Resi Janssen
Board Chair, Finance South Sudan Limited (FSSL)

ABF: Could you please provide an introduction to South Sudan?

RJ: South Sudan has been in conflict and instability for over 50 years. In 2005 a peace agreement was signed and in 2011 it became an independent country. Unfortunately, again in December 2013, internal political violence erupted with fighting especially in the northern parts of the country. Several peace agreements were signed, but not respected, and in July 2016 the violence aggravated and spread to the southern parts which had been relatively stable.

The renewed conflicts and instability had an enormous impact on the economic situation: insecurity on roads, less trade, fewer imports, lower food production, etc. Export revenues decreased due to declining oil prices and lower oil production. And the devaluation of the South Sudanese pound (SSP): the sudden floating rate in December 2015 and the continuous devaluation afterwards. The value of the South Sudanese Pound (SSD) diminished from the official SSD3 per US dollar and parallel market rate of SSD10 per US dollar in December 2015 to currently SSD105-110 per dollar. Inflation in 2016 was over 800%. Food and fuel prices increased tremendously.

The conflict and the breakdown in services continue to have deep economic and social consequences for a country where human development is already among the worst in the world.

ABF: What is your background and how did you come to join the FSSL board?

RJ: I have been working in microfinance since 1990. I studied economics and gender studies but once working I found microfinance much more interesting – in money, everyone is interested! I am now an Investment Manager at Cordaid Investment Management and Cordaid has supported FSSL since 2007. I have been a board member at FSSL since 2011 and the chair of the board since 2014. Cordaid is a major funder/shareholder of FSSL.

ABF: What is the history of your board experience with FSSL?

RJ: My chairmanship started in a very turbulent period, after the eruption of violence in 2013. The Board got into conflict with the major shareholder about whether or not to lend in the conflict situation. It resulted in Cordaid buying the shares of that major shareholder.

A year later, we had to let go the CEO because of underperformance and his high US dollar salary that the company couldn't afford. It is common to fire a CEO cold to make sure he doesn't mix up things in the system, but in South Sudan this was not a common practice, and it was quite a shock for the staff. It was also a sign to the staff that we really wanted a CEO that sets a good example. The (expatriate) COO became CEO, and performance improved. But after less than a year we had to let him go too. His technical skills were very good but his management and leadership style did not fit the south Sudanese culture. His communication with the local staff could have been better but foreigners in South Sudan (Kenyans, Ugandans, etc.) are not always well accepted, especially if they make much larger salaries. After a 4 month interim CEO, we now have entirely local staff who are very committed and have a large ownership feeling. No costly expatriates anymore.

ABF: How has the macroeconomic environment and conflict in South Sudan affected FSSL operationally?

RJ: The devaluation caused FSSL's total assets to decrease from USD 2 M to USD 140,000 and costs (salaries, transport, stationary, etc.) increased. You can't lend in dollars because you don't want to pass on the currency risk to poor people.

Because of crises and a high cost structure, FSSL has hardly ever been profitable. Every time it was profitable for a month or so, then a new crisis began. But after the devaluation, the largest financial burdens were the salaries of expats and other USD costs. If your total assets are USD 140,000, you cannot afford CEO and COO salaries of USD 5,000 per month.

Overall PAR 30 increased to 25 percent. In the branch that was affected most by the conflict, PAR 30 rose up to 84 percent. It was impossible to grow the loan portfolio. It turned out to be especially difficult to increase the number of group loans. Apparently it is more difficult for the smallest businesses to continue doing business. Those clients are risk averse and don't want to take loans in cases of high insecurity. FSSL went from 864 clients in December 2015 to 557 clients in February 2017. Head office staff couldn't travel to branches as often as needed because of road insecurity. So we saw decreases in income and spiking costs. Lots of operational losses. The only goal was to become profitable.

From the point of view of Cordaid Investments, the major shareholder, it is the last chance for FSSL to become profitable. The losses have been too high for too long. The good news is that FSSL has been profitable for some months. We could afford a second salary increase this year and even a bonus to all staff.

ABF: How has the experience of FSSL differed from another that of RUFI, another FSP in South Sudan?

RJ: It is interesting to compare the two FSPs. Cordaid has invested in both. Where FSSL was a spin off from a relief project, largely donor funded, with several costly expatriates and seven branches, RUFI was created by six local South Sudanese with their own money. It started small, with much lower costs and only local staff. First one branch and one product, then when it became profitable it opened a second branch and added a loan product, and so on. It was manageable, and since its second year, despite the crises, RUFI has always been profitable. It also has the best FSP CEO of South Sudan. Because its board and senior managers have always been South Sudanese, in times of crises they were there, close to staff and clients, to get the institution through. Because the board members had their own money in it – skin in the game – and are from the operational areas, they were very much on top of things.

ABF: How has the macroeconomic environment and conflict in South Sudan affected FSSL's staff?

RJ: Due to devaluation and inflation, the salaries of staff in terms of USD diminished some 25 times. For example, if a Loan Officer earned a gross salary of SSP 2,000 that would be USD 650 (with a black market rate of 8 around USD 250) before the devaluation. At the end of Dec 2016, it was around USD 25. We doubled the basic salary in January 2017. Still by far not enough to earn a decent living. Many staff don't go out to have lunch anymore. Only one or two staff left because of the low salaries - to go abroad. In South Sudan, there are few other job opportunities, and none at all in the financial sector, as banks and other FSPs reduced or ceased operations. The government sometimes does not pay salaries for months and the government's salaries are much lower than FSSL's salaries.

When you don't grow, you don't need new staff. We promoted some lower staff. It thus is very important to have a good succession planning and have an idea that if something happens, who can step in.

I was lucky that a foreign professional I knew was available and willing to go to South Sudan to step in as CEO for four months, just when we needed it, in 2016. He was a consultant from Nepal but had been in South Sudan before and was very much appreciated by local staff.

ABF: How has the macroeconomic environment and conflict in South Sudan affected FSSL's clients?

RJ: Several clients lost properties, businesses were looted (some tens, not hundreds). Because of the conflict, a few hundred clients fled to Northern Uganda and DRC. Several of them, especially the women who are less suspected of being "a rebel", come back for a short time if they have an opportunity and make loan repayments.

Demand for certain products has collapsed, with the huge inflation and declining purchase power. There is no demand for small group loans because business is different and clients can't get the merchandise so don't want to take loans because of the risk.

This is one of the challenges of being far away. I am only in South Sudan every once in a while, which makes it difficult to fully understand the local situation with clients.

ABF: How has FSSL's board been affected?

RJ: We were only three on the board. Two South Sudanese citizens and me. One board member fled to Uganda and has not come back, so he had to resign. Another board member's house was looted. For myself, Cordaid had a travel ban to South Sudan and I was not allowed to go there until four months after the events of July 2016. It was difficult, because as a board chair you would like to be close and not in a situation where staff is suffering and you yourself are safe and comfortable. Fortunately the remaining local board member is very committed and qualified. As soon as she could, she went to the office to discuss issues and provide support.

ABF: How can you find qualified board members in such a challenging situation?

RJ: The challenge of finding new board members is unsolved. I have experience with board members that come to meetings but don't read the documents. Add in issues with communication (internet connection) , and it is tough. But the advantage of having only two board members is that you can act quickly. A phone call is sufficient to take decisions and move forward. Especially in times of crises, this is very efficient. I prefer to have a few but active and qualified board members than a board of five with people who are not prepared, don't have enough experience, are difficult to get to meetings, etc.

ABF: How have you reacted to this unrest as the board chair? What are some of the ways you have supported the CEO?

RJ: When the violence broke out, I received a Whatsapp message from the CEO. I then had contact with him several times per day, through Skype and Whatsapp to listen, support and provide advice. Most important is to show concern and moral support. Fortunately we just had made a business continuity and contingency plan and everybody knew what had to be done. First ,staff have to be safe. Once the situation is a bit stable, clients have to be contacted to see how they are doing.

ABF: What lessons would you share for other boards in similar crisis situations?

RJ:

- Make sure staff is safe.
- Have a contingency plan, and make sure everyone is aware of the content. Staff need to know it.
- Have as few costs as possible in foreign currency. Conflicts always cause devaluation.
- Have as few expatriate staff as possible. They evacuate in times of crises and are too expensive.
- Have offices in relatively safe areas, although "safe" can change quickly.
- Have savings insurance.
- Have local board members who will not go abroad, are committed, engaged, qualified and have authority.
- Be in close contact with staff. At least weekly visits or calls with the CEO, monthly board meetings as needed.

ABF: How does the unrest in South Sudan affect FSSL's goal of achieving profitability?

RJ: We had to turn the institution around and say goodbye to expatriate staff. We had to go through the detailed income statement and see item by item where we could save costs (solar panels, transportation discipline, change internet provider, etc.). We had to give ten very large loans (loans in SSP equaling USD 10,000 to 50,000) in order to have a portfolio sufficiently large to become profitable and to enable serving hundreds of poor and more costly clients.

ABF: Are there ways ABF helped you to navigate the challenging environment?

RJ: ABF was a good exercise to do with the entire board and CEO, as it helped us to select the most important issue to solve as part of the goal setting process. The Council of Microfinance Equity Funds' publication on governance of FSPs is an extremely useful resource. It should be the governance bible! The ABF programme took this resource further, with several important board topics other than governance.

For another board, I am using ABF materials and resources at this moment. That board has new board members, and an ABF advisor distributed a checklist for new board members a few weeks ago that I am using. That board is also selecting a new MIS, so I looked for the ABF presentation and documents related to that process, shared them with other board members, and read them again myself.

The ABF network of advisors and fellows is extremely useful for getting timely responses to questions from people with experience in similar situations. I once had an urgent issue, emailed two ABF advisors about it, and received very quick and useful replies. I also posted questions on the ABF virtual platform and received useful advice. One question was about CEO/management performance and the other related to how to get informed about what is going on in the organization, so as not to depend only on the CEO's information.

One of our investee FSPs wants to introduce a savings product where clients have to pay a fee. The case of First Allied Savings and Loans on client centricity explains why First Allied deliberately choose to pay interest on the same kind of savings products, so I could share those arguments.

The ABF seminars and cases confirmed several of my own thoughts - for instance that boards should not be a "yes, yes, yes board," which advice René Azokly provided as reflection from his time as the CEO of PADME. This helped when it came time to fire the first CEO. It is always useful to learn from the problems/failures of others through the cases.