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# THE BUSINESS MODEL OF THE ELIZABETH CENTRE;

GIVING A CLEAR VIEW OF POTENTIAL FUTURE  
PROSPECTS WITH FOCUS ON VALUE CREATION

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## 1.0 Introduction

The Elizabeth Centre (EC) is located in Kolila village, which is close to Kilimanjaro International Airport. It lies between Mount Meru and Mount Kilimanjaro, home to the large towns of Arusha and Moshi respectively. The sisters of the charity St. Charles Borromeo established the EC in 2005. The charity's vision and mission is to help reduce poverty. This is not just limited to financial poverty but also spiritually and mentally. In 2014 and 2015 students from the University of Groningen and Newcastle University conducted a research on the Elizabeth Centre. They presented their findings and potential business ideas in form of a report. During July 2016 a new group of students got the opportunity to conduct research on the Elizabeth Centre. The findings of the previous years will be combined into one report in order to present a clear overview of the development of the centre over three years of time.

The aim of the Florentina Foundation is to help the Elizabeth Centre to become self-sufficient in the future. The goal of the foundation has to be in line with the values of the Elizabeth Centre in order to create a mutually beneficial situation. This report will shed light on the business model developed by the Florentina Foundation; the investigation on how the Elizabeth Centre can survive. The Elizabeth Centre serves as a teaching institution and provides social housing for the primary and secondary school children. The benefits the social enterprise creates are of great value for the development of the local community. The main consideration is how to generate income and become self-sufficient, without losing the focus on the social aspects of the Elizabeth Centre. Therefore, this report will give an overview of the development of the Centre over the past three years, the actual situation, and prospects for the future. The research questions is stated as follows:

**RQ:** *How can the centre be self-sufficient without losing the focus on its core competences, which are of social nature?*

## 2.0 Situation Analysis

Initially, the purpose of the Elizabeth Centre (EC) was, to provide locals with water. Women mostly collected water and while the mothers did their nursery, the sisters of the Charity of Saint Charles Borromeo educated the children. In addition to the focus on primary school and nursery, the EC had influence on the development of the village and through funding; several projects were established in order to increase standards of living in the surrounding village and to positively influence the local area. The centre has now expanded into a 400 capacity primary school with boarding facilities and a secondary school, which is transitionally held in the multipurpose hall. Furthermore, hostel rooms used for hosting guests are managed, one house rented out as souvenir shop, other houses that are rented out or sold for social housing and the centre owns land for further expansion around the centre. Other smaller-scale activities are the smallholding of animals, selling their produce such meat and milk, and the maize mill. As can be seen on a screenshot from Google Earth, the centre grew immensely over the past years (retrieved in September 2016).





*Figure 1 - Google Earth screenshot of the Elizabeth Centre.*

The support from the Hans Van Bokken Foundation (HVB) and the Florentina Foundation (FF) has enabled this expansion. Funding from HVB, which was due to finish in 2015, is still supporting the Centre in 2016, but also the contract with FF is supposed to run out in 2017. Therefore, the need for a self-sustaining EC is larger than ever. The EC has inevitably transformed into one of the main employers in Kolila, and acts as a substitute for where the government has failed to provide services. Economically these include employment and microfinance; socially these services include education and social housing. It is important to note that the EC provides these services with the intention to help reduce the poverty in the region, and hence often no profit is made due to the main mission being to bring people out of poverty. This emphasises the mission of the sisterhood as not being profit-oriented, but instead pursuing social objectives such as improving the lives of the people in the community, which consequently dominate the decision-making. As a result, the EC is reliant on funding from the outside in order to operate as a social enterprise since the biggest earnings in form of school fees are insufficient.

## 2.1 The Structure of the Elizabeth Centre and Its Supporters

This section will elaborate the vision, mission and objectives of the Elizabeth Centre developed by the members of the board of the Florentina Foundation in 2011. In addition, the composition of the board will be explained and as result this will give a clear overview of the EC.

### Vision

- Support harmony, justice, freedom, peace, dignity and self-reliance among rural communities in Tanzania

### Mission

- Promote, encourage, and facilitate child and adult academic, social and emotional education and health care

### Objectives

- Develop and manage a community centre in Kolila Village that will incorporate a nursery and primary school, vocational training and basic health facilities
- Develop appropriate academic, social and emotional education methods that are professional and culturally sensitive
- Promote, support and encourage local self-reliance initiatives that help to promote a ‘sense of community’
- To be an active member of the community

According to this research, the mission and the objectives of the EC should be adjusted according to the current situation. In the mission, the provision of basic health facilities is stated. It is important to acknowledge that the EC has not been developed in such a way that facilitating health care is possible yet and as a result not one of their priorities right now, but there is potential for it in the future. The focus should be on developing the secondary school. It is very important that everybody in the board understand the mission, vision and objectives agreed. Misunderstanding and miscommunication can lead to complications when it comes to future investments and the way of how the Centre should be self-sustaining. Sister Immaculati mentioned that due to misunderstanding of the interpretation of the mission and vision wrong expectations are created. As a basic principle, the agreed vision, mission and objectives should be aligned with both the Elizabeth Centre and the Florentina Foundation.

If particular missions and visions are created which will do not correspond with reality, false hope is created for the sisters who are living at the Elizabeth Centre. For instance; one of the visions are to create health care. Then, the Elizabeth Centre is expecting a place where the nurses can provide the community and the school of proper healthcare. However, these days there is unfortunately no healthcare provision at the Elizabeth Centre. The relation between the two parties will affect since false expectations will be created. We can conclude that the communication between the parties should be optimal in order to keep both parties happy. In the long run this can lead to a inefficient partnership, it would be much more beneficial if target set out by the charities are realistic so the EC can expect to fulfil these targets.

**The Composition of the Board**

As displayed in figure 2, the Elizabeth Centre Governance Board (ECGB) consists of 7 members. The members of the EC are; Sister Immaculati (Chairperson), Sister Gaudencia, Sister Regina Sumi and Priest Uria. The members in the board from the Florentina Foundation are Rob Boogaard (treasurer), Kees Terhell and Patricia Terhell (secretary).

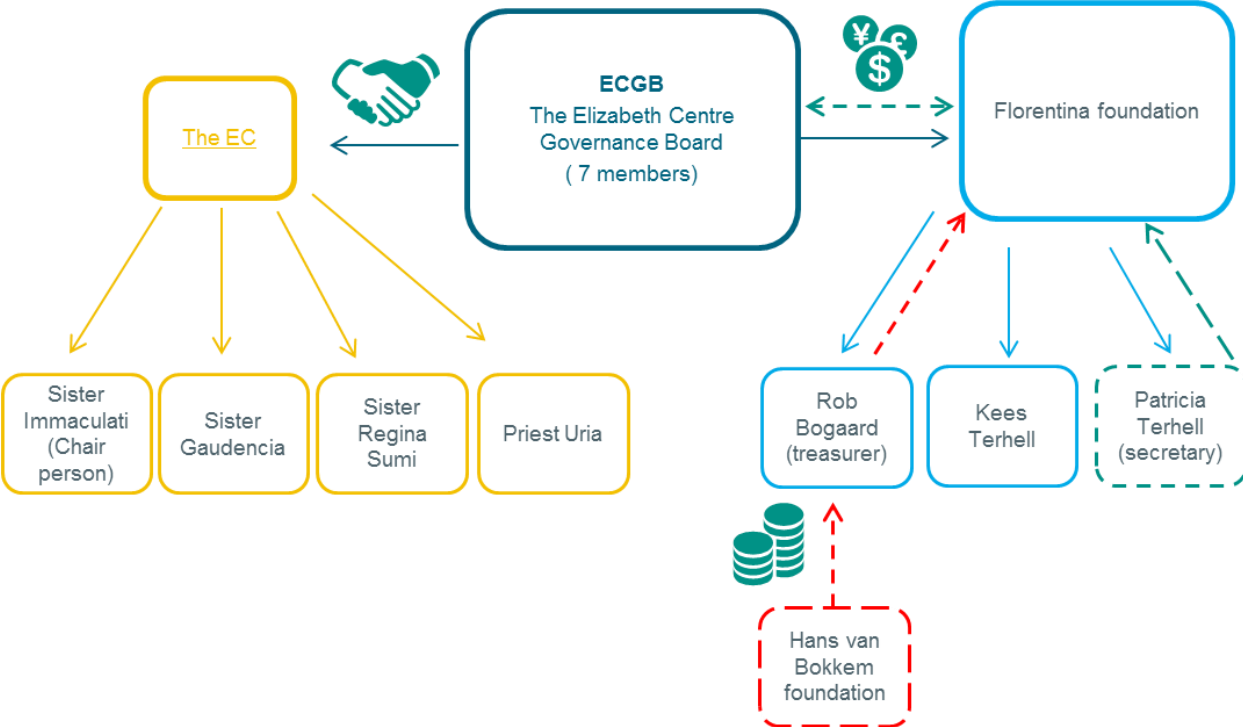


Figure 2: Elizabeth Centre Governance Board

The members of the ECBG are making the decision regarding the Centre and it is possible for a donor to become a member of the board. This new member should share than the vision, mission and objectives of the Centre. If a donor wants to support part of the Centre, for example the school only, than the donor may be considered to participate in the school board, but not in the governance board (according to the ECGB Minutes of Meeting November 16, 2011). Currently the mediator between the EC and the ECGB is Patricia Terhell. The mediator between the Hans van Bokkem and the Florentina Foundation is Rob Boogaard.

HVB is not present as a member of the governance board. This could lead to conflict of interest, since the HVB is a major support for the primary school. The board makes the decisions but as a main supporter HVB wants to have some interest in the EC. According to the sisters, the Hans van Bokkem foundation has no rights to influence the decisions that are made.

Hans van Bokkem has the right to become a member of the board of the school and as a consequence have an influence on the decisions made. However, nobody of the Hans van Bokkem foundation is in the board of neither the school nor the Elizabeth Centre. This contradicts the decisions that are made during the meeting in 2011. ‘If a donor wants to support part of the Centre, for example, the school only, than the donor may be considered to participate in the board school (according to the ECGB Minutes of Meeting November 16, 2011).



## 2.2 The Facilities

<b>Building</b>	<b>Description</b>
Nursery and Preschool	1 building block, 2 classrooms
Primary 1 to Primary 7 classes	5 building blocks, 8 classrooms, 1 library, 1 staffroom
Multi Purpose Assembly Hall	1 building block, temporarily used as Secondary school
Administration Block	Administration office and Head office
Kitchen	1 block with inside and outside cooking facilities
Dining Room	For Nursery and Preschool children (Primary classes eat in classroom)
Toilet Block	7 toilets, 1 urinal
Managers House	House with 4 bedrooms for the Sisters
Public water & hygiene depot	Water depot with public showers and toilet
Temporary Dormitory	2 rooms for up to 6 small children with toilet and shower
Girls Boarding Dormitories	2 building block (Study room, ironing room, toilets, bunk beds)
Boys Boarding Dormitories	1 building block, 3 rooms for up to 16 children
Toilet and Shower Block	1 building block with 4 showers and 4 toilets
Kitchen	1 building block with inside cooking facilities
Hostel	1 building block, 2 rooms for up to 6 people (including bathrooms)
Maize Mill and Shop (Off site)	Selling households goods and staple foods at reasonable rates
Female Teacher Training Housing (Off site)	Housing for up to 8 women who are in various training programs with the Centre
Farm	Livestock, fish pond and vegetable garden providing fresh meats and vegetables for students and staff at the Centre
Food Bank	2 silos with 2 more silos planned for storage of maize and beans used for school meals
Utilities at Centre	3 phase electricity TANESCO, borehole and water pipeline from village supply
Future Developments	3 building blocks, Secondary school classrooms, storage rooms, toilets, laboratory
Former Internet Room	Secondary school staff room and workspace

*Table 1: Overview of EC's Facilities*

Table 1 provides an overview of the facilities of the Elizabeth Centre upon July 2016. One needs to understand that building up these facilities takes time and patience. Remarkably is that all these facilities are built within a time horizon of 11 years, as you can see on the satellite pictures in Appendix A. This remarkable development built within 11 years will

contribute to potential success in the future. Expanding the EC with a secondary school and a hostel for the secondary school children will make the EC even more successful. All the buildings are constructed of superior materials, which will be beneficial for the maintenance of the buildings in the future.

With Sister Immaculati's established trust relationships with the local community, she managed to work out an agreement with an individual who supplies building materials such as cement. As a result, Sister Immaculati is able to pay for the materials in a longer term rather than paying the full amount in advance which is beyond the bound of possibility in EC's current state. This enables then improved cash flow and highlights the importance of good relationships between the EC and local businesses.

In addition, the Elizabeth Centre is in the possession of enough land plots for future developments. Especially in the area of the girls boarding dormitories, since this side of the Elizabeth Centre has a good connection of water and electricity provided. The proposed additional development idea is for another additional three building blocks. These blocks will be used for the secondary school classrooms, storage room, toilets and laboratory.

An architect and a lawyer have already visited the Elizabeth Centre for this new idea, which indicate progress. The Florentina Foundation is organising a one-week support trip in 2017 in order to start building the secondary school. Of course, the secondary school will not be built within a week but that would be a start and hopefully there will be sufficient money in 2017 to finish this school.

### 2.3 The Financial Situation

The Elizabeth Centre has developed significantly over the past years and is now able to provide mandatory education for students at the Centre. The Centre is supporting those students that cannot afford public school or facing a difficult family situation. Therefore, the school fees are lower than fees by institutions subsidised by the government (but public school has no fees). The government does not fund the Elizabeth Centre, since it is a private school. The highest costs arise from personnel: good teachers are crucial for the development of the EC. These are the basic social aspects that have to be understood when thinking of a business model for the EC.

School fees for primary school cannot be increased, since that would bring the students in danger of not affording the study fees and that in turn could lead to liquidity problems for the school. If parents cannot pay by cash then they try to pay with goods useful for the EC. The salaries of the teachers cannot be lowered, in contrary, they have to be rewarded for the good job they are doing and quality teachers leave if it is not done so. In order to improve the education the EC needs to attract the best quality teachers, which demand a high salary, meaning school fees will need to be increased. The problems are cyclical.

The centre has to cover the largest expenses such as the development of the secondary school building, as well as the boarding school, which would constitute an enlargement of the Centre over the borders of mandatory school education. Therefore, the study fees can be higher than the ones for the primary school. Students from further away can be attracted for the school and the availability of housing during term time.

Table 2 provides an overview of the income and outcome money stream of the EC. According to the sisters, the EC is lacking the most money for running the school, especially for the secondary school. The government will close the school if there is no visual progress by August 2016 so there has been a degree of urgency in obtaining finance to at least build something. The school is the main cost and internal revenue stream for the EC; overall the largest income is external and comes from donations of Hans van Bokkem and the Florentina Foundation.

Hans van Bokkem covers 60% of running the school and the remaining 40% will be covered with the help of the Florentina Foundation. The 60% includes the school uniforms, shoes and teaching materials and the salary of the teachers. These costs of making uniforms for the students differ among age. The price differs between 6,000 TSH for kindergarten students and 8,000 TSH for the older students.

We have produced Table 2 from the information that was available to us given the time frame. It should not be taken as an accurate representation of the Elizabeth Centre's financial position. Sister Immaculati told us that usually the EC makes a profit of around 2-3 million TSH per year, which is reinvested back into the Centre, commonly in the form of bonuses for the teachers. Our table is, however, useful to represent the reliability the EC places on the

donations from Hans Van Bokkem and the Florentina Foundation. Without these donations it is clear that the EC would be unable to continue to operate.

<b>In TSH</b>	<b>Cash in</b>	<b>Cash out</b>
<i>Donations</i>		
Florentina Foundation	10,000,000	
Hans van Bokkem	133,817,200	
Additional donation	500,000	
<i>School</i>		
Primary school fees	52,280,000	
Secondary school fees	4,400,000	
Teacher material		3,255,000
Boarding fees	31,200,000	
Uniforms	281,500	6,950,200
<i>Salary teachers</i>		
Salary staff		23,780,000
Textbooks		2,663,600
Shoes		2,416,000
Food		27,838,100
Transport	1,470,000	16,294,000

<i>Income Generating Projects</i>			
Selling milk		730,000	
Rents from social housing	100,000		
Rent from Souvenir Shop	840,000		
<i>Other</i>			
General maintenance		36,000,000	
Loans		70,000,000	
Taxes		10,000,000	
Insurance		4,192,500	
Utilities		8,649,320	
Office Supplies		3,023,200	
Communications		2,740,000	
Accountant		4,440,000	
Other		3,865,720	
<b>Total</b>		<b>235,618,700</b>	<b>226,107,640</b>

Table 2: Overview of Income & Outcome Money Stream of the EC

## 2.4 Education

Education is the basis for students to grow further and find a good job or to become entrepreneurs by themselves. The centre does not just offer vacancies for locals and attract teachers, but it also connects the EC to the local community. It is hard for the EC to raise awareness for the importance of education for the children. Sometimes, parents think that



education will not be necessary - especially for girls - as it is likely that they will marry after they graduate, and so education for them is not a priority in their parents' mindset. However, more and more people follow the advice and send their children to school. The need for education institutions that are affordable for everyone is expanding.

The mission statement of the Elizabeth Centre is to offer children a good education, even if their parents cannot afford a public school or if it is of any reason not possible to send them to a public school. The Elizabeth Centre therefore charges lower school fees than public schools. It focuses on children of poor families or children that have a difficult family situation. The objective of the EC is not to make profit - it is a social institution that is lead by Catholic Sisters. Therefore, the sisters will not and cannot contradict their values. Being a social institution it is difficult to cover the costs with the study fees that they earn from the students. Since the amount is not covering all the costs, money has to flow in from outside the centre at this point in time.

- I. In the current setting, the Centre is not able to be self-sustaining
- II. The costs outweigh the income
- III. Additional funding next to the school-fees is necessary

Sometimes children are sent back to their parents to collect the money that has yet to be paid. A few years ago these children would not return back to the EC but nowadays the children will come back with at least a little money to cover a part of the school fees. In addition, children of parents that are unable to pay the school fees in monetary terms are able to pay the school fees in terms of goods the EC can use for preparing food for the children. Therefore, we acknowledged the trust between the local community and the EC rising over the past few years, which is necessary for the further development of the EC.

#### 2.4.1 Primary school

This year, the students from nursery to Standard 7 totalled 397 students as displayed in Figure 1, and 13 teachers. Referring back to the reports from 2014 and 2015, the school fees of the students have not changed. Sister Immaculati had initiated to oppose increasing the school fees, however, it was unsuccessful due to complications such as teachers' with children studying in Elizabeth Centre themselves cannot afford to pay the rise in school fees with their

salary. In addition to that, parents currently are already struggling to pay the reasonable school fees that EC has offered.

The students' school fees mainly covers the cost of supplying them two meals a day, water, electricity and a part of the teachers' salary. Hans van Bokkem Foundation initially covered the rest of the teachers' salary but the contract between the foundation and EC has officially ended at the end of 2015. However the Sisters managed to negotiated an extension the contract for the year 2016 which means that the Hans van Bokkem foundation is still providing money to cover the salaries of the teachers and more.

The costs of the uniforms that the children wear are not included in the school fees. Sister Immaculati mentioned in order to reduce costs for the students and EC; the uniforms can be replaced to a cheaper alternative. The idea is to replace the current uniforms to white shirt and green pants/skirts. Second-hand clothes can be purchased in the market for a cheap price. In addition to that, another plan that Sister Immaculati is intending to imply is to set the school fees according to the parents' salary.

Hans van Bokkem Foundation was initially the school's main source of help as the foundation was the one covering the cost of books, part of the cost for uniform, part of the teachers' salary, school bags, stationery and the maintenance of the school. At this moment, Elizabeth Centre is struggling to cover the gap of cost which Hans van Bokkem has left.

#### 2.4.2 Secondary school

The primary school counts as one of the best 10% primary schools within the country and is already well established. A priority for the EC is building up the secondary school. This will create value for the EC itself, the children and will attract children outside the Kolila village. The secondary school will give children the opportunity to continue studying after their mandatory primary school and because of this the school fees can be increased. Sister Immaculati has expressed that by offering boarding facility, the EC can gain additional income as this service is already established on the land and EC can therefore reap the rewards of economies of scale, as the marginal cost of extra students is minimal. Hence, the school has a larger reach, as more students are attracted to the secondary school. Through enlarging the school, the reputation can still improve and students can get their education at both primary and secondary level. Especially for young women the education in their

adolescence is very important, since it educates them to stand up more for their rights and privileges in the society. This will then lead to them having a very bright future.

Professional and trustable workers will be needed, which presents a non-financial problem, as trust is a large problem in Tanzania. The government will close the school if there is no proper classroom available for the secondary school built by August 2016, this date has already been pushed back by the EC and the reality is that at the time of writing this report, the government officials could turn up anytime expecting at least some building foundations (which do not exist) or it will be closed down. Since the enrolment for form 2 of the secondary school is at the beginning of next year there is a high need for the secondary classrooms. The support trip in 2017, which is initially organized to build the secondary school classrooms, will be too late as the need is urgent. The support trips are very helpful in enlarging the EC and they can generate short time income for the EC. Salaries for staff are also a large factor in the costs for the EC, not just the actual wage but also the training costs when teachers are sent on courses to be certified to teach secondary schools. The training course the EC sends the teachers on is important to create a trust between teachers and the Centre, and acts as a substitute for the lower salary they receive compared to other private schools who do not provide such training.

As of September 2015, EC started using the multi-purpose hall as a Secondary class for Form 1. It consists of 20 students and 4 subject teachers. Future building developments are currently in progress as EC plans to expand on three additional buildings specifically for the Secondary School. Though EC capital is tight at the moment, they are forced to continue the project due to the Government giving them a limited time to build proper classrooms for the students or else the contract and agreement-enabling EC to run a Secondary School will be terminated.

The multi-purpose hall is still utilised as a village hall for weddings and for the purpose of the school to hold graduation ceremonies. Events like this only tend to happen a few times a year hence Sister Immaculati and Sister Gaudencia decided to use the multi-purpose hall for Form 1 students.

### 2.4.3 Boarding School

The boarding school provides 30 children a place to sleep and eat at the Elizabeth Centre. Some of the children do not have a home to live. Broken homes or unfortunate circumstances result in the children unable to live at home with their families. During non-term time, there

will be a few students that will not go home due to family complications. During term time, some of the children will stay during the weekend at the Elizabeth Centre and the parents will pick up some children. Others will stay and will be provided with food and supervision. Currently, there are two ‘‘mama’s’’ who takes care of the children and are employed by the EC.

## 2.5 Non-educational

### 2.5.1 Hostel

The hostel is currently being used as a dormitory for the children who board. The Tanzanian government will impose higher tax rates on the EC if it is classified as a boarding school; hence it is referred to as the hostel figures-% rate. A permanently living at the hostel will for the government the sign to classify the hostel as a boarding school. Currently, there is a boarding school for the primary school children and a hostel for the secondary school children. Nevertheless, the hostel is also used in the conventional sense – there are currently 3 rooms that have been allocated specifically for guests, which have a capacity of 5 persons. As discussed in the 2015 report, there is scope for the EC to develop this project into a potentially lucrative source of income. The proximity to the airport and attractions such as; Kilimanjaro, Arusha, Moshi, Serengeti and Ngorogoro make the EC a desirable location for tourists. Tourism-lead-development is well-known route for LEDC countries and has been proven to develop local areas where there is a spill over of tourist money.

However the EC has been unable to develop the hostel as it struggles with exposure into the large western markets as it lacks a consistent internet connection and has no specific address, just a postcode, which is required by most travel agencies such as trip advisor.

### 2.5.2 Social housing

The social housing situation can be separated into two types. Firstly, where the EC acts as a bank and pays for the construction of a house, this is done for teachers and the EC take off the cost of building from their salary. The EC makes no profit of this as only the cost of the building and the land (bought from the EC) is incorporated into the total cost deducted from the salaries over time. The other option is where the EC build and own the house, then rent out the building to families. The rent is 10,000TSH for a one bedroom house, and 20,000TSH for a two bedroom house. This rent is extremely low because the EC do not want to burden the families they rent out to. The families that rent these projects are chosen because of their

circumstances of poverty and so the EC aids them in providing a home. Some houses are rented out to the teachers of the school and their rent deducted from their salary. There has been problems with the rent being paid on time for those that are rented to people not employed by the EC, this is a reoccurring problem as in Tanzania as a whole there is a large problem of trust and thus a high rate of theft.

We acknowledge the opportunities for both the hostel and the social housing. On the one hand, the social housing will connect the local community with the EC and will be built on trust. On the other hand, the hostel will provide a home for children who are not able to stay at their homes or families. Both the fees for the hostel and social housing will provide an extra income for the EC. In the future, when there is a lot amino for the social housing and hostel, the sisters can raise the fees.

The social housing, as mentioned before, can be separated into two categories. The first being where the individual owns the property. Sister Immaculati sees this as a particularly important project as it encourages the family to have more self-esteem by owning their home. This can be seen as a increase in confidence as the family now have more wealth, which can be transformed into consumer confidence hence will spend more in the local economy. Likewise by owning a large asset such as a house is useful if the individual needs capital to use a collateral for a loan to develop a business – a popular route for a lot of Kolila’s population as seen by the high percentage of self employment figure.

The second method of social housing is where the individual rents the property from the EC. This method is the most lucrative for the EC as it provides a constant stream of income, however there are still problems of finding reliable tenants who pay on time. The basis of this project is to provide low-income families with suitable accommodation at a very low price: 20,000 a month for a two-bedroom house. This mean the rent does not diminish their money by too much so they have enough disposable income to contribute to the local economy. There is still a need for this as income levels are still very low in Kolila figure and so the social housing would be filling a gap in the market.

We have already discussed the details of the social housing project and the effect it has on the local community. Social housing is a project that we have been specifically asked to investigate further and one that we believe has the most potential. Sister Immaculati shares



this view as the 2015 report mentioned that she stated the social housing was a major source of income for the centre and that there are very low maintenance costs once the building is constructed.

### 2.5.3 Souvenir shop, milling and welding machine

Other than the school fees being one of the more consistent income for EC, the souvenir shop rent has as well been promising from the past few years. The shopkeeper is dependable in constantly paying monthly rent for the building owned by the Elizabeth Centre. Sister Immaculati has no plans on increasing rent because this may deteriorate the business relationship between the shopkeepers.

The milling shop has potential in gaining more income than it currently generates from the fee of using the grinding machine. However, this may contradict with Sister Immaculati's beliefs of which they should only charge people to the extent where they can cover the costs of running the grinding machine along with 1 worker's salary instead of focusing on maximising profit for the Centre.

Unfortunately, the welding shop was forced to be closed down due to the fact that an ex-employee sold the welding machine without permission to pay off his debts.

## 3.0 Business Models

Over the last few years, there were many ideas collected about possible income-generating projects, however we have reason to suggest that the Centre should focus on its core activity, which is education. The basis behind this will be explained later on in the report. The social housing prospect is also a core activity for the EC, however the rent they receive is relatively low as the Sisters specifically rent out to low income families with the reason of preventing them from having the heavy burden of high housing costs. This is obviously expected of the Centre, as its aim is to improve the lives of those in poverty, and not to make profit. However due to the nature of renting to low income families, there is a risk of non payment, and provides another problem as the Sisters can not evict the families as it would contradict their values. This results in some housing being occupied for free.

The Florentina Foundation has the objective of transforming the Elizabeth Centre to become more self-sustaining. At this point in time, with limited resources and actual variable and fixed costs, this is not possible yet. Increasing the fees for students or lowering the salaries of teachers and workers are not possible, since those factors contradicts the mission statement of the Centre. In fact, the EC is aiming to increase the salaries of teachers by 10% next year, as they are very low in comparison with competitors.

The finances of the EC have been a large problem for us to understand. We have found out that the organisation is very confusing and thus far, does not seem a priority for the Sisters to produce clear financial data to show an overview of the Centre, which would be very useful in understanding how the EC operates financially. In spite of that, the lack of helping hands and only having 3 Sisters maintaining the EC full-time would be the cause of the disorganisation in the financial sector as they all do not have enough time to formalised every single transaction into an overview while running the Centre. Knowing this, assigning more Sisters from the congregation to manage would enable improved financial planning that would decrease the pressure on the current Sisters.

The investment in the Elizabeth Centre can be seen as a three-dimensional development. Starting within the EC, educating children, giving them a brighter future. Employing local people and by using services offered by people from the community around the centre, the EC acts as force for increasing entrepreneurial activities in the community by giving them a helping hand in the beginning and then profit from them at a later stage if the services are needed again. This serves the regional development and therefore improves the economic situation of the country.

### 3.1 Internet Café

Although the past interns put plenty of work into establishing an Internet Café in EC, this however has been unsuccessful. An Internet café will not break-even in the Kolila village. The local community will not take advantage of the Internet café because of the prices that will be set for every hour of Internet use. From information we collected, it is now known that during the previous years, Hans Van Bokkem Foundation covered Internet costs. However, due to the contract ending and EC having to cover the total costs, it would be difficult to set an affordable price for the local community to utilise the Internet Café where EC can break-even or have any chance of making profit. The costs of buying the computers and providing the computers with sufficient Wi-Fi will not be profitable for the EC. Also, mobile data

provided by phone companies are made affordable for the local community with smart phones, which decreases the need for Internet use around the area.

Besides that, EC needs to hire a professional who can fix the potential Internet problems. The Internet Café still can be established in the future when EC becomes more stable in terms of generating income to be able to run an Internet Café and also when EC gains employees that are capable of running it. There is definitely the presence of positive opportunities such as increasing digital education to the local community but that will have to be put on hold, as this project does not stand as a priority. At this moment, the building block built initially for the Internet Café is used for the Secondary School staffroom and auxiliary room.

#### 4.0 Key business: Education

The beginning of this report highlights how the school aspect of the Elizabeth Centre is clearly the main focus. This is due to the mission of the Charity which aims to improve people's lives through education, and this ethos has been carried through from the Elizabeth Centre's humble begins where the Sisters educated women in the queue for drinking water about hygiene.

As stated above, we believe that the Centre should focus on education as its primary function. The primary school alone caters for 400 pupils and with the development of the secondary school; the total number will undoubtedly grow. Many of the school children also live in Kolila or the surrounding areas, meaning that in the long term the area will benefit from a new generation of better-educated individuals. In the short term the school benefits the local area through creating its own demand in the form of buying food and making uniforms. Ideally the Centre would provide the maize itself but this has not been possible due to the milling machine not running at full capacity.

Currently in Tanzania only primary school education is mandatory but this is not officiated. Nevertheless, the Centre aims to provide education to as many children as possible, but because it is a non-profit organisation the Centre will only charge a relatively low fee of 200,000TSH and 600,000TSH for boarding students. The secondary school will charge a higher price than the primary school to reflect the higher quality of teaching needed and because it is more of a luxury service. Currently the secondary school fees are 400,000TSH and 1,000,000TSH for boarding students. Sister Immaculati hopes that once the secondary school is completed it will run at a surplus, which will hopefully cover the deficit of the

primary school. This could be very important because at the moment Hans Van Bokkem and the Florentina Foundation still provide financial support in the form of teacher salaries and general donations. With the aim to become self sustainable, there needs to be an income generating project that can produce a large enough amount of money to maintain the education level. Other projects, while useful, lack the magnitude to fund a school. For example, the rent from the souvenir shop amounts to 840,000TSH and the teacher salaries alone are 23,780,000TSH.

## 5.0 Income Generating Projects

This was covered in last year's report, as it was their brief to investigate new ways to increase income for the Center. We have felt that there are a few options the Elizabeth Centre can exploit, these are **primarily focused on the social housing and hostel options**. This decision is based on a mixture of our brief from Florentina Foundation, previous report findings and from our initiative as we are able to make good judgements by staying at the EC and so can visualise the projects contextually. One of our ideas for income generating projects is to let people stay at the Elizabeth Centre whenever they want and act as a tourist attraction. If families or friends visiting Tanzania and tracking around the country, it could be a perfect contribution to the EC if they spend a couple of days at the Centre. The travellers can give a cash contribute to the EC as a donation and the fixed fees for spending the night. In addition, the travellers could meet the children and can organize a English lesson, playing soccer, handball, balloons with the kindergarten etc. Having contact with agencies that organise tours to the Kilimanjaro could be the first step in receiving travellers at the EC.

With sufficient development we feel that in the long term there is scope to attract companies to come and stay as part of a group exercise/team building. This could involve helping with construction or simply helping with teaching and activities. We hope that having contact with companies would encourage donations from the companies as part of a long-running relationship.

## 6.0 The Role of EC in the Global Supply Chain

Canzanelli (2001) shows that local level economic development is a process where local stakeholders work cohesively. Pennink (2014) then describes this process as a means of stimulating and facilitating partnerships between local stakeholders enabling an overall design

and implementation of strategy. In Kolila the EC is a large stakeholder as a main employer and provider of services such as water. The EC has built a good relationship with the village leaders and local businesses (welding, food etc) as they acknowledge the importance the EC has in the development of Kolila. While the EC has implemented a few of its own policies such as microfinance and affordable housing, institutions such as the local government have had little impact. Likewise there seems to be a communication issue with the local government and the EC as they are rushing the process of constructing a new secondary school. This lack of engagement by institutions is captured in the model by (Pennink, 2014) where they are more valuable in a regional and national sense. Local actors are therefore tasked with the responsibility of local economic development, and must act as entrepreneurs who value the quality of the community as well as returns on their investment (Pennink, 2014). This can be seen where businesses are employing local people and the policies of the EC mentioned earlier. Yet there still needs to be more coordination between the EC and local businesses as there continues to be a lack of trust issue present, which is limiting the involvement of all stakeholders. Overall the EC clearly has a large role to play in the local level of economic development as it can and does directly affect the local economic output through its initiatives.

At the regional level Stimson, et al. (2009) showed that there are three endogenous variables that are necessary for achieving regional development; Resource endowment & market conditions, leadership and entrepreneurship. As the Elizabeth Centre has become a large component of the community through funding and support trips, its influence in the community has increased so now it is seen as a major figure, to which local people will go to for advice and help. Also as an educator the EC is helping to improve leadership and entrepreneurial skills for the young generation of Kolila. So while the EC's influence has decreased, it still has a role to play in regional development.

The national and international level model also encompasses the Triple Helix Model (Etzkowitz & Leydesdorff, 1995). The intervening variable zone is contributed to by governments (local and national), universities and business, and here knowledge is the most significant factor in the transactions (Pennink, 2014). At this level the dependent variable is the GDP, showing the scale this model operates, as a result the EC has little opportunity to affect these factors. The overall model of the Global Value Chain that links all these models



together raises questions as to how aspects in the international model can affect local economic development (Pennink, 2014).

The Elizabeth Centre is limited to the local and regional levels of economic development due to its scale and nature. However there is the potential to link with universities and organisations, as it has already done with Newcastle and Groningen Universities, to share knowledge, which could have an indirect effect on the intervening variables at regional and local level development such as; entrepreneurship, leadership, empowerment and entrepreneurial activities.

### 6.1 Education

Education is critical to the development of economy acting a positive supply side policy to improve the quality of the labour by boosting productivity and aiding the advancement of technology. This inevitably is a long-term project as the benefits will be realised once the students join the workforce. It is hoped by Sister Immaculati that the students of the EC will remain in the area and contribute to the local economy once they have graduated. In reality there is likely to be an exodus of the skilled labour as their talents are needed elsewhere e.g. Dar Es Salaam. Nevertheless the education the EC provides is helping to improve the lives of those who would ordinarily attend the basic schooling and then return to unskilled agricultural work – the main sector for employment in Kolila. The EC is breaking the cycle of subsistence primary sector employment and so increasing the opportunities to the children.

### 6.2 Employment

In the short run the school is providing employment for 17 teachers and number of workers. The employees all live locally and so there are a multiplier effect for Kolila as they spend wages in the community creating a multiplier effect. The EC is a main employer for the area, and through this the economy has been able to develop as people have more income so providing more opportunities for commerce. The EC also rents out a souvenir shop, which again employs local people.

### 6.3 Microfinance

The EC acts as a social bank, which gives out loans to local people. These loans, as mentioned before are non-profit as no interest is charged. Their aim is simply aid the development of activities in Kolila. They have been instrumental in the development of buildings for families that could not afford the initial cost. Hence again, the EC is the main

driver in development of Kolila. These loans however have drawbacks as they can lead to dependency of people in the community towards the EC would undermines any long-term economic progress. Likewise as has been mentioned before, the trust issues in Tanzania means that loans are not always paid back.

**7.0 Potential Investors and Projects the Centre could Benefit from**

Even if the Elizabeth Centre increases their fees in each sector and minimise their costs, the centre still would require further help with capital because of the rapid growth of students, their current project of establishing the Secondary School and the constant cycle of locals requesting for help in terms of jobs and loans.

Therefore, in this chapter, potential investors and projects are looked into in order to keep EC running smoothly. First of all, approaching universities to make known of the existence of EC. Possibly beginning with Newcastle University and University of Groningen. With eager students that want to gain unique experiences to polish their CV, EC can give them the opportunity to do so.

<b>University Students</b>	<b>Elizabeth Centre</b>
✓ <b>Garner atypical experiences</b>	✓ <b>Acquire frequent support trips</b> -For building and teaching
✓ <b>Global exposure</b>	✓ <b>Receive donations</b> -Funds and supplies
✓ <b>Strengthen employability skills</b>	✓ <b>Productive use of hostels</b>
	✓ <b>Exposure for the children and local community</b>
	✓ <b>Spreads awareness of the Centre</b>

*Table 3: Benefits for university student and Elizabeth Centre to each other*

It also should be known that interested students or faculties are not required to make the trip to Tanzania to offer help as they can do it in the comfort of their own area/university. For example, organising fundraising events such as marathons, car washes, bake sells and etc. An addition to that, established organisations such as AIESEC who enables young people to develop their leadership potential through world-wide volunteer opportunities can be utilised.

Organising collaboration between EC and AIESEC can give EC the fighting chance to continue running smoothly for the years to come.

Although there are plenty of benefits in this implication of reaching out to universities around the world, there are the limitations to them as well. In this case, it will be considerable slow to establish EC to university and ideas of how needs to be thought up. The procedure would definitely require going through a few departments in the University and Student Union. With that, loads of effort and not just the work of an individual will be needed. Thirdly, the uncertainty of it being a success is a major problem for EC as they require immediate assistance. This led to an approach in whereby The Elizabeth Centre should start a GoFundMe (A well-known crowd funding platform that allows people to raise money). By informing the people of their situation and their mission to provide education to the local community in their area, this hopefully helps Elizabeth Centre with their financial crisis.

#### 7.1 Local NGOs located in Arusha

As told by Sister Gaudencia, head master of the school, because of the urgency of requiring immediate help, she has been approaching local businesses to donate and help out with EC. However, so far, it has not always been successful as many businesses themselves are struggling to survive on their own at the moment. With that, provided below are local non-governmental organisation around the areas of Arusha that may be of help for EC. These are other NGOs funded by charity companies as well that may be in a better position to come into aid of keeping EC up and running.

#### **ADRA Tanzania and United African Alliance Community Centre**

These organisations supply trainings for counsellors.

- By sending EC employees there for further training, EC can minimise the usage of income from paying expensive training fees for the employees.

#### **AFRICAID and Women Development for Science and Technology**

These organisations supports girls' education and give opportunities to women.

- EC can approach them in terms of requesting scholarship for female students to cover the Secondary School fees and training for women employees.

#### **Cornel Ngaleku Children Centre**

This organisation is funded from Netherlands. They provide for children's needs.

- The Centre can appeal for donations in a form of school supplies or food for the students.

### **Sedit and Jifundishe**

These organisations provide aid to help people's future, focuses on community development and giving education opportunity.

- By appealing for donations to give assistance to the building of the Centre's secondary school.

### **Arusha Children's trust**

This organisation focuses on education, health and environment.

- The Centre could approach them to request aid in teacher's salary and school maintenance.

### **Foundation for Tomorrow**

This organisation prioritises orphans in need.

- Elizabeth Centre has a few orphan students that the organisation can help by covering the boarding fees, providing them basic needs and education.

## **8.0 New Economy**

After undergoing an in-depth research and analysis on Elizabeth Centre's financial resources, facilities and further outside options, another perspective that was looked upon was the faith and value creation EC has to offer to the community in terms of worth and increasing the living standards.

This concept emphasises on not spending money in the centre in order to reach a goal of making profit but instead the money used would be beneficial concerning building stronger loyalty amongst the people and investing in the idea of where the whole community needs to co-operate to survive and to grow as one. It is to change one's mindset of working individually to support oneself and ideally working together as a whole to gain advantage, assistance among each other and satisfaction with the results.

In connection to the centre, EC is and has become a platform that planted the idea that it should be in everybody's interest to improve the place in which they live and developing a greater social responsibility to increasing the chances for EC and the whole community to being sustainable in their operations. With EC being pressured by the government to complete the building of the secondary school as to their required law and regulations, it is important that EC uses available funds and capital more efficiently with prioritisation on the Secondary School project before moving on to other less crucial and less time constraint matters.

## 9.0 Conclusion

We acknowledge the opportunities for both the hostel and the social housing. On the one hand, the social housing will connect the local community with the EC and will be built on trust. On the other hand, the hostel will provide a home for children who are not able to stay at their homes or families. Both the fees for the hostel and social housing will provide an extra income for the EC. In the future, when there is a lot amino for the social housing and hostel, the sisters can raise the fees.

In the Netherlands, the concept of social housing started with Sisters in the Netherlands who wanted to create social housing for the society conceived the idea. Nowadays, this concept of social housing is still present in the Dutch society. As a consequence, this will be a great example of the success that can arise. Potential investors can take this into consideration in terms of future profits. As discussed in the above, the Elizabeth Centre has made a lot of progress in terms of development. Hence, the EC money need for further expansion. This section will elaborate some of the limitations recognized during the five-week research.

As our advice, it would be better to focus on how to decrease the current costs, make clear where we are in need of funding and furthermore, for the sisters to focus on the core business – organizing and running the centre and education. Because by dividing their attention on more other things that are not actually the core business and things that they have to investigate further, will affect the core business.

As mentioned in the above, Table 1 provides an overview of the cash flow of the Elizabeth Centre. The most important income are the donations of Hans van Bokkem and the Florentina Foundations of which the Hans van Bokkem donations ended in 2015 and the Florentina Foundation will lessen their funding per year. During the five week stay at the Elizabeth

Centre the first question the students asked themselves was: How will the Elizabeth Centre survive if the funding of the Florentina Foundation will be not enough anymore? It is necessary for answering this to have a clear focus on the future and one needs to be very creative in order to look for the solution. One need to realize that the economic development in Tanzania lack behind the western economic development.

We recommend the Elizabeth Centre to make a list about things they need and about money they need to get funded. It might be an idea to create a concept whereby it is possible for investors to fund a specific item. Just like it is possible to fund education for a student, it would be nice to have the possibility to fund a certain material for the school.

One potential solution for raising funds for the Elizabeth Centre is to update the website of the Florentina Foundation. This report will sum up some potential ideas.

It is possible to make a Youtube video available that will show the progress of the EC. This can give potential investors a clear overview of the current situation of the EC. Hence, this will show the great work of the sisters so far. Secondly, the possibility to donate money through the website. People who visited the Elizabeth Centre - for instance with a support trip- and who wants to donate money can do this though the website.

As already mentioned in the above, is the possibility to donate a specific item for instance books, uniforms, school bags. The donators will know exactly where their money will end up and this will hopefully be an incentive to donate money. In addition, it might be an idea that people are able to send pencils, block notes, clothes, shoes etc. to the EC. These items will be sending to the EC one in a while. The support trips that are organized are very helpful in enlarging the EC and they can generate short time income for the EC, but to make the centre self-sustaining, more is needed.

Finally, we recommend a concept so-called "Social-Travelling". This concept of social travelling would make it possible for Tanzanian travellers to visit the Elizabeth Centre. The idea is that a safari agency can also put forward to the people that are it possible to sleep at the EC for two days than at a lodge. During these two days you will help the EC where needed. The children are pleased to play with the foreigners and the EC will benefit from this due to

the sleeping and eating costs the visitors will pay. In addition, this will make the EC more known to foreigners.

## 9.1 Recommendations

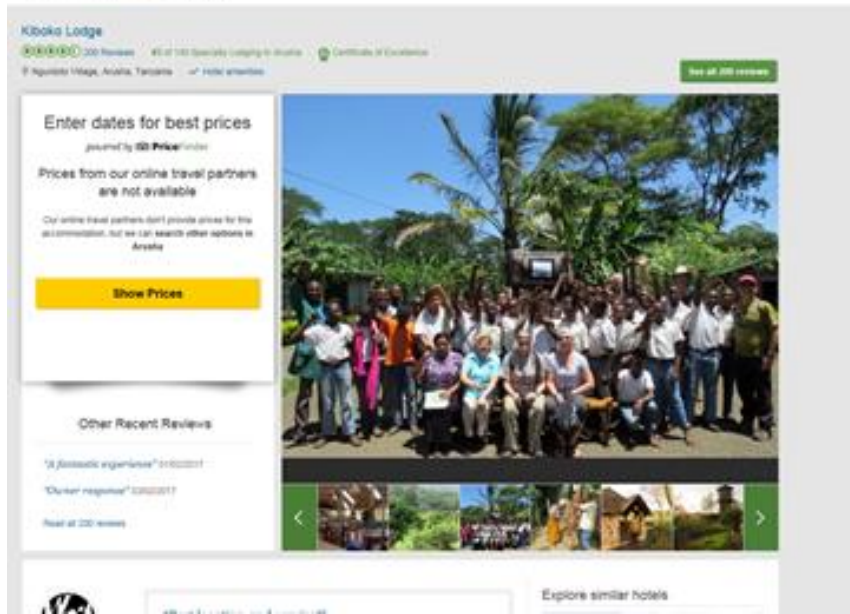
While the intentions of the Elizabeth Centre has been shown to be generous and to help aid growth in the local community for the people, some recipients of the interest-free loans have taken advantage of the Centre's goodwill. In order for the Centre to continue to operate these interest-free loans must be stopped as not only is the Centre losing money from opportunity costs but also there is a huge risk of non-repayment. This will be very difficult as it conflicts with the intentions of the Sisters. Hence we propose a compromise; to limit the amount of interest-free loans given out per annum, and for they're to be some sort of screening or deposit procedure, even if this simply involves people showing how the money will be used. In addition, we do believe that the EC should have a fixed amount available to give out as charity as noted in section 8.0, creating a 'new economy' through value and faith creation.

The generosity of the Elizabeth Centre is also seen with the over supply of employees the Centre has taken on. By employing an inefficient number of staff costs are high, this increases the struggle that Centre faces to break-even. While the Centre also has a high turnover rate of employees, this is not unexpected as there is a nationwide issue of trust in Tanzania. Hence we recommend increasing responsibilities of those currently employed to hopefully improve the level of commitment to the Centre and help reduce the total number of employees. This is likely to face a similar conflict to the interest-free loans recommendation.

We have also investigated other similar projects in the area to see how they operate and if they rely on donations to continue to operate. One of which is the Watoto Foundation, which provides a primary school and vocational training to street children in Arusha. While they are also dependent on donations they do have initiatives, which help to raise funds themselves. One of which is tourism, where guests are encouraged to visit the school and stay in their own Kiboko Lodge. There is a Trip Advisor page for the lodge:

Photo: "Visiting the Watoto Foundation"

From Review: Best location and... of Kiboko Lodge



Clearly this is also an option for the Elizabeth Centre as it has the initial buildings and facilities. As mentioned in Chapter 5, we believe this is the key area for the Elizabeth Centre to develop in order to improve income.



10.0 Appendix A

Satellite pictures of the remarkable progress of the Elizabeth Centre

