ACDI VOCA

FinaSol

INCREASING MICRO-ENTERPRISE ACCESS TO LIQUIDITY
IMALI GRANT
AWARD No. 674-A-00-98-00056-00
Project No. 674-0303

IMALI PROJECT
QUARTERLY PROGRESS REPORT # 9
(1 OCTOBER 2000 – 31 DECEMBER 2000)

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IMALI PROJECT
QUARTERLY PROGRESS REPORT (9)

I. IMALI/FINASOL VISION

Vision: To become an internationally recognized African cooperative banking operation providing outstanding financial services to customers.

Mission: To empower communities to achieve and maintain cooperative self-reliance and economic growth through the development of Financial Services Cooperatives.

Vivid Description: As one enters a FinaSol FSC one notices, the friendly and efficient customer service, the innovative use of advanced technology despite the rural location, the cleanliness inside and out, and a sense of community pride, which is evident amongst members, most of whom appear to be of modest means. The teller smiles and chats as she deals with each member in turn. During the day she will find herself dealing with a variety of transactions – assisting older members who have come to withdraw pensions, opening new member accounts, accessing loan applications or advising on a range of facilities available to FSC members.

FinaSol FSCs will develop into a hub of local community life. As a viable and trusted provider of financial services, in the predominately rural areas, FinaSol will have empowered communities to achieve and maintain co-operative financial self-reliance and economic growth.

As an internationally recognized, outstanding, African cooperative bank, FinaSol will become a beacon for the African economic renaissance and will help improve the lives of millions.

II. IMALI/FINASOL PURPOSE

FinaSol is the central promotional and support body for FSCs. In this capacity, FinaSol:

- Assist rural communities to assess potential FSC success in their area.
- Provides training to FSC leadership, members and employees.
- Assists communities in registering their FSC as a cooperative.
- Provides assistance to FSCs through the start-up period and basic support during the first few years of operations, until a FSC is financially and administratively self-sufficient.
- Provides computer and accounting services that cannot be done at the village level, which allows village level operations to remain manageable.
- Provides training that will be necessary for FSC staff, members of the Board of Directors and other committee members to understand the functioning of a FSC to enable them to carry out the necessary operations in providing financial services to members.
- Acts as a link between the Registrars of Cooperatives and Banks and a FSC. Provides FSC certification for registration purposes. It acts on behalf of FSCs to ensure that all of the Registrars' requirements are complied with on time; e.g. returns, audits, and other items.

III. FRANCHISE DESCRIPTION

Each FSC is linked to FinaSol by means of a franchise agreement by which:

- FinaSol agrees to provide a package of support services to a FSC;
- A FSC agrees to provide initial basic inputs; e.g. office building and furniture. Furthermore, a FSC agrees to comply with the FSC statute and other operational requirements;
- A FSC agrees to be self-managing from the start-up for financial operations and must be able to generate adequate income to cover basic operating costs after 12 months of operations;
- FinaSol will charge a FSC standard rates for the provision of services; and
- A FSC will function as a business enterprise based on regular business plans and proactive marketing of financial services to members. After payment of its operating expenses and fees due to FinaSol, the surplus made by a FSC will be distributed according to the statute. Aspects to be taken into consideration include the need to develop reserves, improve interest rates on both savings and loans as well as provide for member training.

IV. KEY PROGRESS TO DATE: Targets, Milestones, Review Recommendations

The performance matrix below provides a quick look at achievements to-date against modified projections submitted to USAID on December 14, 2000. Most targets have been met although lending, as of end-December lagged behind despite efforts to fast-track the activity. Savings on the other hand is ahead of projections.

Current Target Achievements		
Target Item	Projected (30 Dec '00) Exchange $1=7R	Actual (30 Dec '00) Exchange $1=R7.7
1. FSCs developed	21	27
2. FSC members	1,309	2,895
3. Savings value (R/$)	R300,000 ($42,857)	R990,373 ($126,970)
4. Loans made	121	22
5. Loan value (R/$)	R60,689 ($8,670)	R19,311 ($2,475)
6. Average loan size (business loans)	This amount should increase over time showing business expansion	
7. Transfers made	-	INA
8. Transfers value (R/$)	-	INA
9. Pension payments made/applications	-	119
10. Pension paymt/applicat'n value (R/$)	-	R64,260 ($8,345)
11. Transactions/month	3,927	1,150
12. Transactions/member/month	3	.4
13. Income (R/$)	R115,273 ($16,467)	R147,748 ($18,942)
14. Capital (R/$)	R50,000 ($7,143)	R129,894 ($16,653)
15. FSCs at breakeven	0	0
16. Insurance policy sales	0	2
17. Project resource match ($/%)	$774,917 (R4.8m) or 21.6%	$774,917 (R4.8m) or 21.6%

While this quarter's progress may appear modest, there have been significant technical inputs that will contribute to strong improvements during the upcoming period. In this instance, FinaSol/FSCs are focusing strongly on membership growth, share capital increase, savings, lending and lending follow-up and all other financial transactions. The focus for the immediate future is on developing a "FSC-Star" group of ten FSCs that convincingly demonstrate FSC viability. ACDI/VOCA and FinaSol are working with FSCs to increase FSC product marketing, product sales, and increasing revenues. Key bottlenecks are being aggressively addressed; these bottlenecks include: a) inadequate BDO business skills, (b) poor FSC product marketing, (c) poor FSC product sales and services delivery.

Key Programme Milestones are included in the Milestone matrix below. These milestones were highlighted during the IMALI project review and serve as a bench mark against which project progress can be charted.

Key Programme Milestones
(from the Review)

Key Milestones	Responsible Party(s)	Time-frame	Progress Status (30 Dec)
I. Milestones for 2000			
1. Develop a detailed Operations Plan	FinaSol/FSC AV	Oct'00	Achieved
2. Coordinate FinaSol/FSA exemption renewal from Banks Act	FinaSol	Nov'00	Achieved
3. At least 7 FSCs making loans	FSC/FinaSol	Dec'00	Muden/Tseki only
4. Pension/funds transfer guides completed and training started	FinaSol	Dec'00	Achieved
5. Operations/credit manager and teller trainer hired	FinaSol	Dec'00	Teller trainer hired; ops mgr on hold
II. Milestones for 2001			
1. BDOs assist FSCs with product marketing plans	FinaSol	Jan'01	Achieved; marketing is on-going
2. Standards and procedures set for internal audits	FinaSol	Jan'01	In process
3. SMME loan funds sources identified/loan products initiated	FinaSol/FSC	Jan'01	Lending started in 2 FSCs
4.Insurance manual completed; training done; product initiated	FinaSol/FSC	Feb'00	Achieved
5.MIS engineered to track: phone charges/loan growth/breakeven	FinaSol InfoWave	Feb'01	In process
6. At least 14 FSCs operating as full financial service providers	FinaSol/FSC	Mar'01	Achieved, 15 doing full services
7. All FSCs undergo formal audit	FinaSol/FSC	Mar'01	Pending

Special note. While this quarter shows that lending is limited to Muden and Tseki, in the following quarter four more FSCs will be lending for a total of six FSCs disbursing loans. Experience is showing that while urban lending tends to show quicker results due in part to easy proximity to borrowers and easier follow-up, rural lending takes a far longer time to build confidence and gain trust. On the other hand, rural borrowers, once assured of the FSC system's integrity look at their FSC as a long-term community business service. This is especially true in Isibani and Entumeni FSCs.

Target-Recommendation-Status Matrix
(from the Project Review)

Critical Targets	Key Recommendations	Current Status (31 Dec)
1. FSCs developed	a) Fine-tune financial management to obtain better FSC efficiency b) Monitor BDO inputs and training to FSCs c) Trouble-shoot MIS needs at field level d) Carry out more interactive training to fast-track transactions e) Focus on best 21 FSCs; use cluster approach	a) FSC mgt engaged in business training. b) BDOs doing non-nonsense business training. c) MISmgr/InfoWave making system progress. d) Product marketing and sales is top priority. e) Focus on top 10 FSC-Star group. Other FSCs also getting business TA.
2. FSC members	a) Develop product marketing	a) 9 products are being aggressively marketed.
3. Savings	a) Develop savings deposit/withdrawal receipt folders	a) Savings on increase. Receipts given depositors.
4. Loans	a) Source wholesale funds b) Enhance product marketing strategy/info brochures c) Finalize product delivery manuals d) Roll out lending at 21 FSCs e) Upgrade BDO lending training capacity	a) No progress made with Khula, Land Bk,. Wholesale funds unlikely - no guarantee. b) Product marketing aggressively going on. c) Done. d) Two FSCs doing lending. e) All BDOs have undergone credit training. Two FSCs have had lending training.
5. Transfers	a) Increase funds transfers b) Train and initiate activity	a) New marketing materials now w/ all FSCs. b) Customer training is on-going at all FSCs. Sales are increasing.
6. Pensions	a) Prepare instruction guide, carry out training, initiate activity	a) Product is in high demand. Local pension offices are slow in processing pension transfers. BDOs working with pension people to assist in process.
7. Transactions	a) Promote use of FSC services to maximize transactions	a) Demand is high and increasing, strong marketing is on-going.
8. Income	a) Improve FSC financial mgt to increase revenues	a) Revenues are increasing due to better sales.
9. Capital	a) Increase membership (and share capital)	a) New strategies for membership marketing are taking effect. More capital is coming in.
10. FSC Breakeven	a) Assist FSCs to meet audit standards b) Monitor and reduce telephone charges at FSCs c) Revise fees and charges schedule so FSCs retain more revenue	a) FSC teller training is on-going. b) FSC mgmt is now aware of this cost area; VPDN system is in place w/ 50% cost reduct'n. c) Pending.
11. Resource match	a) Negotiate new match target w/ USAID; revise match strategy	a) Match is readjusted to 50%*; new initiatives are being worked out where this match will be met and even exceed. Match stands at 24.4%.

*Special note on project match. Two critical elements have arisen that have changed the dynamics of IMALI project match expectations. First, the original 70% match proposed by ACDI/VOCA-FinaSol was believed to be attainable provided that SASA's Financial Aid Fund (FAF) operation was amalgamated into the IMALI program. By doing this IMALI would have tapped immediately into approximately 48,000 existing members. However, within six months of project start-up this critical decision had been reversed and SASA management elected not to endorse this move at that time. There is some indication recently that they are reassessing their earlier decision and may be open to some FAF activities that near existing FSCs becoming part of the FinaSol/FSC operation.

Second, from field analysis, it was anticipated that FSC management and marketing would have greater capacity to attract large membership numbers and demonstrate strong financial

product sales. Neither has been the case. FSC management has struggled with understanding and carrying out their business management responsibilities. This, coupled with natural community suspicism and caution about a new financial activity taking their hard-earned savings, has resulted in timid use of financial services and a slow achievement of targets. This has a direct bearing on match capability as FSC deposits, which become available for lending, are factored into the match percentage. With increased Business Development Officer follow-up and business support to FSCs we are however beginning to see stronger financial services sales. In the upcoming quarters this will have a positive net effect on the A/V-FinaSol match.

Lastly, believing it will be possible to negotiate a six-month no-cost extension (through end March 2001) with USAID, we anticipate that the match will reach and very likely exceed the revised 50% figure. Not being able to get agreement on a no-cost extension may hamper our ability to meet the 50% figure.

V. PRINCIPLE ACTIVITIES

A. Key Accomplishments Realized During the Reporting Period

The following key activities were accomplished during the period from October 1, 2000 to December 31, 2000:

- The Program Review final report was completed and submitted to FinaSol, ACDI/VOCA and USAID. Review findings become part of performance monitoring at FSCs (see attached matrixes).
- Completion of IMALI 2000 – 2001 Annual Workplan was submitted to USAID on December 14, 2000.
- Total FSC membership reached 2,895 (1,236 men, 1,514 women and 145 groups).
- Total FSC saving deposits reached R990,373, share capital R129,894 and income R147,787.
- Completion of loans workshop for FinaSol Business development Officers.
- Loans training completed for the Board of Directors of 3 FSCs (Zwelisha, Sihlangu and Entumeni).
- Twenty-two (22) loans granted in two FSCs - (Muden 12, Tseki 10) for a total of R22,856, with a R19,311 outstanding balance.
- FinaSol Strategic Planning Workshop completed in October 2000 focusing on FSC targets.
- Introduction of two micro-insurance products (Credit-life on loans and family funeral insurance).
- Competency within FSCs grows and trust increases amongst members. Perceptions are beginning to be displaced that this is "just another scam to steal our money". Signs that boards of directors (BODs) are beginning to "own" their FSC are being seen. BODs in Isibani, Makwani and Entumeni are "getting into the drivers seat and doing real business". FSCs beginning to change from "community monuments" to strong business service providers. Local businesspeople begin to take FSCs (Entumeni) more seriously.
- Outreach, as part of product marketing strategy developed to include schools, stokvels, burial societies and women's groups.
- New focus on FSCs shifts from institutional to business development.

B. Key Meeting with USAID

Resolution with USAID was achieved on several crucial matters in the mid-December progress monitoring meeting. It was agreed that:

- Rands instead of dollars will be used to determine the value of loans and savings and other community-based performance targets.
- Likewise, programme targets will be tracked in rands, in part to offset the continually fluctuating exchange rate.
- Based on FinaSol/FSC capacity on the ground, it is anticipated that by September 30, 2001, eight to ten (8-10) fully functioning FSCs, near or exceeding breakeven, plus the remaining FSCs, in various stages of delivery capacity, will be operating.
- The original matching funds target of 70% will not be met according to current projections. However, it is expected that a 50% level will be attained. The rationale for this readjustment of matching funds is because FSCs have proven not to have the management capability to aggressively generate savings and capital as originally predicted. Additionally the FAF activity under SASA was not rolled over into FinaSol/FSCs thus eliminating the large number of credit users from the programme. The 50% level readjustment is believed to be realistic with good possibilities for exceeding the new 50% figure as FSCs become more practiced at marketing and management. Even at this moment FinaSol is in final discussions with the Swedish Cooperative Center and the Canadian Cooperative Assiciation who have approved R 850,000 and R 1,250,000 respectively for direct assistance to FinaSol/FSCs. As this has not been received by FinaSol/FSCs yet, it is not being factored into the match tally in this Quarterly Progress Report #9 (October-December 2000).
- FinaSol is exploring additional funding sources for continuation of FinaSol/FSCs. To attract funding FinaSol/FSCs are making a concerted effort to meet and exceed the various targets set as a result of the recent project review. Based on target performance, the intention, by March/April 2002, is to discuss continued non-financial support of activities by USAID-Pretoria. Based on current project expenditure projections, it is anticipated that there will be approximately a $567,,615 remaining balance in the overall budget. Of this total there will be approximately $ 140,000 balance in the ACDI/VOCA budget, and, approximately $427,615 in the FinaSol budget. This translates into the ability to carry on with field operations for an additional six months, or through March 31, 2002. This will be brought to the table for discussion with USAID on or about April 2001.

C. Institutional Development

1. ACDI/VOCA Technical Assistance

A program support visit was received in November from Sophia Makonnen to assist the ACDI/VOCA technical team with the revised 2000-2001 budget and various other technical issues. Early budgetary ground work was done that would support a request for a no-cost extension through March 31, 2002. Justification will be forthcoming on this objective based on significantly increasing performance by FSCs over the next two quarters.

Focus of the newly assigned COP has been on developing greater business skills within FSCs and amongst the BDOs. The majority of the COP's time has been spent on strengthening working relations with FinaSol and on upgrading business capacity and product marketing within FSCs.

2. Registration of FinaSol FSCs

Following the Project Review in September 2000, focus on the full compliment of 58 FSCs was waived in favor of greater attention being given to providing a lesser number of FSCs with greater technical support with the objective of convincingly demonstrating FSC long-term viability. Thus the total of number of FSCs, either registered or awaiting registration, stands at twenty-seven (27) of which ten FSC Stars are receiving greater technical assistance.

3. Staff Recruitment

Two staff were considered during this period as a means of allowing both the COP and the STA to spend more time in the field carrying out technical assignments related directly to FSC capacity building, financial services marketing and delivery, and most especially, lending.

A program assistant, Mrs. Nellie Mokoena, was recruited and hired during the reporting period. Mrs. Mokoena's primary tasks are to:

- Prepare ACDI/VOCA monthly expense reports.
- Provide logistical assistance to the ACDI/VOCA technical team.
- Assist FSCs with FinaSol Micro-Banking System (FMBS) problem solving.
- Assist FinaSol's System Controller with data entry into the FMBS.
- Assist FinaSol's Programme Administrator with data entry into the MS-Project 2000 database.

The appointment of the operations/credit manager by FinaSol was not concluded.

4. Staff Training and Workshops

Training and technical workshops during this period have focused almost exclusively on product marketing and sales, lending and membership development. The following training workshops were held during the reporting period:

- Strategic Planning Workshop
- Loans Training Workshop for BDOs
- Business Development Officers (BDO) Report back session in November
- FinaSol Micro-banking System training for BDOs

5. Collaboration with the Swedish Cooperative Centre (SCC)

A new funding agreement was signed with SCC to provide additional assistance for the establishment of a Field Teller/Treasurer Training unit (computer hardware, vehicle and training materials) and to increase investment in the self-study initiative. The self study initiative has been designed to enhance member awareness of FSC products and services and the advantages of promoting and using these resources. The total amount of funding approved was R 850,000.00. It will be available for draw-down during the next quarter.

6. Collaboration with ACAT KwaZulu-Natal

FinaSol is awaiting ACAT-KZN's release of funds for office construction at Kwa Machi FSC. A problem with the original site (too far from ESKOM and TELKOM lines) was discovered in November. ACAT-KZN has held up the release of funds for the FSC building until the local Chief approves the new site. The situation is expected to be resolved in January 2001.

7. Collaboration with the Canadian Cooperative Association (CCA)
A draft agreement was reached with CCA to provide FinaSol with additional funding to support the Field Teller/Treasurer Training unit (personnel costs) and support FSC development in the Northern Province (funding of a new BDO).

8. Direct Deposit of Pensions to FSC Member Accounts
Significant progress has been made with the KwaZulu-Natal Provincial Department of Social Development (Welfare) on the resolution of making direct pension transfers to FSC members. Two FSCs in KwaZulu-Natal, Zwelisha and Osungulweni are now receiving pensions. A rapid increase in the number of pensions received by FSCs will take place in the next quarter, since it takes the Departments of Social Development 3 to 4 months to make pension payments through FSCs.

Follow-up is taking place with the Free State, Eastern Cape and Mpumalanga Departments of Welfare in order to market pension transfers through FSCs and to facilitate the pension transfers process. Business development officers are having to get increasingly involved in assisting local pension officers in completing transfer request documents.

9. FSC Insurance Products
Two micro-insurance products are now available to FSC members. These are credit-life on loans and family funeral insurance. While credit-life insurance is compulsory on all loans, funeral insurance is optional.

D. FSC Promotion and Training

1. Development of Training Modules
The development of the remaining Swedish-funded self-study training modules was completed by end December 2001. The modules are now being translated into Zulu, Xhosa, Siswati, and Sesotho and will be distributed during the up-coming quarter. The purpose of the self-study activities is to broaden member's FSC/product knowledge and therefore to be more active users of their FSC resource.

2. FSC Establishment and Development
Table 1 below shows a total of twenty-seven operating FSCs that are providing services to members.

Table 1. FSC Statistics as of December 31, 2000

FSC	No. of Members[1]				Savings Deposits In Rands	Value of Share Capital In Rands	FSC Income In Rands
	M	F	G	T			
1. Entumeni	100	139	15	254	110,887.15	10,020.00	10,780.39
2. Tseki	93	85	15	193	45,103.23	9,547.00	5,982.22
3. Sihlangu	75	75	9	159	37,659.14	7,950.00	8,406.67
4. Muden	141	98	26	265	574,086.72	13,470.00	22,002.61
5. Umtfomba Wempilo	50	38	5	93	17,995.15	4,650.00	5,539.92
6. Osungulweni	31	123	0	154	8,788.92	7,600.00	6,138.30
7. Sibonelo	62	101	9	172	61,638.03	8,137.20	9,044.84
8. Zwelisha	64	122	25	211	31,826.42	9,880.00	30,797.69
9. Inkanyezi	51	47	5	103	22,416.81	5,100.00	4,882.45
10. Makwane	33	37	5	75	16,539.44	3,750.00	3,616.72
11. Drakensberg	40	69	14	123	12,028.68	3,750.00	5,027.48
12. Clarkebury	34	49	0	83	1,596.00	4,000.00	3,559.48
13. Mqanduli	58	65	3	126	9,840.54	5,870.00	5,073.40
14. Oakley	19	36	0	55	6,842.27	2,650.00	2,649.02
15. Isibani	69	44	4	117	14,583.46	5,700.00	4,006.47
16. Eyethu	21	41	0	62	1,200.00	3,000.00	2,557.77
17. Hoyi	39	51	0	90	1,650.00	4,100.00	3,280.40
18. Kukhanya Kufilkile	17	40	0	57	1,040.00	2,600.00	2,169.23
19. Sizathina	36	36	0	72	7,171.40	3,140.00	2,628.35
20. Holy Cross	33	34	0	67	1,260.00	3,000.00	1,800.00
21. Mount Ayliff	32	42	1	75	1,660.00	3,500.00	2,100.00
22. Mfekaye	28	29	2	59	1,140.00	2,850.00	2,255.33
23. Ngqeleni	24	19	0	43	200.00	500.00	300.00
24. Matibidi	20	20	0	40	1,420.00	1,050.00	630.00
25. Kwa Machi	24	27	7	58	1,020.00	2,580.00	1,620.00
26. Uthando	31	28	0	59	200.00	500.00	300.00
27. Mooi-plaas	11	19	0	30	580.00	1,000.00	600.00
Total	1,236	1,514	145	2,895	990,373.36	129,894.20	147,748.74

[1] M = Men, W = Women, G = Groups & Business Accounts, and T = Total

Since no new communities were added this quarter, newly registered FSCs are focusing completing training, increasing membership. Two (2) communities, that are still in the process of obtaining the necessary membership for their formation meetings, include:

KwaZulu Natal Province: Bruntville
Northern Province: Bakenberg

Tables 2 through 5 indicate the number of training sessions that took place during the reporting period. As can be seen, the number of sessions is greatly reduced as compared to the previous quarter and focused primarily on operations and marketing FSC products. This has lead to a direct improvement in sales of financial services to members.

Table 2. FSC Training Sessions – Quarter 4, 2000 – Mpumalanga Province

Community	No. of Trainees			Training Session
	Male	Female	Total	
Mpumalanga Province				
Matibidi FSC	4	5	9	Operations Training BOD Modules 1 & 2
	4	5	9	Operations Training BOD Modules 3, 4 & 5
	4	5	9	Operations Training BOD Annexes 1, 2 & 3
	3	0	3	Operations Training I.A.C. Modules 1& 2
	1	1	2	Operations Training Marketing & Education Com.
	3	0	3	Operations Training S.S.C. Modules 1 & 2
Sihlangu FSC	7	3	10	Operations Training Loans Policy & Procedures 1
	8	6	12	Operations Training Loans Policy & Procedures 2
	6	5	11	Operations Training Loans – Business Plan

Table 3. FSC Training Sessions – Quarter 4, 2000– KwaZulu-Natal Province

Community	No. of Trainees			Training Session
	Male	Female	Total	
KwaZulu-Natal Province				
Mfekayi FSC	3	0	3	Operations Training I.A.C. Modules 1& 2
	3	1	4	Operations Training S.S.C. Modules 1 & 2
	9	3	12	Operations Training – FSC Product Workshop
Inkanyezi FSC	1	1	2	Operations Training I.A.C. Modules 1& 2
	6	2	8	Operations Training – FSC Product Workshop
Entumeni FSC	7	2	9	Operations Training – FSC Product Workshop
	6	5	11	Operations Training Loans Policy & Procedures 1
	6	5	11	Operations Training Loans Policy & Procedures 2
	6	5	11	Operations Training Loans – Business Plan
Sizathina FSC	5	6	11	Operations Training S.S.C. Modules 1 & 2
	6	7	13	Operations Training Marketing & Education Com.
	5	10	5	Operations Training I.A.C. Modules 1& 2
Muden FSC	1	2	3	Operations Training Loans – Business Plan
	2	3	5	Ops Training C.I.C. Loan Approval Workshop
	44	36	80	Community Workshop on FSC Products
Zwelisha FSC	34	71	105	Community Workshop on FSC Products
	1	13	14	Operations Training – FSC Product Workshop
	0	9	9	Operations Training Loans Policy & Procedures 1
	0	9	9	Operations Training Loans Policy & Procedures 2
	1	7	8	Operations Training Loans – Business Plan
	9	11	20	Self- Study Group Workshop
	5	18	23	Self- Study Group Workshop
Isibani FSC	3	4	7	Operations Training – FSC Product Workshop
Eyethu FSC	2	7	9	Operations Training – FSC Product Workshop
Uthando FSC	2	6	8	Operations Training – FSC Product Workshop

Table 4. FSC Training Sessions – Quarter 4, 2000 – Free State Province

Community	No. of Trainees			Training Session
	Male	Female	Total	
Free State Province				
Tseki FSC	3	4	7	Ops Training C.I.C. Loan Approval Workshop

Table 5. FSC Training Sessions –Quarter 4, 2000– Eastern Cape Provinces

Community	No. of Trainees			Training Session
	Male	Female	Total	
Eastern Cape Province				
Holy Cross FSC	6	6	12	Operations Training BOD Modules 1 & 2
	6	6	12	Operations Training BOD Modules 3, 4 & 5
Mount Ayliff FSC	6	5	11	Operations Training BOD Modules 1 & 2
	6	5	11	Operations Training BOD Modules 3 & 4
	5	5	10	Operations Training BOD Module 5 & Annex 1
	6	5	11	Operations Training BOD Annexes 2 & 3
	7	7	14	Operations Training I.A.C. Modules 1& 2
	6	7	13	Operations Training S.S.C. Modules 1 & 2
	7	7	14	Operations Training Marketing & Education Com.

While lending for this quarter is modest (see Table 6 below), significant training and field follow up has taken place. It is expected that during the up-coming quarter lending will show more significant demand by member borrowers. Greater field exposure has begun to reveal certain characteristics in the communities that impede lending. For example, in most FSCs borrowers are reluctant to share any information about loans received, most especially about the loan amount. On investigating, it appears that borrowers are not completely convinced of the program's credibility and are avoiding giving information and advice to family and friends. As a consequence, borrowers becoming an important part of an FSC's marketing force is not materializing. FinaSol BDOs are systematically assessing this to see what measures can be used to encourage borrowers to actively market FSC loans based on their own personal experience. Many borrowers are open to the idea of having their photo taken illustrating the end-result of their loans. These photos are then displayed in the FSC reception room as a marketing input. The table below shows lending activities through end-December.

Table 6. FSC Loan Statistics as of December 31, 2000

No.	FSC	Total Loans Granted	Total Amount Granted	Loans Outstanding as of 12-31-00		
				Number	Amount	Repayment Rate
01	Muden	11	R 13,256.00	9	R 9,893.03	100%
02	Tseki	10	R 9,600.00	10	R 9,418.60	100%
Total		21	R 22,856.00	19	R 19,311.63	100%

E. Key Activities for First Quarter 2001

- Completion of the IMALI 2000-2001 Annual Workplan.
- Business training and follow up for the top FSC Star group and other FSCs as time and resources and FSC performance dictate.
- Trouble-shooting and fine-tuning of FinaSol's computerized product support systems.
- Aggressive teller training in systems use and product marketing, and customer service.
- Loans training for five FSCs - Makwani, Sibonela, Osungulweni, Mfekaye, Mount Ayliff.
- Observation mission to ABA-Egypt to see top lending operation and to incorporate best practices in FinaSol/FSC lending approach.
- Preparations for the visits of the USAID officer-in-charge and USAID director.

V. IMALI BUDGET and MATCH INFORMATION

A. Budget Information

A summary of project expenditures to date is shown in Table 7. FinaSol expenditures are on target with its budget, while ACDI/VOCA's are still slightly behind budget. This will change during the coming quarter with the arrival of the full time Chief of Party (COP) and the hiring of a Program Assistant to support ACDI/VOCA activities. A summary of project expenditures to date is shown in Table 7.

Table 7. IMALI Expenditures October 1, 1998 – December 31, 2000

	Year 1 Expenditures	Year 2 Expenditure	Year 3 Expenditures[1]	Total To Date	Balance Remaining
ACDI/VOCA	$ 302,944.90	$ 351,975.85	$ 242,978.90	$ 897,899.65	$ 690,738.35
FinaSol	$ 211,784.41	$ 624,184.53	$ 141,681.46	$ 977,650.40	$ 732,731.60
FSC Capitalization	$ 205.45	$ 147,151.32	$ 6,284.26	$ 153,641.03	$ 133,128.97
Total	$ 514,934.76	$ 1,123,311.70	$ 390,944.62	$ 2,029,191.08	$ 1,556,598.92

[1]This amount is the total Year 3 expenditures (Oct. 1, 2000 – December 31, 2000).

B. Matching Funds

In the December 14 project progress meeting with USAID-Pretoria, discussions included agreement on modification of the match amount and justification for this adjustment. In short, match numbers were shifted downward from 70% to 50% as a result of adverse realities on the ground. The total amount of match funding for the reporting period is shown in Table 8. (See Section IV.2. above for more details on the project's match position. Also see the IMALI Programme Operations Plan submitted to USAID 14 December, 2000).

Table 8. Match Funds as of December 31, 2000 in Rands.

Item	Match Type	Value in Rands		
		Current Period[1] (Rand)	Previous Periods (Rand)	Total to Date (Rand)
1	Office space		87,556.00	87,556.00
2	Administrative assistance (staff time, supplies, communications, photocopies, and accounting)		73,200.00	73,200.00
3	Travel expense (Airfare, per diem and other transportation expenses)		64,569.27	64,569.27
4	Financial management consultant		10,000.00	10,000.00
5	Study trip to Europe (Airfare, per diem and salary)		27,611.28	27,611.28
6	Development Bank assistance (consultant & travel)		6,840.00	6,840.00
7	DGRV funds for training and in-kind contribution		335,005.00	335,005.00
8	Training workshop		14,900.93	14,900.93
9	FinaSol Micro-banking software system		2,279,972.60	2,279,972.60
10	Parking for FinaSol Management		11,880.00	11,880.00
11	Legal Expertise		151,293.71	151,293.71
12	FSC Earnings [2]		101,067.47	147,748.74
13	FSC Share Capital and Mobilized Savings		879,932.82	1,120,267.56
14	SCC In-kind contributions funds [3]		152,063.31	152,063.31
15	SCC direct funding [4]	405,081	119,950.00	525,031
16	VAT reimb. from non-USAID funded expenditures		10,180.87	10,180.87
17	FinaSol Income from FSCs	44,244.69	60,580.39	104,825.08
18	Bank loans for FSC computer rental [5]		382,246.96	382,246.96
19	FSC Buildings [6]		41,331.88	41,331.88
Total			**R 4,810,182.49**	**R5,546,524.19**
Average exchange rate used for the period (R/S)				
Equivalent in $ US			**$ 774,917.51**	**$876,095.59**
Percentage Contribution to Match [7]				**24.43%**

[1] The current period includes funds received and in-kind contributions from July to September 2000).
[2] FSC earnings come from entry fees, member transaction fees, interest on link bank deposits, and donations to the FSCs.
[3] This includes items paid directly by SCC for FinaSol; i.e. vehicle and consultant fees.
[4] This item includes cash advances for the development of FSC self-study materials.
[5] Two different loans have been negotiated for FSC computer purchase, one in October 1999 and one in September 2000. Two different $US exchange rates were therefore used to calculate the US dollar match.
[6] This item included the construction costs for 3 office buildings funded by members of the FSCs (Mfekaye: R6 950.50, Makwane: R21 306.38, and Eyethu: R13 075.00)
[7] The total amount of expected match is $ 2,463,860. The percentage contribution reflects the actual amount of match divided by the expected total amount for the life of the project; i.e., through September 30, 2001.

I. ACTION PLAN MONITORING

The following Action Plans are linked to FSC, FinaSol and ACDI/VOCA follow up activities from now till end-September 2001. The Action Plans are linked directly to Project Review findings and to contract deliverables. Key FSC activities over the next year, are the presented below. See also the status of these key actions.

FSC Action Plan

(October'00-September'01)

Critical Targets	Action Plan	Timeframe	Status (31 Dec)
1. FSCs developed	a) BODs develop action plan details b) Initiate action plan; tasks assigned to members c) Monitor action progress; trouble-shoot as needed d) Update action plans at monthly meetings e) BODs get member suggestion-box inputs	-25 Oct'00 -11 Nov'00 -Continuous -Monthly -Periodic	a) 27 Done b) 27 Done c) 27 On-going d) On-going e) On-going
2. FSC members	a) BODs aggressively initiate membership recruitment b) BODs monitor/strengthen membership and marketing c) BODs take lead recruiting at least 25 new members mthly d) Tellers to provide details on status e) BODs constantly monitor/improve customer service f) FSC members give feedback at general meeting g) Member selfstudy promotes FSC understanding (Zwelisha)	-1 Nov'00 -Continuous -Monthly -Monthly -Continuous -Monthly -Continuous	a) On-going b) On-going c) On-going d) On-going e) On-going f) Pending g) On-going
3. Savings	a) All members increase savings by at least R25 per month b) Tellers/BODs monitor savings target achievement c) Members transfer excess savings to fixed deposits d) Link savings as guarantee for loans into fixed deposits e) BODs promote and market products f) Tellers monitor savings accounts and advise savers	-Monthly -Monthly -Periodic -Continuous -Continuous -Continuous	a) More marketing b) On-going c) On-going d) On-going e) More marketing f) On-going
4. Loans	a) FSCs initiate lending when eligible (month 7 of FSC ops) b) BODs promote products (train MEC mth 2 & CIC mth 5)	-Periodic -Continuous	a) Muden/Tseki only b) More marketing
5. Transfers	a) Members transfer funds to business/family in-out of FSC b) FSC's BODs and MEC promote and market products	-Periodic -Continuous	a) On-going b) More training
6. Pensions	a) FSC's BODs and MEC promote products (especially on monthly pension payment days)	-Continuous	a) More training
7. Transactions	a) Members make at least 3 transactions monthly b) FSC's BODs and MEC promote and market products	-Monthly -Continuous	a) Training/marketing b) More training
8.Insurance	a) FSC's BODs and MEC promote and market product b) BODs track sale progress and fine-tune as needed	-Continuous -Continuous	a) More marketing b) More training
9. Income	a) BODs monitor costs and enhance revenues	-Continuous	a) Training needed
10. Capital	a) BODs promote increasing membership	-Continuous	a) More marketing
11. FSC Breakeven	a) BODs monitor use of FinaSol startup loan (form to be developed)	-Monthly	a) On-going

FinaSol Action Plan

(October'00-September'01)

Critical Targets	Action Plan	Timeframe	Status (31 Dec)
1. FSCs developed	a) BDOs work w/ FSC BODs to produce action plan	-31Oct'00	a) 27 completed
2. FSC members	a) BDOs organize recruitment workshop b) BDOs assist FSCs to implement member recruitment drive c) Monthly membership recruitment target is 25 per FSC d) BDOs assist FSCs with product marketing e) Member self-study programme initiated (Zwelisha)	-31Oct'00 -1Nov'00 -1Nov'00 -Monthly -On-going	a) Done b) Done c) More marketing d) More marketing e) Done
3. Savings	a) BDOs work constantly w/ BODs to promote savings b)Tellers track and report on savings/targets to FSC BODs	-Continuous -Monthly	a) On-going b) On-going
4. Loans	a) Establish viable interest rates; adjust as warranted b) BDOs train Credit&Investment Committee c) BDOs assist FSCs w/ loan monitoring (Muden/Tseki) d) Operations/credit mgr to be hired by FinaSol; works w/ STA e) FinaSol to assist with wholesale funds (no guarantees)	-Nov'00 -Monthly -Continuous -Nov'00 -Periodic	a) 3%/m b) On-going c) On-going d) Pending e) On hold
5. Transfers	a) BDOs train FSC BODs in product delivery b) Teller trainer trains tellers c) BDOs monitor progress	-Continuous -Continuous -Continuous	a) More marketing b) On-going c) On-going
6. Pensions	a) BDOs train BODs in product delivery; 119 applications in b) Teller trainer trains tellers c) BDOs monitor progress d) FinaSol negotiates w/ respective ministry	-Continuous -Continuous -Continuous -as needed	a) Needs pushing b) On-going c) On-going d) Done; on-going
7. Transactions	a) BDOs train BODs in product delivery b) Teller trainer trains tellers c) BDOs monitor progress	-Continuous -Continuous -Continuous	a) More marketing b) On-going c) On-going
8. Insurance	a) Guidelines developed/applications to FSCs b) Teller trainer trains tellers c) BODs trained d) BODs monitor progress	-Continuous -Continuous -Continuous -Continuous	a) Done b) On-going c) Done d) On-going
9. Income	a) Teller/treasurer trained to analyze monthly financials b) Do FSC fundraising	-Continuous -Continuous	a) On-going b) Pending
10. Capital	a) Increase FSC membership by 25 new members monthly	-Continuous	a) More marketing
11. FSC Breakeven	a) Finance manager/BDOs monitor breakeven b) FinaSol key staff advise on performance as needed	-Continuous -Continuous	a) On-going b) Pending
12. Resource match	a) FinaSol and A/V work together to id match resources	-Continuous	a) On-going; 24.43%
13. Working w/ USAID	a) Addresses USAID concerns; regularly meets w/ USAID	-Monthly	a) On-going
14. Project resources	a) Coordinates w/ A/V and others to bring in additional funds	-Continuous	a) On-going

ACDI-VOCA Action Plan

(October'00-September'01)

Critical Targets	Action Plan	Timeframe	Status (31 Dec)
1. FSCs developed	a) AV assists in program roll-out (top 10 FSCs) b) COP/STA mentor counterparts as necessary c) Support FinaSol's focus on developing full-service FSCs to demonstrate financial franchise concept viability d) Monitor viability/sustainability; enhance as needed e) AV to assist w/ FSC security strategy(s) f) STA works w/ BDOs/BODs in developing/training local/regional FSC forum g) AV to assist w/ other technical inputs	-Continuous -Continuous -Continuous -Monthly -Dec'00 -Periodic -as needed	a) On-going b) On-going c) On-going d) On-going e) On-going f) Pending g) On-going
2. FSC members	a) Assist FinaSol w/ FSC marketing strategies	-as needed	a) On-going
3. Savings	a) Assist FinaSol w/ specific technical inputs	-as needed	a) On-going
4. Loans	a) STA/GS finalize loan policy/procedures manual b) Lending training carried out; follow up initiated c) Loan program monitoring initiated d) STA mentors FinaSol Ops/credit manager e) Product delivery system fine-tuned f) AV assists w/ marketing strategy(s)/training	-Nov'00 -Continuous -Continuous -Continuous -as needed -Continuous	a) Done b) Done at 5 FSCs c) Done at 2 FSCs d) Pending e) On-going f) On-going
5. Transfers	a) AV gives inputs as needed	-as needed	a) On-going
6. Pensions	a) AV gives inputs as needed	-as needed	a) On-going
7. Transactions	a) AV gives inputs as needed	-as needed	a) On-going
8. Insurance	a) Finalize guidelines b) Develop marketing strategy(s) w/ FinaSol and FSCs c) BDOs&BODs trained	-Dec'00 -Dec'00 -Nov'00	a) Done b) On-going c) On-going
9. Income	a) AV advises BDOs/BODs on fund-raising activities	-as needed	a) On-going
10. Capital	a) Membership monitored to achieve increase in capital	-Continuous	a) On-going
11. FSC Breakeven	a) COP/STA monitor FSC targets including breakeven b) Financial/breakeven mgt skills given thru BDOs	-Continuous -as needed	a) On-going b) On-going
12. Resource match	a) A/V-FinaSol develop revised match strategy b) Action initiated with constant monitoring	-Nov -on-going	a) On-going b) On-going
13. Working w/ USAID	a) COP liaises w/ USAID b) FinaSol more involved in planning/talks/representation	-31 Oct'00 -Continuous	a) Monthly/quarterly b) On-going
14. Project resources	a) A/V and FinaSol work together to bring in additional project funds for project expansion after Sept 2001.	-Immediate	a) Initiated w/ Swedes, Canadians, others