



Draft business planning guideline for Community Based
Organisations and or Co-Ops

Purpose

RHLF's strategic decision to work with community based organisations requires the need to re-look at the historic appraisal processes. The following are the reasons behind the re-looking of this process:

- Community based organisations are normally very small and relatively un-sophisticated in their business operations. They normally do not have computers and debtor management systems that are similar to those of the traditional RHLF lender.
- However, with all the challenges faced by these organisations, RHLF must still be able to assess these institutions diligently to ensure effective risk management.

Points to consider in the compilation of a business plan.

1. The legal status of the organisation
 - a. The legal form
 - b. The registration number
 - c. Compliance with other regulatory bodies governing the type of legal formation.
2. The Governance of the organisation
 - a. The Board of directors and their experience
 - b. The management team and their experience
 - c. The number of members in the organisation.
3. The Organisations product offering
 - a. What has the organisations been doing?
 - b. Is there a performance track record?
 - c. Financials of the past performance
4. The organisation's demonstration of an understanding of Housing microfinance and RHLF's mandate
 - a. How many people will benefit from the funds received from RHLF? Will these funds be solely for on-lending to members of the co-op or to the public at large?
 - b. If the organisation intends to lend to the public at large is the organisation registered with the National Credit Regulator¹?
 - c. How will the organisation ensure that the RHLF funds are used solely for the purpose of RHLF's mandate?
5. How much money is the organisation requiring from RHLF?
 - a. This should be determined by the envisaged beneficiaries to be targeted, over the period the loan must be repaid.
 - b. The rate of interest charged by RHLF to the organisation
 - c. The organisation's ability to service the loan from RHLF.
6. The organisations marketing of the RHLF's product.
 - a. The organisation must have a strategy of how they are going to reach the targeted beneficiaries.
 - b. The organisation must demonstrate a clear strategy of ensuring that the funds received by beneficiaries are used solely for the purpose as intended by RHLF i.e. small incremental loans for the improvement of homes in the rural areas, peri-urban areas and small towns.
7. The organisations collections of monies disbursed.
 - a. The organisation must demonstrate a clear plan of how to collect the monies disbursed.

¹ Companies are exempt from the NCR if they have less than 100 credit agreements and have less than R500,000.00 in outstanding credit.

- b. The organisation must have a clear strategy of how they will manage delinquent accounts and ensure regular payment.
8. The organisation must have a method of reporting monthly to RHLF about the performance of the funds.

If the organisation addresses the above-mentioned points, the organisation will have produced an adequate business plan which could be used as the basis of the proposal for presentation to the RHLF Credit Committee.

Annexures

e.g Certificate of incorporation, NCR certificate where applicable