



Report on

Small Scale Business Planning Training held to Animal Health Professionals in Jigjiga



SCAHP of CAPE unit of AU IBAR in Collaboration with SRS Veterinary Department

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Summary

A training on small scale business planning to 18 animal health staff of SRS, 17 AHT and a veterinarian, who were from the remotest zones, woredas and stations was conducted in Jigjiga at central planning authority (CPA) meeting hall for four days, April 14-18 2004. Aiming at private in put source linked sustainable CAHW service establishment in the remote part of the region the training was has had the following objectives.

- Aware professionals on the facilities available under SCF UK veterinary privatization project.
- Encourage them to be come private practitioners through building their technical capacity of planning and managing small scale private business.

The course had four major parts; introductory session which was intended to brain wash the trainees and encourage them to become private that the current privatization policy and the status of private veterinary service both at national and regional level was discussed. How to plan and prepare business proposals on small scale vet business in pastoral areas, how to run effective small scale vet business and sharing of practical lessons on SCF UK veterinary service privatization promotion project which was addressed by VSPP of SCF UK and one of its beneficiary have formed the remaining sessions.

Further the trainees did a lot of group exercises that included comparing their current average salary with the minimum possible net profit they may make from such small vet business. The exercise was done by considering minimum potential return from small scale private vet business, which was calculated being based on own observation on drug turn over rate and profit margin that they can put with out offending their clients and it appeared that the AHTs can make at least double of their salary. In this regard the average salary of AHT is 450 Birr and the level of profit that was calculated based on minimum drug turn over rate and profit margin considered less all business expenses including credit repayment was estimated to 1200 Birr/ month. Finally most of the trainees have developed interest to become private while some of them have already become eager to apply for the credit facility available under VSPP of SCF UK, although the long bureaucratic procedures and bank requirements to receive the VSPP credit fund have considered barrier factors for them not to able become private soon. The technical committee, SCF KU and the trainees all recommended the involvement of CAPE to reinstate the system in a well organized manner.

1. Introduction

1.2. Training opening

The training conducted, 15th -18th of April 2004, was opened by acting head of pastoral development coordination Bureau Mr Abdulahi while head of veterinary department Dr Abdulahi has welcomed guests and trainees. Key points revised included the fact the livelihood of about 85% of the rural population of Somali Regional State is formed on livestock keeping while the remaining 15% is agro-pastoralist. Livestock production is main means of subsistence to pastoral community and backbone of the economy of the region. However because of several factors mainly recurrent drought problems and livestock diseases the livestock industry has not been performing to the required level.



Mr Abdulahi acting head of PDCB (left) and Dr Abdulahi; SRS vet .department head (right) opening the training.

With regard to animal diseases the region besides being endemic host to many tropical diseases because of sharing international boarder with other pastoral communities there is high risk of contracting some devastating animal diseases that have not been seen occurring in the country at least during the last 5 years period. As we all know the public veterinary service is very poor one and is not in apposition of picking and quickly reacting in case the worst may result in having diseases like Rinderpest.

Recognizing the fact CAHW system is the only way of reaching mobile communities hosting areas, which are full of security problem to staff, the region is trying to increase the number of CAHWs and it has plan of producing additional 170 CAHWs with a total budget of around 1.23 million Ethiopian birr, (40 CAHWs were already trained and equipped standard kits in January 2004). However, the CAHW service has been suffering lack of sustainable sources of quality drugs and regular technical advice and supervision while the public side has not been in a position to fully exploit the system in getting first hand information on livestock disease out break and report on activities accomplished by CAHWs.

In general the message transferred included the fact the government has a policy of producing large number of self employing trained man power. On the other hand It was concluded that the SRS is not in a position of serving the community as required despite

the on increasing staff number during the last 10 years and it will be a must to cut down the budget burden on the poor economy by reducing the staff salary through reducing government employees but we also believe that the region has to support professionals to become private in every aspect. In this regard this kind of training is an asset to the region and to the professionals in building the capacity of our staff to become private which is in line with the national policy. With regard to the animal health service it is true that the responsibility to deliver the service has been shouldered by SERP but since the phase out of SERP in year 2000, NGOs who have been operating through CAHWs by large have remained sole source of the service to the community especially to the remote located communities. Further some of the NGOs such SCF UK has realized the need to support the private sector as well and have established a system where government employee professionals could become private mainly through especial credit facility established. But we all know that the targeted figure has not been achieved in establishing private veterinary drug shops because of several reasons of which lack of clear understanding about the credit and small scale business planning by professionals could be mentioned the main ones.

The SRS believes that It is by recognizing all these facts, facilities and systems in place and giving due attention to the role of private in put sources to the sustainability of the CAHW service, that the SCAHP of CAPE unit of AU IBAR has organized this small scale business planning training to our professionals. Therefore this training on small scale business planning and management organized to our professionals is timely considered one with regard to our new policy of producing self employable trained manpower. Thus the SRS and Ethiopian government consider it very valuable capacity building support to the region, its NGO partners and in turn to the pastoral community and we here would like to present many thanks to the organization and its staff by the name of the SRS and its development partners; a paragraph publicized by ETV and Somali & ENA radio media, 19th and 16th & 17th April 2004 respectively.

1.2. Veterinary service privatization in Ethiopia and SRS

In the early stage of veterinary service establishment history the government was embarked on provision of heavily subsidized service although such services were not reaching remote areas. It was also very ambitious to expand the service through increasing staff number but substantial payroll burdens on state veterinary services has resulted in further shrinkage of the already town limited service. During the last 20 years, the government has not been able to maintain an exhaustive organization of veterinary service with a national coverage. It then tried to apply full cost recovery principle but typically, evolving funds have performed badly. While cost recovery was nearly always inefficient, the government budget allocations to veterinary services also declined.

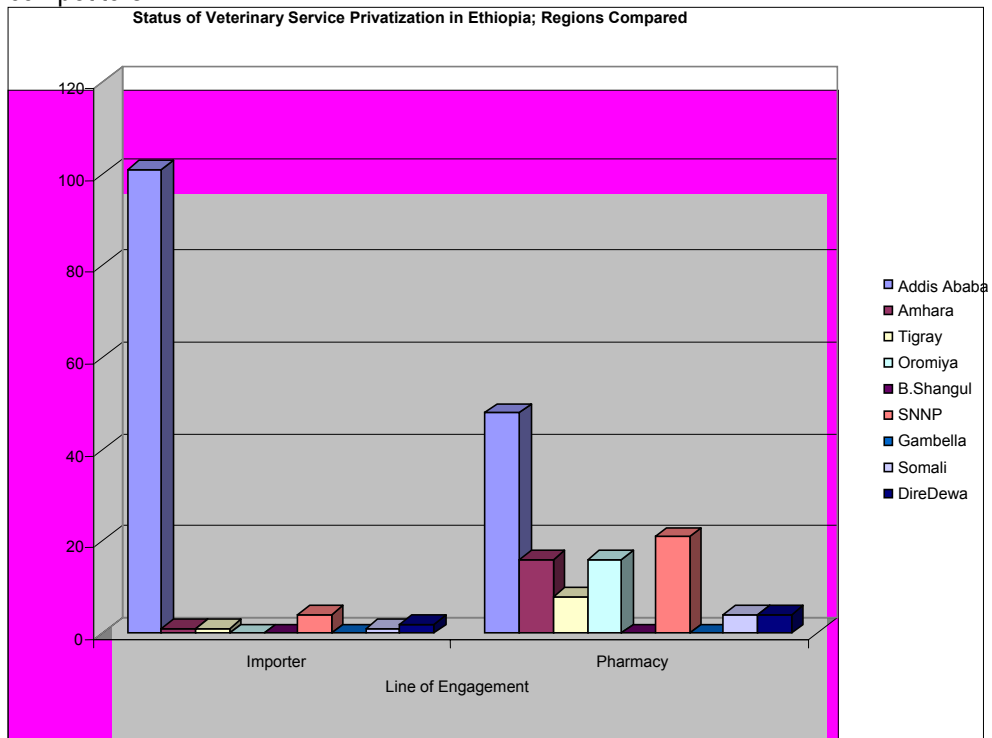
On the other hand following failure of the socialist system of derg, the federal government has transferred the responsibility of importing veterinary in puts to private sector. Similarly the regional governments were given a mandate to purchase in puts required by themselves. However, in case of SRS the pastoral communities are out of reach of conventional public veterinary services that it appeared very difficult to dispatch even the small stocks, which have been purchased during the past, before getting expired. This drug expiry problem has then further discouraged the region not to procure enough veterinary products during the last 4 years period.

Accordingly those small private veterinary pharmacies established with the support of SCF UK and aid organizations such as FAO have remained main sources of veterinary in puts reaching herders during the period. In fact absence of veterinary in puts from the regional government side did not affect the system much that those few private business established in Jlgjiga and its surrounding have been felling the gap in maintaining enough stocks especially to serve near by communities as required. Further these private pharmacies have now developed full capacity of serving the regional government in supplying stocks required during tenders. As this veterinary in put procurement business has now become a mandate of woredas this will be good opportunity for those who intends to establish private business in remote areas.



Challenges to the expansion of private vet business to remote areas include the free drugs coming in by the name of emergency interventions and some competitions from black market mainly drugs from Somalia. There are also opportunities existing, in case of SRS a lot of CAHWs have been trained by different organizations while the communities

have good experience of investing on their animals' health. Thus by linking the business to CAHWs it could be possible to solve the risk of having the black market side strong competitors.



2. Planning Small Scale Veterinary Business in Pastoral Areas

2.1. How to plan small scale Private Veterinary Pharmacy

2.1.1. Assessing and Screening of Business Ideas

Any business has to start from an idea, which is called business idea that essentially arises from some kind of opportunity in the market. The businessman or the entrepreneur should first scan the business environment looking for market demand by generating business idea. In assessing business idea, the entrepreneur or business man needs to look at number of factors that can affect the success of the project, following that the businessman should assess whether the idea is feasible or not, see the next points.

2.1.2. Market assessment

Methods to conduct visibility and market assessment:

- PRA method is the best economical way of collecting first hand information from the community.
- Tools include scoring, proportional piling, ranking, preference matrix scoring, mapping, SSI.
- Secondary data on livestock population, service delivery centers, etc
- Own observation and experience.
- Study reports on livestock diseases and veterinary service offered.



Indicators of potentially profitable market presence

- High livestock population size and diversity
- High demand to the service (high disease prevalence, limited options to get the service, experience of paying for the service and presence of cash income source to the community.)
- Absence of enough quantity and quality service in the area.

Identification of possible market competitions

- Who are your competitors?
- What is their strength and weakness

Likely happening risk analysis

- Timeline analysis to know the history of veterinary service delivery practice in the past.
- Timeline analysis to learn natural event and their impacts on veterinary service delivery system.

→ Other factors that has been affecting veterinary service quality

Some indicators of business risk:

- Free drug distribution practice
- Recurrent drought
- Unnecessary competition from government if it has strong potential
- Absence of cash income source to the community
- Livestock trade bans if the community earns cash from livestock sales
- Lack of market for livestock and their product
- Black market (not major)

2.1.3. Investment needed

Resources required that are required to establish the business is one of the things to think of ahead. The resources required incase of SSCPVB include initial capital to establish and run the business such as cash required for purchasing drugs, house (own or rent) and inside furniture like shelf, table, etc.

The money required to establish and run the business could be considered from:

- Own saving
- Bank credit
- Relatives
- Partners

3. Launching Small Scale Private Veterinary Business

3.1. *Minimum requirements and procedure to establish vet Pharmacy*

➤ License

Requirements to get license:

- ✚ Fix business location (define the location of business house).
- ✚ Fulfill internal furniture with strong doors and windows, at least drug dispensary and store rooms and basic in side furniture include shelf, drug dispensary desk with drawer, table and chair).
- ✚ Appropriate business location (main roads/near market points, accessibility to customers, etc) is very important.
- ✚ Initial business capital (own, credit, relative, partner).
- ✚ Document that ensure your being or having animal health professional.
- ✚ Business proposal.
- ✚ Application letter together with support documents from concerned government bodies/authority and own photos.

3.2. Business Proposal Writing

Business proposal should contain complete details of the business including its profitability from the cash flow forecast as it is the frame of reference while evaluating business performance.



Procedures to develop business proposal:

- Conduct needs assessment.
- Estimate the amount of service that could be consumed potentially (minimum and maximum).
- Estimate the kind and amount of resources required to establish the business and run for the first year at least.
- Estimate the business turn over rate along with revenue and expenses of the business.
- Fix business locations and name of the business to establish.
- Prepare business proposal.

Minimum contents of business proposal:

Summary of personal details: Personal details (full name, title, address, qualification, present position and employer)

1. **Background:** Present status of the region's livestock industry, factors for its list development, condition of vet service in the area, the importance of establishing such business in the area, to the region and national economy.
2. **Objective of the business:** What is the ultimate objective of the business? What would like to address?
3. **Location of the project:** Both relative and geographical location of the area selected to undertake the business operation, topography of the area, drainage system of the area, accessibility of the area to the main road and trade center etc.
4. **Detail infrastructure:** Detail information about the infrastructure and facilities such as telephone, transportation, electricity etc, of the business site.
5. **Purpose of the loan:** Provide narrative description of the loan purpose, type of service, which will be offered by the business, type of fixed assets and working capital. Capital cost should be divided in to fixed asset and working capital, next are formats to apply.

Fixed Asset:

A. Professional equipment

S.N	Description	Quantity	Estimated Unit cost	Total cost
	Sub total			

B. Office and office Equipment

S.N	Description	Quantity	Estimated Unit cost	Total cost
	Sub total			

Working Capital:

Essential drugs and Supplies

S.N	Description	Quantity	Estimated Unit cost	Total cost
	Sub – Total			

Office Running Cost:

<u>Salaries and wages</u>	<u>Monthly rate</u>
Animal Health assistance	_____
Cashier	_____
Guard	_____
Cleaner	_____
<u>Utilities</u>	
Electric bill	_____
Telephone bill	_____
Water bill	_____
Miscellaneous cost	_____
Sub-Total Monthly Payment	_____

6. Source of Finance: The detail of source of finance with corresponding amount should be stated in the following patterns

Source	Amount
1. from own saving	Eth.birr _____
2. Loan from bank	Eth.birr _____
3. Loan from relative	Eth.birr _____
4. Other Sources	Eth.birr _____

7. Market assessment

Market information can be obtained from different sources and it contains the followings.

- The total market demand (Estimated livestock population in the area by species and estimated number of cases on monthly base)
- Predicated market share or proportion the proposed business cover.
- Brief description about the possible market competition.
- Monthly statistical increment of animal health problem in relation to the increment livestock population. Increasing of monthly drug demand to solve this problem.
- The methods and channels through which you will sale your product.
- The different methods you will use to make the market know about your product.
- The market information would be used to predict cash flow and profit/loss for the entire business operation periods.
- Some key initial assumptions include:

8. Assumption

A. The life of the project

In actual terms, the life of most business can not be accurately determined as the business is expected to continue operating only as long as it is profitable. But for the purpose of planning, the life of the project is limited to be 5 years as it is a reasonable project life for forecasting /projection of cash flows and profit/losses. This five years assumption doesn't and shouldn't mean that the project will terminate itself after five year. The termination or continuation of the project entirely depends on the performance of the business. If the operation of the business is worse, it may be liquidated even in the first year of operation. On the other hand, if the business operates the way it is needed, it will continue for unlimited period of time.

B. The selling price and the mark- up percentage of merchandises

Taking the market conditions in to account, it is possible to estimate the mark-up percentage for each items held for sales. The mark-up percentage is the percentage of cost prices added up on the cost price to determine the selling price of items. The mark-up percentage is computed, after the cost price of the items, the level of income of the expected customers and the conditions of compotators in the proposed business are thoroughly analyzed. In the situation where there are many competitors, no one is the maker of the market price. The mark-up percentage determined should not bring the selling price the prices set by competitors. The mark-up percentage should result in the selling prices that do not drive costumers away. Moreover, the mark-up percentage should bring required satisfactory return on investment.

C. Estimated professional income

If the type of business proposed is service giving, the cash inflow from costumers is termed professional income. The complete market survey enables a rational estimation of the professional fees from such services over the five years. The trend of increases of these fees should also be outlined.

D. Predication of merchandise replenishment period

Replenishing drug merchandise time again exposes the business to incur high costs. In addition to this, if orders of smaller quantities are in shorter time intervals, the business is forced to incur high transportation costs than, if larger quantities of drug inventories are purchased with one order and stored for a longer times, the business will minimize the problem of stock out which reduce the volume of drug sale and affect the attitude of costumers.

In contrary, holding larger inventory of drugs for long period of time brings higher inventory holding costs (the cost of tied up capital will larger). Hence, after thoroughly evaluating the advantages and disadvantage of holding larger inventory balances over longer periods, the inventory replenishment period should be fixed in a reasonable manner.

E. Selection of method and time to calculate depreciation on fixed asset

Depreciation is the distribution of the initial costs of fixed assets over their economic life as expenses. This is done in order to recognize the loss in usefulness of the assets over periods of time. Moreover, the depreciation amount should be matched against the revenue generated from using the plant assets. There are different methods of calculating depreciation. Among these, the straight- line method is the simplest and most widely used method.

It is the method under which the depreciable amount (the original cost less the salvage value) equally distributed over the useful life of the assets.

F. Estimate yearly increment of revenues and other office overhead costs

Under the economic condition where the purchasing power of money is being declining, we have to able to estimate the percentage increment of revenue and cost items.

G. Decide the starting time of bank or other loan repayment

The starting time of loan payment will be as early as possible. Whenever the business has got excess cash than the required work capital, it has to use the whole cash excess to settle the loan until the entire loan will be paid.

9. Develop cash flow and profit/loss forecast: After source of cash inflows and all purposes of cash outlays have been identified, the cash flows projection for 12 months and 5 years is developed. In this projection the net cash flows is indicated. The net cash flows are the excess of the total cash inflows over the total cash outflows. Cash flow forecasts for 12 months and cash flow forecasts for the life of the project. The business man has to again assess the profitability of the business by doing profit/loss projection over a period of time and evaluate the performance of the proposed business.



The business man has to again assess the profitability of the business by doing profit/loss projection over a period of time and evaluate the performance of the proposed business.

Profit/loss forecast

Profit/loss should be calculated for 12 months and over the life of the project both.

10. Evaluation of the business

There are a number of investment decision criteria to evaluate a given alternative project investment among these IRR (Internal Rate of Return) and NPV (Net Present Value) are the most familiar ones.

IRR (Internal Rate of Return)

IRR is usually measures business performance by setting certain standard rate. The approach involves finding the discount rate that will make the present value of the cash inflow (benefit) expected from an investment equal to the present value of the cash outlays required by the investment. In simple terms, IRR compares the initial investment of a business with net cash flow over a number of years. Criteria to accept or reject the investment using IRR method is, to accept project if it's IRR is higher than the required rate of return (RRR) (usually set by the investor).

Formula:

$$\text{Investment} = \sum_{n=1}^n \frac{C_n}{(1+i)^n}$$

C_n=cash flow at the end of year n

r = internal rate of return

n = life of the project (accept if IRR is greater than RRR)

NPV (Net Present Value): Serves to compare cash flow projection arising at different period with its equivalent present value that it takes the time value of money in to consideration. Criteria to accept independent investments for its positive net present value or reject could be calculated using the next formula.

Formula

$$\text{NPV} = \sum_{n=1}^n \frac{[cn]}{(1+i)} - c_0 \quad \text{If. NPV} > 0, \text{ accept the project.}$$

NPV = Net Present Value

i = Opportunity cost of capital

(Minimum acceptable return rate by the investor)

n = economic life of the project

C₀ = Initial Investment

C_n = net cash flow over n period

11. Supporting documents

Personal CV with qualification evidence document, trade license and letter of support from concerned body

4. Running and managing small scale private veterinary business

4.1. Establishing business customers

- Introduce the business to influential people and customers (invite to the shop, notice board, attractive photos of animals/drugs, keep hygiene of the drug shop, place drugs and equipment in attractive ways, put guans, etc)
- Provide advice to clients (toxic nature of drugs, disease prevention, dosages, etc)

4.2. Managing the vet business

- Keeping business record (regular inventory, daily income and expense record analysis, etc)
- Profit analysis (stock turn over check, regular saving and expense balance monitoring, etc)
- Possible causes of business failures/crisis (money mismanagement, failure to conduct regular business performance monitoring, income expense analysis, etc)
- Drug management: Purchasing (study experience and demand of customers, known marks, maintain quality of products, broad spectrum, longer shelf life, affordable price)
- Handling (use separate shelf for different chemicals especially acaricides and others, avoid exposure to unwanted damaging environmental conditions)

Form No. 1 → Daily Sales Registration

Name of the business _____

Date	Item Description	Unit	Qty	Total Sales (income)	
				B	C

Form No. 2 → Stock Ledger Card

Name of the business _____

Item description _____ Unit of measure _____

Code _____ Card No _____

Date	Goods receiving No	Store issue voucher No	Quantity			VALUE						Unit price						
			In	Out	Balance	In		Out		Balance								
						B	C	B	C		B	C	B	C				

Form No. 3 → Bin Card

Name of the business _____

Item description _____ Unit of measure _____

Code _____ Card No _____

Date	Reference	QUANTITY			
		In	Out	Balance	Initial

Form No. 4 → INVENTORY

Name of the business _____

Date _____

Date	Item Description	Unit	Qty	Unit price		Total cost	
				B	C	B	C

Inventory format

Ser no.	Items	Unit	Quantity	Unit price	Total price	Remark

Stock Ledger card

Description: _____ Unit: _____

Code: _____ Card no. : _____

Date	Goods received	Voucher number	Quantity			Value		
			In	out	Balance	In	out	balance

Bin card

Description: _____ Unit of measure: _____

Code: _____ Card no.: _____

Date	Reference	In	Out	Balance	Initial

4.3. Characteristic of a businessman or an entrepreneur

The businessman needs to carry out different activities to run a business successfully. In order to do so, there are certain characteristics that a businessman needs to display in his behavior and actions. Successful businessmen are concerned with excellent performances, setting high standards for themselves and seeing that they achieve it. This attitude of wanting excellence and working to achieve it is called achievement orientation.

Achievement oriented and self confident

Successful businessmen are people with a high degree of self confidence. As they are the ultimate decision makers, it follows that this self confidence is a must for them. Self confidence, in turn, is governed by factors like self esteem, past success, and faith in one's own capabilities.

Initiative

Initiative is a trait of a person which helps him /her in taking actions that go beyond the requirements or the demands of the situation, and enables him/her to explore all the possibilities of any situation. When this quality is coupled with a high degree of involvement, the business man can think through and come out with the best possible answer to the situation.

Opportunity seeking

A business man looks for and takes action on opportunities. If the businessman has this quality, he/she would seize unusual opportunities to capture a market for his/her business and act accordingly.

Information seeking

A business man takes action on his/her own to get information which will help him/her to reach his/her objectives or clarify the problems he faces.

He/she does personal research on how to provide goods or service, consult experts for business or technical advice, seeks information or asks question to clarify what is wanted or needed and uses contacts or information networks to obtain useful information.

Goal setting

A businessman must develop the habit of setting goals for himself , both in terms of what he wants to do and when (For example, doubling his sales in one year). Knowing his goal requires that he knows his present position. A businessman also needs to set a definite time frame to achieve whatever goals he wants to reach

Willingness to take risk

This is another important facet of a businessman's personality. Taking a calculated risk is an important quality in an entrepreneur or business.

Systematic planning

A business man develops and uses logical, step by step plans to reach goals. He plans by breaking a large task down and making it into sub tasks.

He/she maintains financial record systematically and uses this information to make up his decision.

👍 Problem solving

A person having this characteristic or trait will generate new and potentially unique ideas or innovative solutions to reach goals. The person does not have a clear picture of all the alternative roads available and switches to a suitable alternative strategy to reach the goal.

👍 Networking

A businessman needs to be in contact with a number of people and agencies in his work. He/she should be able to keep a good relationship with the various people concerned, which helps him in all his activities. This works much better if it is prompted by a genuine desire to maintain good relationships. It is fairly a simple task if one understands the basic principle. Any one who has the motivation and confidence can start and run a business.

5. Case studies

5.1. *Private practitioner (manager of Jigjiga veterinary business)*

5.1.1. Brief history of Jigjiga veterinary drug and farm store

Jigjiga veterinary drug and farm store was established in April 2000 with a total capital of 100,000.00 Eth. Birr, out of which 50,000 Birr was a loan obtained from SCF UK while the remaining 50% was from own savings and loans from relatives. In this regard the business was established mainly because of inputs, technical and financial, obtained from SCF UK.

During the first 2 years period of the business sales of veterinary drugs and other agricultural inputs to clients, community and village doctors, was remained the main business income source. Accordingly the business profit was not enough to fully cover its

expenses as repayments of loans from relatives and part of that of SCF UK credit was also ongoing. Thus it was a must to diversify lines of incomes by being flexible that other agricultural inputs such as animal feed, insecticides, seeds, etc were also considered

Problems encountered while establishing and at the early business age included:

- Long bureaucratic chain to get license.
- Lack of fixed assets to meet bank requirements, collateral.
- High tax rate.
- Unfair competition from government clinics.
- Distribution of free and subsidized drugs by NGOs and government.
- Low quality but cheaper drugs coming from Somalia.
- Recurrent drought
- Absence of good market for live animals due to bans.



- Despite all these challenges the drug turn over rate was still good, see next

table and figure for stock turn over rate during first 22 months.

5.1.2. Current status

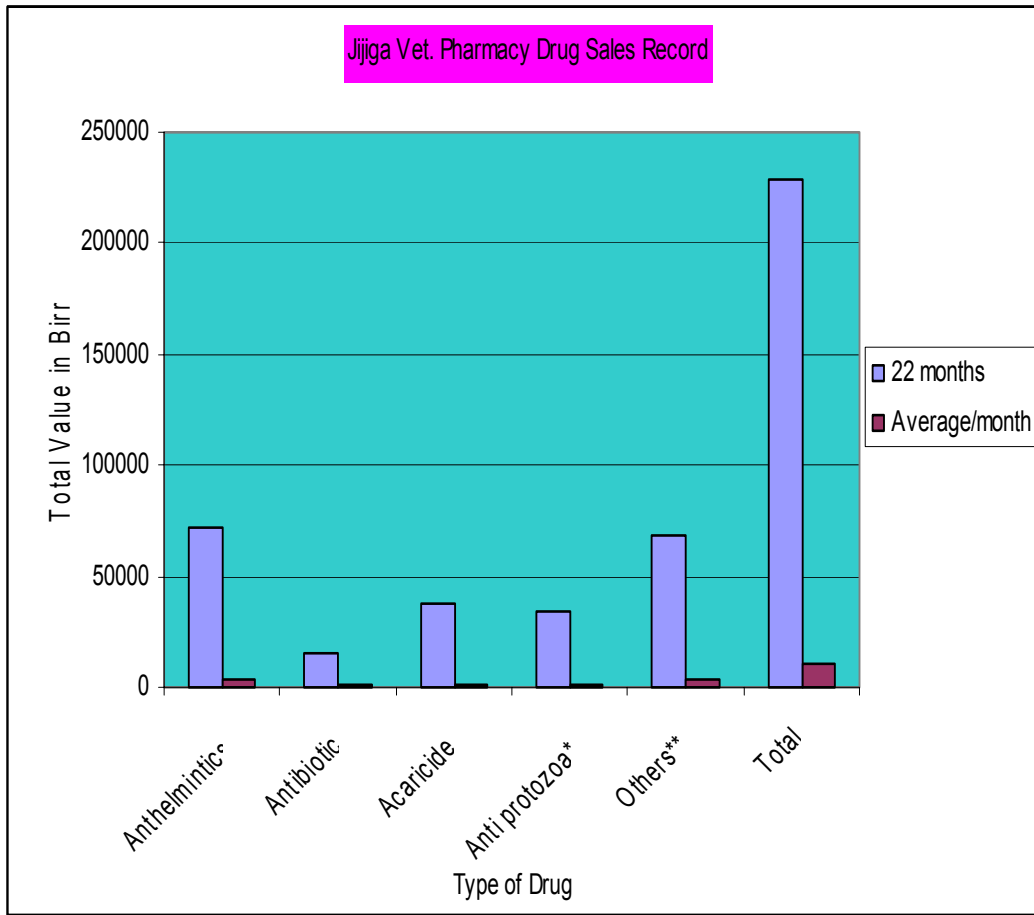
The business has now completed payment of loan from relative side and 80% of the loan received from SCF UK project.



Drug sales have increased by more than 200 % and the business has developed a financial capacity to become whole seller and also able compute and win local tenders offered by SRS.

Finally I would like to present many tanks to the SCAHP of CAPE for the opportunity given to introduce the business to professionals who are working with actual potential business clients, pastoralists. Trainees visited Jigjiga veterinary drug and farm store and have learned a lot.

Items dispatched	Anthelmintics	Antibiotic	Acaricide	Anti protozoa*	Others**	Total
22 months	72002.5	15699.5	37975	33818	68951.1	228446.1
Average/month	3,272.84	713.61	1,726.13	1,537.18	3,134.14	10,383.91



*Mainly Trypanocides: **: Supportive drugs, insecticides, instruments and seeds

5.1.3. Group exercise

The objective of the exercise was to evaluate whether small scale veterinary business in pastoral areas is attractive to professionals based on minimum level of profit possibly obtainable. Further to whom the profit would be more attractive; vets, AHAs, or AHTs accounting to the current salary scale.



The trainees being divided in to six groups based on their origin; Gode, Dollo, Aysha, Meiso, Afdem and Harshin sites have estimated the minimum drug turn

over rate and profit margin per item then average figures were considered for the calculation.

Assumptions:

- Veterinary drugs considered and turn over rate; average for the first six months.

No.	Description	Unit	Stock turn over rate/month	Unit price	Total Price
1	Oxytetracycline 20%	Bottle	34	22	748
2	Oxytetracycline 10%	Bottle	30	16	480
3	Trypamidium	Pack	10	420	4200
4	Deminizine	Sachet	100	3	300
5	Albendazole 2500mg	Pack	10	80	800
6	Albendazole 300	Pack	20	25	500
7	Acaricide	Liter	8	80	640
Total					7668 ETB

- Estimated minimum possible profit margin by items; average for the first six months.

No	Description	Unit	Sells/month	Unit sales price	Total Sales price	Gross Profit
1	Oxytetracycline 20%	Bottle	34	28	952	204
2	Oxytetracycline 10%	Bottle	30	20	600	120
3	Trypamidium	Pack	10	500	5000	800
4	Deminizine	Sachet	100	4.5	450	150
5	Albendazole 2500mg	Pack	10	100	1000	200
6	Albendazole 300	Pack	20	40	800	300
7	Acaricide	Liter	8	110	880	240
Total					9682	2014

- Maximum possible business expenses; average for the first six months

Variables	Amount/month in Birr	Remark
Salary	500	Average salary of AHT
House rent	150	3 rooms
Utilities	60	Cleaner, water, etc
Miscellaneous	50	Stationery
Total	760 Birr	

- Balance based on average of six month estimate cash flow by six groups

Gross sales	Gross profit	Total expense	Gross profit less expense
9,682 Birr/month	2,014 Birr/month	760 Birr/month	1,254 Birr/month

- Assume that the business would be established with a lone of 50, 000 Birr from SCF UK VPPSP and the loan repayment begins month one.

Total repayment in 5 years	Repayment/year	Repayment/month	Gross profit less expense Less loan repayment		
50,000 Birr	10,000 Birr	833.33 Birr	420.67 Birr (net profit)		
Balance					
Salary from the business	Net profit /month	35% incentive*	Total net income	Government salary	Balance/month
500 Birr	420.67 Birr	291.66 Birr	1,212.33Birr	450 Birr	762.33 Birr

* 35% incentive is for the loan payment period

Who is more attracted with the net monthly in come of 1,337.70 Birr above indicated; vet, AHA or AHT?

- The salary of veterinarians was said almost close to the figure so there will be no much difference unless the working capital and drug turn over rate of higher level would be obtained.
- Also AHAs are getting around 1000 Birr/month on average.
- But the AHTs are far from that figure.

5.2. SCF UK credit fund for promotion of veterinary service privatization

Purpose of the project

To protect the livestock assets of communities in the SRS by improving the availability and sustainability of primary veterinary services.



Objective of the Fund

To support the expansion of private veterinary services in the region through provision of loans to private applicants who are interested in opening pharmacies and/or clinics for animals.

In order to achieve its goal and objective the Commercial Bank of Ethiopia was selected as the best option to manage the kick-start credit fund by the VPPSP. Then Guarantee Fund Agreement was made between SCUUK and CBE and the bank agreed to extend

loan to eligible candidates following terms and conditions of the bank i.e. conventional lending procedures of the bank. Accordingly SC deposited a "Loan Guarantee Fund" amounting 742,520 in the bank in an interest bearing account. Further Regional Veterinary Privatization Management Committee (Steering Committee) and Technical Committees were established to assist implementation of the project. The steering committee members are Economic and Planning Sector Bureau, DPPB&FS, BoA, SCUUK, CBE, and Investment Bureau. Technical committee is formed by: Veterinary professionals from SERP and BoA, and SCUUK VSSP officer.

In general interested professionals and sub-professionals as individuals or in association produce business proposal documents and submit to the TC. Further candidates take training on business management. The TC appraises and screens the applications and other requirements then forwards to the Steering Committee for approval then the bank after further scrutiny and after assessing the economic and commercial viability of the proposals extends a specified amount of kick-start loan to eligible candidates from its own source. In this system the amount of loan and name of the candidate is determined by the steering committee to communicate to the bank in writing; 50,00ETB being the maximum.

The TC oversees establishment of the pharmacy and/or clinic and makes sure that the kick-start loan goes actually to the intended purpose. Borrowers produce reports to the project and also make repayments both on a monthly basis; the bank also produces a monthly report on repayment status. TC makes periodic visits to the sites of the pharmacies for monitoring in terms of financial and physical performance. Eligible candidates can collect the loan from nearby branches of the bank in the SRS.

The project phased out in March 2002 and until then 8 private vet pharmacies and/or clinics established. Two regional policy statements on veterinary service delivery were developed and issued, the 1st in September 1997 and the 2nd in May 1998. Several Workshops and trainings held to build the capacity of professionals in BoA. 65 CAHWs were trained from Jijiga and Shinile zones. The project resumed in late 2003 for SC UK secured from another donor, USAID. Since then both TC and STC were reorganized while refreshment training was conducted to 42 CAHWs from Jijiga and Shinile zones.

Lesson Learned: One of the factors that delayed implementation of the project was difficulty in conducting timely Steering Committee meetings. This was attributed to size of the committee and also to the fact that there was a high turn over and reshuffling of top senior government offices. Consequently new faces have often been appearing in the committee and hence needed considerable time to catch up with the project. Although review of size and members of the committee and pledged that they will seriously follow up the issue. The SC meeting is called when they are to approve release of loan to eligible candidates, and if and when the need arises.

Current status: Pastoral development coordination bureau (PDCB) is chairing the SC. The Loan Guarantee Fund in is already in CBE, and the operational cost is to be covered from the FOCUS project. Book and balance of the LGF as of June 2003 was 1,038,515.29 ETB. The VSSP will formulate agreements b/n SCUUK, BoA, the kick-start applicant and guarantor(s).

Requirements: The kick-start applicant will need to:

- Submit a full project proposal- Format
- Be supported by one or more guarantors.
- Provide evidence of vet. Qualification which are recognized by the Federal Democratic Republic of Ethiopia.
- Provide evidence of an appropriate licence to operate a veterinary facility.
- Provide evidence of insurance cover for the accidental loss, theft or damage to the kick-start.
- Be willing to assist the TC in the inspection of potential premises related to business proposals.
- Be willing to assist the VSSP in the monitoring of the financial performance of the kick-start applicant's business.

The Guarantor: The role of the guarantor is as follows

- To guarantee against misuse of the kick-start by offering fixed assets to the value of the kick-start. "Misuse of the kick-start" will be defined by the TC in the kick-start agreement.
- Establishment of joint monitoring team and review of monitoring formats.
- Monitoring of existing 8 private vet. Facilities.
- Start to receive new applications and their subsequent screening.
- Establishment of joint monitoring team and review of monitoring formats.
- Monitoring of existing 8 private vet. Facilities.
- Start to receive new applications and their subsequent screening.

Normal requirements:

- Each accepted candidate shall sign loan contract with the branch of the bank.
- SCUK is guarantor of the principal amount, interest and costs, it is required to sign a guarantee contract.
- The bank will accept other Collateral that covers the total loan amount from the borrowers taking all the necessary precaution and security measures.
- In the event of default the bank gives 30 days of notice and realize the securities as per proclamation No.97/98
- In the event the collateral is not sold in the 1st and 2nd auction, the bank will withdraw the balance of the loan from the LGF; and the Steering Co. will decide how to dispose of the collateral.
- If the proceeds of sale of the collateral do not cover the indebtedness of the borrower, the bank will draw on the LGF Account for the relevant amount after giving 15 days notice to the Steering Committee.

Repayment period: a maximum of 5 years, depending on the requirements of each applicant, a grace period on repayment of principal of up to 12 months may be considered.

Major problem: absence of bank branches in most of the zones while one of the zones Liban is denied to get service through Jijiga branch because of area divisions among bank branches.

6. Linkage between sustainable veterinary pharmacy and Community Animal health Workers (CAHWS)

In most sub Saharan countries veterinary service has been deteriorating progressively during the last decades both in terms of quantity and quality (CTA/GTZ/ODA/CTVM, 1985). In pastoral areas of Ethiopia the CAHW system has been becoming the sole responsible body providing the service. NGOs have been the main bodies supporting the system for long period but currently government veterinary service is also producing CAHWs by itself. Further some private drug shops are now starting to use the system to dispatch their products over wider areas. The current linkage between those private veterinary drug shops and CAHWs around Jigjiga and Diredewa has been established over years and accidentally as CAHWs were coming to buy drugs of relatively bulk amount in a regular basis then the drug shops started to offer them discount rates.

Who benefits most; private person or CAHW?

Advantages the business gains include:

- Increase of drug turn over rate
- Able to compute black market side
- Able to reduce cost of cost recovery

Advantages to CAHW

- Having continuous in put sources
- Advice on doses/ new products
- Getting some discount by being potential client
- Getting credit stock if necessary

What kind of client relationship?

- Mutual benefit oriented
- Sustainable one
- The business should always acknowledge the fact CAHW's benefit is formed on the service charge and mark up on drug price they buy from the drug shop to sell to herders.
- In this regard they have same client means herders and if the drug shop continue selling drugs to direct consumers at equal price the CAHW can not dispatch his/her stock as required.
- Therefore for mutual benefit purpose the shop should be aware of this fact that especial arrangements would be made to encourage CAHWs.

How to establish sustainable client relationship with CAHWs

The client relationship between private person and CAHW could be accidentally over longer period established that the CAHW initiates the bond. In this case the private person has a guarantee that the CAHW has strong potential to rely on for the future. Client relationship could also be purposely established in which case the private person

initiates the linkage process. This could be by being part of the system that establishes CAHW service or by having enough information about the service established. The private person may make some investment but the process of forming linkage would be faster and stronger comparing to the first one. If the private person wants to link his/her business to already existing CAHW service the followings are very key steps to consider.

- Screening CAHWs for their efficiency and reliability
- Knowing personal background of individuals
- Whether the CAHW is actively functioning or not
- Know the kind of training the CAHW received

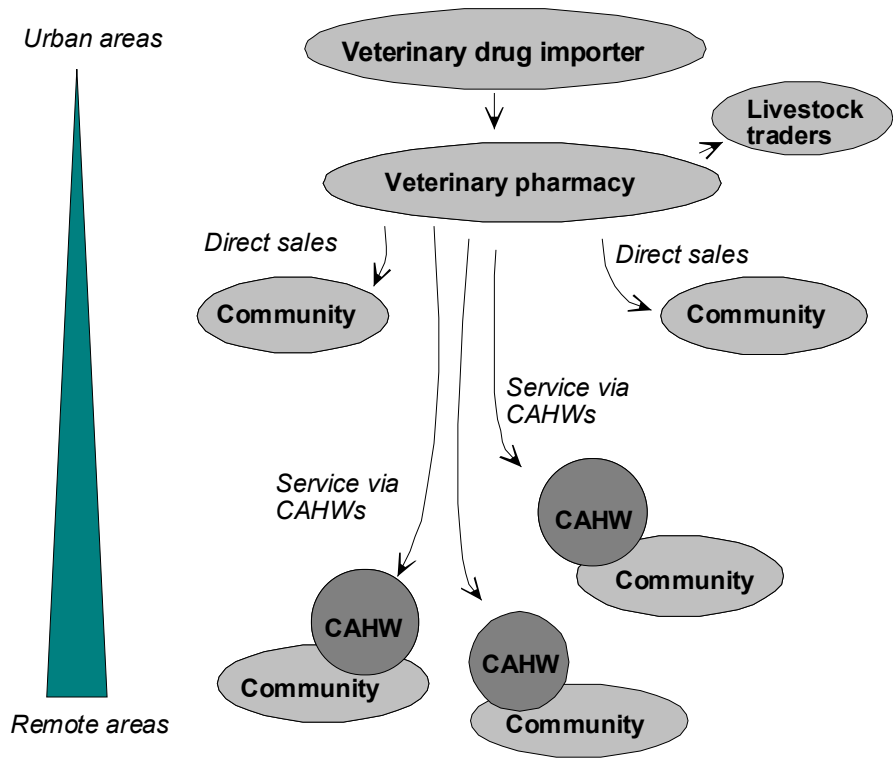
Minimum commitments to maintain

Private person:

- Keep and send CAHW report to concerned body
- Supply quality products at fair price
- Supervise CAHW and provide advice and refresher training

CAHW:

- Submit activity and out break report to the private person on a regular basis and as required.



Annex 1. List of trainees by address

Name	Address Zone/woreda
Ismail Ahmed	Liban/Dollo Ado
Mohamud Abdulahi	Afdher/Bare
Isak Mahamed	Liban/Moyale
Elias Terefe	Jigjiga/Kabribeyah
Dulene Umer	Godey/godey
Mohamed Ahmed	Godey/Ferfer
Abdulahi Farah	Afdher/Dollobay
Hassan Farah	Godey/Kalafo
Abdi Afi Qaman	Godey/Mustahil
Habtamu Fersa	Shinille/Meiso
Abera Mengesha	Shinile/Afdem
Solomon Zerihun	Shinille/Aysha
Dr Alemayehu Tadesse	Afdher/Hargele
Mohamed Hussien	Jigjiga/Awbare
Solomon Belete	Jigjiga/Harshin
Ashar Abdulahi	Jigjiga/Lefeisa
Ali Abdi	Jigjiga/Radiofana
Mohammed Deq	Jigjiga/ENA
Melaku Ayalew	Jigjiga/Walta
Foad Abdulahi	Jigjiga/camera man
Abdiaziz Abdulahi	Jigjiga/LCD owner
Hailu Abebe	Jigjiga/driver

Annex 2. Current status of veterinary service privatization current status in SRS

S. No	Site of the business (zone, woreda)	Type of business (activity)	Projects attachment	STATUS	
				Process	Activity
1	Jijiga	Pharmaceutical importer	Self owned	Finalized	Functional
2	Jijiga	Pharmacy	SCF UK loan	Finalized	Functional
3	Jijiga	Pharmacy & Clinic	SCF-UK loan	Finalized	Not functional
4	Babile	Pharmacy	"	"	Functional
5	Gode	Pharmacy & Clinic	"	"	Not functional
6	Gode	Pharmacy	"	On-process	-
7	Ararso	Pharmacy	"	Finalized	Functional
8	Shinile	"	"	"	"
9	Shinile	Pharmacy & Clinic	"	Proposal submitted	?
10	Moyale	Pharmacy & Clinic	"	"	?
11	Fiq	Pharmacy	"	Finalized	Functional

Annex 3. Current status of veterinary service privatization; national and regional

S. No	Regions	Engaged Vet business practices /activities				
		Importers	Clinics & pharmacy	Clinics	A.H. posts	Pharmacy D.S
1	Tigray	1	-	1	-	8
2	Amhara	1	6	-	14	16
3	Oromiya	-	8	-	13	16
4	Benshangul G.	-	2	1	-	-
5	SNNP	4	1	1	3	21
6	Gambella	-	1	-	-	-
7	Somali	1	3	-	-	4
8	Dire Dawa	2	-	-	-	4
9	Addis Ababa	101	22	17	3	48
	Total	110	43	20	33	117

Annex 4. Fixed Asset

1. Office furniture

N.S	Description	Unit	Quantity	Estim. unit cost	Total
1	Shelves	No	1	2500	2500
2	Table	No	1	300	300
3	Chairs	No	2	200	400
4	Box file	No	5	30	150
5	Registration book	No	2	50	100
6	Table Calculator	No	1	100	100
	Sub-Total				3550

Reference:

- Andy Catley Community-based Animal Health Care in Somali Area of Africa: a review (PARC-VAC, OAU/IBAR, 1999)
- Business Proposal Writing Prepared by Veterinary Service Support Project Run by SCF UK and Somali Region Agricultural Bureau
- S.Savakamasundari Entrepreneurship Development for Rural Women APCTT, Dr.,1995.
- Deutche Geseuschatt Pastoral production in central Somalia, Technical production, Federal Republic of Germany. 1993.