

3rd Draft

**Financial Management and
Income Generation In
Co-operatives**

**A Training Guide for Co-operators and
Co-operative Trainers**

Acknowledgements

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Many of the ideas in this manual have been adapted from the methodology and practice pioneered by the Co-operative and Policy Alternative Center (COPAC). The research for this manual was largely drawn from a wide range of books on accounting, financial management, small business manuals, and bookkeeping, and then adapted specifically for co-operatives. We have also made extensive use of internet research and relevant training manuals.

We are also indebted to the advice provided by Sarah Ford and Zubair Hassan, both qualified accountants. Both individuals read the draft versions of the manual and provided useful suggestions and comments.

The COPAC staff – researchers and cooperative development facilitators.

Contents

Glossary of Key Terms

- Assets : furniture (e.g. desks, chairs) and equipment (e.g. welding machine)
 - Audit : auditor takes stock of the financial transactions and ensures that there is no irregularities in the financial management of the co-operative
 - Breakeven : no loss or profit made on sale of goods
 - Budget : funds that have been approved to meet expenses
 - Capital : money required for start-up and running costs of the co-operative
 - Capital Needs : amount of resources for start-up (e.g. computer, desks)
 - Cash Flow : funds available to run the co-operative
 - Cash Register : to record a sale and issue a receipt
 - Cash Slip : voucher issued in respect of receipt of payment
 - Credit : to purchase an item or commodity and pay at a later date
 - Debts : money owed (if liabilities exceed assets then you are in debt)
 - Delivery note : proof of delivery (goods or services received)
 - Garnishee : summons to court for non-payment
 - GRN : (Goods Received Note) Proof of goods or services received
 - Insolvency : liabilities exceed assets, cannot pay back money owed or meet operational cost
- Invoices : a document that tells you to pay for the goods or materials you have received. An invoice lists details of what you have bought and tells how much you must pay, when you must pay, who you must pay, and how you must pay.
- Liability : debts; money that must be paid. Debt on terms of less than five years is usually called a short-term liability, and debt for longer than five years is a long-term liability
- Mark-up : percentage mark-up on cost of goods
 - Petty Cash : money used to meet day-to-day expenses for running the office (e.g. posting letters, buying tea, etc.), separate from money in the bank.
 - Profit : difference between cost and selling price
 - Reimbursements : expenses accrued by staff on behalf of the co-operative that must be paid for
 - Remuneration : payment made to the board for services rendered.
 - Requisition : form to complete in order to seek authority to effect payment for goods or services received (this is to keep proper records of monies spent by the co-operative)
 - Working Capital : money to cover fixed and variable costs

Financial Statements

- Allowance : money allocated for task or extra service (e.g. travel)

- Balance Sheet : shows assets and liabilities of the co-operative (how much the co-op is worth)
- Bank Statement : reflects financial activities in cheque account(money in and out)
- Bookkeeping : daily records of financial transactions
- Cheque : a form of paper payment(banks debit and credit accounts from cheque payments)
- Cheque account : can write cheques against account
- Deposit Book : record of deposits and withdrawals from cheque account
- Disbursements : money paid out for incurring an expense
- Financial Management : the system on how to manage finances
- Income statement : compares income to expenses. Shows profit or loss
- Insurance : protection against loss or damage
- Record Keeping : detailed records of all transactions
- Refund : money or goods returned
- Savings account : money is saved and accrues interest
- Service Charges : fee charged by banks for transactions
- Subsistence Allowance : reimbursement of costs accrued by members (e.g. travel costs for conferences)
- Suspense Account : transactions that do not have proper account allocation
- Tax : divided into three categories PAYE,UIF and SDL

Part 1

How to Use the Financial Management Manual?

Purpose of the Training Guide

The main objectives of the training guide are the following:

- Provide tools for financial management: Most co-operatives in South Africa are established within poor communities and under resource constraints. For these co-operatives to survive and grow they have to be able to source capital. However, capital is only forthcoming if the co-operatives have sound and proper financial management. Government and donors have “lost” lots of financial resources that are invested in local development projects. In other words, many projects fail even though some kind of external financial support has been put in place. The tools provided in this manual will contribute to building the necessary financial management capacity in co-operatives so that they can be effective and sustainable recipients of financial resources.
- Provide tools for income generation: In most instances in South Africa today, co-operatives have to compete with established businesses and corporations to win their share of community or local markets. In this context, knowledge and expertise about income-generation strategies are absolutely necessary. This manual provides co-operators with tools to utilise their collective strengths, opportunities and financial resources effectively to win enough space for their survival in a market place dominated by established businesses.
- Build the capacity of co-operative leadership and membership to understand financial management: The financial management skills developed in this manual will contribute to better leadership of co-operatives and the movement, improve governance, and ensure better self-management decisions.
- Build the co-operative movement: The co-operative movement will be strengthened through ensuring the economic success of co-operatives in providing livelihoods and sustainable economic development for their worker-owners, members and communities.
- Empower trainers to train other co-operators: Every co-operative has to have the capacity to educate its worker-owners about financial management and income generation. This guide attempts to develop training capacity among co-operators by empowering a core of dedicated trainers who will share this knowledge and tools with other co-operators. In the end, every co-operator has to be a trainer and learner, and ultimately understand financial management and income generation in a co-operative.

Overview

In this part of the training guide, a 3-day training workshop program is set out. The contents are divided into the following modules.

Day 1:

- Module 1 – Understanding Financial Management in a Co-operative.
- Module 2 – Key Tools For Ensuring Effective Financial Management.

Day 2:

- Module 3 – Income Generation in a Co-operative.
- Module 4 – Strategic Options for Income Generation.
- Module 5 – Analysis of the Internal and External Environment.
- Module 6 – Financing the Strategy.

Day 3:

- Module 7 – Marketing.
- Module 8 – Re-organising the Co-operative for Implementation.
- Module 9 – Assessing Performance.
- Module 10 – Evaluation of the Workshop Training.

Key Principles for Co-operative Training and Trainers

Learning is a continuous process, an everyday activity and an integral part of what it means to be a human being. Learning is about how we change and become different from the way we were before.

For real learning and capacitation to take place, co-operative training and trainers cannot behave like school teachers or lecturers. Co-operators cannot be empowered just by lecturing to them. The learning process is about opening and awakening critical consciousness so the fear to live as a full human being, in association with others, is overcome.

Co-operative trainers have to share the tools of financial management and income generation by applying the following principles:

- ***It is people-centred:*** it encourages participation, values people, celebrates diversity, and puts people first. It recognizes people's skills and experiences as key resources.
- ***It is active:*** it involves people doing things and experiencing them.

- ***It is enquiry based:*** it continually tries to uncover why something is the way it is and to explore what is going on under the surface.
- ***It is critically reflective:*** self-awareness is seen as an integral part of taking action, and it is reflection aimed at gaining insights that will inform future actions.
- ***It builds on existing knowledge:*** it draws out relevant information from the participants about their needs and context and provides processes which encourage people to critically analyse and discuss from their own experiences.
- ***It responds and adapts to people's needs:*** it is flexible enough, open enough and sensitive enough to recognize people's needs and to change to meet them.
- ***It recognizes the importance of feelings:*** human transformation is as much about what happens to how you feel as it is about how you think.
- ***It is NOT neutral:*** rather it is clear about where it is coming from, what it is trying to achieve and why, and whose interests it aims to serve.
- ***It is holistic:*** it looks at linkages between the past, present and future, between the individual, the group, society and the external environment as well as between local, regional and global levels.

Being a Trainer




In co-operative training, the trainer has a variety of roles such as animator, facilitator, skill-sharer, clown, enabler, sharer of real experience, and theorist. While there are multiple roles to play, ultimately each trainer will find his/her own style.

It is important for the trainers not to see themselves as “only” a trainer. In order to give the training a grounding and relevance, we need real experiences of financial (mis) management and the challenges of income generation to come to the fore. Thus, the trainer must share his/her skills and experiences freely. Working closely and generously with other trainers, whether more or less experienced, builds their capacity and one's own capacity. It allows one to grow and to form genuine teams in every situation. It also protects against the virus of self-inflation (thinking that being a trainer makes one an expert and therefore unable to learn from others).

It is important to remember that through the process of experiential learning the facilitator learns from the group he/she is working with. In other words, it is important to remember the trainer may not always have ‘all the answers’. It is through this process that active learning takes place. The trainer must capacitate people to take action, and

then reflect on and evaluate the situation in order to draw the right lessons from the action taken. In this way learning becomes a never-ending process.

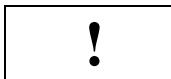
A Users Key

	When you see this exclamation mark, it means instructions are given to the facilitator to facilitate a plenary group exercise in the workshop.
	When you see this face, it means instructions are given to the facilitator to facilitate a small group exercise in the workshop.
	When you see this sun, the facilitator should give a summary of key points in a module or section of the training.

Commencing the Workshop and Grouping Participants

Once a group is organised for a training workshop the facilitator must ensure the ground rules are in place and the participants are put into groups for workshop activity. After this is done the facilitator can commence with the training. S/he should commence with the glossary of terms before beginning with any of the modules.

Plenary Group Exercise:



Ground rules

It is important to have ground rules so people are aware of how they should conduct themselves in the workshop.

Deciding group rules exercise

Ask each participant to spend a few minutes thinking about answers to the following question on their own.

Questions to ask:

- *How can other group members help you learn?*
- *What might make you feel uncomfortable in the workshop?*
- *What particular things would you like to say about how we should work together?*

Participants then discuss their answers in plenary. The facilitator writes up the points and identifies the commonalities.

Statements agreed to by the whole group are written on a separate sheet of paper.

As each issue is dealt with, check with the whole group whether or not it is acceptable. If there is disagreement, encourage discussion of the statement, clarify misunderstandings, and if possible clarify acceptable amendments.

Display the ground rules prominently in the room.

Discussion points:

- *Sharing with trust*
- *Punctuality*
- *Commitment*

Grouping Exercise

The facilitator breaks the group into smaller groups by consecutive numbers depending on the size.

Participants in a row count themselves by shouting out a number: One for Ben, Two for Nobantu, Three for Susan. This is then repeated.

Or alternatively if there are resources available hand each participant an object (e.g. a twig, leaf, pencil, a piece of paper). The participants have their eyes closed whilst the facilitators hand out the objects. The participants then move around the room asking others if they have the same object. When they have found the two people with the same object that they have, they form their group.

—	<p>Summary:</p> <ul style="list-style-type: none">▪ Financial management strengthens co-operatives and makes them more viable for external financial support;▪ Income generation empowers co-operatives to win space in a competitive market environment to serve the needs of worker-owners, members and the community;▪ Build the leadership and membership capacity in co-operatives and the co-operative movement;▪ Successful co-operatives help the growth of the co-operative movement as an alternative to the private sector;▪ Trainers must impart this knowledge such that they are also learners in the process.
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Part 2

Financial Management in a Co-operative

1. Module 1 – Understanding Financial Management in a Co-operative

3rd PRINCIPLE MEMBER ECONOMIC PARTICIPATION*

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

**This is the 3rd principle for co-operatives of the 7 emphasised by the International Co-operative Alliance.*

1.1 What is financial management in a co-operative?

Financial Management in a co-operative is informed by the 3rd International Principle of the International Co-operative Alliance (quoted above). It affirms the role of member or worker-owner control of the financial resources in a co-operative. While this principle is correct, it has to be given practical operation through procedures, policies and general practices in a co-operative.

This means financial management has a role in co-operatives. It must ensure the financial resources acquired and used in a co-operative advance the objectives of the co-operative. All decisions in a co-operative and areas of operation have a financial aspect to it. In other words, money issues affect the co-operative with regard to buying inputs, buying machinery and equipment, paying wages, receiving payment and so on. Money management is the same as financial management in a co-operative and it is very important to hold all the areas of economic operation in a co-operative together.

Financial management in a co-operative is not the same as bookkeeping or accounting. These are aspects of financial management and fit into one part of modern financial management in a co-operative.

Different types of co-operatives – primary or secondary, consumer or producer, worker or member based – all require financial management. The content of rules, procedures, and practice of financial management might vary, but in the end there are certain important common tools or principles that have to be applied in order to have sound financial management.

All the systems, rules, procedures, and practices of financial management must be communicated and known to all in the co-operative.

1.2 The Importance of Financial Management in a Co-operative

While it might be impossible to design the perfect financial management system in a co-operative, it is better to have one to ensure the following:

- Self management by members and worker-owners over financial affairs is empowered;
- Governance at a board level is strengthened and informed decisions can be made;
- Limited financial resources are utilized optimally in the cooperative;
- The cash flow position of the co-operative is not jeopardized;
- Capital needs are carefully worked out to ensure the necessary assets are obtained (for example, should land and buildings be purchased or rented?);
- The right sources of finance are targeted;
- Training needs are appropriately supported;
- Surplus is divided according to the legal formula and most importantly according to actual financial viability;
- Supporting the community for sustainable development and co-operative development can be clearly realized.

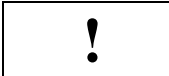
1.3 The Consequences of Not Having Sound Financial Management

If a co-operative does not have sound and proper financial management in place the following consequences will result:

- Cash flow problems which affect operations negatively;
- Inability to pay accounts such that debts increase;
- Conflict in the co-operative;
- Insolvency and the shutting down of the co-operative;
- Loss of money that members or worker-owners have put into the co-operative;

- Loss of livelihood and other benefits from the co-operative;
- Loss of assets and resources;
- The reputation of the members, the co-operative, and the co-operative movement is discredited.

Plenary Group Exercise:



Again, I changed the below to 12 font (10 is just too small in Times New Roman)

The facilitator asks the entire workshop group the following questions:

- *How do you manage money in your co-operative?*
- *Do you need financial management in the co-operative? Why?*
- *What are the other consequences of not having financial management in the co-operative?*

—	<p>Summary:</p> <ul style="list-style-type: none"> ▪ Financial management must advance the objectives of the co-operative and has a place in co-operatives; ▪ It affects all the operations of a co-operative; ▪ Financial management is the same as money management; ▪ It brings essential efficiencies to co-operatives; ▪ Without financial management a co-operative can easily fail.
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2. Module 2 - Key Tools for Ensuring Effective Financial Management

2.1 Financial Accountability

Despite having values of openness and honesty as an integral part of the life and workings of co-operatives, many corruption scandals, financial mismanagement problems and rumours of misuse of funds have undermined co-operatives.

To overcome this, every co-operative in the co-operative movement has to practice financial accountability. Simply put, to be financially accountable means explaining

and accounting for the use of money in your care. It means narrowing the opportunities for corruption, theft or misuse of funds. On the flipside, all those handling of finance must be beyond doubt, suspicion or reproach. This can only be secured with a proper system of financial accountability.

In all co-operatives there is a statutory obligation (an obligation by law) that all members must receive, at an annual general meeting, the financial statements of a co-operative. In addition, all these statements must be audited and copies must be sent to the Registrar of Co-operatives. However, besides the formal accountability required by law, the role of the board, the treasurer and the finance sub-committee are also important in terms of ensuring accountability. These structures must lead, manage and ensure financial accountability takes place – they must in the end account to the members and/or worker-owners of a co-operative. This also means the worker-owners or members of a co-operative must choose the leadership of the co-operative very carefully.

In practice the board in any co-operative must ensure:

- All finance-related decisions are made in accordance with procedures and powers provided in the legal statute. For example, a special resolution of members is normally required if the board wants to obtain a loan or overdraft;
- Monitor internal controls put in place to strengthen accountability;
- Receive regular (monthly or weekly) reports from the Treasurer on the financial situation in the co-operative;
- Receive monthly bank statements and reconciliations from the Treasurer;
- Delegate clear responsibilities to the financial management committee;
- Assist the Treasurer in drawing up an annual budget for the co-operative;
- Appoint an auditor for the co-operative.

The treasurer in a co-operative is responsible for the following:

- Implementing internal controls/policies and procedures adopted by the co-operative for financial management;
- Reporting to the board on a regular basis on the budget, bank reconciliation, petty cash and financial statements;
- Convening the finance sub-committee – made up of relevant staff and members/worker-owners involved in financial management;
- Controlling the cheque book and doing the banking;
- Managing the bookkeeping and accounting of the co-operative (not the same as doing it);
- Draw up an annual budget for the co-operative in a manner that ensures full participation and presents draft to the board for approval.

The finance sub-committee:

- Must work with the powers delegated to it by the board;
- It must work within the financial management policies and procedures.

In the end the benefits of financial accountability are:

- Prevention of the misuse of money – either intentionally or unintentionally;
- Certainty and clarity on how money is to be handled;
- The promotion of openness;
- Protects the integrity and credibility of the leadership, management, members/worker-owners, and the co-operative in general.

Plenary Group Exercise:



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The facilitator asks the entire workshop group the following questions:

- *Is there a practice of financial accountability in the co-operative at board, treasurer and finance sub-committee level? Discuss.*
- *What are the other benefits of financial accountability?*

2.2 Internal Control

To re-enforce financial accountability it is important to have proper control policies and procedures in place. These finance policies and procedures should be drawn up in a participatory way (which means workers-owners, members, management and directors must be involved).

The responsibility for monitoring implementation and compliance lies with the Board. The finance policies are simply a statement of how the co-operative would run its finance matters. The procedures are steps to implement or operationalise the policy.

The benefits to a co-operative for having such policies and procedures in place are as follows:

- All finance-related functions would be properly supervised and governed;
- It gives certainty on roles and responsibilities;
- It ensures an “objective” benchmark against which to monitor compliance or non-compliance;
- It protects the assets of the co-operative;
- It ensures all reporting on financial matters would be consistent and regular;
- It strengthens the leverage and case that can be made to donors or other external finance sources (such as banks).

Co-operatives are dynamic institutions and are therefore constantly changing. In this context, it is important to review policies on a regular basis to ensure they are up to date and are able to meet the operational needs of the co-operative.

Steps for developing finance policies and procedures in a co-operative:

Step 1: Start with the operations of the co-operative – this means identifying activities for which the co-operative receives money and has to record it, and identify areas where it has to pay and requires recording.

Step 2: Establish roles, finance structures and appoint personnel – the treasurer's role must be clearly defined, the delegated powers and composition of the finance sub-committee and the appointment of an independent auditor and accountant/book-keepers must also be done by the board.

Step 3: Work out how reporting will work – where, when, and which finance management structures and personnel report must also be worked out in consultation. For example, how often should the treasurer report on the financial performance of the co-operative and its bank statement to the board. How will reporting be done to the Annual General Meeting? How will the accountant or book-keeper report to the Treasurer?

Step 4: Clarify asset management – how will the asset register be kept and who will maintain it?

Step 5: Identify legal decision making – in general, the board is empowered to make all the finance-related decisions in the co-operative. However, some of these powers are also qualified by the legal statute and have to be identified. The Board also needs to work out clearly what areas of operational decision making on financial matters are being delegated to the Treasurer and the finance sub-committee. This should also be done in consultation with members.

Step 6: Write up the policies – once steps 1 through 5 are done, they must be written up into a clear, simple and coherent set of finance policies and procedures for the co-operative. This should be available to all in the co-operative;

Step 7: Monitor implementation – the board must monitor implementation.

Small Group Exercise:



Again, I put into 12 font

The facilitator reads the example below and then asks the plenary group to break up into small groups to answer the following questions:

- *Which policies and procedures are relevant for your co-operative?*
- *What is missing in the finance policies and procedures?*

I think the below should be brought up here. Not sure why it's on a new page, but it doesn't need to be. Also I think the font in the example below is too small. You should at least have it be 10 or 11.

The following example of finance policies and procedures were developed for a production co-operative, but can be used as an example for all co-operatives.

Purpose

This document serves to outline the proposed policy system controls and procedures for the financial operation of an Industrial Hive. It also seeks to establish the following:

1. A clear set of rules and procedures to ensure proper financial management system with regard to:

1.1 Role of Treasurer (this model is based on a separate bookkeeper)

- The role of the treasurer is to monitor the bank accounts and to ensure that monies received by the co-op are deposited on a daily basis.
- Oversee the functions of the bookkeeper (going to the bank, reviewing bank accounts).
- Make sure that the bookkeepers are recording all transactions (money coming in and out of bank accounts).
- Responsible for authorizing all requisitions (purchases and cheque requisitions).
- Responsible for ensuring that strategic decisions made by the board are implemented.
- Convene the finance sub-committee.

1.2 Role of The Board

- Responsible for opening of bank accounts with the financial institutions.
- Responsible for the investment of funds in financial institutions.
- Make and accept donations.
- Receive and inspect monthly financial reports from the treasurer (oversee financial management of co-op).
- Monitor and ensure financial compliance with financial and procedures manual.
- Control loans and overdraft in accordance with statute.

1.3 Role of Manager

- Ensure implementation and awareness of financial policies and procedures.
- Ensure budgeting takes place within the policies and procedures. The manager will be responsible for comparing the budget to actual income and expenditure on a monthly basis.

1.4 Role of Finance Sub-committees

- Meet weekly to discuss financial problems.
- Devise solutions to financial problems.
- Make recommendations to the board.
- Assist the board and the manager to ensure implementation of financial decisions, policies and procedures.
- Must provide regular reports and financial information to the production units.

1.5 Rules of Payment

- Invoices for goods and services received from suppliers to be processed monthly.
- Invoices to be reconciled against supplier statements prior to payment being made to avoid duplication.
- Expenses incurred for the economic operations of the co-operative will be paid by the treasurer.
- Beneficiaries to be paid in accordance with the wages policy.
- Training costs incurred will be paid by the treasurer from the surplus allocation set aside for training.
- Worker-owners on training will receive normal remuneration subject to funds available.

1.6 Rules for Receipt

- There will be a receipt book for every unit (except the bakery).
- The bakery will have a cash register.
- Every item sold will have a receipt issued in the case of the bakery a till slip will be issued.
- The treasurer will reconcile monies received with the receipt books on a daily basis and reconcile the cash register in the bakery with the till slips issued.

1.7 Subsistence Allowance

- Requests for subsistence allowance must be submitted in writing to the treasurer indicating what the allowance is for including the costs.
- The treasurer will have the authority to approve subsistence allowances less than R500.
- Amounts greater than R500 must be approved by the board.
- The treasurer must report all authorizations made and recommendations for larger amounts in the financial

reports to the board.

1.8 Financial Statements

- Monthly financial statements will be presented to the board.
- Annual financial statements shall be prepared by the bookkeeper under the supervision of the treasurer.
- Annual financial statements shall be presented to the finance sub-committee and then to the board.
- After the annual financial statement is approved by the board, the treasurer, on behalf of the board, will present the financial statement at the AGM.
- Monthly bank statements will be issued to each production unit.

1.9 Rules for Remuneration

- The board shall be remunerated in accordance with the provisions in the statute.
- The board's remuneration shall be paid after a resolution is adopted by the general members in support of it.
- The finance sub-committee and treasurer to oversee the remuneration.

1.10 Bank Account

- The board shall be responsible for opening the bank account with the financial institutions registered under the banks act in the name of the co-operative.
- All cheques drawn in the name of the co-operative will be signed by the legally required amount of signatories.
- A deposit book will be kept for all deposits.
- The treasurer will be responsible for making deposits.
- All monies generated will be deposited in the co-operative account on a daily basis (including all surplus monies).

1.11 Surplus

- The bookkeeper shall ensure that the surplus is assigned according to the surplus policy within the financial statements (40% for community development and 60% for reinvestment and co-op upgrading).
- The board shall make recommendations to the AGM of how reinvested surplus shall be utilized and invested.
- The board shall make recommendations to the AGM on how the surplus allocated for community development shall be utilized.
- Anchor Tsiya Saccol shall then be given 40% surplus meant for community development to allocate according to priorities set by the AGM.

1.12 Petty Cash

- The treasurer will be authorized to allocate a monthly petty cash of R500.
- A petty cash voucher will accompany all petty cash payments issued.
- Bookkeeper shall be given all receipts related to petty cash.
- Unspent petty cash shall be carried over to the following month and shall be topped up to maintain the R500 limit.
- The treasurer to report on petty cash expenditures to the board.

1.13 Asset Records

- An asset register shall be kept by the board to record and maintain new assets (e.g. furniture and fittings, equipment, etc.).
- New equipment to be added to the asset register by the board.
- Assets shall be checked monthly.

1.14 Audit

- The co-operative shall appoint an independent auditor.
- The audit will be done annually.
- Audited statements shall be presented to the finance sub-committee, board, and AGM.

2.3 Record Keeping

Financial information flows in and out of a co-operative with all sorts of transactions. When payments are made to suppliers, invoices are received and cheques issued, the receipts and invoices have to be filed away. Similarly, when payment is made to the co-operative for goods or services a cash register record is kept. All of this information has to be stored and interpreted.

This means there are two aspects to record keeping in a co-operative with regard to financial management:

- (1) keeping the actual or physical documentation; and
- (2) the accounting system.

Keeping the physical document means designing a proper filing system to keep all primary documentation (e.g. invoices received, bank statements, rental and electricity bills and so on). Such a filing system must be designed with the following in mind:

- It must be cheap and easy to use;
- All records must be safely stored;
- All records must be kept in a way that restricts access;
- Ensure back-ups and copies are kept safely.

With regard to the accounting system, it is important to understand that bookkeeping means recording transactions while “accounting” is a modern name for analyzing and applying the data from bookkeeping to enhance financial decisions. Thus accounting requires the methods of bookkeeping, but is not the same thing. However, accounting should not be seen as an administrative function. With the recording and interpretation of financial information, boards of co-operatives can understand the results and performance of the co-operative and make serious financial decisions. It is not enough just to track money coming in or worse still to work with the assumption that the money coming in exceeds the costs. Without constant verification and financial analysis a co-operative can run into serious trouble.

It is not, and should not be, the function of the treasurer to do the bookkeeping and manage the accounting system. In the world we live today, there are computer packages and manual methods of doing accounting. Both have advantages and disadvantages. **Another option is to hire an accountant or someone with similar skills. [then delete the next sentence.]** However, what is important in the world we live is the confidence to hire an accountant or somebody with such skills. The person being employed does not have to be a chartered accountant.

When employing an accountant the following should be considered:

- Whether the person would be needed part-time or full time;

- **This doesn't make sense. Are you asking whether the person can adhere to clear instructions?** Giving and adhering to clear instructions;
- Be clear on the advice you want on financial performance and tax related issues;
- Make sure the person can design with you a financial accounting system suitable for the organization and in keeping with its finance policies and procedures;
- If an accountant does not perform, be willing to replace him/her with another competent accountant.

Keeping proper financial records is important in a co-operative for the following reasons:

- The financial information generated from record keeping is used for planning;
- It helps with strategic and operational decision making;
- It helps provide an assessment of the performance of the co-operative, over a period of time like a financial year;
- It helps with management of the day-to-day operations of the co-operative;
- It assists cash flow management.

Plenary Group Exercise:



Again, made into 12 font.

The facilitator asks the entire workshop group the following questions:

- *Does the co-operative have a financial information filing system? Discuss.*
- *What kind of accounting system does the co-operative have? Is there a book-keeper or an accountant? Are things done through computer or manually? Discuss.*

2.4 Insurance

Insurance is the purchase of protection, at a premium, for different parts of the co-operative. Insurance policies are taken out with insurance companies, who normally send agents or brokers to a prospective client. They explain the different insurance products and terms and conditions of the insurance contract. Once an insurance policy is taken out a policy document is given to the client. This policy document is a legal agreement between the client and the insurance company, based on the terms agreed to.

The premiums paid for an insurance policy will depend on the type of insurance and the risk assessment made by the company. If a co-operative is in an area in which there is a high crime rate and if the co-operative, also does not have proper security

arrangements to prevent theft it would be considered to be a high risk and a higher premium would have to be paid for the insurance coverage.

What are the benefits derived from insurance for a co-operative?

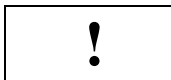
- Helps with planning for calamities and uncertain situations;
- It limits risk;
- Provides clear material benefits if the event for which the insurance policy is required occurs.

In a cooperative there are different types of insurance policies that can be utilized:

- Medical insurance for worker-owners and/or members and even staff – this could be a medical aid and/or a hospital plan. Shop around for the cheapest coverage and the best terms;
- Provision for retirement for worker-owners and members – this is a retirement annuity and it should be taken out at an early stage;
- Business insurance – against loss of goods or equipment. Make sure the replacement value is current and includes VAT;
- Business interruption insurance – this covers the co-operative in the case of loss caused by fire, flood or any other “Act of God” when the co-operative needs money for running costs while it is being rebuilt;
- Office contents and electronic goods – at minimum choose fire and contents insurance. All computers and data (including loss and recapturing) can be insured under electronic goods.

When selecting an insurance policy or policies for the co-operative make sure it can be sustained financially and that all details are clearly explained by the agent and broker. If a premium cannot be paid for at some point once it is taken out, then the co-operative and its members will lose the money paid into the policy.

Plenary Group Exercise:



Again, made 12 font

The facilitator asks the entire workshop group the following questions:

- *Does the co-operative have insurance? Discuss.*
- *What are the most important pre-conditions for getting insurance in the co-operative?*
- *What type of insurance would be appropriate for the co-operative?*

2.5 Audits

An audit is an independent examination or verification of accounts and practices, according to set principles, by an accountant who is a certified auditor. In South Africa, accountants have to be registered with the Accountants and Auditors Board in order to conduct audits. Not all accountants are, therefore, entitled to conduct audits. With an audit, the auditor chooses a “sample of transactions” and tests them to see if they are accurate and represent, in a fair way, the factual situation in the co-operative. For example, if the co-operative acquired a new asset (e.g., a van) and it was decided to purchase it second-hand at a cheap price and in the balance sheet the cost of the van is misrepresented and presented at market value, an audit should be able to pick up this misrepresentation.

Audits are not about re-doing the financial statements of the co-operative, but are about assessing whether the results and financial situation reported in the statements are as reasonable and as accurate as possible.

In a co-operative it is a legal requirement to have all annual financial statements audited. What are the main benefits of having audited financial statements in a co-operative?

- It could prevent and detect fraud in the co-operative;
- It strengthens internal financial control;
- All members and worker-owners will know whether the financial statements are a credible representation of the financial situation in the co-operative;
- It would provide advice on financial management and ensure the finance policies and procedures are strengthened in the co-operative;
- It would ensure better governance and leadership;
- It would provide the “tax man” with reasonably accurate and verified information about the financial position of the co-operative;
- It would improve the reputation of the co-operative in the eyes of donors and funders.

An auditor is appointed by the board of the co-operative. In making this decision the board must consider the following:

- The reputation of the auditor;
- The experience of the auditor;
- The independence of the auditor;
- The qualifications of the auditor.

In short, appointing a credible, experienced, unbiased and properly registered auditor will ensure the co-operative and its members get the benefits. An auditor’s report will be provided after the audit of financial statements for everybody in the co-operative.

The cost of an audit should not prevent co-operatives from having audits. Many people assume that audits are expensive, but in actual fact the cost of an audit will depend on the following:

- The state of the financial records of the co-operative;
- The type of audit required;
- The hourly rate charged by the auditor or team.

Normally the annual audit, which is the most common form of audit, is not very expensive. The co-operative must get a quotation or estimation of the audit fee before the audit. Most auditors will charge an hourly rate or will charge a fixed fee. A good relationship with the auditor should assist the co-operative in getting it done relatively cheaply.

Plenary Group Exercise:



Again in 12 font

The facilitator asks the entire workshop group the following questions:

- *Does the co-operative have an auditor? Discuss.*
- *What would be the main benefits or advantages to having an auditor audit at least annual financial statements? This questions makes it sound like an option. Perhaps it could be phrased as: In addition to meeting the legal annual audit requirement, what are some of the other benefits and advantages to having an auditor audit annual financial statements?*

2.6 Understanding Costing

Costing is about understanding how to calculate the costs to make or sell a product. It is essentially about understanding the amount of money spent. Why is costing important in a co-operative?

- Without proper information about the product or service produced in a co-operative the managers, the board of directors and the worker-owners cannot make proper decisions;
- Costing is the basis for generating proper financial statements and in particular in understanding sales revenue and expenditure;
- Costing assists marketing – the rule is if a non-member or customer of the co-operative wants to pay less than the cost of producing the item, then the co-operative has to stop producing. In other words, it is not price competitive
- Costing assists with controlling budgets;
- Costing strengthens cash flow management;
- Costing also assists pricing a product.

Every worker-owner, board member and manager in a co-operative must know their costs. Knowing costs also means applying this knowledge.

At its most simplest, costing can be broken down into:

- Direct Costs; and
- Indirect Costs.

Direct Costs + Indirect Costs = Total Costs

Direct Costs: these relate directly to the product or service made or sold. Put differently, without direct costs being met the product or service cannot be made. These costs must also be measurable and significant in size to the total direct costs. In the end, direct costs can be broken up into labour and material.

Direct Costs = Labour Costs + Material Costs

For example, if a co-operative is producing ice cream then the ingredients and costs of labour (wage and other non-wage benefits for the worker) make up the direct costs. If the costs of the ingredients for 1 ice cream is 80 cents and the labour cost is 20 cents then the total direct costs of the ice cream equals R1.

Indirect Costs: relate mainly to the “over-head” costs. These are related to keeping the operations of the entire co-operative going for the production of the product or service. The best examples are rental, water and electricity, maintenance and administrative costs.

Besides understanding Direct and Indirect Costs, it is important to understand the difference between variable and fixed costs.

Do they equal them or is variable a form or quality of direct and fixed a form or quality of indirect costs?

- Variable Costs = Direct Costs;
- Fixed Costs = Indirect Costs;

Put simply, variable costs increase when there is a proportional increase in the quantity produced. Fixed costs stay the same regardless of the change in the size of output. For example the costs of labour would go up if worker-owners have to work over time to produce a higher quantity. Fixed costs however, like rental will stay the same in this instance or the salary of the manager would stay the same, even though production is increased.

With a higher output spread out over the fixed costs the cost of producing a product or service is bound to come down.

Both variable and fixed costs must be taken into account when working out the unit costs of a product. This is called full costing. This simply means adding up the fixed and variable costs and dividing this by the number of units produced.

$$\frac{\text{Total Fixed} + \text{Total Variable Costs}}{\text{Total number of Units Produced}} = \text{Unit Costs}$$

This gives the real cost of producing a product or service.

Plenary Group Exercise:



12 font

The facilitator asks the entire workshop group the following questions:

- *Does the co-operative have an understanding of the costs of the product or service it is producing? Discuss.*
- *What are the fixed and variable costs of producing a particular service or product?*

2.7 Budgeting

A budget is a statement about the allocation of money (income and expenditure) according to a set of priorities or a plan over a period of time.

The advantages of having a budget and budgeting system are as follows:

- It ensures the plans and ultimately the objectives of the co-operative are realized;
- It provides a means to control expenditure and ensure corrective measures are in place if over-expenditure has occurred or is happening;
- It assists in communicating financial information to all in the co-operative – everyone will know how money coming in will be spent;
- It assists with plan implementation;
- It helps to measure performance of the co-operative;
- It is also a motivational tool because it gives direction.

If a co-operative does not budget the following disadvantages will occur:

- There will be no sense of direction;

- Overspending will happen and financial control will breakdown;
- Decisions will be made in an ad hoc or unplanned way;
- There will be unreliable financial information.

There are two main ways of budgeting:

(1) Incremental: incremental budgeting works with last year's figures. It means adjusting to some degree the budget to fit the current year. This is a very problematic way to budget. It assumes the objectives or priorities for the co-operative are the same every year. It might even repeat some of the problems of last year's budget.

(2) Zero Based: zero-based budgeting is based on analyzing the costs afresh for the year. It allows the budget to be aligned to new objectives for the coming period. All expenditures have to be justified and in line with the objectives of the co-operative.

There are many things that should and should not be done when drawing up a budget.

The Do's:

- Be hard nosed and realistic;
- Take last year's budget expenditure and the actual results into account – assess where there were variances;
- Know what the fixed and variable costs of the co-operative are;
- Develop budget headings that fit in with the operations of the co-operative as a whole;
- Collect information thoroughly;
- Decide to go for incremental or zero-based budgeting.

The Don'ts:

- Neglect to involve members or worker-owners;
- Leave too little time to prepare the budget;
- Make over-optimistic assumptions about income, in particular.

The drawing up of a budget should take at least a full month of research, participatory input and drafting. It should come after the board has had an opportunity to plan for the forthcoming year. How should a budget be drawn up?

Step 1: Identify the key plans and objectives/priorities for the co-operative.

Step 2: Cost these objectives or priorities using last year's budget and the actual results. Know what is coming in and out by breaking costs under different headings such as wages, rent, telephone, etc. Think through the fixed and variable costs such as permanent staff costs and the cost of raw material. Ask important questions about the income and outgoings. Are there likely to be any changes?

Step 3: Build in budget control parameters such as monthly or weekly tracking income and expenditure against the budget. The treasurer should give reports to the board on changes or variances and recommend corrective action.

Step 4: A draft budget must be presented to the all worker-owners for input. It must then be tabled at the board for approval.

Step 5: Once board approval is given, the budget must be communicated to everyone in the co-operative and must be freely available.

Step 6: Consistent and ongoing monitoring by the treasurer and the finance sub-committee must occur. Regular reports must be given to the board and where there are variances between income or expenditure and budgets, this must be reported to the board and corrective action put into place.

Plenary Group Exercise:



Again, put into 12 font.

The facilitator asks the entire workshop group the following questions:

- *Does the co-operative have a budget? Discuss.*
- *Will the co-operative prefer to use incremental budgeting or zero-based budgeting?*
- *Can the co-operative use the steps identified to draw up a budget?*

2.8 Cash Flow Management

What is cash flow in a Co-operative?

It is like the blood that moves through a persons veins or the flow of oil in a car engine. Without blood humans cannot exist and without oil car engines cannot run. Cash flow in a co-operative is the same. It is the actual money available to meet the operational (and asset formation) needs of a co-operative on a daily basis.

A simplistic cash flow starts with the initial cash invested, then goods are purchased **in order to produce a product**, goods are then sold to customers, and finally cash is received. The cycle then starts again with the second step of purchasing goods. The cycle can be disrupted by non-payment of customers and hence precautionary measures have to be taken beforehand.

Can you put one of your little circle diagrams here that shows the cash flow circle?

When the co-operative starts up money comes in through internal and/or external sources to meet capital needs (fixed and working capital). This cash pool enables the co-operative to operate economically.

Cash comes into a co-operative from various sources including:

- Member shares, fees and subscriptions;
- Reinvestment of surplus;
- Banks;
- Creditors like suppliers of goods and services;
- Donors;
- Sales of goods or services.

Cash leaves a co-operative to:

- Purchase raw material;
- Pay salaries or livelihood wages;
- Other expenses (like stationery);
- Give credit to customers;
- Pay taxes;
- Pay interest on loans;
- Purchase fixed assets;
- Give bonuses to worker-owners or members;
- Contribute to training costs;
- Contribute to community development.

Co-operatives must never see credit as the solution to cash flow problems. Actually, when credit is required it means the co-operative is not managing its cash flow properly. If there is proper cash flow management there would be no need for a bank overdraft, for example.

The main advantages of cash flow management are as follows:

- It prevents debt from growing;
- It keeps credit controlled and within limits, if it is necessary;
- It assists with maintaining good relationships with suppliers, the “tax man” and customers;
- It minimizes the pressure on the co-operative;
- It assists with managing stock;
- It ensures debtors pay on time;
- It also ensures overheads are met on time.

There are many ways to ensure proper cash flow management and these include:

- Minimize daily overheads;

- Monitor cash movements at least weekly and reconcile with payments due for the following week;
- Plan in advance for month-end payments – use a payment schedule;
- Only issue cheques when there is money in the account;
- Do electronic banking – register with the bank and use the internet where possible;
- Have a daily cash forecast in place;
- Keep the stock such as raw materials to an absolute minimum;
- Build as much flexibility into your salaries as possible to allow for periods when growth may be slow, and surplus may fall;
- Make sure debtors pay on time – as much as possible avoid giving credit;
- Control the telephones and mobile phones as these can be a huge drain on the co-operative's resources;
- Use leases to retain cash, as opposed to purchasing assets if cash is tight;
- Maintain the strongest balance sheet possible.

Plenary Group Exercise:



I put into 12 font

The facilitator asks the entire workshop group the following questions:

- *Does the co-operative have cash flow problems? Discuss.*
- *Will the co-operative benefit by managing cash flow?*
- *What measures can your co-operative use to manage cash flow?*

2.9 Business Plan and Project Finance

To sustain a co-operative it is important to have a proper approach to planning. The key tool for the start-up, expansion and consolidation of the co-operative is the business plan. Such a plan can not stay static and throughout the life of the co-operative has to be revised and changed to take account of the new conditions facing the co-operative. As a financial management tool in the co-operative it should include some of the following:

- The costs of producing a product or service – both total and unit costs;
- Capital needs of the co-operative for equipment and working capital;
- The business plan should also identify sources of finance for the co-operative – both internal and external;
- A cash flow forecast – not the same as a statement of the “past history”, but rather a forecast of what is expected in the future.

Ultimately a business plan can assist financial management in a co-operative in the following ways:

- Generate valuable information for financial and strategic planning;
- Inform the formulation of a budget;
- Use to fundraise and bring in finance;
- Assess progress in the co-operative;
- Manage cash flow.

This paragraph is a little confusing and I'm not sure what you are saying so I don't want to touch it.

The other aspect of a business plan could be a project or it could stand alone as something the co-operative does and would require a separate project business plan or proposal. In a project there are three basic elements: (i) the outcome, (ii) the schedule (start and end dates) and (iii) resources (financial, human, physical and information). All of this is brought together through project management, in a project team.

If a co-operative applies to a government department or donor for project-based financial support then the project planning and implementation must include:

- Financial accountability – in which clear roles around financial matters are defined for the project team;
- Internal control – with clear policy and procedures for managing the project budget and finance;
- A project budget which defines the project costs/expenditure items (over a period of time until completion);

- The specific project account details – usually it could be a sub-account of the co-operatives main account;
- Financial closure procedures for the project which should include provision for - financial statements, an audit, getting approval from the donor and closing all project related accounts.

Plenary Group Exercise:



Again, put into 12 font.

The facilitator asks the entire workshop group the following questions:

- *What phase of its existence is the co-operative in (start-up or expansion etc)? Discuss.*
- *Does the co-operative have a business plan? Discuss.*
- *How can the business plan be used for effective financial management?*
- *If the co-operative sets up a project to bring in finance, how should this project-based finance be managed? Discuss.*

2.10 Spotting Fraud

While many of the tools of financial management will limit the scope for fraud, it is still important to put in place specific target measures.

Fraud is defined as the intentional misrepresentation or distortion of financial statements or other records by persons in the co-operative or associated with the co-operative, for personal gain.

Fraud could affect the assets of the co-operative as well as its finances. There are both Do's and Don'ts of dealing with fraud in a co-operative.

Do's:

- Take it absolutely seriously;
- Create a working environment and financial management system that would prevent it from happening;
- Set up measures to deal with it;
- Act decisively if you uncover fraud.

Don'ts:

- Cover it up;
- Be soft on fraud;
- Ignore warnings from staff;
- Ignore systems, policies and procedures that have been established for sound and proper financial management.

While audits are one of many tools to combat fraud, it is also useful to consider institutionalizing anti-fraud measures. In other words, it might be useful setting up an independent audit committee in the co-operative. This committee should comprise at least two elected worker-owners/members (not board directors), the appointed auditor and two or three prominent community leaders or social personalities. The purpose of this committee would be to conduct the annual audits of the financial statements.

However, there are other advantages which include:

- Creating a culture of fighting fraud;
- Enhancing the image and reputation of the co-operative in terms of its openness and willingness to be subjected to an audit committee;
- Opening up opportunities for increasing donor support.

Plenary Group Exercise:



I put in 12 font.

The facilitator asks the entire workshop group the following questions:

- *Should the co-operative set up an audit committee? Discuss.*
- *If yes, who should compose it?*

2.11 Financial Reporting

In a cooperative it is important to ensure that financial statements are presented regularly to the board. On a monthly basis the following should be presented to the board by the finance sub-committee through the treasurer:

- Income and expenditure statement/profit and loss;
- Cash flow statement;
- Bank statement;
- A report on the budget;
- A report on cash flow;
- Any other financial information required by the board.

The advantages of reporting in this way to the board would include:

- Empowering the board to make proper decisions;
- Ensuring a strategic role for the board to guide the plans of the co-operative;
- Empowering the board to take corrective action on cash flow and budgets, for example;
- Ensuring proper project management.

It is a legal requirement to provide audited financial statements to worker-owners or members of the co-operative at the annual general meeting. These statements should include the following:

- The income and expenditure/profit and loss statement – this statement tells you what the total sales are and surplus made or alternatively the loss made;
- Cash flow statement – tells you how much money the co-operative has;
- The Balance Sheet – tells you whether the co-operative is solvent or not (whether assets exceed liabilities).

The following factors influence the content and headings in financial statements for a co-operative:

- There are no shareholders in a co-operative like in a company. If a co-operative issues shares then these shares would not change in value and the member will be entitled to a dividend on these shares if a surplus is made. In most instances, in a co-operative, if a surplus is made then everybody might get a share if a bonus is declared. In the end, there are members or worker-owners (i.e., if the co-operative is a producer co-operative) and there are no shareholders in the co-operative;
- In many co-operatives there may not be provision for shares, but members pay membership fees and annual subscriptions which contribute to the internal capital pool of the co-operative and is a source of income;
- The policy on wages and working time will affect how wages or a livelihood wage is reflected in the financial statements. It is a cost to the co-operative;
- The surplus formula in the legal statute and/or in the policy will define how the surplus is divided in the co-operative after tax. It is likely a percentage has to be given for training, community development and for bonuses. The remainder is re-invested in the co-operative for capital growth and asset formation.

Below are some examples to **give you a better understanding**.

CASH FLOW STATEMENT

Operating profit		63	
Depreciation		45	
Increase in stocks		- 23	
Increase in debtors		- 85	
Increase in creditors		- 27	
OPERATING CASH FLOW		<u>- 27</u>	
Interest paid		- 20	
Bonus paid		- 10	
Exceptional costs		- 10	
Taxation		- 16	
Capital expenditure		- 85	
CASH FLOW BEFORE FINANCING		<u>-148</u>	
FINANCING			
Increase in overdraft	60		
Decrease in bank loan	-15		
Decrease in mortgage	- 5		
Membership Fees	<u>100</u>		
		140	
MOVEMENT IN CASH		<u>- 8</u>	

BALANCE SHEET

PERIOD	CURRENT PERIOD	PREVIOUS
FIXED ASSETS		
Tangible	170	150
Intangible	10	10
Investments	<u>5</u>	<u>5</u>
TOTAL FIXED ASSETS	<u>185</u>	<u>185</u>
CURRENT ASSETS		
Stock	208	185
Debtors	337	254
Other	18	16
Cash	<u>2</u>	<u>10</u>
TOTAL CURRENT ASSETS	<u>565</u>	<u>465</u>
CURRENT LIABILITIES		
Creditors	80	109
Accrued expenses	20	18
Bonus payable	12	10
Taxation	7	16
Overdraft	<u>60</u>	<u>0</u>
TOTAL CURRENT LIABILITIES	<u>179</u>	<u>153</u>
LONG-TERM LIABILITIES		
Bank loan	15	30
Mortgage	<u>25</u>	<u>30</u>
	<u>40</u>	<u>60</u>
TOTAL ASSETS LESS LIABILITIES	<u>531</u>	<u>417</u>
Worker-owner's funds		
Share capital	220	120
Retained profit	301	287
Other reserves	10	10

TOTAL <u>WORKER-OWNER'S FUNDS</u>	<u>531</u>	417
	=====	=====

PROFIT AND LOSS ACCOUNT

	CURRENT PERIOD	PREVIOUS PERIOD
Sales	2, 200	2, 050
Cost of sales	<u>1, 700</u>	<u>1, 600</u>
Gross Profit	500	450
OPERATING EXPENSES		
Office supplies	46	42
Bad debt charges	24	20
Rent	15	14
Salaries and wages	245	194
Selling marketing	30	22
Delivery	20	18
Heat, light and power	12	11
Depreciation	<u>45</u>	<u>35</u>
TOTAL OPERATING EXPENSES	<u>437</u>	<u>356</u>
OPERATING PROFIT	63	94
Interest payable	20	15
Exceptional costs	10	0
	<hr/>	<hr/>
PROFIT BEFORE TAX	33	79
Taxation	7	16
	<hr/>	<hr/>
PROFIT AFTER TAX	26	63
Bonus	5	5
Training	3	2
Community Development	4	3
	<hr/>	<hr/>
RETAINED PROFIT	<u><u>14</u></u>	<u><u>53</u></u>

Plenary Group Exercise:



The facilitator asks the entire workshop group the following questions:

	Summary: <ul style="list-style-type: none">▪ You have to write a summary
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Part 3

Planning For Income Generation in a Co-operative

I think this is module 3 (the last one was module 2).

3. Module 2 - Income Generation in a Co-operative

3.1 The Co-operative Objectives, Needs and People

Co-operatives are not institutions that are part of the private sector and are not about profit maximization. In the main, co-operatives are defined by the following: (i) a set of human values that fosters solidarity between people and collective action; (ii) in their activity and collective efforts co-operatives are informed by the objectives that they have defined for themselves; (iii) members voluntarily make up a co-operative and their needs are at the center of the co-operative; (iv) co-operatives are about democratic control and collective ownership of the means of production and assets.

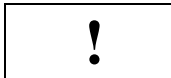
3.2 Why income generation is important in a co-operative?

The challenge of income generation becomes important as co-operatives play a greater role in sustainable development and compete with established businesses for a share of the South African market. The co-operative movement within the reconstruction and development process in South Africa is contributing in the following ways:

- Ensuring collective and broad-based black economic empowerment;
- Creating opportunities for targeting resources to the permanently unemployed and poor;
- Contributing to asset formation amongst the poor;
- Creating livelihoods and widening the survival strategies of the poor;
- Linking with Sectoral Education and Training Authorities (and other institutions) and promoting vocational training and skills development;

- Giving voice to the poor and excluded;
- Giving workers and the poor reach into the mainstream economy;
- Developing the “township” local economy;
- Building a co-operative sector as a third socialised sector in the South African economy.

Plenary Group Exercise:



The facilitator asks the entire workshop group the following questions:

I think this is module 4.

4. Module 3 – Strategic Options for Income Generation

There are 6 strategic options available to co-operatives to ensure income generation:

- Increasing Sales Volumes to Members/ Non-Members;
- Reducing Costs;
- Improving Product or Service Mix;
- Changing Selling Prices to Improve Profit Margins;
- Assessing Capital Employed;
- Choosing the Right Income Generation Mix.

We will now go through each strategic option in detail.

4.1 Increasing Sales Volumes to Members / Non-Members

In many co-operatives the customer base is normally external (except in the case of a consumer co-operative which sells to its members). Both these types of co-operatives have very different challenges to increase sales volumes. A worker owned co-operative engaged in production will have to widen its customer base (i.e. sell the product or service to non-members). The consumer co-operative would have to encourage existing members to buy more as well as increase its membership base and ultimately its own internal market.

Marketing is very important to increase sales volumes. The section below deals with how marketing can be employed.

If sales volumes are increased (this means that the demand for the co-operatives product or service is increasing), there are other consequences that the co-operative has to think about and plan for in this context. These include:

- Setting new production targets and plans;
- Increasing variable costs;
- Adjusting its budget;
- Re-aligning cash flow;
- Possibly acquiring necessary equipment or capital goods to increase the scale of production.

If a co-operative is going to increase its sales volumes, it has to have an analysis of its external and internal environments. This analysis must guide the co-operative in terms of how it implements this strategic option to increase income generation. Ultimately, this analysis must assist the co-operative in understanding whether the increase in sales volumes is sustainable. Sometimes chasing increased sales volumes may not be the best thing given the constraints the co-operative might have.

4.2 Reducing Costs

This is another option to ensure increased income generation for a co-operative. Many co-operatives do not control costs and, most importantly, do not have a proper costing and budgeting systems. As a result a lot of waste happens. Also they do not produce their goods or services competitively. As we discussed above co-operatives have (i) direct (variable) costs and (ii) indirect (fixed or overhead) costs. These costs form the basis of pricing and budgeting.

The key to cutting costs is knowing what the true costs are both in total and for units produced. If this information is available then the following can be considered:

- Controlling labour costs because in a production co-operative workers own and control the co-operative;
- Targeting cheaper sources for raw materials;
- Negotiating for raw materials to be supplied in bulk as well as more cheaply;
- Find ways of limiting transport costs when raw materials are supplied;
- Securing support from council for water and electricity;
- Managing machines efficiently to save on water and electricity;
- Cut overhead costs like telephone, administration and so on.
- Find cheaper premises if rental is too high.

Again, to cut costs, it is important to understand particularly the internal environment of the co-operative. This requires analysis.

4.3 Improving Product or Service Mix

The product/service mix reflects the combinations in which the products/services you provide are sold. For example, if you make more profit from cucumbers and potatoes, but do not make any profit from onions and spinach, then you should eliminate onions and spinach. A well-founded change in the product/service mix may lead to a reduced volume of sales but increasing profitability. In other words, you are producing more of what you can sell for a higher price.

The consequences of this for the co-operative have to also be understood and planned for:

- Training people;
- Possible increases in variable costs;
- Budget and cash flow adjustment.

Again to improve product or service mix it is important to understand both the external and internal environment of the co-operative. This requires analysis.

4.4 Changing Selling Prices to Improve Profit Margins

Raising selling prices might be profitable for the co-operative, but it is important to ensure that when this is done the following does not happen:

- Pricing the co-operative out of the market;
- Make the goods or services unaffordable for the community or poor households;
- Removing any cost benefit for the community and households;
- Creating a monopoly;
- Merely breaking even.

Changing selling prices have to be done in a way that is informed by:

- What customers (members and/or non members) are willing to pay or not pay;
- The prices charged by competitors;
- The costing of products or services in the co-operative;
- The benefit that can be brought to the community and households to fight poverty;

All of these considerations require a proper analysis of the internal and external environments facing the co-operative.

4.5 Assessing Capital Employed

Capital in a co-operative gets tied up in fixed assets (like equipment and buildings) and in working capital (like raw material stocks, rental etc.). If the use of capital is assessed in a co-operative you might find that it is not being used in a financially sound way. In

other words, if the return on capital that worker-owners have put into the co-operative (or have borrowed) is less than what they would have received, for instance, in a bank earning interest, then this capital investment is not working well for them.

There are different ways in which worker-owners can ensure that the return on capital invested in a co-operative meets their needs for a suitable livelihood wage and/or bonus:

- Introduce tighter control of credit;
- Sell underutilized machines;
- Increase production and sales with existing machinery;
- Dispose of redundant buildings;
- Occupy a smaller premises with a cheaper lease.

In the end, such an option requires a careful analysis of the internal and external environments facing the co-operative. It also requires expert advice.

4.6 Choosing the right income generation mix

In a co-operative one or more of the **above** options might be relevant at any given time. It is important when choosing options the consequences are understood for the co-operative and the right balance is struck. The mix of options the co-operative chooses might be best only for certain conditions and not so relevant under other conditions.

Hence, it is important to always ground these options in an understanding of the real internal and external conditions facing the co-operative. Without this, co-operatives might choose an income generation option for the wrong reasons and ultimately destroy the co-operative in the process.

I think this is module 5.

5. Module 4 - Analysis of the Internal and External Environment

5.1 The internal and external environment

There are many pressures and challenges faced by a co-operative, both internally and externally. If these conditions are not understood then the future prospects of the co-operative are not very bright. A good board is a strategic board and is continually analyzing the internal and external environment facing the co-operative and using this to inform decision-making.

[need a diagram]

One of the tools that co-operators can use to understand the co-operative and world in which it has to operate is the SWOT Analysis Tool.

5.2 Understanding the SWOT Analysis Tool

What is SWOT analysis?

It essentially refers to a tool that can assist with analysis of the internal and external environment facing a co-operative. It comprises the following:

Strengths – these are internal. It is about what the co-operative actually has now. It can be broken up into financial resources (cash and working capital), physical resources (equipment, premises, etc.), human resources (number of people and skills), and organizational capacities (production, marketing and financial).

Weaknesses – these are also internal and refer to the actual or present situation. Weaknesses can be analysed the way strengths are done (that is, you can use the same categories). It can be broken up into financial resources (cash and working capital), physical resources (equipment, premises, etc.), human resources (number of people and skills), and organizational capacities (production, marketing and financial).

Opportunities – are external to the co-operative. They can be understood at different levels: at the level of the macro (or big) economy, mainly to understand prices like interest rates and the exchange rate; at the sectoral or industry level in which a co-operative is operating; and finally in terms of the local community market.

Threats – are also external to the co-operative. Like opportunities they can be understood at different levels: the macro, the industry/sectoral level, and at the community market level.

5.3 Benefits of SWOT Analysis

A SWOT analysis of a co-operative would provide the following benefits:

- A framework to understand the world in which the co-operative exists and has to operate;
- Better understanding of conditions so that strategies and options can be chosen to take the co-operative forward;
- A basis for assessing capabilities and capacities;
- Builds greater cohesion in the board around a common understanding.

5.4 Do's and Don'ts for SWOT Analysis

The Do's:

- Prepare for it – do research if necessary;
- Be analytical and specific – focus on the facts;
- Be brutally honest;
- Record all thoughts and ideas;

- Draw up a final report;
- Choose the right people to perform the SWOT analysis;
- Have a good facilitator.

The Don'ts:

- Try to disguise or deny weaknesses;
- Hide any facts;
- Merely list errors or mistakes;
- Lose sight of external pressures and trends;
- Use it to lay blame;
- Use it to ignore other aspects of planning and implementation.

5.5 Using the SWOT To Identify Critical Success Factors For Income Generation

<p>Opportunities:</p> <p>(1) The Macro Economy (2) The industry/sector (3) The local community market</p>	<p>Threats:</p> <p>(1)The Macro Economy (2)The industry/sector (3)The local community market</p>
<p>Strengths:</p> <p>(1) Financial Resources (2) Physical Resources (3) Human Resources (4) Organisational Capabilities</p>	<p>Weaknesses:</p> <p>(1)Financial Resources (2)Physical Resources (3)Human Resources (4) Organisational Capabilities</p>

The following are the steps to follow to assist with choosing strategic options for income generation.

Step 1: complete the external analysis first. Identify whether interest rates and exchange rates are going up or down and identify the consequences this would have for the co-operative. Then unpack the state of the sector/industry in terms of prices, main suppliers and main producers and what challenges this poses to the co-operative. Ask relevant questions like can the co-operative compete with those prices? Are the competitors in the industry moving into the community directly? With the local community market analysis identify the number of households, the total size of the population, what products do members of the community consume and why. Most importantly, what percentage of the local market can be the co-operatives market? Are there local suppliers or competitors in the local market? In the section on marketing (below) there are also methods of how to do this kind of research of the local market.

Step 2: complete the internal analysis. Identify in a very honest way all the relevant information related to the areas identified (financial resources, physical resources, human resources and capabilities). Be honest! Where the co-operative does not have enough resources or the necessary capabilities be willing to identify these as weaknesses.

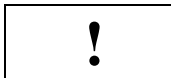
Where is step 3? Are there only four steps? If so, then change the numbers for step 4 and 5.

Step 4: ask questions about the strategic income generation options in relation to the SWOT analysis. For example, if the co-operative decides to increase the volume of sales, ask some of the following questions: Is the co-operative price competitive in the sector? What share of the local market can it really capture? What resources (financial, physical and human) would be required? Alternatively, how should it use its existing resources efficiently to increase the volume of sales? What capabilities should it use? What capabilities should it develop?

Step 5: once the SWOT is used to interrogate each of the strategic options for income generation, then choices have to be made on the appropriate options. Also, action plans have to be developed for option or options chosen so that implementation can happen. This is a point picked up below.

I think this is module 6.

Plenary Group Exercise:



The facilitator asks the entire workshop group the following questions:

6 Module 5 -Financing The Strategy

6.1 Identify the necessary financial needs for income generation

When financing an income generation strategy in a co-operative it is important to pinpoint very clearly the financing needs of the co-operative. It might be the case that the cooperative does not have to outlay any extra finance but has to use its existing resources more efficiently and effectively. However, in some situations there might be a need for to finance certain aspects of the income generation strategy adopted and/or mix. There might be a need for finance for some of the following:

- To purchase more raw materials;
- To purchase certain equipment and machinery;
- Training and capacity building;
- To spend more on water and electricity or transport costs;

- To spend more on marketing, particularly promotion methods like advertising;
- To beef up cash flow.

Once the actual financial need is clarified it is important to match this with the proper source of finance. Not every source of finance is appropriate to meet the financing needs of a cooperative. For example, a bank may not be the best place to source funding for advertising. It might be best to local internally, within the co-operative, to fund advertising activity. A co-operative bank or credit union may also be the best place to get a loan to buy equipment or machinery rather than a commercial bank.

It is important to think very carefully about the sources. What are the advantages to the cooperative if financing is done smartly:

- Resourcing can be done without cost or capital outlay to the co-operative (like donor support);
- Debt can be prevented;
- Cash flow will be managed on a sound footing;
- The co-operative movement financial services cooperatives can be strengthened and built up as a cheaper and more convenient source of finance for cooperatives and an alternative to the commercial banks;
- The autonomy and independence of the co-operative will not be compromised by external funders;
- Pressure to work for creditors, rather than member owners and /or worker owners, will be limited.

6.2 Sources of Finance

In a cooperative and the cooperative movement there are both internal and external sources of finance (at the back of this manual is a list of government and non government agencies that can provide finance to cooperatives, as well as other training resources).

6.2.1 Internal Sources of Finance

The internal sources of finance are as follows:

- Membership fees – this is a once of payment to be accepted as a member and have certain rights and obligations in the cooperative. There is no legal limit to how high or low the fees can be set by the cooperative . However, membership fees can be used to generate a source of finance and build up an internal capital pool in the cooperative;
- Membership shares – these are sold to members (not non-members or the public) at a fixed price and number. These shares have a fixed value and

normally can earn a dividend for the member, if such a dividend is declared by the cooperative according to its distribution of surplus formula and economic performance. The selling of shares to members also provides an internal capital pool that can finance;

- Re-investment of Surplus – assuming the cooperative is successful in terms of income generation it will have to distribute its surplus such that there is re-investment in the cooperative or “retained earnings”. All cooperatives must provide for at least a minimum of 50% surplus to be re-invested in the cooperative for growth and expansion;

6.2.2 External Sources of Finance

There are 4 main sources of external finance for cooperatives. These are:

- Grants and Incentive Schemes – mainly provided by government departments in a targeted way to promote government policy, through certain support programs. The South African government has a policy and strategy for cooperatives which has re-aligned many programs in government to support the development of cooperatives. For example the Land Bank provides finance to cooperatives involved in agricultural production. It has programs to support this. The Department of Trade and Industry also has a cooperative support program and is willing to provide financial support to cooperatives. In provincial and local government there are also resources for local economic development including support for the development of cooperatives. In Sectoral Education and Training Authorities (SETAs) funds are meant to be kept aside to fund training in community organizations including cooperatives. The Labour Department already provides financial support for training and capacity building. Also it is important to enquire from government agencies about funding support for marketing programs;
- Donor Funding – can be secured for equipment or machinery. In some cases support is provided for working capital. Many donors are international organizations linked to foreign governments targeting various kinds of development projects and activities. In South Africa there is a dynamic donor support environment. Obviously donors have their own priorities and will fund accordingly. In addition to foreign donor support, many companies in South Africa are willing to provide, through their social responsibility programs, support to community projects including cooperatives. It is also a challenge to the cooperative movement to ensure that many of the new “Black Economic Empowerment” companies provide donor support to cooperatives;
- Trade Credit – is another important sources of finance for cooperatives. For trade credit to work a supplier has to provide the cooperative with goods or materials up front and then require payment a month or two later. During that

month, for example, the cooperative can sell or use the goods provided to produce and sell and then eventually at the end of the month pay the supplier. This means the cooperative has had use of the suppliers money in the process of selling or production and has then paid back. This is trade credit.

- Overdrafts and Loans – in many countries in the world loans and overdrafts to cooperatives are provided by other cooperatives like credit unions. In South Africa we are only now developing the focus of the cooperative movement and its financial services cooperatives to support cooperatives and individual members for income generation purposes. Eventually, it would be crucial for cooperatives to utilize finance provided by financial cooperatives to grow and develop themselves. This would be cheaper and less riskier than the commercial banks. Banks however still remain a source of credit and loan finance for cooperatives. There are various loan products ranging between short and long-term loans. Short-term loans are loans given for duration of a year or less such as lines of credit (like overdrafts), credit cards, construction loans, and regular loans. Long-term loans are repaid for more than a year and intended to match the useful life of the underlying collateral such as car, equipment, real estate, and home loans. Banks have strict criteria for giving and approving loans. Banks use the six C's of credit as a measuring stick to grant loan requests. The six C's are:

Character—the cloud of character of your cooperative or management team. Professional character is more easily measured by bankers than morality.

Cash flow—this is money in the bank. It is calculated by adding non-cash, non-recurring, and long-term interest expenses together.

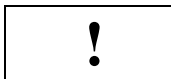
Capital—all assets owned by a cooperative with which it produces its products or services.

Collateral—it is the bank's guarantee or protection if the business does not generate enough cash flow to repay the debt.

Capacity—this is a legal concept that refers to contract law. Only persons 18 years old can enter into valid contracts. Cooperatives have legal capacity to enter into valid contracts.

Conditions—this includes conditions of the applicant, market, and the economy.

Plenary Group Exercise:



The facilitator asks the entire workshop group the following questions:

This is day 3. you should denote it like you did for day 1 and 2 (which would make this Part 4).

I think this is module 7

6 Module 6 -Marketing

Marketing in a cooperative is about securing demand, amongst members and/or non members (the public) for the products made or services sold by the cooperative. In a consumer cooperative the market is mainly internal and the cooperative sells all its products to its members. In other types of cooperatives the market for the cooperatives products is mainly external, the public.

Why is marketing important in a cooperative?

- It assists with income generation;
- It helps meet the needs of members and non-members;
- It helps decide what products or services to sell;
- It helps determine what prices to charge;
- Assists with getting products to the market;
- It informs customers and attracts them to buy;

The main step in ensuring good and effective marketing in a cooperative is proper market research. This entails two important things:

- (1) studying the local market, in a community and beyond – this means researching:
 - what do members and non members want or need;
 - can or is the cooperative producing what people need;
 - how many people will buy what you produce;
 - which people will want to buy the product;
 - what prices will they be willing to pay;
 - where are they located;
 - where do they usually buy;
 - how often and how much do they buy;
- (2) studying competition – this means researching:
 - why do customers buy from competitors;
 - what price do they charge;
 - are there special characteristics to their product;
 - how do they promote price;
 - what are they willing to do to attract customers;
 - how many people buy from them;
 - what share (%) of the local market do they control;

How can research be done? There are seven easy ways to do marketing research:

- **Talk** to the customers of the cooperative (members and /or non-members);
- **Listen** to what customers say about the cooperative and what it produces or sells;
- **Find out** why some customers do not buy from the cooperative and why they buy from competitors;
- **Gather** information about competitors (based on the above questions);
- **Ask** suppliers about the cooperative's products and competitor's products;
- **Check** order books, sales records and stock records to monitor which products are selling better and quicker;
- **Read** catalogues, brochures, newspapers, trade journals and magazines to get more information;

All the research done should be written up and analysed by the cooperative as part of the SWOT analysis.

To meet the needs of members and non-members, based on the market research and SWOT analysis, there are 4 key aspects to a marketing plan that has to be considered:

- What **product** or service members and/or non-members want;
- What **price** your customers are willing to pay;
- At what **place** should the cooperative be to sell to customers;
- What **promotion** methods can be used inform customers about the cooperatives products or services

Product, price, place and promotion are commonly known as the 4 Ps of marketing.

Product – the choice of product for sale or production relates directly to what members and/or non-members need. If this match or fit is not there the cooperative will produce or sell things that nobody would want to buy. This means income generation for livelihoods in the cooperative would not happen and it would also mean the cooperative is a failure;

Price – is crucial as a strategic option for income generation. It has to be set such that it is informed by (raised above):

- What customers (members and/or non members) are willing to pay or not pay;
- The prices charged by competitors;
- The costing of products or services in the co-operative;
- The benefit that can be brought to the community and households to fight poverty;

In short a product or service cannot be over-priced or under priced. The selling price (cost plus mark up) must be low enough to capture a share of the market for the cooperative and high enough to generate a surplus to meet costs and ensure a decent livelihood wage for members or worker owners in the cooperative.

Place – means where the cooperative is located. If a cooperative is far away from members or non-members that require its products it will limit its sales. To assist cooperatives reach customers distribution is crucial. There are two types of distribution:

- **Direct distribution** – means selling directly to customers who need them. The cooperative as manufacturer sells directly to its customers. This is useful mainly if the cooperative has a specialized product or makes very expensive products for a few people or provides a service with the product (like a funeral service if a coffin is purchased);
- **Retail distribution** – which means the cooperative as producer sells to “middle men” who then sell to customers. In the cooperative movement marketing cooperatives and consumer cooperatives are very important for retail distribution and for giving the cooperatives reach into a wider market. If there are no marketing cooperatives or consumer cooperatives then a cooperative would have to rely on wholesalers and other retailers to sell its products. Retail distribution is most useful for a cooperative if it is making one standard product which does not require a lot of contact with customers or the product is low priced and customers buy it often or the customers are too many or the customers live in a large area;

Promotion – is about attracting customers to the cooperative. It means advertising, publicity (getting free promotion) and mobilizing community support.

- **Advertising** - options include pamphlets, bill boards, word of mouth, adverts in newspapers, community radio, loud hailing and posters;
- **Publicity** – means getting newspaper, newsletter and magazine articles written about the cooperative. Also television coverage would be very effective. Getting interviewed on local radio is also a channel to provide exposure for the cooperative. This is free publicity.
- **Mobilising Community support** – have a buy local campaign with the support of local leaders and the council, meet the community in community halls and secure a pledge from them to buy locally made products, meet ward committees and community organizations to secure undertakings to support the cooperative and provide orders for goods produced.

There are 10 common marketing mistakes that cooperatives should try and avoid:

1. Failing to listen to your members / non-members (customers).
2. Failing to do the local market research.
3. Forgetting “small is beautiful” ;
4. Relying completely on the research numbers.
5. Becoming too ambitious about the local market;
6. Forgetting the anti-poverty impact on the community;
7. Avoid asking for the sale.
8. Relying heavily on minor differences.

9. Trying to sell a concept that you cannot explain in five words or less.
10. Ignoring the outside world beyond your own local market.

Plenary Group Exercise:



The facilitator asks the entire workshop group the following questions:

I think this is module 8

7 Module 7 - Re-organising the Co-operative for Implementation

After a cooperative has worked through its SWOT analysis, from an income generation perspective, decided on its income generation option/s, clarified the financing issues and the marketing challenges, it has to implement the income generation plan. Why is important to implement the income generation plan ?

- all the time spent thinking, analyzing and planning would be wasted;
- Worker owners and/or members will get disillusioned;
- The leadership will discredit itself;
- The cooperative will not make progress;
- Many cooperatives would fail;

When implementing an income generation strategy or plan there are three crucial factors that have to be in place:

- (1) The Role of Leadership – the board of the cooperative is the leadership. After decisions are made on the income generation plan then the board must lead and drive the process. It has to use the framework set to push the cooperative forward. It has to monitor and problem solve along the way. A good cooperative leadership will also ensure everybody in the cooperative is playing their part to achieve the income generation plan. If worker owners/members are not willing to ensure implementation then the leadership has to be decisive in terms of ensuring disciplinary action is taken;

- (2) Re-organise structures – a central issue that the leadership has to think about for effective implementation is the structures of the cooperative. Is the board organised effectively to implement the income generation plan? Are the necessary sub-committees in place to drive the plan? Are reporting systems in place for the board to monitor? At the point of production/ activity/project work how are efforts being coordinated? What is the role of management in the implementation process, if the cooperative has a management staff? Decisions must be taken on re-organising the cooperative and these decisions must be implemented.
- (3) Action Plan For implementation – is an implementation tool. It would assist the leadership and all in the cooperative understand what has to be done. It will also serve as a monitoring tool. The action plan requires all the decisions made about income generation – option/s, financing and marketing- to be put into a framework that would ensure details are worked out. For example, if the cooperative decides that it is going to increase sales volumes, based on the SWOT analysis, then it has to breakdown this decision into issues related to harnessing the strengths of the cooperative and limiting its weaknesses. It has to also look at the financing and marketing aspects that are relevant (with some of the options these may not be relevant).

An Example:

Income Generation Option/s →	Tasks to implement the option →	Who implements the task →	Timeframe by when the task must be completed	Who monitors? The implementation
Increase Sales Volume	1 Purchase raw materials	Procurement sub-committee	In 2 days time	The board
	2 Output Targets	Work owner teams	Within 10 days	The board
	3 Training	Education and training officer	Within 12 days	The board
	4 Purchase equipment (only if necessary)	Treasurer	Within a month	
	5 Finance for...	Finance sub-committee	Within a month	

	5.1 materials through cash payment 5.2 training through SETA 5.3 equipment through donor and so on 6 Marketing promotion ... through 6.1 pamphlets 6.2 community meetings..... and so on 7 Cash flow management measures...			
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In short to prepare the action plan for implementation the following steps are important:

Step 1 – go through the SWOT analysis process and work out the best income generation option/s. Decide on the financing and marketing aspects, if they are relevant.

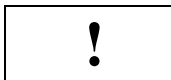
Step 2 - break down all the tasks for the implementation of the income generation option based on the decisions made using the SWOT analysis;

Step 3 - assign structures or individuals responsibility for implementation;

Step 4 – allocate or budget time for the task to be performed;

Step 5 – identify a monitoring mechanism that would check implementation and provide leadership for implementation.

Plenary Group Exercise:



The facilitator asks the entire workshop group the following questions:

8 Module 9 - Assessing Performance

Sound financial management in a cooperative can ensure that credible and reliable financial information is generated about the cooperative and its performance. Earlier cooperators were introduced to the main annual financial statements – income and expenditure statement, cash flow statement and balance sheet - of a cooperative. These statements have to be read in a particular way to understand how the cooperative is working. Put differently, knowing what to look for in the financial statements can assist cooperators assess whether the cooperative is generating income and realizing its economic objectives. Besides the financial statements there are other important statistics and calculations that can also be used to assess the performance and economic sustainability of the cooperative.

9.1 Using financial statements to assess performance

Plenary Group Exercise:



The facilitator asks the entire workshop group to turn to the pages on which the financial statements are. S/he then uses these financial statements to take the group through the issues below

When interpreting accounts or financial statements of a cooperative to assess whether income generation is happening the following indicators have to be checked:

- Sales figures in the profit and loss account – compare the sales figures for this month/year and last month/year in the income and expenditure/profit and loss statement. Are the figures for this year higher or lower? What does this tell you about increases in volume sales or improving the product or service mix as an income generating option? Is it happening or not? What does this tell you about increasing the selling price (if it has been increased)? Has it increased sales or decreased sales? What corrective measures can be taken?;
- Cost of Sales in the profit and loss account – compared to last month /year are the costs of sales (the costs of producing or providing the service/raw materials) increasing or decreasing? If it has increased why is this the case? Is it because the cooperative is producing more volumes or improved product/service mix, which makes an increase in cost of sales inevitable ? Are costs of sale coming down ? If, all things are the same, and if cost of sales are reducing , does this mean reducing costs say through smarter

procurement of raw materials, is having an effect ? What corrective measures can be taken if needed?

- Operating Costs in the profit and loss account– are more like the indirect costs (including labour costs in this case). Again are they going up or down compared to last month/year? What does this tell you about cost cutting or reduction as an income generation option? What does this tell you about increasing volumes or improving the product or service mix? What correct measures can be taken, if needed?
- Profitability in the profit and loss account – If both costs of sale and operating costs are the same but selling price was increased as an income generation option and ultimately sales revenue and gross profit and operating profit have increased, what does this tell you? If the profit after tax is positive, what does this tell you? If in the end there is a loss and no retained profit what does this tell you about the income generation option/s chosen?
- Fixed Assets in the Balance Sheet– check to see if the cooperatives new equipment or machinery is included in the fixed assets section of the of the balance sheet. If the machinery / tangible asset is not included it means the machine was not bought.
- Liquidity in the cash flow Statement– the sub total for Cash Flow Before Financing is very important because it tells you how much of cash the cooperative has or how much of a cash flow shortfall the cooperative has. If the sub-total is negative then the cooperative requires more cash flow to be financed.

9.2 Main Statistics and Calculations

Some statistics and calculations can be used to assess performance trends in a cooperative. When using these statistics or calculations use them over time and write them down on a piece of paper /chart so you can see the trend over a period (weekly, monthly and / or annually)These are some of the important statistics that can be used to assess trends and performance:

Production Statistics – detailed recording of the quantities produced by each worker owner over a period of time provides a useful indicator of whether productivity and output are increasing. For example, every day the total production figures should be recorded and at the end of the week production figures of the various days should be compared. If there was a decline in production figures for day 2 compared to the other days what does this tell you? If the production figures are increasing consistently what does this tell you ? Or if production figures are declining consistently what does this tell you?

Livelihood wage – this is contained in the profit and loss account under the operating expenses subcategory Wages and Salaries. This figure can be divided by the number of people in the cooperative (assuming everybody is earning the same) to see how much each person gets paid a month or annually.

Break Even Costs – means that the costs of production are the same as the value of the sales. In other words no profit is being made and the cooperative is just surviving. If sales come in lower than the costs of production then the cooperative has to shut down.

Gauging efficiency of Assets – the efficiency of a cooperative can be gauged by measuring the number of times its assets (you can use fixed, current or total assets from the balance sheet) divided into the top line of sales in the profit and loss account. Compare the figures over a period of time (this years and last years) and you would know whether the cooperative is making more or less sales using the same number of assets.

Solvency in the Balance Sheet - is important to know whether a cooperative can cover its debts. Solvency, in broad terms means the assets are greater than the liabilities. The calculations normally used are the current ratio and the quick (or acid test) ratio. To calculate the current ratio, divide current assets by current liabilities. The target for this ratio should at least be 1 or in other words the current assets should be greater than current liabilities. When using the acid test ratio divide current assets less stock by current liabilities, on the grounds that stock will not convert to cash quickly.

	Summary: <ul style="list-style-type: none">▪ You have to write a summary
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Part 4

Where Are We?

Module 10 – Evaluation of the Workshop Training

We have traveled a long way together. We have learned from each other and about each other. However, the learning process began before the workshop and will continue after the workshop through our common practice and commitment to financial management and income generation.

It is important for the workshop evaluation to bring together our collective experience and learning in this process so that we can further empower ourselves and those around us.

We have all grown in some small way in this process. Like a flower we have all blossomed a little and it is important for us to identify with this change – our collective experience, reflection, and practice.

It is time for “**criticism and self criticism.**”

10.1 Self Evaluation

Plenary Group Exercise:

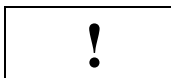


The facilitator hands out a page to every participant and asks them to write responses to the questions below. The facilitator should take participants in an interactive way through the questions and assist with difficulties.

1. Has your understanding of finance management and income generation changed since the beginning of the training? What has caused it to change?
2. What have you learned about yourself which you did not know before the beginning of the training?
3. Do you think you own these ideas and tools for financial management and income generation ?
4. How did you experience the levels of support (were you listened to and so on) and challenge (learning, discussions and debates) in the group.
Support: high, medium, low, none
Challenge: high, medium, low, none
5. Reflecting on your experience of the training:
What has been more useful?
What has been less useful?
6. Do you have any comments to add?

10.2 Training Evaluation

Plenary Group Exercise:



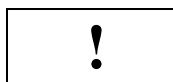
The facilitator does this evaluation in plenary with the entire group. All responses should be recorded.

1. Which parts of the workshop did you like the most? Why?
2. Which parts of the workshop did you like the least? Why?
3. What suggestions do you have to improve the workshop?
4. What did you find most difficult?
5. What was the most important lesson you learnt?
6. What is the main obstacle you think you face in applying what you have learned?
7. What tools did you find useful in learning financial management and income generation for the co-operative?
8. Would you use the tools learned in your co-operative?
9. How would you use these tools?
10. Has the training enabled you to understand your role in your co-operative?
11. What kind of follow up do you think we need in order to strengthen the outcomes of this workshop?

10.3 Feedback from Trainers to Group

Since this guide is meant to be about a two-way learning process it is important for the facilitator to take stock of the learning s/he has achieved. It is through this process that the educator gets educated and builds knowledge.

Plenary Group Exercise:



The facilitators need to give feedback to the group based on what they have experienced throughout the training. This should be done in plenary.

- Have you met your objectives?
- Was there a sense of group development, did the participants value one another's inputs?
- Did your emotions change during the event?
- What did you learn?
- Were people asking questions? Were you challenged?
- Do you think that instructions and descriptions of exercises were clear enough for participants to understand?
- Did participants break the silence and start dialogues amongst themselves?
- If people kept bringing up the same issues, was it because they weren't following the process or because they were not being heard?
- Were you able to break down traditional power groups and promote those that were marginalised?

- Were you open to criticism?
- Was the training inclusive of everybody's needs and experiences?

While the participants are answering their evaluation questions individually, it is important that the trainers go through the above questions so as to give a thorough feedback/evaluation of the training, 'what it was like for them as trainers?'. This should be done in order to emphasise to the group the 'two-way learning process' that has taken place throughout the training.

Small Group Exercise:



Frozen image:

Each group should make a 'frozen image'/role play of how participants feel about the way forward. Have each group present their image to the large group. The rest of the participants have to guess what the image is telling us.

After the groups have presented their frozen image, the facilitators can present theirs.

The facilitator then guides a closing whereby thanks can be given and networking can take place amongst the participants (e.g., addresses, telephone numbers etc.).

Additional Material - Financial Management and Income Generation Support Information

Support Organizations: training and mentorship

Afrikaanse Handelsinstitut
(012) 348-5440

AMEDP (Alliance of Micro-Enterprise Development Practitioners)
P.O. Box 94211
Yeoville 2143
Tel no. (011) 403-9621/9622
Fax no. (011) 403-9623
Email: infooord@amedp.co.za

Services: offers a financial sustainability course CSO leaders and trainers (plans to offer course to wide range of organizations).

BESA (Business Enterprise SA)
P.O. Box 73605 Fairland 2030
Tel no. (011) 651-6122
Fax no. (011) 651-6528
Contact Person: Stan Close

Black Management Forum
(021) 419-3120

Board of Regional Industrial Development
(012) 310-9791

Building Industries Federation of South Africa
(011) 205-9000

Bureau for Economic Research
(012) 887-2810

Bureau for Market Research
(012) 429-3252

Business Opportunities Network
(021) 419-9641

Business Opportunity Center
(011) 839-2750
Norman Makgatho

Services: They offer tender information, business linkages for contracts, business advice, and courses on business management skills and tendering.

BSSA (Business Skills SA)
P.O. Box 74482 Lynwood Ridge 0040

Tel no. (012) 349-1777
Fax no. (012) 349-1778
Contact Person: Hein van der Merwe

Cenbis
(012) 664-7275
Phil Van Rooyen

CBDP (Community Based Development Program)

P.O. Box 53053, Troyville 2139
Tel no. (011) 624-2553/2554/2555
Fax no. (011) 624-3042/3043
Email: info@cbdp.org.za

Services: offer training on building organizational and human resource capacity. They focus most of their training programs on Soweto and the East Rand.

CDRA (Community Development Resource Association)

P.O. Box 221, Woodstock 7915
Tel no. (021) 462-3902
Fax no. (021) 462-3918
Email: cdra@wn.apc.org

Services: offer a 4-week Fieldworkers' Formation Course to develop skills of development workers. Hold annual forums—Action Learning for Education Workshop and Organization and Development Event—for Organization and Development practitioners. Help build capacity of organizations engaged in development and social transformation.

Co-operative and Policy Alternative Center (COPAC)

PO Box 93169, Yeoville, 2198
Tel. no: (011) 333 1215
Fax. No.: (011) 3331214
Email: copac@icon.co.za or copac2@icon.co.za

Contact Person: Vishwas Satgar, Executive Director

Services: COPAC provides start-up support and after care capacity building for cooperatives. It has developed education, conceptual, planning and legal resources for ground work. For after care it has resources to improve problem solving leadership capacity, governance, education, policy development, financial management and income generation in co-operatives. COPAC also does advocacy and research on co-operatives.

DRC (Development Resources Center)

P.O. Box 6079, Johannesburg 2000
Tel no. (011) 838-7504
Fax no. (011) 838-6310
Email: drc@wn.apc.org

Services: offers course on community work in Organization and Development.

Deloitte and Touche

(011) 806-5000

Services: They have a program called Business Beat, which mentors in various business skills (business plans, etc.)

Contact Person: Volker (011) 806-6187, 083-7407809;

Department of Labour

(011) 497-3000
(012) 309-5000

Services: Finance for training for vocational training and capacity building.

Department of Trade and Industry

Toll Free number: 0861843384

Services: DTI has set up a business advice center and business referral center within DTI, which is called Brain. Brain offers sector specific advice and can be contacted via their web page.

They also offer templates and other information on their web page. There is also a cooperative program in the DTI which provides a host of support services.

Webpage: www.brain.org.za,

(012) 349-0100

DEVFTI (The Development Facilitation and Training Institute)

University of the North—EduPark

P.O. Box 4539, EduPark Pietersburg 0700

Tel/fax no. (015) 2902833

Email: White@Leadership.EduPark.ac.za

Services: offers a two-week course for CSO leaders and a two-year Masters in Development Management.

Development Bank of South Africa

(011) 313-3911

Director Export Promotion

(012) 310-9791

Dora Tamana Co-operative Center (DTCC)

Tel: (011) 339 1592

Fax: (011) 339 4244

PO Box 1027, Johannesburg, 2000

E-mail: info@dtcc.org.za

Project Manager: Miss M. Noko

Services: Training for development of cooperatives and research on cooperatives.

Ernst and Young

(011) 772-3000

Services: They have a program that mentors in various business skills.

Human Sciences Research Council

(012) 302-2999

Impact Solutions

(011) 706-6072

Institute of Marketing Management

(011) 642-1419

INTEC—SAIF (Southern Africa Institute of Fundraising)

P.O. Box 2918, Cape Town 8000

Tel no. (021) 462-4510

Fax no. (021) 461-5693

Email: info@intec.edu.za

Services: offers modular distance education certificate entry-level course in Fundraising/NGO Management. Also provides informal funding related training at workshops and seminars and a bi-annual national convention.

JUPMET (Joint Universities Public Management Education Trust)—c/o P&DM

Wits University

P.O. Box 601, Wits 2050

Tel no. (011) 488-5700

Fax no. (011) 484-2729

Website: www.wits.ac.za/pdm

Services: offers course for senior and middle managers on Management Development for all departments within provincial government.

Khula Enterprise Finance

Tel no. (011) 807-8464

Website: www.khula.org.za

Services: Khula facilitates access to finance for SMME. They assist in credit guarantees, offer mentorships in business plans, and offer ongoing business advice. They support sector services: agriculture, ecotourism, mining, and existing businesses. They also have a program called "Micro-credit outlets", which offers small loans for individuals in a group enterprise (maximum R500. per person in the group).

Khula-Thuso Mentorship Programme

P.O. Box 4192 Rivonia Sandton 2128

Tel no. (011) 807-8464

Fax no. (011) 807-8471

Contact Person: Willie Hlalele

Land Bank

Contact Person: Herman Moeketsi, General Manager, Marketing

Tel no: 012 312 3980

Services: Financial support to emergent black farmers and farming cooperatives.

National African Federated Chamber of Commerce (NAFCOC)

(011) 336-0321

National Productivity Institute

(012) 341-1470

Services: run training programs to improve standards and quality of products and services.

National Co-operative Association of South Africa (NCASA)

Tel. no: (011) 339 3001

Fax no.:(011) 339 3053

E-mail: sabelo@ncasa.org.za

Website: www.ncasa.coop

PO Box 32613, Braamfontein, 2017

Contact person: Sabelo Mamba, General Manager

Services: Co-operative education and training.

Ntsika

(012) 483-2000, 0800113857

www.ntsika.org.za

Services: Ntsika offers a range of services which are subsidized but not free. They offer classes in market strategies, business plans, business advice, and business training in management, export, and tenduring. They refer small enterprises to the appropriate service providers.

OLIVE

21 Sycamore Road, Glenwood Durban 4001

Tel no. (031) 206-1534

Fax no. (031) 2052114

Email: olive@oliveodt.co.za

Services: offers training on the development of CSO leadership and organizational abilities.

P&DM (Public and Development Management Program)

Wits University

P.O. Box 601, Wits 2050

Tel no. (011) 488-5700

Fax no. (011) 484-2729

Website: www.wits.ac.za/pdm

Services: offers 4-month (140 contact hours) certificated course on Community Leadership Development Program. Course offered two to three times a year and accommodates 40 people.

Savings and Credit Cooperative League (SACCOL)

PO Box 8230, Roggebaai, 8012

Tel no: (021) 418 7258

Fax no: (021) 418 7263

Email: info@saccol.org.za

Web: www.saccol.org.za

Contact Person : David de Jong, General Manager

Services Provided: start up kits for credit unions, after care training for governance, policy development, technical support and training for managers.

SEDIBENG

P.O. Box 32286, Braamfontein 2017

Tel no. (011) 403-3010/3011/3012

Fax no. (011) 403-1104

Services: offers short-term courses/workshops on institutional development needs. Also offers one-year courses in Organization and Development, Strategic Management, and Management Development. Provide advisory consultants to CSOs; two publications: 1) Evaluation and 2) Fundraising.

Sizanani Advisory Services

P.O. Box 61674 Marshalltown Johannesburg 2000

Tel no. (011) 867-3558/370-3501

Fax no. (011) 836-5509

Contact Persons: Eddie Johnstone and Gerry Barnby

Services: offer mentorships.

University of Stellenbosch

Services: offers a 3-day leadership program.

Department of Labor: Service Sector and Training Authority

FASSET

Juliet Gillies

(011) 476-8570 tel., (011) 476-5756 fax

P.O. BOX 6801, CRESTA, 2118

Block A, 306 3rd Floor, Eva Office Park, Cnr. Beyers Naude & Judges Avenue, Blackheath, JHB

www.fasset.org.za

BANKSETA – Banking Sector Education and Training Authority

Jonathan Mthembu

(011) 805-9661, (011) 805-8348

P.O. Box 11678, Vorna Valley, 1686

Block 6, Thornhill Office Park, 94 Bekker Road, Midrand

www.bankseta.org.za

CHIETA – Chemical Industries Education and Training Authority
Charmain du Plessie
(011) 726-4026
(011) 726-7777
P.O. Box 961, Auckland Park, 2006
No. 2 Clamart Road, Richmond, JHB
www.chieta.org.za

TEXTILES – Clothing, Textiles, Footwear, and Leather Sector Education and Training Authority
Elmien Labuschagne
(031) 702-4482
(031) 702-4113
elmine@ctflseta.org.za
P.O. Box 935 Pinetown, 3600

CETA – Construction Education and Training Authority
Helen Brown
(011) 265-5915
(011) 265-5924/5925/ or (011) 312-1747
Box 1955, Halfway House, 1685
2nd Floor, Unit 5, Momentum Business Park, Main Road, Midrand 1685
www.ceta.org.za

DIDTETA – Diplomacy, Intelligence, Defence and Trade and Industry Sector Education and Training Authority
Leon White
(012) 663-6983
(012) 663-4878
C/o Dept. of Defence, Private Bag X159, Pretoria, 0001

ETDP SETA – Education, Training, and Development Practices Sector Education and Training Authority
Moses Seetapele
(011) 517-3650
(011) 807-7490
MosesS@etdpseta.org.za
P.O. Box 5734, Rivonia, 2128
Tuscany Office Park, Building 10, Coombe Palce, Rivonia, 2128

ESETA – Energy Sector Education and Training Authority
Mr. Andy Mashale
(011) 838-0117
(011) 838-0119
www.eseta.org.za
P.O. Box 5983, Johannesburg, 2001
35 Prichard Street, 1066 Building, 19th Floor, Johannesburg

FOODBEV – Food and Beverages Manufacturing Industry Sector Education and Training Authority
Liezl Gerryts
(011) 802-1211
(011) 802-1518
Liezlg@foodbev.co.za
P.O. Box 245, Gallo Manor, 2052

The Woodlands, Building 23, 2nd Floor , Woodlands Drive, or Western Services Road,
Woodmead, 2052

FIETA – Forest Industries Sector Education and Training Authority

Derek Weston (CEO)

(011) 712-0600

(011) 712-0601

082 461 1425

P.O. Box 8407, Braamfontein,2000

7th Floor, Rennies House, 19 Ameshoff St, Braamfontein,2017

Mail@fieta.org.za

www.fieta.org.za

HWSETA – Health and Welfare Sector Education and Training Authority

Ndaba Kgaka

(011) 607-6900

(011) 616-8939

actingceo@hwseta.org.za

P.O. Box 2467, Houghton, 2041

ISETT – Information Systems, Electronics and Telecommunications Technologies

Georgina Lefifi

(011) 805-5115

(011) 805-6833

georgina.lefifi@isett.org.za

P.O. Box 5585 Halfway House 1685

400 16th Street Halfway House

www.isett.org.za

INSETA – Insurance Sector Education and Training Authority

Kim van Niekerk

(011) 484-0722

(011) 484-0862

dovetail@netactive.co.za

P.O. Box 32035, Braamfontein, 2017

Oakhurst, 11 St Andrews Rd, Parktown, 2193

LGWSETA – Local Government, Water, and Related Services Sector Education and Training
Authority

Elias Myakeni

(011) 456-8579

(011) 450-4948

P.O.Box 1964, Bedfordview 2008

20 Skeen Boulevard, Bedfordview, 2008

MAPPP – Media, Advertising, Publishing, Printing and Packaging

Joan Miller

(011) 949-1463

(021) 949-1468

muller@mapppp-seta.co.za

P.O. Box 2847, Bellville, 7535

Sanlam Building, Cnr Voortrekker Rd & Rhos St, Bellville, 7530

MQA – Mining Qualifications Authority

Menzi Mthwecu (CEO)

(011) 403-7946

(011) 403-8424

MelanyB@mqa.org.za

Private Bag X66, Braamfontein, 2017

33 Hoofd Street, 4th Floor, Forum 2, Braampark, Braamfontein, 2001

MERSETA – Manufacturing, Engineering, and Related Services Education and Training Authority

Brendon Pearce

(011) 492-1533

(011) 492-1542

bpearce@merseta.org.za

P.O. Box 61826, Marshalltown, 2107

Metal Industries House, 6th Floor, 42 Anderson St, Johannesburg, 2001

POSLECSETA – Police, Private Security, Legal and Correctional Services

Jake Moloji

(011) 805-0084

(011) 805-6630

bnake@poslecseta.org.za

P.O. Box 8657, Johannesburg, 2000

3rd Level (2nd Floor), Gallagher House East Wing, Midrand

PAETA – Primary Agriculture Education and Training Authority

Machiel van Niekerk (CEO)

(012) 325-1655

(012) 325-1677

machieln.paeta@agric.co.za

P.O. Box 26024, Arcadia, 0007

2nd Floor, POTATO HOUSE, 529 Belvedere Street, Arcadia, Pretoria

PSETA – Public Services Sector Education and Training Authority

Lawrence Tsipane

(012) 314-7208

(012) 323-2386

lawrenceT@dpsa.gov.za

Private Bag X 916, Pretoria, 0001

Transvaal House, cnr. Vermeulen & Van der Walt Streets, Pretoria

SETASA – Secondary Agriculture Sector Education and Training Authority

Yolandi Botha

012) 348-2337

0828089713

(012) 348-1445

Yolandi@setasa.co.za

Private Bag X20003, Garsfontein, 0042

91 Glenwood Road, Lynnwood Glen, Pretoria, 0081

www.setasa.co.za

SERVICES – Services Sector Education and Training Authority

Joe Perry

(011) 482-1520

(011) 726-4416

joanep@serviceseta.org.za

P.O. Box 3322, Houghton, 2040

14 Sherbourne Rd, Parktown, 2193

THETA – Tourism and Hospitality Education and Training Authority

Susan Unsworth
(011) 803-6010
(011) 803-6702
wayneuns@iafrica.com
susan@theta.org.za
P.O. Box 1329, Rivonia, 2128
HITB 38, Homestead Rd Rivonia, 2128
www.theta.org.za

TETA – Transport Education and Training Authority
Gary De la Rue
(011) 781-1280
(011) 781-0200
garry@teta26.co.za
P.O. Box 1283, Joubert Park, 2044
P/Bag X10016 Randburg, 2125
2nd Floor, 344 Pretorius Street, Randburg

W&RSETA – Wholesale and Retail Sector Education and Training Authority
Weji Gobozi
(012) 452 9200
(012) 452 9229
wmgobozi@wrseta.org.za
P.O. Box 2176, Brooklyn, 0075
Deloitte & Touche Brooklyn House 315 Bronkhorst Street Brooklyn Pretoria
www.wrseta.org.za

Funding: domestic donors

Venture and Equity Funding

Emerging Enterprise Zone (PTY) LTD-EEZ
P/Bag X991174 Sandton 2146
Tel no. (011) 520-7121
Fax no. (011) 520-8857
Contact Person: JP Fourie

RMB Equity Funding and Corvest
P.O. Box 786273 Sandton 2146
Tel no. (011) 282-1808
Fax no. (011) 282-8065

OMEGA Investment Research (PTY) LTD
P.O. Box 5455 Cape Town 8000
Tel no. (011) 689-7881
Fax no. (011) 689-4361
Contact Persons: Dr. Dennis Worrall and Lyndon Worrall

Zimele Investments (PTY) LTD
(An Anglo American Initiative)
P.O. Box 61587 Marshalltown 2107
Tel no. (011) 638-4172
Fax no. (011) 638-5321
Contact Person: Nick Janse van Rensburg

SBP Private Equity Investments (PTY) LTD
(A small Business Project Initiative)
P.O. Box 1051 Houghton 2041
Tel no. (011) 484-4666
Fax no. (011) 484-3897
Contact Person: Chris Darroll

Industrial Development Corporation (IDC)
Tel no. (011) 269-3000
Fax no. (011) 269-3111

Banks and financing institutions participating in Sizanani-Sizabantu and Khula Credit Guarantees

ABSA Bank—New Enterprise Banking
P.O. Box 7735 Johannesburg 2000
Tel no. (011) 350-4881
Fax no. (011) 350-4323
Contact Persons: Riaan Fouche and Dawn Jefferson-Green

FNB—SME Unit
P.O. Box 7881 Johannesburg 2000
Tel. no. (011) 371-7152/371-3485
Fax no. (011) 352-3554
Contact Persons: Leon Olivier and Ezekiel Ledimo

Nedenterprise (NEDKOR)
P.O. Box 1163 Saxonwold 2132
Tel no. (011) 484-1507
Fax no. (011) 484-1583
Contact Persons: Dominique Moloto and Lizette van Breda

Standard Bank
P.O. Box 6702 Johannesburg 2000
Tel no. (011) 636-4600
Fax no. (011) 636-1764
Contact Persons: Malcolm Kietzman

Financing institutions that don't participate in above schemes

Business Partners
P.O. Box 3300 Johannesburg 2000
Tel no. (011) 480-8700
Fax no. (011) 480-2035
Contact Persons: Jo Schwenke and Kees de Haan

Franchise Partners
P.O. Box 271 Wendywood Johannesburg 2148
Tel no. (011) 803-0665
Fax no. (011) 803-1187
Contact Person: Philip Vosloo

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