FinaSol

INCREASING MICRO-ENTERPRISE ACCESS TO LIQUIDITY
IMALI GRANT
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IMALI PROJECT
QUARTERLY PROGRESS REPORT # 11
(1 April – 30 June, 2001)

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IMALI PROJECT
QUARTERLY PROGRESS REPORT (QPR #11)

EXECUTIVE SUMMARY

During this quarter the IMALI project has progressed considerably toward increasing business transactions and achieving strong business skills amongst Financial Services Cooperatives (FSCs). FinaSol Business Development Officers (BDOs) themselves have demonstrated a considerable elevation in business diagnostics and business counseling. As a direct result FSCs are taking greater ownership of their FSCs and generating revenues that will lead them toward financial viability. Below are many of the key activities that have contributed to these achievements:

Key FSC Activities this Period.

- FSCs have communicated strongly back to FinaSol that loan terms and conditions are too restrictive and not user-friendly. ACDI/VOCA and FinaSol took the advice seriously and have restructured loans terms and conditions to attract more borrowers while at the same maintaining risk exposure at acceptable levels.

- Outreach to potential borrowers has taken place on a more vigorous basis.

- Hands-on loan training is now being carried out by FinaSol BDOs as more and more FSCs reach deposit levels that allow lending to take place.

- Because lending is tied directly to savings capacity at FSCs, more vigorous deposit accumulation and capital growth has been promoted and is being achieved. As a result more FSCs are joining the numbers of lenders.

- Treasurer and teller training continues at pace with heavy emphasis on refresher courses and fine-tuning to cut costs and improve after-training service delivery. This is proven very effective indeed, as Help Desk call-ins from FSCs have been dramatically reduced.

- The stronger business emphasis at FSCs has motivated FSC boards of directors (BODs) to push harder for membership growth. The correlation between members, deposits and lending is well established now so that FSC management is focusing on new membership drives, which target the business community as opposed to a community's unemployed.

- A shift in local business perceptions about FSCs is taking place whereby FSCs are seen not so much as community development NGOs, but, rather as local business organizations that sell financial services to businesses and families. Businesses now realize that FSCs are good business partners.

- FinaSol BDOs have taken the FSC to the business community and to local government representatives as a means of getting greater exposure into key community activities that have the potential to generate strong revenue flow.

FSC National Forum

The first FSC National Forum took place at the end of June 2001. It was attended by eighteen representatives from the nine FSC Local Forums. The nine FSC Local Forums

represent the interests of twenty-nine FSCs. The National Forum provided the opportunity for FSC Local Forum representatives to meet each other, to share insights, to talk with FinaSol, and to hear about, and participate in, new developments, such as the FNB working agreement, that will effect their long-term futures. Most significantly, the National Forum provided an ideal venue for making annual public recognition, performance awards. The performance awards are done annually against an established set of performance criteria. A number of awards were made to FSCs, FSC chairpersons, tellers and FinaSol BDOs.

Loan Terms Re-engineering

FSCs provided FinaSol with strong and clear feedback that loan terms were simply too complicated and too conservative. FinaSol responded by restructuring the loans terms to be friendlier to borrowers. While maintaining a high level of good risk management steps, the new terms have offered borrowers increasingly more flexible terms as a borrower's track record gets better established over time and is consistently responsive to on-time payments obligations. The two most important features of the new loan terms are that on the lower loan amount end, first time borrowers are not required to provide complex business plans. They must however be able to pay on time. Borrowers with a repeat loan track record of on-time repayment are provided with incentives of longer duration, larger amounts, less collateral, quicker loan turn around. (See Section V.D.8, FSC Loans, for more information on revised loan terms.

FNB Agreement

An agreement with the First National Bank (FNB) has been orchestrated with the expressed purpose of strengthening FSC outreach and service delivery, and most importantly, bringing in new sources of non-USAID funding. Over the next three years FNB will invest R 18,000,000 (eighteen million rands or about $2.2m) in in-kind technical assistance (see ANNEX A for details of the FinaSol/FSC-FNB Spirit of the Agreement), and R 3,200,000 ($500,000) in the form of an unsecured, interest-bearing loan to FinaSol. The fundamental outcome of the FNB Agreement will be that FNB gets better access to rural customers and is prepared to invest substantially to achieve this market niche opportunity. At the same time FinaSol/FSCs remain as an autonomous entity with its own Board of Directors and decision-making capability.

Security Upgrading

FSC security has been significantly upgraded to address potential and real crime problems. Alarms, bullet-proof glass, concrete counters, secure doors and crime-stopper strategies have been placed in all FSCs. FSC security directors have been counseled on techniques and tactics for crime prevention as well as what to do should an FSC break-in occur.

FSCs Focus on Business

As FSCs are visited on various technical assignments it is becoming increasingly clear that within the communities FSCs are becoming better and better known for their business services, in short, FSC are finally able to claim what we have been trying to achieve for months - name recognition. The focus on business is paying off. Support systems are now more reliable than ever and being improved all the time. Services delivery is also improving. FSC BODs and FinaSol BDOs are working together to streamline pension payments, while FNB will be assisting at top levels to break the logjam on school accounts. A stokvel account product is being designed to be able to open the doors to any and all stokvels around an FSC.

There is an ever-increasing perception that FSCs are quickly becoming community business hubs.

FSC Loan Fund Capitalization

There has been success in capturing more and more capital for on-lending. For example, FinaSol has successfully negotiated loan funds from the National Department of Social Development for three FSCs in the Qwaqwa area of the Free State (two existing FSCs and one new FSC for which set-up funding has also been provided). The three successful FSCs include:

- R100,000 to Tseki FSC
- R100,000 to Makwane FSC
- R100,000 to Thabo Basiu (new FSC to be set up)

Teller Training

Teller and treasurer training continue with two clear effects: there are fewer inquiries coming into the FinaSol help desk and there is clearly greater competency at systems use amongst FSC tellers. In the long run it is expected that better systems use skills will mean faster customer processing and more people through the system. Ultimately greater proficiency translates quickly into more revenue for FSCs and less costs.

Key Performance Progress this Period

The FSC business performance shown in Table 1 below provides a quick look at achievements during this quarter.

Table 1. FSC Business Performance

FSC Business Performance					
Target Item	**Last Quarter (10) Actual (31 Mar'01)**		**This Quarter (11) Actual (30 June '01)**		**% Progress Variance**
1. FSCs developed		29		29	**n.a.**
2. FSC members		3,703		4,815	**30.03**
3. Total deposits value (R/$) [1]	R 2,982,316	($372,789)	R 4,989,698.19	($ 631,042.57)	**67.31**
4. Savings withdrawals (R/$)	R 1,542,705	($192,838)	R 3,213,598.65	($ 406,420.89)	**108.31**
5. Current savings balance value (R/$)	R 1,439,611	($179,951)	R 3,145,065.46	($ 397,753.56)	**118.47**
6. Loans made to date		36		77	**113.89**
7. Loan value (R/$) during the period	R 256,581	($ 32,072)	R 362,037.03	($ 45,786.49)	**40.78**
8. Average loan size (business loans).	R 1,090	($ 137)	R 3,290	($ 416.00)	**201.83**
9. Transfers made (since January 01)		47		71	**51.06**
10. Transfers value (R/$)	R 11,322	($ 1,415)	R 74,248.87	($ 9,390.19)	**555.79**
11. Pension payments/applications		124		124	**No change**
12. Pensions value per month (R/$)	R 66,960	($ 8,370)	R 66,960	($ 8,468.00)	**No change**
13. Transactions/month (average)		1,318		4725	**258.50**
14. Transactions/member/month		1.01		0.98	**No change**
15. Income (all revenue sources) (R/$)	R171,520	($22,275)	R 286,391.23	($ 36,219.64)	**69.97**
16. Capital (from membership) (R/$)	R164,735	($21,394)	$ 420,127.57	($ 53,133.15)	**155.03**
17. FSCs at breakeven		0		0	**No change**
18. Insurance policy sales		37		119	**221.62**
17. Project resource match ($/%)	$1,105,134.30	(R8.8m)	$ 1,417,508.62	(R 9.79m)	**28.27**

[1] The exchange rate used to estimate the SUS equivalent of Rand values is 7.907070611, which is the average exchange rate for IMALI funding over the second quarter 2001 period.

Key Activities for the Next Quarter

Key activities for the up-coming quarter (July-September, 2001) include but are not limited to the following tasks:

- Vigorous new membership growth;
- More vigorous fixed deposit taking (in order to capitalize lending);
- More vigorous lending ;
- Continued hands-on loan training at FSCs that have reached their deposit requirements;
- More vigorous promotion, marketing and sales training;
- Continued emphasis on FSC business development and financial services facilitation;
- Vigorous outreach to local business people.

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.

II. IMALI/FINASOL PURPOSE

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

- Assists 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 MILESTONES

Key program milestones are shown in the milestone table below. These serve as a bench mark against which project progress is charted.

Table 2. Key Programme Milestones

Key Programme Milestones (from the Review)			
Key Milestones	Responsible Party(s)	Timeframe	Progress Status (30June '01)
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 by end December 2000.	FSC/FinaSol	Dec'00	Achieved: Muden/Zwelisha/ Tseki/Entumeni/Makwane/ Mqanduli/Inkanyezi/Isibani
4. Pension/funds transfer guides completed and training started	FinaSol	Dec'00	Achieved
5. Teller/treasurer trainer hired	FinaSol	Dec'00	Achieved
6. Operations/credit manager			On hold
II. Milestones for 2001			
1. BDOs assist FSCs with product marketing plans	FinaSol	Jan'01	Achieved
2. Standards and procedures set for internal audits	FinaSol	Jan'01	Achieved
3. SMME loan funds sources identified/loan products initiated	FinaSol/FSC	Jan'01	Lending ongoing in 8 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	Achieved
6. At least 14 FSCs operating as full financial service providers	FinaSol/FSC	Mar'01	In process; FSCs lending
7. All FSCs undergo formal audit	FinaSol/FSC	Mar'01	Achieved

Milestones established during the IMALI/FinaSol-FSC Review have been systematically monitored. All milestones in year 2000 were attained. Milestone achievements in year 2001 have been hampered by slow loan delivery growth. Once the milestones are in place, it makes carrying out tasks directly related to project business targets possible as in the case of increasing deposits and loans, products which are the most directly linked to business development and jobs growth.

Table 3. Target-Recommendations Status Matrix

Target-Recommendation-Status Matrix (from the Project Review)		
Critical Targets	**Key Recommendations**	**Current Status (31 June '01)**
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) All FSC mgt. Have done business training. b) BDOs have hands-on role in business training. c) FinaSol constantly making system upgrades. d) Business Roundtables focus on marketing. e) In agreement with USAID, focus is on top 10 FSC-Star group. Other FSCs also getting business TA and financial management inputs.
2. FSC members	a) Develop product marketing	a) Nine products 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 wholesale funders. b) Product marketing aggressively going on. c) Done. d) 29 FSCs exist; 7 are lending. e) All BDOs have undergone credit training; 13 FSCs 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.
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 so FSCs retain more revenue d) Track breakeven/cost-recovery	a) FSC teller training is on going. b) FSC mgmt is aware of this cost area; VPDN system is in place w/ 50% cost reduction. c) Pending. d) **FSC breakeven analysis still needed monthly.**
11. Resource match	a) Negotiate new match target w/ USAID; revise match strategy	a) In agreement w/ USAID, match is readjusted to 50%; new initiatives are being worked out where this match will be met and exceeded. Match stands at 26.1%.

V. PRINCIPLE ACTIVITIES

A. Key Accomplishments During this Reporting Period

The following key accomplishments were realized during the period from April 1 to June 30, 2001:

- Total FSC membership reached 4,815 this quarter (1,885 men, 2,489 women and 441 groups).
- Total FSC net saving deposits reached R 3,145,065.46, share capital R 420,127.57 and income R 286,391.23.
- 35 new loans went out this quarter in the amount of R 115,156.03 ($ 14,563.68)
- Three FSCs were successful in obtaining R300,000 from the Free State Department of Social Development for their respective loan operations.

B. Institutional Development

1. ACDI/VOCA Technical Assistance

A/V technical assistance focused on loan training, National Forum preparations, loan terms revisions, and draft FSC performance-based incentive system design.

2. Staffing

FinaSol Staffing

FinaSol's new Chief Financial Officer, Mr. Douglas Meisel, was hired during the reporting period to replace the temporary person who had been managing FinaSol's finances since February.

The Systems Controller (FinaSol Micro-banking System) position was offered to the temporary person who had been filling the position since the previous person left in February. Mr. Saleem Anwar is now the FinaSol System's Controller.

It was further decided that the position of Managing Director would be modified to become that of Chief Executive Officer (CEO). As such, the current Managing Director will be stepping down in September/October 2001. Recruitment to fill the CEO position was conducted during the period, however, no final decision on the selection will take place until July or August.

It is planned that the current Managing Director will remain with FinaSol for the next three years in a technical assistant/consultant position.

3. Collaboration with the Other Partners

Swedish Cooperative Centre (SCC)

During the reporting period FinaSol began the process of preparing a 2002-2003 proposal for funding by SCC. The full proposal will be submitted in late July. The proposal will focus on additional development and improvement of the self-study materials, appointment of a self-study coordinator, and equipment for a second Teller/Treasurer Training unit (vehicle and computers). The estimated value of the two-year proposal is R 2,325,000.

ACAT KwaZulu-Natal

Further discussions took place concerning the possibility for the financing of additional FSCs, using the funds from the National Department of Social Development, which have been held idle for the last two years. No final conclusion has yet been reached.

Canadian Cooperative Association (CCA)

During the reporting period the local CCA representative completed his term in South Africa and returned to Canada. CCA has therefore decided that the FinaSol/CCA agreement will be supervised directly from Ottawa. It is expected that a new plan of operations will be negotiated in the near future.

4. FSC Products

Pensions and school accounts are both important targets for FSC outreach. Additionally, FNB has promised to take the matter up at highest governmental levels to break the impasse that has kept FSCs from being able to more vigorously meet pension applications and payments quickly.

6. FSC Promotion and Training

Over the past several months, visits to FSCs have resulted in some enlightening and encouraging *"Success Stories"*. When shared with other FSCs they have a positive effect and often emphasize important messages about marketing, customer care and FSC ownership. The purpose in sharing these stories is because some of these *"Success Stories"* might be useful material in developing Annual Reports, Quarterly progress reports and media information.

Below are several *"Success Stories"* shared by FSC BODs and members from recent AGMs at Muden, Entumeni and Mfekayi

One liners:

- Using the Entumeni FSC helped me reduce my transaction costs (he actually used this word - "reduce my transaction costs"!) because I didn't have to go all the way to Eshowe to the FNB.

- In the past I was rejected for a loan but the teller told me again what I needed to do and I got my first loan. Now I know the FSC really works.

- I am a FSC board member and I am the first person that got my pension through the FSC. I don't have to travel to the pension pay point any more and wait for hours and spend 30 Rands to get there and back and have to spend more money to eat something along the way. I get all my 540 Rands in my account the same day. The pension payment through the FSC is 100% successful! (As a result of this comment 14 new members signed up the same day).

- I bought an FSC funeral policy because I realized that it won't just bury me, it will help my wife and children to get through a difficult time and not have to worry about where funeral money will come from. Of course I didn't have to use it yet, but I think it will be successful.

Short stories:

- I am a FSC member and went to the local FNB to do some business. I was asked to wait on the side while the teller served other people. This was humiliating for me, for anyone. At the FSC, I am received well. They think my account and I are important to them and that is why they treat me well. I didn't have to turn the ox cart spanner to get good service at the FSC. I like the fact that we own our FSC that serves us all. I used to stand in line wondering whom I have to know or have to talk with to get good service. Now I know I can get good service because I am a member.

- I'm a cane grower and I opened an account several weeks ago. When it was time for me to get my cane payments they came through the same day. At the FSC, I had the payments in my account in five minutes.

- I am the wife of a cane worker and I like the FSC because when my husband gets his monthly wage he can't spend it on drink, instead, it comes directly into his account and we can go together to get money for our home and our children.

- I'm a young man and I have to be honest, we like to play when we have extra money, so this FSC idea will be good for us so we don't waste our hard earned wages. I am going to join the FSC after this meeting and I am going to change from using the stokvel I belong to, to joining the FSC where I can get interest on my savings.

- My son is the chairperson of the FSC and when I told him his brother was sending money to me from Johannesburg, he told me I should have him send it through the FSC account with FNB. I did and came through quickly and easily. It worked. I wanted to see my son but it would have cost him more than R100 to come here to give me R300 and he would have spent two days traveling. I want to say something else as well.

  Two weeks ago my best friend and I left the village at 6:30 in the morning to get our pensions. I left my friend at the pay point at 8 o'clock. She asked me where I was going and I told her I had some business to do. Actually I went to the FSC and when I got there my pension was already there they were waiting for me. Then I went to the market and bought some things I needed.

  I went back to my friend at 10 o'clock and she asked me where I got money to buy things from the market. I showed her my FSC (deposit) receipt that said my pension was in my account. She was very surprised. She didn't get her pension payment until after 4:30 that afternoon. I left without her and went home to my family before it got dark.

7. Key FSC Development

Table 4 indicates a total of twenty-nine (29) FSCs. Of these twenty-seven (27) are fully operational, while two (2) are still not open for business. Teller training is still required for Bakenburg FSC to open its doors (to be completed in July) and electrical and telephone connections, as well as teller training, remain before Kwa-Machi FSC can open its doors.

Table 4. Key FSC Statistics as of June 30, 2001

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	192	270	34	496	319 374.98	21 742.00	18 666.00
2. Tseki	116	106	25	247	96 715.55	112 147.00[2]	9 062.56
3. Sihlangu	104	122	19	245	77 840.51	11 850.00	12 119.67
4. Muden	161	118	41	320	1 510 274.98	16 070.00	27 300.48
5. Umtfomba Wempilo	75	60	22	157	50 804.34	7 100.00	7 319.92
6. Osungulweni	54	151	5	210	95 447.33	10 220.00	9 111.30
7. Sibonelo	73	142	19	234	99 354.24	10 807.20	11 944.84
8. Zwelisha	72	134	30	236	69 933.49	10 730.00	31 676.69
9. Inkanyezi	73	88	21	182	144 846.82	8 850.00	7 728.95
10. Makwane	50	53	22	125	25 396.26	105 800.00[3]	5 641.22
11. Drakensberg	80	111	30	221	51 634.46	9 561.37	8 226.48
12. Clarkebury	53	69	13	135	86 639.13	6 350.00	5 644.48
13. Mqanduli	114	137	31	282	90 096.02	12 170.00	9 998.40
14. Oakley	26	58	7	91	16 597.83	4 350.00	3 976.02
15. Isibani	87	63	15	165	68 655.07	7 850.00	5 941.47
16. Eyethu	24	61	9	94	12 896.66	4 300.00	3 645.77
17. Hoyi	55	87	3	145	11 876.11	5 920.00	4 678.40
18. Kukhanya Kufikile	22	63	1	86	2 080.00	3 200.00	2 529.23
19. Sizathina	36	54	17	107	38 377.89	4 890.00	68 869.35[4]
20. Holy Cross	53	74	11	138	63 535.06	6 600.00	4 197.00
21. Mount Ayliff	90	122	24	236	91 231.72	11 050.00	5 621.00
22. Mfekayi	52	62	1	115	41 566.51	5 350.00	6 914.00
23. Ngqeleni	46	55	10	111	8 306.93	5 400.00	3 804.00
24. Matibidi	32	46	2	80	3 802.33	3 320.00	2 210.00
25. Kwa-Machi	24	27	8	59	1 020.00	2 580.00	1 620.00
26. Uthando	44	49	11	104	59 372.24	3 800.00	2 488.00
27. Mooiplaas	26	42	2	70	1 342.00	2 550.00	1 808.00
28. Mooi River	23	31	8	62	5 927.00	2 470.00	1 788.00
29. Bakenburg	28	34	0	62	1 240.00	3 100.00	1 860.00
Total	**1 885**	**2 489**	**441**	**4 815**	**3 145 065.46**	**420 127.57**	**286 391.23**

[1] M = Men, W = Women, G = Groups & Business Accounts, and T = Total
[2] The Share Capital includes a R 100 000,00 loan fund provided by the Dept. of Social Development.
[3] The Share Capital includes a R 100 000,00 loan fund provided by the Dept. of Social Development.
[4] The income includes a R 65 000,00 donation from the local government.

Tables 5 to 7 indicate the number of training sessions that took place during the reporting period. The end result has been a steady increase in transactions and better customer care.

Table 5. FSC Training Sessions – Quarter 2, 2001– Mpumalanga Province

Community	No. of Learners			Training Session
	Male	Female	Total	
Mpumalanga Province				
Mooiplaas FSC	37	28	65	Product marketing and Recruitment
Matibidi FSC	43	31	74	Product marketing and Recruitment
Sibonelo FSC	2	3	5	Business Planning – Follow-up
Umftombo Wempilo FSC	6	4	8	Business Planning – Follow-up
Kukhanya Kufikile FSC	16	39	55	Product marketing and Recruitment
	3	9	12	Product marketing & Recruitment (Brick makers)
Hoyi FSC	5	4	9	Business Planning – Follow-up
Sihlangu FSC	5	3	8	Business Planning – Follow-up

Table 6. FSC Training Sessions – Quarter 2, 2001– KwaZulu-Natal Province

Community	No. of Learners			Training Session
	Male	Female	Total	
KwaZulu-Natal Province				
Kwa-Machi FSC	5	7	12	Operations Training – BOD Module 1
	6	6	12	Marketing – FSC Product Workshop
Entumeni FSC	2	1	3	Operations Training – Internal Audit Committee
	0	3	3	Operations Training–Marketing & Edu Committee
	3	0	3	Operations Training–Safety & Security Committee
Sizathina FSC	6	7	13	Business Planning 1
	6	6	12	Business Planning 2
	1	1	2	Operations Training – Internal Audit Committee

Table 7. FSC Training Sessions –Quarter 2, 2001– Eastern Cape Provinces

Community	No. of Learners			Training Session
	Male	Female	Total	
Eastern Cape Province				
Ngqeleni FSC	5	6	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
	5	5	10	Operations Training – BOD Annexes 2 & 3
Mount Ayliff FSC	6	8	14	Loans Training – Day 1
	5	7	12	Loans Training – Day 2
	4	8	12	Loans Training – Day 3
Drakensberg FSC	5	8	13	Loans Training – Day 1
	6	7	13	Loans Training – Day 2
	5	7	12	Loans Training – Day 3

8. FSC Loans

Lending remains modest (see Table 8 below), however, the newly revised and more borrower-friendly loan terms and conditions, which were developed in June and approved by the FSC National Forum are expected to improve borrower confidence and increase lending beginning in July.

The zero interest loan to Zibambeleni is the only delinquent loan at this time. Unfortunately, resolution to the repayment problem will be difficult unless the savings collateral is used to

pay off the overdue amount. It seems that the expenses for the property, especially electricity are not being collected from the tenants. This in turn prevents Zibambeleni from paying the installments on time and completely. A workshop must be conducted with them to find an acceptable arrangement or the savings collateral will have to be seized. Other than this, the FSCs are doing well on controlling delinquency in their loan portfolios.

Table 8. FSC Loan Statistics as of June 30, 2001

No.	FSC	Total Loans Granted	Total Rand Amount Granted	Loans Outstanding as of 06-30-01		
				Number	Amount in Rands	Repayment Rate
01	Muden [a]	20	27,756.00	11	4,904.39	100%
		1	216,225.50	1	211,077.27	25%
02	Tseki	26	33,800.00	12	18,446.47	100%
03	Zwelisha	5	6,000.00	4	4,500.00	100%
04	Entumeni	4	4,100.00	3	2,466.67	100%
05	Makwane	15	51,500.00	6	21,749.70	100%
06	Inkanyezi	2	1,100.00	2	988.00	100%
07	Mqanduli	1	1,000.00	1	1,000.00	100%
08	Isibani	3	20,555.52	3	20,555.52	100%
Total		77	362,037.03	43	285,688.02	83.17%

The new loan terms and conditions were divided into three "Plans"; i.e., the Easy Plan, the Achiever's Plan and the Star Plan. Their terms and conditions are as follows:

Table 9. Easy Plan Loan Terms and Conditions

Criteria	Easy Plan		
	First	Repeat	Green [1]
Minimum Age [2]	21	21	21
Credit Life Insurance per table in loans manual [3]	Yes	Yes	Yes
Member since	3 months	N/A	N/A.
Required savings as collateral	30%	30%	20%
Other forms of collateral required	70%	70%	40%
Maximum loan amount	R 2500	R 5000 R 10000	R 20000
Loan Term	1-12 mo.	1-12 mo.	1-12 mo.
Loan fee per table in loans manual [4]	Yes	Yes	Yes
Interest rate on loan: Rate Per Month	5%	5%	4%
Rate Per Annum	60%	60%	48%
Contribution to the loan guarantee fund	1,5%	1,5%	1,5%
Completion of loan forms: Application	Yes	Yes	Yes
Amount ≤ R 1000 Balance Sheet	No	No	No
Income Statement	No	No	No
Amounts > R 1000 Balance Sheet	Yes	Yes	Yes
Income Statement	Yes	Yes	Yes
Line of Credit	No	No	R 1500

[1] These are special conditions for borrowers who have successfully completed 4 loans with full repayment on time, no delinquency at all. Members who have had even slight delinquency problems will continue to use the repeat loan column.
[2] If the borrower is under 21, then a parent or guardian must provide a 100% guarantee.
[3] These is no credit life coverage for group loans or members 65 years and older.
[4] Loans above R 5000 carry a 1% loan fee

Table 10. Achiever's Plan Loan Terms and Conditions

Criteria	Achiever's Plan		
	First	Repeat	Silver[1]
Minimum Age [2]	21	21	21
Credit Life Insurance per table in loans manual [3]	Yes	Yes	Yes
Member since	1 month	N/A	N/A.
Required savings as collateral	50%	50%	30%
Other forms of collateral required	50%	50%	30%
Maximum loan amount	R 4000	R 8000 R 15000	R 30000
Loan Term	1-12 mo.	1-12 mo.	1-12 mo.
Loan fee per table in loans manual [4]	Yes	Yes	Yes
Interest rate on loan: Rate Per Month	4%	4%	3%
Rate Per Annum	48%	48%	36%
Contribution to the loan guarantee fund	1%	1%	1%
Completion of loan forms: Application	Yes	Yes	Yes
Amount ≤ R 1000 Balance Sheet	No	No	No
Income Statement	No	No	No
Amounts > R 1000 Balance Sheet	Yes	Yes	Yes
Income Statement	Yes	Yes	Yes
Line of Credit	No	No	R 3000

[1] These are special conditions for borrowers who have successfully completed 4 loans with full repayment on time, no delinquency at all. Members who have had even slight delinquency problems will continue to use the repeat loan column.
[2] If the borrower is under 21, then a parent or guardian must provide a 100% guarantee.
[3] These is no credit life coverage for group loans or members 65 years and older.
[4] Loans above R 5000 carry a 1% loan fee

Table 11. Star Plan Loan Terms and Conditions

Criteria	Star Plan		
	First	Repeat	Gold[1]
Minimum Age [2]	21	21	21
Credit Life Insurance per table in loans manual [3]	Yes	Yes	Yes
Member since	1 day	N/A	N/A.
Required savings as collateral	100%	100%	100%
Other forms of collateral required	N/A	N/A	N/A.
Maximum loan amount	R 5000	R 10000 R 20000	No limit
Loan Term	1-12 mo.	1-12 mo.	1-12 mo.
Loan fee per table in loans manual [4]	Yes	Yes	Yes
Interest rate on loan: Rate Per Month	3%	3%	3%
Rate Per Annum	36%	36%	36%
Contribution to the loan guarantee fund	1% or R 50 whichever is less		
Completion of loan forms: Application	Yes	Yes	Yes
Amount ≤ R 5000 Balance Sheet	No	No	No
Income Statement	No	No	No
Amounts > R 5000 Balance Sheet	N/A	Yes	Yes
Income Statement	N/A	Yes	Yes
Line of Credit	No	No	R 5000

[1] These are special conditions for borrowers who have successfully completed 4 loans with full repayment on time, no delinquency at all. Members who have had even slight delinquency problems will continue to use the repeat loan column.
[2] If the borrower is under 21, then a parent or guardian must provide a 100% guarantee.
[3] These is no credit life coverage for group loans or members 65 years and older.
[4] Loans above R 5000 carry a 1% loan fee

E. Key Activities for Third Quarter (July-September) 2001

- Continue to promote a strong FSC business development approach.
- Focusing on achieving viable FSCs in at least 6-8 FSCs.
- Continue teller training in systems use and product marketing, and customer service.
- Focus on strong customer care in FSCs.
- Promote more active lending based on new loan terms.
- Aggressively target more businesses as to become FSC members.
- Broaden the resource search for the FinaSol/FSC program; bring on other private sector players.
- Enhance the FSC "financials" information.

VI. IMALI BUDGET and MATCH INFORMATION

A. Budget Information

A summary of project expenditures to date is shown in Table 12. Expenditure levels for FinaSol and ACDI/VOCA are on target with the budget.

Table 12. IMALI Expenditures October 1, 1998 – June 30, 2001

	Year 1 Expenditures	Year 2 Expenditure	Year 3 Expenditures[1]	Total To Date	Total Budget	Balance Remaining
ACDI/VOCA	$ 302,944.90	$ 351,975.85	$ 540,537.29	$ 1,195,458.00	$ 1,588,638.00	$ 393,180.00
FinaSol	$ 211,784.41	$ 624,184.53	$ 469,274.44	$ 1,305,243.30	$ 1,710,382.00	$ 405,138.70
FSC capitalization	$ 205.45	$ 147,151.32	$ 23,817.44	$ 171,174.21	$ 286,770.00	$ 115,595.79
Total	$ 514,934.76	$ 1,123,311.70	$ 1,331,998.06	$2,671,875.50	$ 3,585,790.00	$ 913,914.49

[1]This amount is the total Year 3 expenditures (Oct. 1, 2000 – June 30, 2001).

B. Matching Funds

It was agreed with the USAID project officer that the seventy percent match was unlikely to be reached during the life of the existing project and, therefore, the match needed to be adjusted downward to fifty percent. However, with the likelihood of a nine-month extension it is expected that the original seventy percent match will indeed be met. The total amount of match funding for the QPR 11 reporting period is shown in Table 13.

Table 13. Match Funds as of June 30, 2001 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	Admin. Assistance (staff time, supplies, etc.)		73,200.00	73,200.00
3	Travel expense (Airfare/Per diem/other)		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	1,460.00	335,005.00	336,465.00
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]	114,870.88	171,520.35	286,391.23
13	FSC Share Capital and Mobilized Savings	1,938,634.96	1,626,558.07	3,565,193.03
14	SCC In-kind contributions funds [3]		152,063.31	152,063.31
15	SCC direct funding [4]	50,000.00	1,011,438.25	1,061,438.25
16	VAT remit. From non-USAID funded expenditures		18,913.44	18,913.44
17	FinaSol Income from FSCs [5]		104,825.08	104,825.08
18	Bank loans for FSC computer rental [6]		382,246.96	382,246.96
19	FSC Buildings [7]		41,331.88	41,331.88
20	ACAT funding for Kwa Machi FSC		200,000.00	200,000.00
21	CCA Funding for Northern Province		537,594.85	537,594.85
22	FNB In-kind Contribution [8]		14,623.81	14,623.81
23	South African Government Contributions[9]	365,000.00		365,000.00
Total		**2,469,965.84**	**7,323,944.79**	**9,793,910.63**
Average exchange rate used for the period (R/$)		7.907070611		
Equivalent in $ US		**312,374.32**	**$ 1,105,134.30**	**1,417,508.62**
Percentage Contribution to Match [10]				**39.53**

[1] The current period includes funds received and in-kind contributions from April to June 2001.
[2] FSC earnings come from entry fees, transaction fees, loan fees, interest on link bank deposits, interest on loans, and donations to 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 and equipment and salary for Teller/Treasurer Training.
[5] FinaSol income from FSCs is not reported for this period due to the absence of the normal accountant. The new account if waiting for a full reconciliation of the FSC start-up loan accord before the billing is concluded. The amounts owed are being accrued until the is done.
[6] 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.
[7] 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).
[8] A senior staff member of FNB Corporate Headquarters accompanied the FinaSol team on its visit to Egypt at FNB's expense. The match amount includes airfare and per diem. The staff member's work time has not been included.
[9] This includes contributions to FSCs from National, Provincial, Regional, and Local government offices. The R 200,000 given as loan funds to Tseki and Makwane FSCs has already been included in their capital account. It is therefore not included here.
[10] The percentage contribution reflects the actual amount of match divided by total grant funding of $ 3,585,790.00. The match amount is 57.53% of the expected total match amount of $ 2,463,860.00 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 in Tables 14-16 below. The tables specifically show the current status of these key actions.

Table 14. FSC Action Plan

FSC Action Plan
(01April-31June'01)

Critical Targets	Action Plan	Timeframe	Status (30 June)
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 self-study 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	BODs monitor use of FinaSol startup loan (form to be developed)	-Monthly	a) On-going

Table 15. FinaSol Action Plan

FinaSol Action Plan

(01April-31June'01)

Critical Targets	Action Plan	Timeframe	Status (30 June)
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	-31Oct'00	a) Done
	b) BDOs assist FSCs to implement member recruitment drive	-1Nov'00	b) Done
	c) Monthly membership recruitment target is 25 per FSC	-1Nov'00	c) More marketing
	d) BDOs assist FSCs with product marketing	-Monthly	d) More marketing
	e) Member self-study programme initiated (Zwelisha)	-On-going	e) Done
3. Savings	a) BDOs work constantly w/ BODs to promote savings	-Continuous	a) On-going
	b)Tellers track and report on savings/targets to FSC BODs	-Monthly	b) On-going
4. Loans	a) Establish viable interest rates; adjust as warranted	-Nov'00	a) 3%/m
	b) BDOs train Credit & Investment Committee	-Monthly	b) On-going
	c) BDOs assist FSCs w/ loan monitoring (Muden/Tseki)	-Continuous	c) On-going
	d) Operations/credit mgr. to be hired by FinaSol; works w/ STA	-Nov'00	d) Pending
	e) FinaSol to assist with wholesale funds (no guarantees)	-Periodic	e) On hold
5. Transfers	a) BDOs train FSC BODs in product delivery	-Continuous	a) More marketing
	b) Teller trainer trains tellers	-Continuous	b) On-going
	c) BDOs monitor progress	-Continuous	c) On-going
6. Pensions	a) BDOs train BODs in product delivery; 119 applications in	-Continuous	a) Needs pushing
	b) Teller trainer trains tellers	-Continuous	b) On-going
	c) BDOs monitor progress	-Continuous	c) On-going
	d) FinaSol negotiates w/ respective ministry	-as needed	d) Done; on-going
7. Transactions	a) BDOs train BODs in product delivery	-Continuous	a) More marketing
	b) Teller trainer trains tellers	-Continuous	b) On-going
	c) BDOs monitor progress	-Continuous	c) On-going
8. Insurance	a) Guidelines developed/applications to FSCs	-Continuous	a) Done
	b) Teller trainer trains tellers	-Continuous	b) On-going
	c) BODs trained	-Continuous	c) Done
	d) BODs monitor progress	-Continuous	d) On-going
9. Income	a) Teller/treasurer trained to analyze monthly financials	-Continuous	a) On-going
	b) Do FSC fundraising	-Continuous	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	-Continuous	a) On-going
	b) FinaSol key staff advise on performance as needed	-Continuous	b) Pending
12. Resource match	a) FinaSol and A/V work together to id match resources	-Continuous	a) On-going; 30.82%
13. Working with 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

Table 16. ACDI/VOCA Action Plan

ACDI-VOCA Action Plan

(01April-30 June'01)

Critical Targets	Action Plan	Timeframe	Status (30 June)
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/national 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 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 through 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

Annex A: The Spirit of the Agreement between FinaSol and FNB

The Spirit of the Agreement between FinaSol & FNB

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FinaSol Responsibilities

- Development of annual work plans and budgets and agreement of these with FNB
- Regulation of FSCs
- Audit of FSCs & accreditation, daily management assistance to FSCs
- Grant sourcing
- Start up of FSCs including:
  - Physical start up in areas as consistent with Government Notice 327
  - FSC staff training
  - Sourcing and providing start up loans to FSCs
  - Infrastructure
- Standardization of FSCs
- Reporting on FSCs
- Conflict resolution (at FSC level)
- Primary market research & information sourcing
- First line operational support to FSCs
- Active identification and development of new FSCs
- Community liaison
- Training of own staff in community liaison and business development

First National Bank

FinaSol

Joint responsibilities

- Obtain/facilitate pension flows
  - FNB and FinaSol to work together to enable the payment of pensions into FSC member accounts.
  - Pricing and split of payment from Government (between FNB, FinaSol and FSC) for such pension flows to be determined separately for each tender.
- Product selection
  - The products to be sold by FSCs may be FNB/FirstRand Group products or products of other financial services institutions.
  - The decision on which products to offer will be based on a business case.
  - FNB products will be favoured over other products when business cases are equal.
  - Joint agreement on final decision on product to offer to members.
- Curatorship
  - When an FSC experiences problems, financial or managerial, FNB and FinaSol will work together to resolve these, including seconding staff or taking management/operational control of the FSC.
  - This is a primary responsibility of the Regulator (FinaSol) but FNB will provide whatever assistance it can.

First National Bank

FinaSol

Branding

- Each FSC has its own name, incorporating the FSC colours and logo
- The words "xxx FSC, proudly assisted by First National Bank", with the FNB colours, will be displayed outside the FSC
- A poster with the full logo and colours of FNB with the name of an individual FSC will be displayed inside the FSC.
- It is important that the dominant brand being promoted be that of the FSC
- FNB seeks to ensure that its brand association does not compromise the independent nature of the FSC's.

First National Bank

FinaSol

FinaSol Location

- FinaSol will relocate to a mutually agreed location for business efficiency.
- To facilitate assistance from FNB, the location of the offices of FinaSol should be close to FNB's technical/branch support and management

First National Bank

FinaSol

FNB Responsibilities

- Provide a repayable loan at prime to FinaSol
- Training, including (levels and costs as determined by the business plan):
  - Train the trainers in technical banking courses that the bank agrees are necessary to operate FSC's
  - FinaSol staff training in banking skills
- Representation on the FinaSol Board of Directors
- Link Bank Relationship
- Product development for use by FSC's and for sale to their members. Products to be specific to their needs.

First National Bank

FinaSol

FinaSol – FNB Process

- Annually FinaSol & FNB will agree on a business plan. FNB's input will be aimed at bringing experience and expertise to bear, with specific focus on the sound sustainable business case
  - —Sustainability of revenues and costs
  - —Ensuring understanding and delivery of customer value to the targeted market
  - —Setting of pricing in order to facilitate sustainable growth
- Annually, by mutual agreement, based on the business plan, FinaSol & FNB will agree:-
  - – Technical / systems activities
  - – Training required
  - – Products required
  - – Marketing initiatives
  - – Materials, media & concept marketing

First National Bank

FinaSol

FSCs

- FSCs continue as co-operatives
- FSCs are assisted & regulated by FinaSol
- FSC customer prices are set at sustainable levels (basis: customer value, costs, risks, required returns for both FinaSol and FSCs)
- FSCs pay fees for services rendered by FinaSol (training and regulation)
- FSCs continue to pay regular banking service fees to FNB

First National Bank

FinaSol

FinaSol

- FinaSol is a regulator
- FinaSol continues training its staff in terms of FSC development
- FinaSol compensates FNB for services rendered, through fees based on recommended transaction charges paid by FSC members
- FinaSol raises funds from Donors
- FinaSol is a counsellor and trainer to FSCs

First National Bank

FinaSol

FNB

- FNB provides assistance to FinaSol to enhance sustainable FSC success

First National Bank

FinaSol

FNB-FINASOL-FSC Structure

Separate legal entities forming a strategic alliance and contracting services from each other, in support of the objective.

First National Bank

FinaSol

VISION IN ACTION

- FSCs
  - will achieve revenue generation levels to attain breakeven within two years of commencing operations (meeting costs of services) and thereafter to earn surpluses to secure financial sustainability of FSCs and the overall banking system.
- FinaSol
  - will be competent in the financial services business focusing on FSC financial sustainability. It will be proactive, entrepreneurial, demonstrate leadership and have a drive to succeed within identified timeframes.
- Result
  - FinaSol/FSC Financial Services will lead the field and attract investment for growth.

First National Bank

FinaSol

INTERMEDIATE VISION

FinaSol will be effective and efficient in supporting FSCs, costs will be recovered, a surplus will be generated to enable growth and expansion and FinaSol/FSCs will be recognised as a financial services business.

First National Bank

FinaSol

FINASOL VISION

To become an internationally recognised, Outstanding African co-operative banking System.

MISSION

To empower communities to achieve and maintain co-operative self-reliance and economic growth through the development of Financial Services Co-operatives.

First National Bank

FinaSol

FNB Objective

To support FinaSol in its vision of rolling out a sustainable means of supplying convenient banking services to communities in areas which are not serviced by formal banks.

First National Bank

FinaSol

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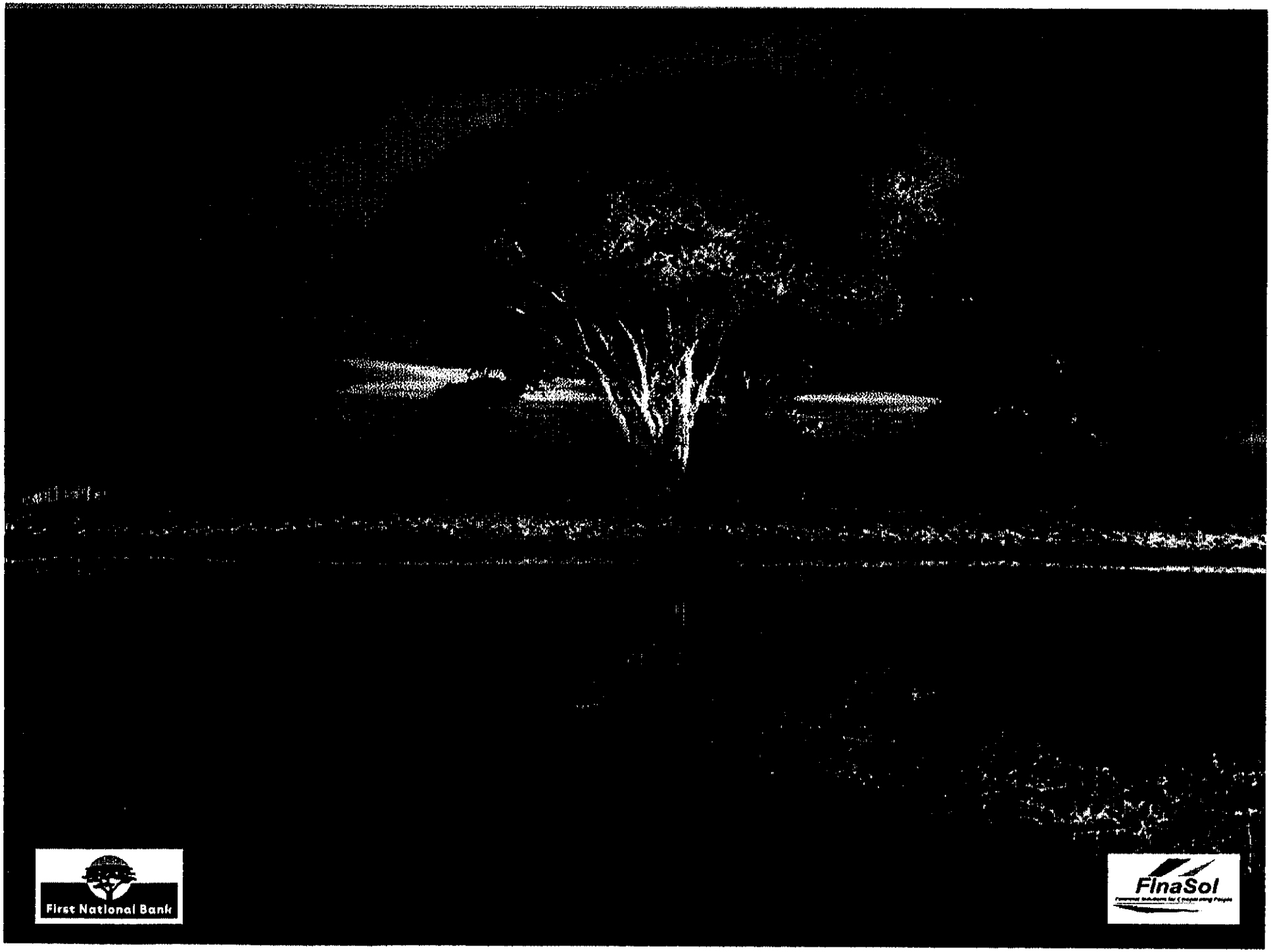

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