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WELCOME NOTE, BY THE CHAIRPERSON OF THE CBDA

The CBDA Board would like to take this opportunity to welcome and introduce the recently appointed Managing Director (MD) of the CBDA, Ms Olaotse Matshane. Ms Matshane has a career track record spanning over 11 years at the National Treasury where she occupied several positions within the budget office, tax policy and financial sector development units. She is also no stranger to the co-operative banking sector, having played a pivotal role in the drafting of the legislation for co-operative banks as a Director in the financial sector development unit and having served on the CBDA Board.

With an Msc in Economics from the university of Essex and a Bcom Honours Degree from Rhodes University, Miss Matshane has the right credentials to steer the CBDA in its intended strategic direction and we as the Board are looking forward to sharing

her plan to implement the Board's Vision and Mission for the sector and ensuring that the CBDA meets its statutory mandate.

I believe that the CBDA staff, which has shown tremendous dedication to the organisation and passion for the sector over its period of leadership transition, will benefit under Ms Matshane's leadership.

Ms Matshane has a challenging period ahead, but having said that she is also aware that these are very exciting times for the co-operative banking sector as opportunities are ripe to take the sector to the next level. Our government has reiterated its commitment towards encouraging greater competition in the banking industry and providing

access to banking services for more South Africans. The Minister of Finance has stated that access to banking remains a key priority and although there has been improvement, more can certainly be done. The CBDA is well positioned to facilitate and catalyze the achievement of these objectives.

Furthermore, I believe that the CBDA staff, which has shown tremendous dedication to the organisation and passion for the sector over its period of leadership transition, will benefit under Ms Matshane's leadership.

To our previous acting MDs, Ms Ingrid Goodspeed and Nkosana Mashiyi, we thank you for your energy and time shared during our times of need. Your efforts and contribution to building this sector are much appreciated.

- I thank you, Sifiso Ndwandwe.



EDITORIAL



The Cooperative Banks Development Agency (CBDA) welcomed its new Managing Director, Ms. Olaotse Matshane, with great enthusiasm and hope for stability in the financial co-operative sector. This technocrat who has been instrumental in the crafting of the Co-operative Banks Act, No. 40 of 2007, hit the ground running in May this year. The CBDA Board Chairman, Mr. Sifiso Ndwandwe has more to say on that in his welcome speech on the cover page. Some industry players had an opportunity to interact with the MD asking what her plans are for CBDA and the sector in general, see inside her response to those questions.

In our last issue we talked about change being imminent in the sector, well, the new Exemption Notice was gazetted in the Government Gazette No. 35368, Note No. 404, on 25 May 2012. The CBDA has since engaged in an extensive stakeholder consultation process, and the range of perspectives, concerns, challenges and suggestions, gathered from that process can be found on our website-www.treasury.gov.za/coopbank.

South Africa was represented by, Ms. Sauli, at the World Credit Union Conference, in Gdańsk, Poland in July 2012. It was with pride and dismay at the same time that she was representing her country but disappointed by the fact that she was the only South African representative at the conference. This goes to show that the financial co-operative sector in the country is, indeed, still at its nascent stage. We need to work on this. Fortunately, from the conference, organisations like the World Council of Credit Unions (WOCCU) and the National Association of Co-operative Savings and Credit Unions (NACSCU) of Poland, voiced their willingness to work with both the CBDA and the National Association of Financial Institutions of South Africa (NACFISA), in helping build the financial co-operative sector in the country.

August, being women's month in South Africa, this issue focuses on the strides made by two women leaders in the financial co-operative sector, from a local and global perspective.

by N. Sauli



MD INTERACTS WITH INDUSTRY

Q 1 What strategy will be put in place by CBDA to support, promote and develop co-operative banks and at the same time ensure that depositors' funds are not at risk?

A i) Over the past three years the CBDA has been instituting and implanting development strategies to benefit and support the co-operative banking sector. Our starting point was to conduct baseline studies to determine the needs of the sector. Based on this information capacity building programmes, including development of training materials, delivery of training programs, and conducting of performance assessments and financial reporting tools for the development of CFIs have been delivered. The CBDA is in the process of developing more training materials, reviewing and amending current training programmes and refining the financial reporting tools.

These activities ensure that the financial, operational, managerial and compliance weaknesses of CFIs are addressed effectively.

ii) Ensure Depositors funds are not at risk

One of the important functions of the CBDA is to supervise and regulate registered CFIs. The supervisory unit adopted a risk based approach toward supervision of CFI's. The supervision team conducts scheduled and targeted

onsite examinations of registered CFIs and based on results, institutions with higher risks are placed under more frequent surveillance. This approach enables the supervision team to recognise and address any problems that may arise in the CFI before depositors funds are at risk.

The CBDA has also set aside funds for the development of a stabilisation fund that will enable short term liquidity assistance to stabilise troubled and distressed CFIs.

Q 2 How CBDA envisages working with institutions like Finmark Trust to promote financial inclusion?

A I am pleased that the CBDA is already in engagements with Finmark Trust with regards to research and other areas of collaboration. Finmark trust has a wealth of research and information in the area of financial inclusion that the CBDA intends to make full use of. The CBDA is also in discussions with Finmark to include questions specific to the membership and usage of CFI's in their annual Finscope survey questionnaire. There is no doubt that the use of data and findings from such surveys will add a lot of value in guiding the activities of the CBDA and National Treasury's financial inclusion policy.

BASA

Q 3 What are the 3 critical matters to be addressed to enable a constructive partnership between cooperative banks and banks licenced under the Banks Act?

A It would be premature at this time to address these critical areas of a constructive partnership as a dialogue between co-operative banks and banks has not as yet taken place. The CBDA is hoping it can assist



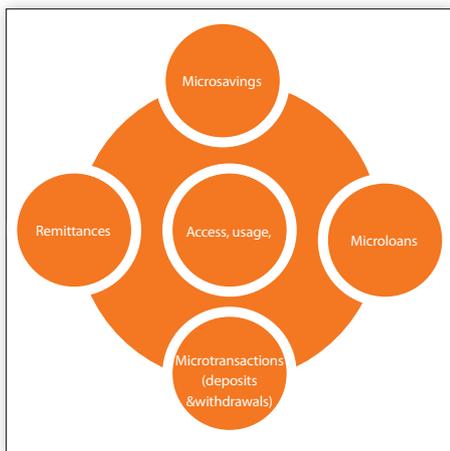
facilitate this discussion. Notwithstanding, in my opinion I would think that a constructive partnership could be guided by firstly accepting the constructive role each party could play in a partnership and to begin exploring areas such as

- i) Transfer and sharing of skills, information and infrastructure;
- ii) Collaboration in the tackling of legislative and regulatory barriers to financial inclusion in areas such as access to the NPS, branchless banking, remittances etc.
- iii) Continued collaboration and forging synergies in Financial Inclusion by working together to find innovative products and services to serve the unbanked market.

Q 4 What is the CBDA's thinking on engagement with the banking sector on financial inclusion?

A Financial Inclusion can simply be defined as an occurrence whereby individual consumers, especially the currently unbanked can access and use financial services that are appropriate, convenient and affordable. The goal here is full and sustainable financial inclusion. Simple as it may sound financial inclusion remains a complex and challenging area for financial services providers.

Dimensions of Financial Inclusion



This picture sums it all. Our engagement on financial inclusion with the banking sector would include all the dimensions of financial inclusion on this picture to say how can both the co-operative banks and commercial banks ensure full and sustainable financial inclusion. The issue here is that focus should not be on how many bank accounts have been opened, but to say to what extent these products fully

meet the needs of those who need to access and use them. For example does a product allow for micro deposits and withdrawals of as little as R50 at a time, or allow for microloans of amounts as little as R200 on a weekly basis. With regards to so-called savings accounts do they allow clients to accumulate for different savings goals and horizons in the same account etc. Furthermore exploring and engaging on how far technology and innovation can really go in helping the country achieve this goal elusive goal of full and sustainable financial inclusion.

Q 5 Does the CBDA consider cooperative banks to be in competition with other banks or is there room for collaboration to enable broadening of access to financial services?

A i) The Minister of Finance has set a target for government of increasing the proportion of banked adults from 63% in 2010 to 70% by 2013. This is a very ambitious target to meet, and considering how complex and challenging the financial inclusion market is (see response on previous question), this target can only be met through effective collaboration between cooperative banks and other commercial banks.

There are unbanked individuals out there whose needs are difficult to meet via the products and services provided by commercial banks. This is evident in the number of individuals unable to open bank accounts and also the number of bank accounts that get closed or lie dormant and also clients who due to their level of income, size of transactions and risk profile will never be able to use the services of commercial banks. There is clear evidence of what the experts refer to as a "leaking bucket" when it comes to demand and supply of financial services. In this instance the type of financial services supplied or provided does not meet the type of financial services needed/demanded.

There is therefore certainly room for collaboration in this space to capture those clients who fall

in the leaking bucket and unbanked category. This collaboration is important to break through and advance the country to full and sustainable financial inclusion. (see response to previous question)

ii) However in the long term, the success of the CFIs should be measured by their ability to compete with commercial banks particularly for the low-income market share. It is important to note that CFIs cannot compete with commercial banks in terms of the provision of sophisticated products and services to high income clients since the services that CFI offer will remain simple and basic.

SARB

Q 6 What impact the changing landscape of banking in SA and abroad will have on local and international cooperative banks and SACCOs, i.e. will it make them more or less relevant as a part of the evolving financial sector?

A The G20 Leaders Declaration, Clause 51, Los Cabos Summit held in June 2012 states "We acknowledge the efforts of those G20 and non-G20 countries committed to national coordination platforms and strategies for financial inclusion under the G20 Financial Inclusion Peer Learning Program and encourage similar efforts to advance effective implementation of the G20 Principles for Innovative Financial Inclusion such as the commitments to concrete actions to promote financial inclusion made by developing and emerging countries under the Maya Declaration, recognizing the ongoing efforts and the support by the world bank group and the Alliance for Financial Inclusion and other stakeholders including the United Nations and bilateral donors to foster financial inclusion".

With these kinds of declarations, it can only mean that co-operative banks and SACCOs are becoming even more relevant in the changing landscape of banking in SA and abroad. Co-operative Banks and SACCOs (aka credit unions)



all over the world are key conduits to the delivery and attainment of financial inclusion efforts as mentioned in the declaration above. Unfortunately, South Africa is lagging behind and has a lot to learn from the successes of other countries in making co-operative banks institutions of choice.

The Minister of Finance has stated "There is a need for scaling up of co-operative financial institutions in order to absorb the high and growing demand for financial services in many of our communities

Furthermore, the global financial crisis has certainly made financial regulators more vigilant to mitigate any financial stability risks to the sector. The crisis has made prominent the strength and resilience of co-operatives banks and SACCOs as internationally these institutions remained unscathed through the crisis.

Financial sector regulators globally have become less tolerant and more vigilant of the high risk activities that commercial banking institutions embark on. As a result the simplicity and low risk type of activities that co-operative banks and SACCOs embark on make them more relevant and attractive as the financial sector struggles to recover and proceeds with caution.

SEFA

Q 7 What is the new MD's strategy on institutional support to Financial Services Co-operatives in view of the high failure rate of FSCs to reach operational self-sufficiency i.e. they depend 95% on grants and/ donations to sustain themselves ?

A The CBDA has developed a sector customised curriculum targeted at CFI Managers, so that they are, at minimum, able to efficiently manage lending practices, produce compliant monthly financial reports, identify, avert and/or mitigate risks, manage liquidity, and ensure compliance to prudential requirements, thus directing their CFIs to institutional and financial stability.

Q 8 How will the CBDA co-exist with the CDA which the dti is planning to establish next year? For instance, is the developmental function of CBDA not going to be duplicated by CDA?

A There will certainly be collaboration between the CDA and the CBDA with regards to generic development and support of co-operatives. However, the services that the CBDA provides i.e. that of regulation and supervision and capacity building, are specialised towards co-operatives dealing with the provision of financial services. Therefore the onsite and offsite supervision of CFIs and the developmental programmes with regards to areas such as financial management of CFIs, auditing, and managing prudential regulations are exclusive and specialised for CFIs.

Therefore the developmental functions of the CBDA will certainly not be duplicated by the CDA and the two institutions will certainly collaborate in areas of common interest.

Q 9 How is the CBDA going to support the FSCs on the ground because it does not have presence at Provincial level unlike samaf which used to have staff at Provincial level ?

A The structure of the CBDA is such that it is a wholesale organisation that makes use of key stakeholders and service providers to fulfill its functions and mandate. The CBDA is therefore in engagements with key stakeholders who have a clear mandate with regards to the development and support of co-operatives and also have a strong provincial and local footprint. These are stakeholders such as SEFA, SEDA, and the provincial departments of economic development. It only makes sense for the CBDA to leverage on the strength of these stakeholders.

NACFISA

Q 10 How is the new MD going to assist with funding of our programs and projects?

A The CBDA has already assisted NACFISA with substantial (indirect) funding to kick start the formation and planning for the association.

The CBDA has thus far funded:

- i) 9 provincial CFI forums and 9 provincial chapter committee meetings,
- ii) a two and a half day strategic planning session including a service provider to facilitate the strategic plan, accommodation and travel for all participants,
- iii) travel and accommodation for participants for the executive committee meeting and board meeting.

Going forward, for NACFISA to be sustainable, CFIs need to commit to funding their own programs and projects and need to devise their own income generation strategies.

Q 11 How our budget for the year will be provided?

A It is the responsibility of NACFISA to develop a plan on how they will raise funding that will provide for their functions and activities for the year. The CBDA has a limited budget and can only provide so much with regards to funding the activities of NACFISA.

NACFISA is an independent and autonomous institution whose fundamental basis for formation is self-help. It is therefore critical for NACFISA to establish its own linkages with other successful Associations both regionally and globally, so that they can learn best practices and growth strategies.



SASI

Q12 Since we know so little about the Co-operative Framework, our concern would be a highlight of this framework and whether institutions like the Savings Institute (SASI) have a role to play in realizing the mandate of the Agency. Of course this goes for similar institutions especially CBOs/NGOs.

A One of the highlights of the CBDA moving forward is the development of a marketing and promotions plan to market the services we offer but also to make people aware of the Co-operative banking framework and the benefits thereof.

Certainly, SASI has a big role to play in realizing the mandate of the CBDA. The mandate of the CBDA and

SASI on the promotion of savings and the savings culture are very much aligned. Part of our marketing and promotions plan will be to form partnerships with stakeholders such as SASI which already have a plan for reaching clients in remote areas and punting the message of savings. This will actually be a powerful partnership as SASI promotes the savings culture, the CBDA will be promoting the CFIs as accessible and convenient institutions through which people can save.

Q13 Secondly, Co-operative Banks have been hailed for their successes in assisting households save especially for long-term through encouraging entrepreneurship. Most South Africans do lack the spirit or the knowledge of the same. To what extent has financial education been

incorporated in the Agency's operation framework, as this is an area SASI is tackling with full force at all levels?

A As a fairly infant organisation, the CBDA has not yet had a chance to focus on member financial education. During engagements with the sector, it has become absolutely clear that member financial education is critical, and that some CFI members are small business owners and require assistance on how to efficiently run their businesses. CFI members are hungry for knowledge and willing to learn, therefore member education is at the top of the agenda for the CBDA strategy moving forward.

The CBDA is looking forward to partner with SASI and other relevant institutions going forward on this imperative undertaking.



WOCCU CONFERENCE

GDAŃSK WORLD CREDIT UNION CONFERENCE

VENUE: POLISH BALTIC PHILHARMONIC HALL POLAND

Date: 15 – 18 JULY 2012

The 2012 World Credit Union Conference held in Gdańsk, Poland from 15 – 18 July 2012 with the theme People First, was attended by 1400 credit union members, vendors, supporters and international speakers. Attendees came from all over the world representing 50 countries, with the most participants coming from the United States of America with 313 delegates, followed by Poland with 249 delegates. Africa was represented by Botswana, Ghana, Kenya, Malawi, South Africa and Zimbabwe with a total of 61 delegates.

The conference was co-hosted by Kasa Krajowa the Polish National Association of Co-operative Savings and Credit Unions (NACSCU), which was also celebrating its 20 year anniversary. NACSCU was celebrating amongst other things being the fastest growing credit

union movement in the world, with the largest network of financial services institutions in Poland with over 2.2 million members, made up of 59 credit unions that have 1,934 branches.

The highlights of the conference were the Global Women's Leadership Network Forum that started off on Saturday with a reception, and a full day session on Sunday where women from all over the world were sharing ideas on growing their credit unions and their own individual personal and professional growth. Monday's highlight was the WOCCU Annual General Meeting, which set the tone on how credit union meetings should be run, highly professional, straight to the point discussions, with prompt tabling and passing of resolutions.



WOMEN LEADERS IN THE F

GLOBAL PERSPECTIVE



Susan Mitchell of the Global Women's Leadership Network would like to share with South African women what the Network does, and as CBDA we are hoping that more women leaders in the financial co-operative sector could join the Network for their own personal and professional development:

Connect With Other Credit Union Women From Around the Globe!

The Global Women's Leadership Network is made up of credit union leaders from around the world who engage in professional and personal development through one-to-one networking, social media, peer-to-peer partnerships and educational forums. By interacting with your credit union peers, you'll gain access to valuable resources and share international perspectives on mutual challenges. Not only will you benefit from the network, but so will your credit union and the community you serve!

Why did you join? "To learn from other professional women, to share ideas and network. I believe this is a very special organization - one of a kind - with a huge potential as the women of credit unions are very unique in their commitment to making a difference." - Susan Mitchell, Volunteer Chair of GWLN and CEO of Mitchell, Stankovic, and Associates

Join the only international peer-to-peer exchange in the industry and take full advantage of our year-round online and in-person events, including:

- Global Women's Leadership Forum offered members the opportunity to connect face-to-face with women from other credit union movements around the globe, create lifetime alliances and learn from successful women outside the industry. Key discussions: marketing CU difference, empowerment, financial control, life events impact your family's financial stability and crimes against children. Quite an

international exchange that we decided proved we are very much the same. Truly, our issues are common globally. Caring about our children, our families, our communities and wanting to improve lives in diverse ways (professionally and personally).

- Scholarship were awarded to women from Nepal, Kenya, USA and Trinidad to encourage their engagement, allow members to learn more about their efforts and advance leadership development. Very special part of GWLN.
- The Worldwide Foundation for Credit Unions holds events that benefit the network and help fund future scholarships and development programs designed to alleviate poverty by empowering women around the world with access to financial services.
- We also have many opportunities closer to home including our Sister Societies that act as local groups of the GWLN with a focus on local issues impacting the community your credit union serves. Topics include: Women at the Board Level, Empowering Women and Personal Brand, Negotiating your Value and Life Balance.
- Our online peer-to-peer partnerships are another fantastic way to network individually with a credit union leader. Pairs can live near each other or be on opposite sides of the globe.

To date the network has connected over 250 women from more than 25 countries.

Don't miss out — sign up today at www.cuwomen.org and become part of this dynamic group making a difference in your community and worldwide!

FINANCIAL CO-OPERATIVE



LOCAL PERSPECTIVE

Elizabeth Khumalo, manager of KwaZulu Ladies Financial Services Co-operative (K-Ladies), has been at the helm of this fledgling Co-operative Financial Institution (CFI) since inception in August 2007. The institution was started as a stokvel by a group of ten women whose common bond was the worship house they were praying at. They each contributed R100. These ten women had a vision as part of their ongoing programmes to assist other women within the area(s) they worship in. The stokvel's status of incorporation has evolved since inception from being a stokvel to being a Financial Services Co-operative and in 2009 was awarded a deposit taking licence and regulated by South African Microfinance Apex Fund, samaf. The products and services of K-Ladies also changed to accommodate the needs of their members, their common bond is now people who live, pray and work in eThekweni Municipality, they now offer a range of savings products, loans, and are also assisting small enterprises with capital. 42% of their loan book has been disbursed to small businesses. K-Ladies have to date met the minimum requirements to register as a co-operative bank, which are 200 members and R1million in member deposits. Some of the people who benefited from the CFI had this to say:

Zamekile Shozi

"I thank K Ladies for assisting me on my work I got a contract to deliver groceries to 6 schools [nutrition programme]. So in order for me to deliver food to the schools I needed money. K Ladies gave me a loan of R50, 000.00 and I managed to start. I thank K Ladies because they helped me when no-one was willing to help. This was a very difficult and painful time for me because I am widow. May God bless K Ladies." Zame created jobs for 39 people.



Talent Hlongwa

Talent Hlongwa is a 31 year old lady, who won a contract to build stalls for street vendors at the Durban station. She needed R60, 000.00 to deliver on the contract, but due to payment delays from her previous contract she was unable to commence duties on the new contract. The Municipality was about to cancel her contract because she was having

difficulty raising the initial capital required and her bank was not willing to help. K Ladies assisted her with a loan of R50, 000.00. After this work she will be promoted to level two in the construction business. The company created jobs for 3 people.



Dineo Khumalo

Dineo is a loyal member of K-Ladies and has been a recipient of loans ranging from R20, 000.00, R25, 000.00, to R30, 000.00. She has managed to pay up all those loans. She used some of the funds to buy livestock, stock for tuck-shop and building her own house. "Today, I am a proud owner of a home. "Thank you K-Ladies.



INTERNATIONAL YEAR OF CO-OPERATIVES



DAVID DE JONG COMPILED THIS SUMMARY OF PRESENTATIONS MADE BY THE CO-OPERATORS AT THE INTERNATIONAL YEAR OF CO-OPERATIVES (IYC) CELEBRATIONS HELD IN KIMBERLEY ON 6 JULY 2012 - DAVID

Diteko Moreotsenye – DTCC, focused on the need to build an inclusive tertiary apex. He began by arguing that we should look at how the previous regime used co-operatives to build the state and there is no reason we should not emulate this. He argued that we have a good policy framework in place but are failing to implement the policy and strategy as approved by Government. The DTCC is concerned that the new legislative changes are again not going to support the development of the movement as we are focusing on the wrong problems. He also raised the concern that co-operatives were being promoted through incentives of grants and access to resources, which was hampering the true growth of co-ops.

On the issue of the apex, the DTCC felt that having two apex bodies was a concern and

the dti should consider having four tiers of co-operatives, insisting that there can only be one apex. Tiers below it should be tertiary, secondary and primary.

Wellings Maseko - NACOFSA argued that according to CIPC 80% of all registered and registering co-ops in SA are dying, because of the poor state of secondary support organisations in SA as well as the misdirection of state funding into tertiary bodies. He also stated that the number of persons needed to form a co-operative, i.e. 5 makes it too easy to simply register a co-op and proposed that it should be at least 8 members. They were of the view that at least 6 secondary organisations should form a tertiary/apex body. The registrar of co-ops also came under fire for registering apex bodies when they did not have operational secondary co-ops

as their members, and the board members were members of primary co-ops and not secondary co-ops as should be the case. Finally the NACOFSA strongly supported a more interventionist role for international structure in our movement such as the International Labour Organisation (ILO) and International Co-operatives Alliance (ICA) regionally.

The NACOFSA made a number of proposals and said the movement should set itself some targets moving forward. These should include:

- Trying to reduce the mortality rate of co-ops from 77% to 50 over the next three years;
- A National Co-operatives Chamber should be established to interact with government on policy and strategy;



- SETAs should be working with co-ops in a more co-ordinated manner;
- R2.5 billion roll-over funds of unspent money should be put into a co-op development fund for the movement to spend on funding co-ops;
- dti needs to negotiate with National Treasury to resolve the deadlock around the 10 product preferential procurement policy that these products can be supplied by co-ops.
- Lawrence Bale – SANACO, argued they have been recognised by the ICA as the representative of the South African Movement. He touched on the following issues:
- 60,000 co-ops are registered but only a fraction of these are in fact compliant;
- SANACO has given a lot of input into the Co-ops Bill;
- Reminded delegates that SANACO was born out of a conference in Pretoria in 2008, whereby provinces, local and regional government were given the directive to promote and support the formation of a national apex, which resulted in SANACO being born;
- Agreed that the law should look at a four tier co-op structure with only one apex – SANACO;
- That SANACO was there for all types of co-ops;
- More needed to be done to ensure co-ops are at the forefront of BBBEE process. He argued co-ops should become activist lobbyists and march for their rights if need be;
- If co-ops did not organise themselves properly, they would be walked over by government;

- Co-ops are being undermined by government and not being recognised for the contribution they are making;
- Too many government departments were not engaging enough with co-operatives;
- Use the IYC to get the attention needed ;

I spoke of how financial co-operatives from the bottom up have been working toward forming the NACFISA

- On issues of the Apex and legislative changes and proposals the SANACO felt that:
- The idea of a co-operatives tribunal was a terrible idea and co-ops must lobby against it because the movement must solve its own problems and this would allow government to dictate. The tribunal should be replaced by enforced training;
- 80% of the new Co-ops Development Agency staff must be made up of ex-co-operators, who have co-operatives experience and it must not be run by bureaucrats;
- SANACO must sit in on the Co-operatives Incentives Scheme approval committee
- Co-ops must be taken to Manchester and other dti exhibitors exhibitions

David de Jong – CBDA, covered the mandate of the CBDA and its role in assisting with development and some of the activities we have been currently engaged in. Also spoke briefly on what a financial co-op was and how it operated and went through various stages up to the point where it could be registered as a co-op bank. Finally, in line with the theme of building apex bodies, I spoke of how financial

co-operatives from the bottom up have been working toward forming the NACFISA, the various steps they have taken and how it is hoped this will culminate into its launch in October of this year.

Co-operators raised the following questions:

- If 80% of the co-ops are dying who are the apex's members they claim to be representing then
- What has been the role of government, departments and the ministry and the apex bodies in promoting the international day of co-ops
- There is a need for Government to assist with local economic development
- Government should set up a Ministry of Co-ops as exists in many other countries
- Co-ops are not benefiting from government and its tenders
- The Apex bodies should occupy government offices
- Government should set aside quotas for co-ops
- How does SANACO help me
- The recently completed fishing policy does not seem aligned to the national co-operatives strategy
- Apex bodies should not have primary co-op members representing them.
- There will not be unity in the sector soon and people should not create expectations.
- The tribunal should be scrapped and the Apex bodies should replace them

While this list is not exhaustive it does give the general gist of the types of issues raised and questions posed.



CAPACITY BUILDING



PERFORMANCE STANDARDS IN A NUTSHELL

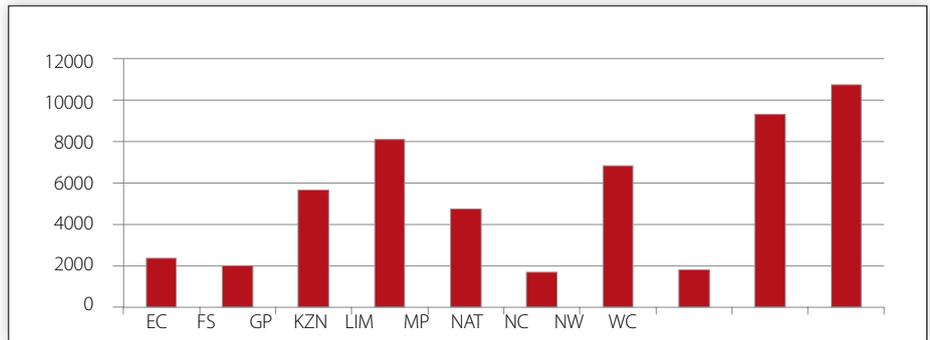
Performance standards are a benchmark for measuring performance of CFI. In the previous issues of "The Connection" we outlined the benchmarks for Governance and Management and in this issue we look at Financial Management.

Like other financial institutions, CFIs are involved in planning, directing, monitoring, organising, and controlling of their monetary resources. Financial management is one of the critical elements of CFI development and as such investment, financial and dividend decisions are crucial and should be made timeously. This is possible if financial reports are produced on a regular basis and analysed from time to time. The CBDA uses the PEARLS Ratios and Prudential Requirements to assess performance of the CFI in the area of financial management.

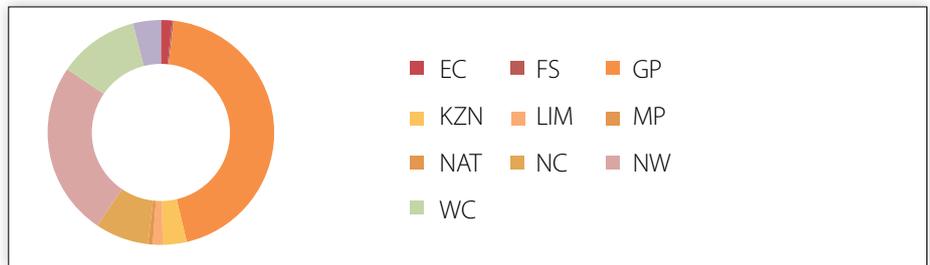
Financial reporting culture is very poor in the sector. Out of 106 CFIs around the country, only 20 CFIs submitted their February 2012 Annual Financial Statements (AFS) to the CBDA. It is imperative that CFIs should submit their financials within 4 months from their year-end which is end of February of each year to the CBDA. From the AFS received, there is a compliance rate of 19% in terms of financial reporting and the rest (81%) is non-compliant. The CFIs board of directors should make sure that the bookkeepers of CFIs prepare the financials on time and send them to the CBDA. CFIs are in the business of making money and hence it is mandatory that financial statements are prepared on time for them to know whether they are making profits or losses. Members of the CFIs should be furnished with the financial status of their CFIs at the Annual General Meeting. Delayed financial statements do not assist in making sensible financial decisions since the information will be out-dated.

Financial Management			
Accounting		Compliance	
<ul style="list-style-type: none"> Financial Statements Analysis Bank Reconciliation Statements Register of Assets Secure Investments 		<ul style="list-style-type: none"> Financial Reporting - CBDA All Minimum Requirements below All other Legal Requirements 	
MINIMUM REQUIREMENTS			VALUES
4	Compliance	Financial Statements Audit Reports Board meetings Annual General Meetings	Monthly Annually Monthly Annually
3	Signs of Growth	Membership Growth Assets Growth	15% Inflation + 10%
4	Portfolio Quality	Delinquency Loan Loss Provision Ratio Total loan portfolio 1 – 6 months 6 – 12 months 12 months & above	< 5% 35% 50% 100%
5	Sustainability/Profitability	Operating Expenses Savings to Total Assets Loans to Total Assets External Credit Net Institutional Capital Solvency Non-earning Assets	< 15% 70 – 80% 50 – 60% max 15% 6 % 111% max 5%
6	Capital Structure	Capital Adequacy	min 6%
7	Liquidity	Liquidity Ratio	10 – 20 %

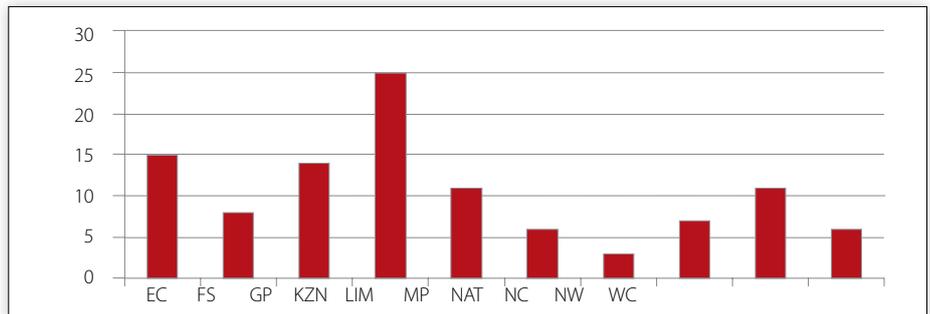
Analysis of Membership by Province



Analysis of Savings by Province



No of CFIs per Province

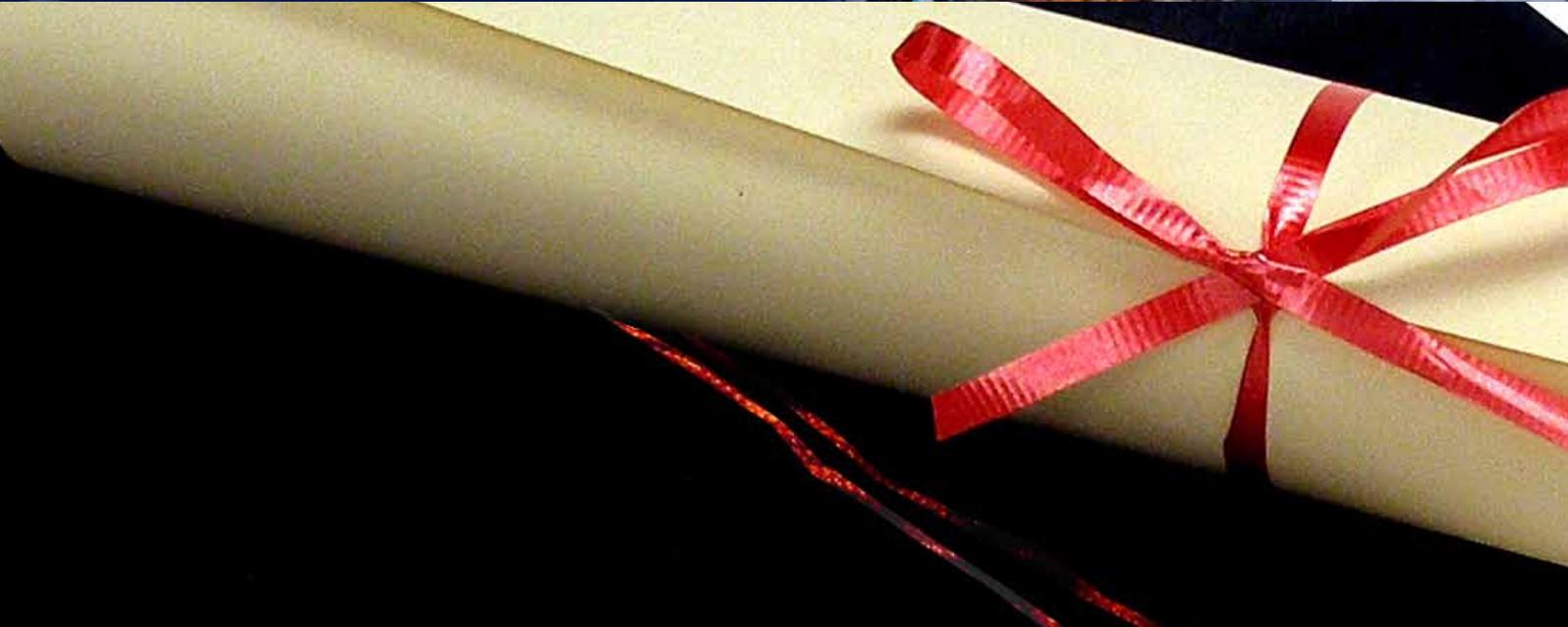




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THE CERTIFICATE COURSE FOR CO-OPERATIVE FINANCIAL INSTITUTION MANAGER

In the 2011/2012 financial year the Co-operative Banks Development Agency (CBDA) piloted the Certificate Course for Co-operative Financial Institution Managers. Tuition was provided by the University of Pretoria. The course touches on a range of topics from financial statement analysis, to best practices in lending and collections, to performance management techniques. The objective of the course is to ensure that the managers in every CFI are at minimum able to efficiently manage lending practices; identify, avert and/or mitigate risks; produce compliant monthly financial reports and comply with the minimum prudential requirements, thus directing their CFIs to institutional and financial stability. The course is structured as a modular programme where participants attend classes for two months, broken down into two, 2 week classroom contact sessions and homework assignments.

Twenty Co-operative Financial Institutions (CFI) Managers attended the course and in March wrote their final exam. Over and above the exam participants were required to develop Savings Policy and Procedure Manual. Such practical exercises ensured that CFI managers will be able to go back and implement what they have learnt in class. Of the 20 participants, 17

passed and 7 managed to get distinctions. The second intake is now open, 20 participants will be selected to take part in the programme. The dates are as follows:

FIRST DELIVERY:

September 3 – September 14, 2012
October 29 – November 9, 2012

SECOND DELIVERY:

January 28 – February 8, 2012
March 11 – March 22, 2013

For second delivery enquiries, please contact email:
nomadelo.sauli@treasury.gov.za



NATIONAL ASSOCIATION OF CO-OPERATIVE FINANCIAL INSTITUTIONS OF SOUTH AFRICA

In the last two-years the members of the South African Savings and Credit Co-op League (SACCOL) have been discussing at their Annual General Meetings, the need for a strategic and organisational re-positioning of the co-operative financial institution movement. However, the members of SACCOL were of the opinion that this discussion needed to extend beyond Savings and Credit Co-ops (SACCOs) – it should include all Co-operative Financial Institutions (CFI's) in all provinces. Consequently SACCOL engaged the Co-operative Banks Development Agency (CBDA).

For administrative purposes, NACFISA created Provincial structures called Provincial Chapters, where all CFIs in the Provinces came together and elected a seven member Provincial Chapter Committee comprised of five (5) board members and two (2) managers of the CFIs. NACFISA is therefore run by a board of directors of eleven people (the nine Chairpersons from the Provincial Chapter Committees and two Managers elected amongst the 18 managers from the Provincial Chapter Committees). This plan highlights matters of strategic importance

to NACFISA, as well as the related strategic goals and objectives to address these matters.

NACFISA held their strategic planning session from 28 – 30 June 2012 in Gauteng Province, where they crafted their mission, vision and strategic objectives. Their vision is “to build a strong, viable national association of co-operative financial institutions of choice which is nationally and internationally recognised”. Some of the key issues for the period 2013 -2016 are:

- Sustainability and growth
- Governance
- Capacity building of board, management and staff
- Marketing
- Infrastructure
- NACFISA highlighted the following roles as expected by their members:
- Capacity building through:
 - Training
 - Consulting
 - Professional services
 - IT systems
 - Infrastructure
 - Marketing

- The financial co-operative movement and individual CFI's
- Lobbying government on regulatory changes and impact on CFI's, tax breaks, etc.
- Facilitate funding and financial control
- Negotiate interest rates with banks (loans and investments)
- Represent members' interest with stakeholders
- Pre-registration and registration assistance ('starter packs')
- New / innovative products, e.g. loan insurance product (innovation and creativity)
- Over the longer term, establish own co-operative insurance company
- Build strategic alliances and pursue opportunities, e.g. B-BBEE deals
- Promote confidence in the financial co-operative sector
- Research / benchmark against best practices internationally and in Africa
- Provide a platform for CFIs to exchange ideas and learnings



EXEMPTION NOTICE REGISTRATION PROCESS

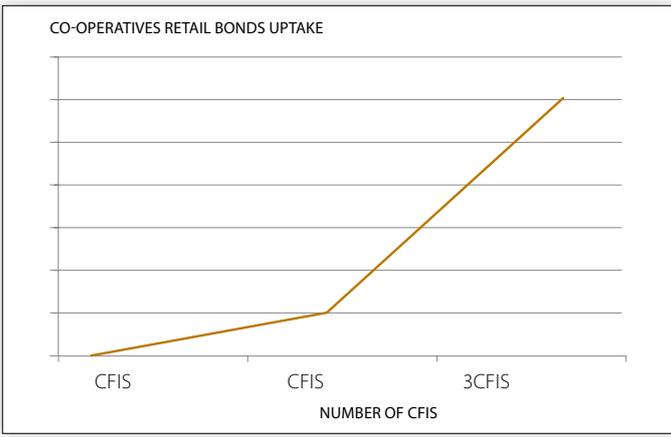


THE FINANCIAL CO-OPERATIVES RETAIL SAVINGS BONDS' BAROMETER



The National Treasury launched the CFI Retail Bonds at the 1st Financial Co-operatives Indaba in October 2011. The main objective of this product is to provide a secure, affordable savings vehicle for Financial Services Co-operatives, Co-operative Banks and Co-operative Financial Institutions, as per PART 3 [Section 14]; one of the following assets that may be held of the deposited funds, are: Financial Co-operative Retail Savings Bonds with

1,2, or 3 year maturity dates, and treasury bills issued under the Public Finance Management Act, 1999 (Act No.1 of 1999). The bonds also have some additional unique features which take into account the uniqueness of the financial co-operative model, through top ups and early withdrawals. The Financial Co-operative Bond is available directly from National Treasury, on Helpline number 012 315 5888 or queries@rsaretailbonds.gov.za





2012 CFI INDABA

The 2012 Financial Cooperatives Indaba will be held at the Moses Mabhida Stadium from 16-19 October, will be attended by CFI Executives, academia and government representatives. Some of the leading industry lights making presentations at the Indaba will be sharing lessons and best practices from local, regional and global perspectives. Below are profiles of some of the speakers.

SPEAKER PROFILES

PRESENTATION:

The Women and Youth Opportunity in Building Better Communities through financial co-operatives

GUEST PRESENTER:

Dr Auma Okwany, Institute of Social Studies, Netherlands

Dr Okwany is a Lecturer of Social Policy at the Institute of Social Studies. She has a PhD in Education Policy studies from Indiana University; an M.Ed from University of New Brunswick in Canada and a B.Ed from Kenyatta University in Kenya. She is an educationalist and her primary field of research is international education reform efforts, particularly factors defining access to and participation in the basic education sector for the Eastern Africa region.

PRESENTATION:

Fundamentals and Innovation In Financial Co-operatives

GUEST PRESENTER:

Emmanuel O.Darko, Ghana

Mr. Emmanuel O. Darko, a Ghanaian national, has served the Credit Union Movement for the past thirty four years. He has been the General Manager of the Ghana Co-operative Credit Union Association since July 2003 and is also the chairman of the Ghana Micro Finance Institutions Network (GHAMFIN).

PRESENTATION:

Strategies for Income Generation

GUEST PRESENTER:

Mr. George Ombado, Kenya

Mr. Ombado is a Development Economist and an expert in business entrepreneurial planning. He holds a B.Com (Hons) from Daystar University, M.A (Economics of Development from Erasmus University in the Netherlands) and an Msc in Management from Strathclyde Business School, UK.

PRESENTATION:

The Scope of Board Accountability in Financial Co-operatives

GUEST PRESENTER:

Mr. Carilus Ademba, Kenya

Mr. Ademba, HSC, is currently the Chief Executive Officer of the SACCO Societies Regulatory Authority, a Kenyan governmental regulatory authority targeted at financial co- operatives. He is a graduate of the University of Nairobi with a Bachelor of Arts in Economics and a Master of Business Administration (MBA) from the same institution.

PRESENTATION:

Credit Bureaus and Financial Co-operatives- Time to join the bandwagon?

GUEST PRESENTER:

Mr. Frank Lenisa, Compuscan, South Africa

Based in Stellenbosch South Africa, Mr. Lenisa is the Marketing Director of Compuscan, an established full service credit bureau. He also has an MBA from Oxford Brookes University

PRESENTATION:

Financial Co-operatives and Access to the National Payment System

GUEST PRESENTER:

Mr. Tim Masela, SARB, South Africa

Mr Masela is currently the Head of the National Payment System Department at the South African Reserve Bank. He joined the SARB in July 1994 as a member of the Information Technology Department. His responsibilities entailed implementation and support of computerised accounting systems of the bank and he was a member of the team that implemented the South African Multiple Option Settlement (SAMOS) system.



UNITED NATIONS INTERNATIONAL YEAR OF CO-OPERATIVES, 2012

CALENDAR OF ACTIVITIES FOR SOUTH AFRICA

Month	Date	Activity	Location	Contact person	Stakeholders
May	10, 11	Provincial Financial Services Coops workshop	EC	M Jolingana, 043 605 7029	SACCOL; CBDA; SAMAF; Treasury, sector departments, ECRF; ECDC; dti;
	16-16	Contralesa co-operative awareness programme	FS: Qwaqwa, Gariep	Kgosi Pilane, Princess Motha, Tony Petersen	
	17-18	Contralesa co-operative awareness programme	Gauteng: Tembisa, Pretoria	Kgosi Pilane, Mr Manene, JJ Mahlangu	
June	5-6		WC: CT, George	Kgosi Pilane	
	7	Launch of BCM CDC	EC	M Jolingana	BCM; Secondary coops, IFCD, sector departments, DTI coop unit,
	20-23	Hosting of the International Cooperative Alliance's Global Board Meeting	Cape Town	U Titus	ICA Board members; co-operative exhibitors, the dti
July	7	Celebration of the International Day of Cooperatives	Kimberley		DTI. National Departments, Provincial Departments, ICA, SEDA, SANACO, NCBI, etc.
	15-17	AgriFood Manufacturers & Producers	Gauteng	P Mukwevo, the dti	
	21-24	Beckmans Summer Show	Chicago	P Mukwevo, the dti	
August	8-12	Decorex Gauteng	Johannesburg	P Mukwevo, the dti	
September	6-9	Macef Show	Milan	P Mukwevo, the dti	
	6-7	Launch of the EC Cooperative Movement	EC, East London	M Jolingana	Secondary Coops, SANACO, SACCOL, CBDA, DTI, sector departments
	10-18	Regional Cooperative Workshops/ Information dissemination	EC	M Jolingana	ECDC; IFCD; SAMAF; SEDA; DTI-TEO; NYDA; E.C Coop Movement, CBDA, SACCOL
	21-29	World of Perishables Show	Dubai	P Mukwevo, the dti	
	25	Launch of the Provincial Chapter of the Cooperative Banking Institution	EC, Sterkspruit	N Eddie	FSC's; SACCOs; SAMAF; CBDA; SACCOL; ECDC; Municipalities; districts; sector departments
	tbc	Buy local Indaba		P Mukwevo, the dti	
October	16-19	Financial Co-operative Indaba	KZN, Durban	D. De Jong, CBDA	Financial Services Co-operatives (FSCs), Savings & Credit Co-operatives (SACCOs), Co-operative Banks, Provincial DEDs, SEFA, SEDA, National Co-operative Banking Association (NCBA), SARB, BANKSETA, Institutions of Higher Learning, DTI, CIPC, ACCOSCA, WOCCU, etc
	24-25	3rd Provincial Cooperative Indaba	EC, East London	M Jolingana	The DTI, COGTA, SANACO; EC Coop Movement; Higher Learning Institutions, ICA, SADC Cooperative Federation, Municipalities, ECHTL; ECDC, CDC's, SITA's, FET's; Prov
	30/31	Launch of the National Cooperative Banking Institutions	CT	M Jolingana	CBDA, NCBA, Treasury; Provincial Chapters of Cooperative Banking Institutions, SACCOL, ICA, ETC
	31-2/11	ICA Conference and Exhibition	Manchester	P Mukwevo, the dti	
November	1-2	Launch of O.R.Tambo CDC	EC, OR Tambo	M Mbotso	O.R Tambo DM; Local Municipalities, Secondary Coops, Ntinga Development Agency, Organized Business, CBO's and NGO's; Organized Labour, SEDA, network of service providers, Abakwezeli; IFCD
December	1-9	Artigiano In Fiera Show -on demand only	Milan	P Mukwevo, the dti	



WORDS OF WISDOM



1 "Leaders have to earn the right to their leadership titles; to lead; they must earn the authority from the very people they wish to lead." - *Jeff & Linda Russell*

2 "It is not enough to be industrious; so are the ants. What are you industrious about?" - *Henry David Thoreau (1817 – 1862)*

3 "It's a terrible thing to look over your shoulder when you are trying to lead – and find no one there." - *Franklin D. Roosevelt*

4 "The first responsibility of a leader is to define reality. The last is to say 'thank you,' and, in between, the leader is a servant." - *Max DePree, former CEO, Herman Miller.*

Compiled by: Robert Mbeza, Director

UPCOMING EVENTS 2012



SACCA Congress 23 – 26 September 2012

ACCOSCA holds annual Savings and Credit Co-operative Association Africa (SACCA) Congress which brings together members of Co-operative Financial Institutions (SACCOs, Financial Services Co-operatives and Credit Unions) and national associations from around the African Continent. The year's event is the 13th SACCA Congress which will be held in Kampala Uganda from 23 – 26 September 2012. The Congress will be hosted by the Uganda Co-operative Savings and Credit Union (UCSCU). This is a must event for members of CFIs because there is so much to learn from the presentation but more so have opportunities to network and learn from other members of CFIs around Africa. This year's theme is: "Governance – Prosperity of Nations through the Co-operative Model".

Product Development Workshop 27 – 28 September 2012

ACCOSCA will conduct a two-day Product Development Workshop in Uganda from 27 – 28 September just after the 13th SACCO Congress.

For more details of these programmes please visit the ACCOSCA Website: <http://www.accosca.org/> or send an email to: The General Manager of ACCOSCA George Ombado at: george.ombado@accosca.org

WE LOVE TO HEAR FROM YOU.



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