



FINANCIAL MANAGEMENT

TRAINING PROGRAMME ● ● ● ● ●

TRAINING DESCRIPTION

Internal Capitalisation Workshop





TRAINING PROGRAMME ● ● ● ● ●

COURSE NAME

Internal Capitalisation Workshop

DURATION

3 days

FOR WHOM

- Board of Directors manager
- Accountant



Cooperative business development & farmer entrepreneurship Advice – Training – Exchange

Agriterra professionalises ambitious farmer cooperatives and organisations worldwide. Cooperative expertise and peer-to-peer advice from the Dutch agri- & food top sector are key principles; advice, training and exchange are the key methodologies.

Agriterra developed a range of practical training products for cooperatives and agricultural organisations in emerging economies.

INTERNAL CAPITALISATION WORKSHOP

Objective

Lack of internal capitalisation is one of the key reasons why cooperatives in developing countries are having hard times to survive, grow, compete and realise new business ambitions. Lack of member equity to leverage investments or use it for working capital purposes is a major challenge for many cooperatives worldwide.

Internal capital formation by members in a cooperative becomes increasingly important to attract 'outside' finance from banks and other moneylenders. Without capitalisation of members it is hard for any cooperative to become bankable and get a loan. By overlooking the capitalisation of the cooperatives, many remain weak, creditworthiness stays low and investment capacity is hardly available.

Agricultural cooperatives have different ways to build internal capital. The self-financing principle is of high importance. When members have trust in their cooperative, they are willing to invest capital in the cooperative. It is a significant indicator of commitment towards the cooperative, and thus a healthy member base. Around 40% of the financing of the cooperative should be own equity in order to have a healthy balance sheet and gain trust from banks to provide loans for capital investments and working capital for output marketing.

**Self-financing is an important principle for cooperatives;
if members have trust, they are willing to invest capital in their
cooperative**



Who is this programme for?

This training is designed to strengthen an organisation's internal capitalisation strategy and therefore board members and key management staff are targeted. Its objective is to:

- raise awareness of management and board members about the importance of internal capitalisation and the different modalities available
- provide advice about the possible options the cooperative has regarding internal capitalisation
- give each participating cooperative tailor-made advice about which modality is the best fit for that specific organisation.

Selection of participants

The selection of attendees for any training course is essential for its success. Therefore, to obtain the best results from these sessions, the cooperatives invited to the training course should keep in mind the following criteria when proposing the course to their members:

- Select those members who have (or may hold in the near future) a post of responsibility.
- There should be a mid to long-term commitment between these members and their organisations. Selecting those elected members who have just begun or are only halfway through their term is best.
- Try to respect a gender balance by promoting a balanced male-female representation. This contributes to a strong peer organisation for future decision-making. Also, try to involve young members if possible.

Three cooperatives will be invited to participate. Per cooperative, the Chairman of the Board, the treasurer, two board members, the general manager and the accountant will be invited to participate.

Training Content

The main components of the training are:

- The "why, what, and how" of internal capitalisation
- Fundamentals of and pre-conditions for internal capitalisation
- Different modalities of internal capitalisation and analysis of legal framework
- Practical examples of capitalisation strategies and tailor-made advice about which internal capitalisation modality is the best fit for the organisation

Different modalities are applied at different cooperatives around the world to maintain or increase the own equity position, such as:

- Shares
- Member account – allowing equity on the names of the members
- Member loan
- Membership fee
- Retained earnings
- Proportional capital return based on transaction level of a member with the cooperative



Methodology

Preparation is key. The following preparations are requested from each participating organisation:

- Send in or bring the latest annual financial report
- Send in or bring the most recent strategic plan (if available)
- Complete the self-assessment before the training

At the end of the 3-day workshop, each cooperative will elaborate a concise action plan with SMART goals for internal capitalisation. After the workshop's completion, the facilitation team of Agriterra will join the delegation to their cooperative, to meet full board and management staff and present the outcomes of the workshop.

Training Results

At the end of the workshop, participants will:

- Be aware about the needs and benefits of having internal capital in order to realise their business objectives
- Know the opportunities that exist for the capitalisation of cooperative activities
- Know the business-economic advantages of having internal capital
- Know how internal capitalisation strengthens links with members when it is used as an opportunity to obtain finance
- Understand the steps that need to be taken to successfully raise capital
- Understand how to properly manage capital-raising trajectories