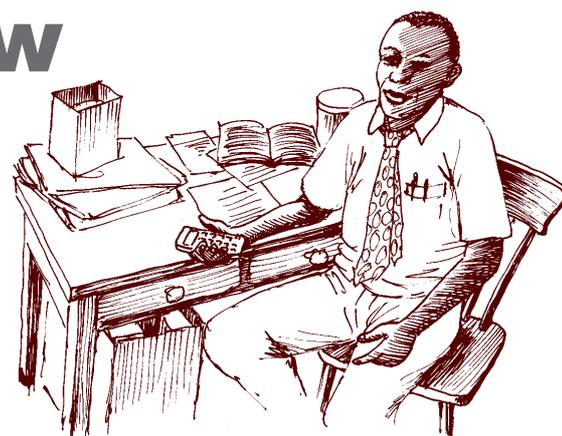
This example shows how to put together a simple cash flow forecast for six months for the Women's Honey Producing Co-operative. (We use # to show their currency symbol.)

Step 1 Obtain the organisation's budget, if there is one, or list all the items that will be received and paid out over the six months (12 months could also be used).

Step 2 Decide **when** each item will be received or paid. Some items (such as rent) may be paid for the whole year, in one payment. Other amounts, such as sales of honey, may be spread fairly evenly over the whole period. Be as realistic as you can.

Step 3 Write these items down, month by month, as shown below. Be sure to write the item in the month when you **expect** to receive or pay the amount, regardless of when it is due. Do not include any budget items that are **not** paid in cash or by a bank – for example, depreciation (loss in value over time).

Step 4 Add in the expected opening balance of cash and the estimated bank



balance at the beginning of the period (in this example it is #2,340).

Step 5 Calculate the expected balance at the end of each month by taking the opening cash and bank balance **plus** the money coming in during that month **less** the money paid out during the month.

For example, in January this is:

$$\#2,340 + \#8,100 - \#4,947 = \#5,493$$

Women's Honey Producing Co-operative

Cash flow forecast for the period 1 January to 30 June 2004

	Jan	Feb	Mar	Apr	May	Jun
	#	#	#	#	#	#
Estimated money coming in:						
Sale of honey	7,500	7,500	7,500	7,500	7,500	7,500
Grant for major equipment					30,000	
Other	600	600	600	600	600	600
Total money coming in A	8,100	8,100	8,100	8,100	38,100	8,100
Estimated money to be paid:						
Purchase of equipment					30,000	
Materials		5,350		3,970		
Wages	2,625	2,625	2,625	2,625	2,625	2,625
Rent of premises				13,200		
Vehicle expenses	230	230	230	230	2,190	230
Office expenses	575	575	575	575	575	575
Telephone, electricity	1,517		1,033	1,517		1,033
Total money paid B	4,947	8,780	4,463	22,117	35,390	4,463
Opening cash/bank balance	2,340	5,493	4,813	8,450	(5,567)	(2,857)
+ Total money coming in (A)	8,100	8,100	8,100	8,100	38,100	8,100
– Total money paid (B)	4,947	8,780	4,463	22,117	35,390	4,463
Closing cash/bank balance	5,493	4,813	8,450	(5,567)*	(2,857)*	780

* Figures in brackets are negative

The closing balance for each month becomes the opening balance for the following month. For example, the closing balance of #5,493 at the end of January becomes the opening balance for February.

What does it mean?

This example from the Women's Honey Producing Co-operative helps to identify clearly the months when they will be short of money. These will be April and May. It is important to know this, because a large payment for rent is due in April.

We can also see that the purchase of major equipment in May will have little effect on the Co-operative, as long as the grant is received in the month expected.

Overall there is enough money to pay all the amounts due. The problems are simply a matter of **timing**. Given this information, a number of actions could be taken by the group to help the situation:

- Members could try to negotiate payment of the rent in smaller amounts, monthly if possible, and if not, in two amounts rather than one.
- The group could investigate whether the purchase of materials could be spread more evenly over all the months.
- It could consider whether any money coming in could be received earlier or any money to be paid out could be spent later.
- The group could also consider investing any surplus amount temporarily in a savings or deposit account.

Glossary

Asset	Any item that keeps its value is known as an <i>asset</i> . For NGOs, these are normally stocks of goods, office equipment, vehicles and property.
Bank statement	A report produced by a bank, listing all the receipts and payments made into or out of a bank account.
Book-keeping	The process of recording the basic details of each transaction.
Budget	The best possible estimate of the future cost of activities over a given period of time, and of how those activities will be paid for.
Cash advance	A sum of money entrusted to someone to use when precise costs are not known in advance.
Cashbook	A book or spreadsheet that lists all of the transactions made into and out of a single account.
Reconciliation	The process of comparing and checking information held in two sets of records that describe the same transactions.
Supporting documents	The original documents that describe each transaction. They include receipts, invoices and authorising documents.
Transaction	Any exchange of goods, services or money in return for other goods, services or money.

- If necessary, the group could arrange for an overdraft or short-term loan from the bank to cover the period when there will be a shortage. The cash flow forecast would be an excellent document to show to bank officials to confirm that this is just a temporary problem. However, an overdraft or loan should be the last option because the bank will charge interest.

A cash flow forecast enables the group to see **in advance** exactly **when** it will be short of money.

Updating the forecast

At the end of January, when the actual amounts are known, the new balance should be calculated, to replace the forecast cash/bank figure at the end of the month. The new cash and bank balances for the whole cash forecast can then be recalculated.

At the same time, the first month of the next period's figures can be calculated – July, in this example. In this way, there is a 'rolling forecast' that is based on the most up-to-date information. The figures for the remaining months should also be updated as they become available.

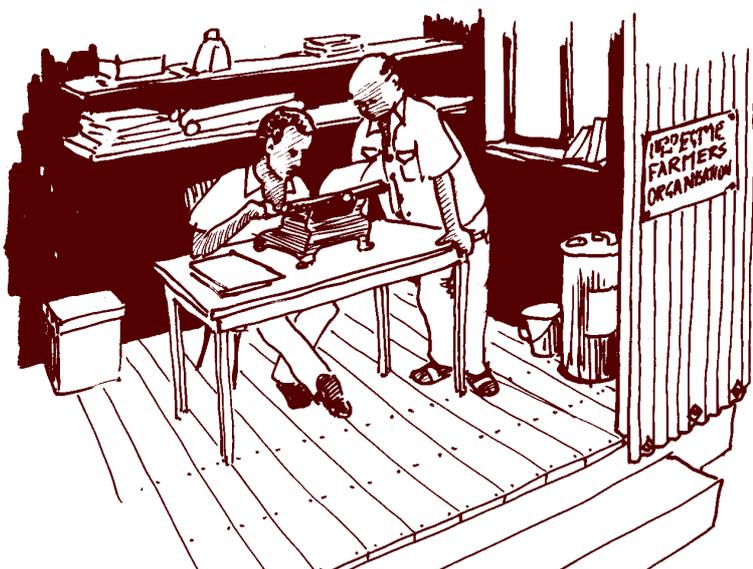
If the group has access to a computer spreadsheet programme, the calculation process is much easier.

Don't run out of money!

Cash flow forecasts are a straightforward way of managing your money. They help you know of a cash shortage **in advance**, before it becomes a major problem.

John Cammack is a freelance trainer and consultant in financial management, working with a range of non-governmental organisations. He has previously worked as head of international finance at Oxfam, Great Britain and as a senior lecturer at Oxford Brookes University.

*E-mail: john.cammack@ukonline.co.uk
Web: www.johncammack.net*



Minoti's story

The impact of HEED's Micro Finance Programme

by Elgin Saha

Recently, I attended a one day training seminar for elected female representatives in Fakirhat Thana Nirbahi in the south of Bangladesh. HEED has organised a number of women's groups in this area and a third of the leaders elected came from our HEED groups.

There I met Minoti, one of the female leaders elected, who was attending the seminar. I recognised her because she used to work as one of our health volunteers 15 years earlier. I was so amazed to see her there, I decided to visit her and talk with her and learn from her story. As the wife of a Hindu, getting elected as a local public representative is not just a success, it is an amazing success.

Minoti as a village health volunteer

Minoti received some training to help in her role as a traditional birth attendant. She helped pregnant mothers, both before and after the birth, and received a very small payment for this. With the promotion of family planning, fewer babies were born, and so her small income became even smaller. Her husband was a farmer but did not have enough land to produce food for the whole year. Some of their land was mortgaged to a local landowner to raise money to pay for health treatment for her mother-in-law. As Minoti and her husband were unable to pay the money back, the land remained in the hands of the landowner. Sadly, the mother-in-law died of tuberculosis.

Later, Minoti was chosen to become a village health volunteer (VHV). She was able to make a little money by selling latrine slabs in her village. She received 20% from the sale of each slab. During her four years as a VHV, she encouraged 90% of her villagers to have latrines. However, her income decreased once most of the villagers owned a latrine.

Minoti starts her own business

Minoti then joined a local savings group organised by HEED. As a member she received her first small loan of two thousand taka (US \$30). She used this money to begin raising ducks. She also started a small vegetable garden. Minoti is always a sincere and hard worker and God also blessed her efforts. With the success of her duck rearing and gardening, Minoti and her husband were able to reclaim her husband's land which had been mortgaged for over twelve years. The case was not easy, but she asked for help from the *sangothan* – the local elected female representative.

However, her success did not last long. Shrimp cultivation become very

important in the area and the ducks could not be allowed out in case they ate the young shrimps. Minoti had to change her business once again.

Minoti's poultry farm

Minoti applied for a bigger loan from HEED to establish a small poultry farm. HEED was just introducing Micro Finance Programmes on a pilot basis. Minoti received a loan of *taka* 30,000 (US \$450). She began with 500 day-old chicks. Minoti says that God has been very kind to her in all her effort! In the very first year, her poultry farm was a real success. She was the best performer among twelve people who received such loans. The following year, her daughter and son gained good school results. Her daughter is now training to become a doctor, and Minoti says this is her greatest blessing!

Minoti is still busy with her chickens. She is rightly proud of her farm where she keeps chickens, both for meat and eggs. Her monthly income is now more than *taka* 10,000 (US \$150). I visited her to learn more about the reasons for her success and asked about her future plans.

Minoti said that she has never planned to change anything herself. Rather, she depends on God to direct her as the circumstances of her life change. 'HEED has also helped and motivated me to change my course. Now my husband is



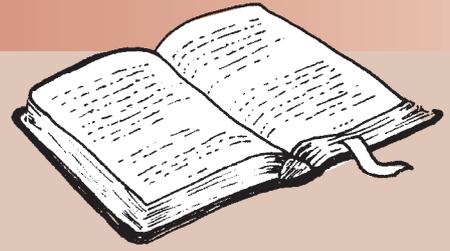
A training seminar organised by HEED.

Photo: Richard Hanson, Tearfund

BIBLE STUDY

A challenging role

by Keith Tondeur



King David had long planned to build a temple for God where the ark of the covenant could rest and where people could come to worship. However, God told him that it would be his son, Solomon, who would build the temple.

Read 1 Chronicles 29:1-20

- How did David demonstrate his devotion to the Lord's temple?
- In verse 2, David refers to 'the temple of my God'. What does this tell us about David's heart?
- Why does surrendering oneself to God lead to generosity and rejoicing?
- In what sense do all our possessions come from God?

- A friend lets us borrow their new bicycle. Would our use and care of it be any different if it was our own?
- How would it affect our attitude towards our possessions if we thought of ourselves as stewards rather than owners?
- What is our accountability as stewards?
- What is our reward for being faithful stewards?

Adapted from Your Money and Your Life study notes by Keith Tondeur, Credit Action.

giving more time to the poultry so that I can give more time to the community as I have been elected as female representative for our ward (district).'

I asked Minoti what motivated her to stand for election. She replied, 'Hindus are a minority group here. We face much harassment and oppression. Now I am running a small business successfully, and everybody knows about this success. But if I had not stood for a political position, no one would provide me with any security. Now, by the grace of God, I have been elected, and I have some influence and power. If I go to the police station with a request, they will at least try to help. Without this, nobody would listen to us.'

'As a political leader from a Hindu background, I always face many threats. But our good relationships have helped not only to keep our family safe, but also other minorities in the village.'

I asked if, as an elected leader, she would only help the minorities. 'Certainly not,' Minoti replied. 'I have more Muslim friends than Hindus and they help me a lot. Many from the Muslim community here are also vulnerable.'

I asked Minoti about how much of the HEED loan still remained and what she would do next. She said that just one month of the loan remained to pay. She

did not plan to take another loan immediately. In the future, however, she will ask for a loan to lease more land for a fishery project with a small local cooperative.

As I returned home, I continued thinking about Minoti. Development can mean many things:

- change
- empowerment
- political authority
- peace
- life in harmony with others (security)
- sharing the gift.

Minoti's story shows many indicators of successful development. Development is

an ongoing process, and Minoti is still considering future challenges.

As a Christian development agency, HEED promotes hope, light and life. I saw each one of these in the life of Minoti. She often mentioned God's grace in her life. All the credit surely goes to him for these changes.

Elgin Saha is the Executive Director of HEED, a Christian-based development group operating in Bangladesh for the past 25 years. Its address is PO Box 5052, New Market, Dhaka 1205, Bangladesh. E-mail: elgin@agni.com

HEED's Micro Finance Programme

HEED now has 80,000 clients, of which 72,000 are women. Overall, 96% of the loans are paid back. So far, it has given out over £10 million in over 200,000 separate loans. Savings group members have now saved nearly £1 million.

HEED finds that:

- Poor people can prove themselves creditworthy without having any kind of guarantees such as land or buildings owned.
- Poor people can only receive loans through NGOs, as they will not qualify for bank loans.
- Strict discipline is needed to develop the culture of savings and credit.
- Loans must only be made to groups that can act as guarantors for the loans.

HEED charges an interest rate of 12% on loans. From this, 2% is kept in a social welfare fund which is used to cover bad debts. Loans must be repaid within 12 months on a monthly basis.

Books Newsletters Training materials

Basic Accounting for Small Groups

by John Cammack



This is a second edition (2003) of this very useful and practical book. It is a plain-language, step-by-step guide to basic accounting and financial management techniques. Two imaginary case studies of groups are used throughout the book, to demonstrate the accounting techniques. It is full of practical exercises for individual and group learning. It costs £12.95 (\$21.00) and is available from Mango (see below) and Oxfam (address on page 15):

MANGO

Mango (Management and Accounting for NGOs) provides a number of excellent free guides about NGO accounting on the organisation's web site (below). These include packs covering book-keeping, budgets and job descriptions, as well as a simple system of financial procedures, controls and spreadsheets for NGOs.

Mango places finance professionals with NGOs all round the world. They work with NGOs for a period of two weeks (reviewing systems) to several months or years (developing and running systems and training staff). Contact Lucy Markby on lmarkby@mango.org.uk. Mango also runs training courses on NGO financial management in regional centres around the world. Contact Barbara Johnstone for more details on bjohnstone@mango.org.uk or see the calendar of events held on the web site.

Mango, 97a St Aldates, Oxford, OX1 1BT, UK
Web site: www.mango.org.uk

Financial Management for Development

by John Cammack

This book, published in 2000 by INTRAC, provides a higher level introduction to accounting and financial management for NGOs. It is written for those without specialist training in finance who are working in development organisations. It uses a case study to show how to prepare and monitor a budget, analyse accounting records, question internal controls and use audits. The book costs £13.95 and is available from:

INTRAC
PO Box 563, Oxford, OX2 6RZ
UK

E-mail: intrac@gn.apc.org

Guidance Notes on Project Budget and Accounting

by John Cammack

These notes are available free of charge from BOND and contain practical information on all aspects of budgeting and accounting for small organisations.

BOND
Regent's Wharf, 8 All Saints Street, London N1 9RL
UK

A copy can also be downloaded from the BOND web site:

www.bond.org.uk/lte/guidancenotes/budget.html

Improve Your Business

New edition (1999)

adapted by Hakan Jarskog

This new international edition is a clear, comprehensive and practical guide for people with little or no business training. It communicates the basic management skills required to run small businesses successfully. It deals with various topics such as training, business counselling, monitoring and evaluation, and networking. It costs £11.95 (US \$19.95) and is available in English and French from:

ILO Publications
4 route des Morillons
CH-1211 Geneva 22
Switzerland

E-mail: pubvente@ilo.org
Web site: www.ilo.org

CORAT Africa publications

CORAT Africa (The Christian Organisations Research and Advisory Trust of Africa) is a Christian non-profit making organisation, which began in 1975. Its aim is to help churches and church-related organisations in Africa improve their management capability. It provides training courses, consultancy services and resources, including these publications:

Management for Development Workers

Unit 7 – Controlling Finance (1998)

Unit 8 – Intermediate Finance (1989)

Financial Accountability Guidelines

by P Denis and W Ogara (1992)

CORAT, PO Box 42493, Nairobi, Kenya
E-mail: coratafrica@maf.org

Creative Lesson Plans

The Ecology and Natural Resource Education (ENRE) project is producing a series of booklets on natural resources. The booklets are full of useful, practical and low-cost ideas to interest children in observing, understanding and caring for their environment. Many of the ideas could also be adapted for all kinds of other training situations. The booklets produced so far include *Trees*, *Insects and Worms* and *Water*. The most recent booklet on water contains ideas on carrying out water and sanitation surveys, building different kinds of water filters, conserving water and reusing waste water. Others are planned on medicinal plants, energy, vegetables and community development work. They contain 80–100 pages, with plenty of illustrations. Each costs \$4, including postage. Available from:

ENRE Project
58A Dharmatola Road
Bosepukur Kasba
Kolkata 700042
W Bengal
India

E-mail: enre_sc@vsnl.net

Web site: www.drsc.org



Project cycle management

by Rachel Blackman



This is Book 5 in the ROOTS series, produced by Tearfund. Project cycle management (PCM) is the term given to the process of planning and managing projects and programmes. Donors increasingly require the use of PCM in funding applications. It is based around a process that ensures that all factors are considered when designing projects. The cycle uses a set of planning tools which include needs and capacity assessments, stakeholder analysis and risk assessment. The planning tools can be fed into a logical framework which summarises the project plans. The book looks at how to use the planning tools and how logical frameworks can be developed.

The book costs £10, including postage, and is available from:

Tearfund Resource Development
PO Box 200, Bridgnorth, WV16 4WQ
UK

E-mail: roots@tearfund.org

Manual of Practical Management for Third World Rural Development Associations

by Fernand Vincent

This manual consists of two volumes, written in a simple and direct style. Volume One looks at management issues and covers organisation, administration and communications. Volume Two covers all aspects of financial management. Both volumes contain numerous examples. Each volume costs £17.50. They are published by IRED and are available from ITDG (see next item for address).

Towards Greater Financial Autonomy

by Fernand Vincent and Piers Campbell

This practical book, published in 1989, aims to help community groups and NGOs to free themselves from dependence on funding agencies based in the First World. It includes accounting methods, auditing, budgeting and institutional savings. Published in 1989 by IRED, Geneva, it costs £21.95 and is available from ITDG:

Intermediate Technology Publications
103–105 Southampton Row, London
WC1B 4HH
UK

Fax: +44 020 7436 2013

E-mail: orders@itpubs.org.uk

Web site: www.itdgpublishing.org.uk

Basic Accounting for Credit and Savings Schemes

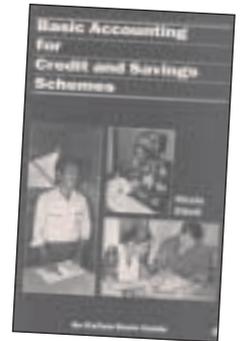
by Nicola Elliott

This practical guide, published in 1996, assumes no previous knowledge of accounting and explains all the principles and tasks relevant to the financial management of credit and savings schemes. It has 96 pages, costs £6.50 (US \$10.95) and is available from:

Oxfam Publications
274 Banbury Road
Oxford
OX2 7DZ
UK

E-mail: publish@oxfam.org.uk

Web site: www.oxfam.org.uk/publications



Opportunity International UK

Opportunity International UK provides opportunities for people living in poverty to transform their lives by creating jobs, stimulating small business and strengthening communities. It works through local partners who provide small business loans, savings schemes, training and advice. Loan funds are recycled time and time again.

Opportunity International has helped create more than a million jobs since 1971. It is working towards supporting one million of the world's poorest families by 2007. It recognises that the majority of the world's poorest people are women, and prioritises programmes for women. Women do 67% of the world's work, earn 10% of the world's income and own only 1% of the world's property. However, research shows they are much more likely than men to use their income to meet their family's needs.

Nagina's story

Managing household finances is often the duty of the woman of the household. Like many women in India, Nagina was born into poverty, married young, and now has three young children to look after. Her husband works as a house painter, but his work is seasonal, and for many months he cannot earn at all. The family rely on Nagina's small wage from making incense sticks to survive.



Photo: Opportunity International UK

However, what Nagina lacks in resources, she makes up for in courage. With the help of one of Opportunity International's Loan Officers, she put together an ambitious business plan. Starting with a small loan, Nagina was able to buy cheaper raw materials in bulk. This year she will pay back the loan. Next year her profits should double. Nagina has started to employ others to make and sell the incense sticks, creating new jobs and giving her family the support it needs to build a better future.

By making her small enterprise a success, Nagina hopes to give her children the chances she never had, by getting them a good education.

Opportunity International UK, Angel Court, 81 St Clements, Oxford, OX4 1AW (a registered charity)

E-mail: info@opportunity.org.uk Web site: www.opportunity.org.uk



Corruption in our societies

Today, in Latin America as elsewhere, greed and corruption allow huge amounts of money to fall into the hands of just a few people, while most people become increasingly poor. Today, we are so used to corruption at every level that we may no longer be shocked by it – nor do we always emphasise that it is sinful.

Traditional methods of exchanging work for food, or bartering different goods, now rarely take place. Our societies worship two idols – money and the market system. These benefit those who are privileged, while poorer people are marginalised. Obtaining money or riches now seems to take priority in all areas of life. The result is that more and more money and services benefit a smaller and smaller number of people.

Corruption takes place within both public and private services. Examples of corruption include the cancellation of fines, illegal commission, keeping false accounts, and false projection of share performance and profits. Other illegal ways of gaining large amounts of money can include drug trafficking, human trafficking (whether for emigration or prostitution), selling political favours and tax evasion.

Men and women who work honestly throughout their lives will rarely make

large fortunes. What is the real purpose of wealth? What social functions should money provide? What does the present unequal world situation tell us as Christians?

The parable of the 'rich fool' in Luke 12 tells the story of a selfish man who hoarded grain in his barns. He took the cereal out of circulation and as a result may have caused a shortage of basic food, linked to a rise in the price. He probably planned to later sell the grain at an increased price. His behaviour was based on speculation in order to make more money from the grain. What distinction should we make between his hoarding of grain and the good practice of farmers who avoid selling all their grain at harvest time when prices are very low?

Proverbs 11:26 tells us that hoarding is wrong: 'People curse the man who hoards grain, but blessing crowns him who is willing to sell.'



Photo: Mike Webb, Tearfund

Regular Bible study helps Christians to avoid adopting the corrupt ways common in our societies.

Discussion questions

- What characteristics of the 'rich fool' might be found in our society today?
- In what ways do people gain money illegally today?
- Do we see any of these in our own organisation? What can we do about it?
- What values does the gospel call us to?
- What activities help to destroy our society? Which of these affect the poor and the marginalised?
- How can we help to change the basic values of the current economic system?

The Apostle James tells us in James 5:4 that, 'The wages you failed to pay the workmen who mowed your fields, are crying out against you. The cries of the harvesters have reached the ears of the Lord Almighty.' When do people work without reward today? In what situations might people be crying out for fair pay in our own societies?

Just because corruption is common in our societies, does not mean that it has any biblical justification or that the Lord will overlook it for the sin that it really is.

This article is adapted with thanks from Globalizar la Vida Plena, Ediciones CLAI, 2002. This is one of a series of educational materials published by the Faith, Economy and Society Programme. Their address is Programa de Fe, Economía y Sociedad, CLAI, Inglaterra N32-113 y Mariana de Jesús, Quito, Ecuador

Published by: Tearfund, 100 Church Road, Teddington, TW11 8QE, UK

Editor: Dr Isabel Carter, PO Box 200, Bridgnorth, Shropshire, WV16 4WQ, UK

Tearfund staff spend considerable time dealing with many thousands of funding requests that we are unable to support. This is taking them away from their work of bringing good news to the poor through current partnerships. **Please note** that all funding proposals will be rejected unless they are from current Tearfund partners.

TEARFUND

