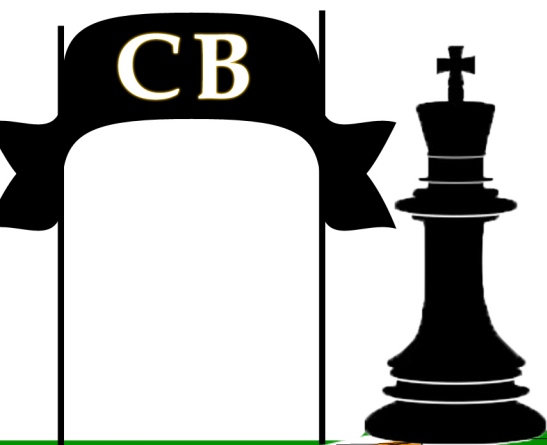




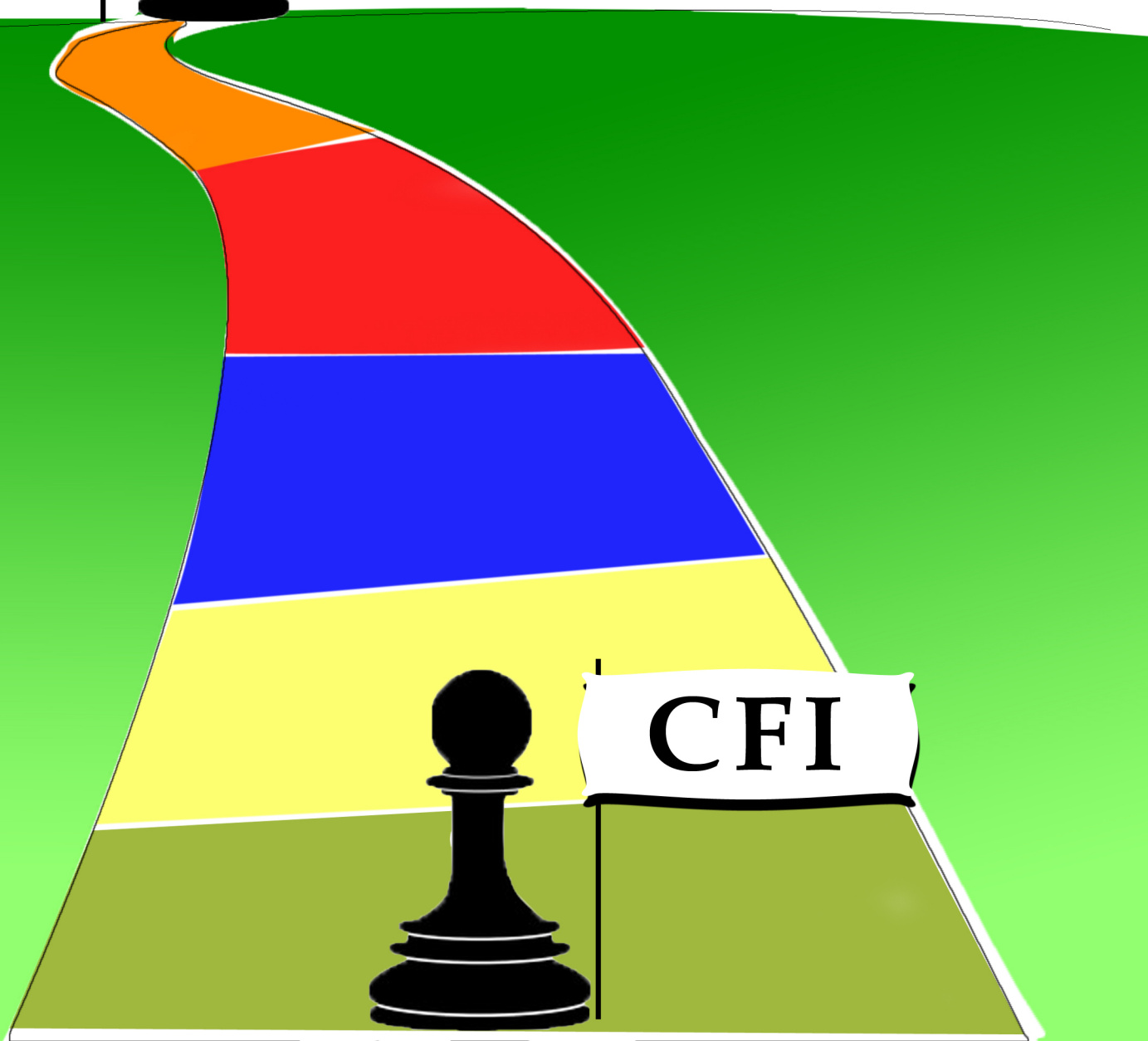
# CBDA

## The Connection Newsletter



### Indaba Edition

Strategizing  
for the future of  
Co-operative Banking  
Institutions



# Editorial on Indaba

by David de Jong



One of the questions I am constantly asked is why the financial co-operative movement has grown so slowly in SA, when there is so much potential and since it is an alternative to banks, considering that Stokvels which are also collective schemes are so popular in South Africa.

A progressive legislative framework has been enacted to protect members whose CFIs and Co-operative Banks are registered with the Prudential Authority and which created the CBDA to support the sector. Whilst deposit insurance and the tweaking of some standards, as well as access to the PERSAL and a more favourable taxation regime will provide some stimulus for growth, it is doubtful this will grow the sector exponentially.

One of the key weaknesses identified currently is the lack of an articulated common understanding and vision of where the sector wants to go and how to get there. Knowing this assists CFIs and Co-operative Banks plan for the future in an inclusive and co-operative manner and it further empowers support organisations like the CBDA to better service financial co-operative's needs.

A Parliamentary subcommittee initiated that the CBDA and National Treasury begin such a thought process. We in turn sought support from the World Bank, to begin a process of discussions and surveys with registered and aspirant CFIs and Co-operative Banks, its board members, members and even non members as to their vision for this sector. After two rounds of interviews, it was clear there was no single answer. This resulted in the CBDA requesting further work be done on a strategic options and implementation discussion paper to share with the sector as a starting point for mapping out the future of the movement.

This work has now been drafted and is to be presented to the CFI and Co-operative Banks at the upcoming Indaba. It is important to stress, that the vision adopted needs to be decided by the participants. This is the objective of this indaba and we are hopeful that by the end of the Indaba, CFIs and Co-operative Banks will speak and act in unison, preaching to SA what needs to be done and growing the sector vigorously.

Notwithstanding addressing the vision of the movement, lets also be reminded that co-operatives are financial intermediaries, and need to get the fundamentals of banking right to meet members expectations. Do members feel their money is safe, is the co-operative well run, provides products and services they require providing a fair return on their shares, deposits and cost of loans, the ability to access statements, their money and information easily, the systems and image of the institution projecting a place to save their money. Do our co-operatives generate surpluses to re-invest in their co-operatives to provide better services to their members? Considering, that after 10 years of the Co-operatives Banks Act, only 6 CFIs have met minimum requirements to register as Co-operative Banks points to a lot of work still to be done on the basics.

During the Covid-19 pandemic CFIs were forced to review the way they can operate. Servicing members remotely, not having to have the office open every day, dealing with members via the cell phone, email and from our homes, has probably been a relief to many members rather than coming into the office every other day. Undoubtedly part two of the vision discussion is that CFIs and Co-op Banks will need to review their processes and services offerings should they still want to be relevant in a fast-changing banking environment.

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## Editorial Team

Tebogo Tshabalala, Raesibe Mphahlele and David de Jong

## Layout and Design

Theo Ndlovu

## Picture Sources

[www.Google.com](http://www.Google.com)



# Options for Growth

by David Grace - World Bank Group

## Identifying Strategic Pathways for the Financial Co-operative Movement

Over the past decade the number of members in the financial co-operative movement, inclusive of co-operative banks, co-operative financial institutions (CFIs) and saving and credit co-operatives, has stagnated despite evidence of improvements that are needed in the financial sector. In preparation for the March 2021 Indaba we present three potential visions for consideration among the sector and options for implementing these visions. The objective of the upcoming Indaba is to contribute to reaching a consensus on the best vision for the sector.

Although the financial co-operative sector has seen good average annual growth in assets (18%) and deposits (15%) over the past 9 years, the number of members in the movement has grown annually at only 0.7%. As such, a new vision and strategy is needed for the movement to change the current trajectory. An underlying assumption in all of the visions is that there is a desire by stakeholders to make a bigger positive impact in South Africa – but what kind of impact needs to be determined. All of these visions assume that financial co-operatives will serve underbanked communities, however, the particular segments of society which comprise the target market should be considered before determining the strategic vision.

### Structure Follows Vision

The most pressing and immediate challenge for financial services is the COVID-19 pandemic which has put pressure on consumer's ability to repay loans and financial service providers' operational and financial capabilities. These pressures on communities as a result of the national lockdown have also renewed the need for local community economic development, small and medium enterprise support and deeper financial inclusion.

Before a strategy for the financial co-operative sector can be determined, a shared vision for the sector over the next 10 years is needed. Based on previous engagements with the sector's stakeholders, three very different visions for financial co-operative membership growth have been developed for consideration. These potential visions do not have to be mutually exclusive and can be further refined and adapted. The three potential visions are below:

**Vision Option 1:** Improve broad-based black economic empowerment in the financial sector and expand financial inclusion to vulnerable communities. This vision puts broad-based black economic empowerment at the center and financial inclusion as an additional, but secondary goal. This vision recognizes that part of the power of financial co-operatives in South Africa is the building of business and financial skills in local communities through the involvement of members in the Board, committees and annual general meetings. This will be done via local financial co-operatives which focus on niche markets.

**Vision Option 2:** Provide a competitive, co-operatively-owned alternative to the commercial banking sector as a means to lower the cost and improve quality of banking services. This is a bold vision for the next 10 years to build a nation-wide alternative to the commercial banking system which would also improve outreach to vulnerable communities. While financial inclusion or local community development could occur as a consequence from creating the national co-operative bank, they are not the goals as described in this vision as they would require a moderately different focus. This option envisions a single co-operative bank with one board, brand and balance sheet. Depending on the path taken, existing financial co-operatives could continue as is or voluntarily merge.

**Vision Option 3:** Improve financial literacy and community engagement through local or national government-led initiatives and co-operative institutions. This vision would focus the efforts on financial literacy and community education by utilizing co-operative groups as the recipients of these local or national-led educational efforts. Under this vision CFIs do not intermediate funds between savers and borrowers but rather focus on one service or the other. They could on-lend funds from community development programs, banks that they borrow from or international microfinance investment funds.

**For additional details on these visions, we encourage you to read the full paper available on the CBDA website ([www.treasury.gov.za/coopbank](http://www.treasury.gov.za/coopbank)).**

| Structural Characteristics               | Vision 1: Improve BBBEE and Niche Approach                                 | Vision 2: Competitive Alternative to Banka   | Vision 3: Financial Literacy and Comm Engagement   |
|--|--|--|--|
| Target Market                            | Niche communities  | Mass market  | Low income only  |
| Products/Services                        | Savings, loans and payments tailored to specific needs                     | Full service (savings, loans, bill pay, mobile, home loans, payments, private banking) | Savings only or lend only  |
| Source of funds                          | Savings or borrowing   | Savings or borrowing   | Government support borrowing and/or savings  |
| Brand/offering                           | Locally determined, low fee  | Standardized, low fee  | Locally determined   |
| Structure                                | Many legal entities affiliated at 2nd tier for scale                       | One legal entity with local branches   | Many legal entities  |
| Common bond                              | Optional   | None   | Keep as is   |
| Desired financial infrastructure         | Deposit insurance, payment system, lender of last resort and credit bureau | Deposit insurance, payment system, lender of last resort and credit bureau             | Credit bureau  |
| Government and/or banking sector support | Political, financial, and lighter touch risk based prudential supervision  | Political, financial, risk-based prudential supervision                                | Political, financial and technical assistance light oversight and market conduct approach depending if they accept deposit |

\*This work recognized that in addition to co-operative banks and CFIs there is a mutual bank license in South Africa which does not require a common bond, but does require significant start-up capital which is a barrier for newer financial co-operatives. We are aware of the on-going process of tiered licensing in South Africa.

# Survey Results

Conducted by Mogorosi Mashilo (World Bank Group) in partnership with the CBDA

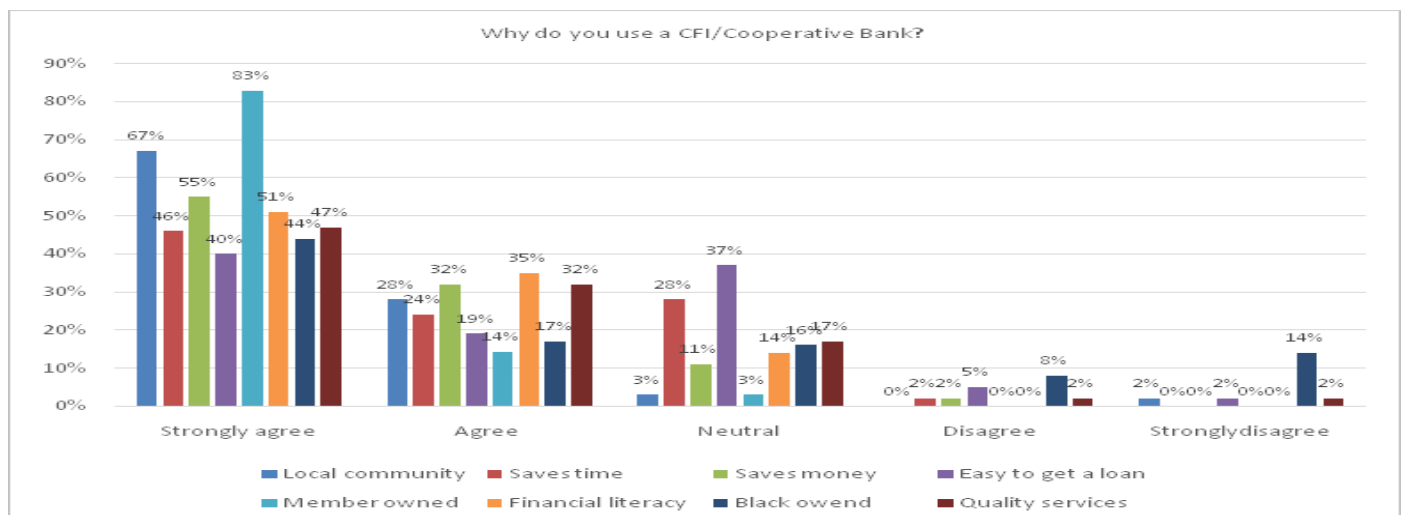
## What Are Members' Looking for?

### A National Survey of Financial Co-operative Members and Non-Members

The survey was conducted online between July and October 2020 and it involved 63 quantitative entries. In addition, 25 respondents were engaged on telephone and online video calls (20 minutes each) to expand on their qualitative insights obtained from the online survey. The survey was conducted in seven of South Africa's nine provinces, namely: Gauteng, KwaZulu Natal, Limpopo, Eastern Cape, Northern Cape, North West, and Western Cape.

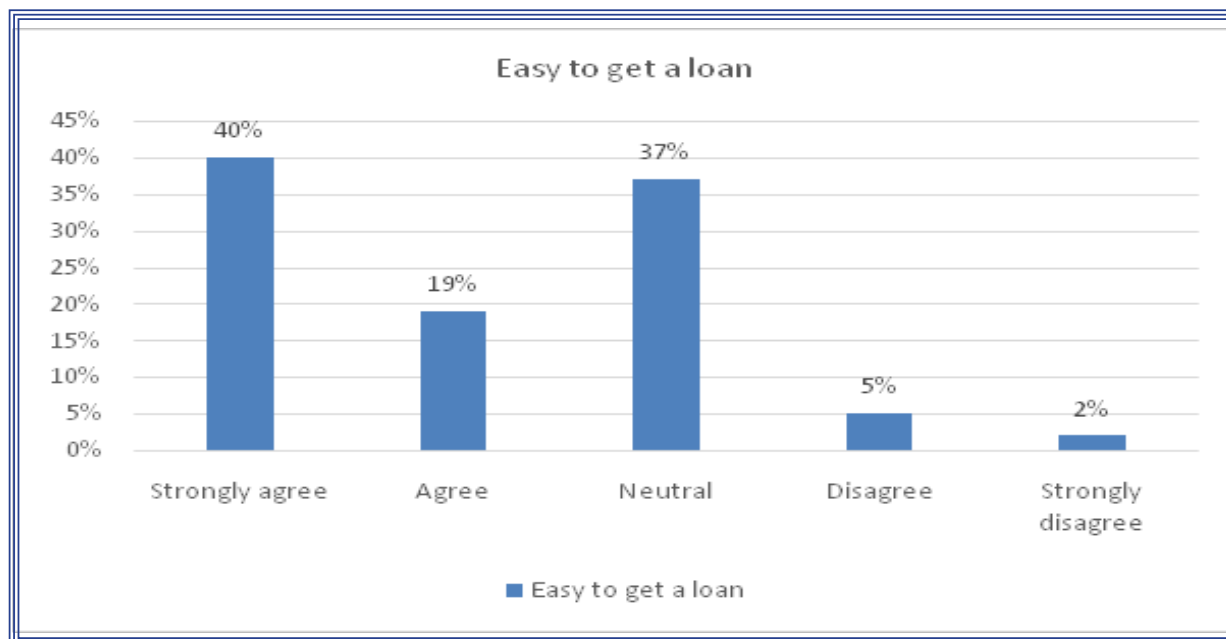
Two-thirds of financial co-operatives that were surveyed were over 3 years old and one-third were less than 3 years old. Likewise, 75% of those surveyed were regular members and 25% of participants were either board members, staff or management of the CFIs and co-operative banks. However, 90% of the interviews and focus group were with board members.

While 84% of members have a positive impression of their financial co-operative, the chart below indicates that most members use their co-operative because it is member-owned and develops the local community and less because of its services. This idea was captured from one member who indicated in an interview that it is about "people looking after their own".



\*Although this survey was not intended to be statistically rigorous but rather inputs for the qualitative discussions, at the 95% confidence level the answers can be considered statistically valid, albeit with a 12% margin of error.

The largest area of potential improvement identified in the survey was around the granting of loans. Both the quantitative and qualitative aspects of the survey revealed that members are experiencing frustrations with either their financial co-operatives not yet being granted authority to give loans from the National Credit Regulator or their financial cooperative not being all that easy to deal with for a loan. This was borne out by 70% of members savings with their financial co-operative but only 21% have loans from them.



The member survey also highlighted some of the challenges faced by financial co-operatives including a lack of startup resources and funds, lack of financial literacy, little to no marketing budget, low levels of management experience, difficulties with putting training to good use, and the need for greater digitization.


When non-members were asked what their key considerations are for determining where they will save their money themes of confidence, safety and return arose. Existing members felt that there is lack of information and understanding of what a financial co-operative is and does. A lack of confidence in financial co-operatives, such as occurred in the VBS Mutual Bank saga, has made people more sceptical about the sector.

Together these insights from board members, members and non-members can help inform our discussion on the way forward for the movement during the upcoming Indaba in March 2021.

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## The Importance of Strategic Planning

By Oral Matsimbi



Strategic planning is the process of documenting and establishing the direction of the institution, movement, or country. It involves assessing both where the institution is and where it is going. Our Indaba is part of assisting the movement to decide on its strategic plan into the future.

The strategic plan provides an institution with the opportunity to record its mission, vision, and values, as well as the long-term goals and the action plans to reach those goals.

A well-written strategic plan can play a positive role in the growth and success of the Institution. However, the implementation part of a well-written strategic plan also depends on officials who have been tasked to implement such a document. There should be a crystal-clear flow of processes on how the plan is going to be executed from the onset.

Strategic Planning is an essential tool that determines the things that an institution can do to address expectations. It takes a long-range approach but can use regular reviews and updates to check progress and reassess the validity of the plan based on strategic issues uncovered in the internal/external assessment.

The one constant activity in most of the institutions today is the notion of change due to the pandemic and the complexity of legislation. Increasing demands for online/ virtual services, shrinking resource bases and greater expectations for sustainable services all combine to form a dynamic environment. Strategic Planning should be proactive. It should stimulate change rather than simply reacting to it.

Strategic Planning visualizes yet is realistic. It anticipates a future that is both desirable and achievable while providing a structure for inspired but practical decision making and follow-through.

Strategic Planning is part of total quality management as it helps to manage the future, rather than be managed by it. There should be a disciplined effort to help shape and guide what an institution becomes, what it does and why it does it. It requires broad-scale information gathering and exploration of alternatives and an emphasis on the future implications of present decisions. It facilitates communication and participation, accommodates divergent interests, and values and fosters orderly decision-making and successful implementation. We hope this Indaba contributes toward the sector strategizing for its future.

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## HOW TO CLAIM FOR DATA

### BEFORE THE INDABA

- 1 Register for the Indaba
- 2 Buy the **Data** on date of Indaba and **keep proof of purchase**
- 3 Request **Claim form from CBDA**, if you don't already have it
- 4 Request **Bank confirmation letter** from your bank

### ATTEND THE INDABA

### AFTER THE INDABA

Complete the **CBDA Claim form** and attach the following

| Claim as the CBI   | Claim as the Individual  |
|--|--|
| <input checked="" type="checkbox"/> Invoice to the CBDA              | <input checked="" type="checkbox"/> Proof of purchase for data: A voucher or receipt |
| <input checked="" type="checkbox"/> List of attendees from the CBI   | <input checked="" type="checkbox"/> The training application form                    |
| <input checked="" type="checkbox"/> Signed attendance register       | <input checked="" type="checkbox"/> Signed attendance register                       |
| <input checked="" type="checkbox"/> Bank Account Confirmation letter | <input checked="" type="checkbox"/> Bank Account Confirmation letter                 |
| <input checked="" type="checkbox"/> Valid Tax Clearance Certificate  |  |
| <input checked="" type="checkbox"/> CIPC Registration Certificate    |  |

Email the CBDA claim form and the attached documents to :

[Khuthala.Lengisi@treasury.gov.za](mailto:Khuthala.Lengisi@treasury.gov.za)

# Q&A

## CBI INDABA 2021 FREQUENTLY ASKED QUESTIONS:

| Questions  | Answers  |
|--|--|
| 1. What is the Indaba about?   | It is all about strategising for the future of co-operative banking institutions in South Africa. The National Treasury, the World bank and the CBDA collaborated towards assisting the co-operative banking sector to adopt a National Co-operative Banking strategy. This collaboration through interviews and surveys with Co-operative Financial Institution produced strategic options and the Indaba aims to bring all this work around this initiative to a conclusion. |
| 2. Do I need to register for the Indaba?                               | Yes, you must register. Registration allows the CBDA to know who will be attending and to direct you to the relevant sessions taking place during the week of the Indaba.  |
| 3. How do I register?  | To register you simply fill out an online form requiring your name, contact details and your CBI. See more details on the CBDA website.  |
| 4. When is the Indaba taking place?                                    | There will be Pre-Indaba workshops from Monday to Wednesday, 15-17 March 2021. The Indaba is taking place on Thursday and Friday, 18-19 March 2021. We will close the week with prize-giving and exhibitions on Saturday, 20 March 2021.   |
| 5. Where will the Indaba be held?                                      | The Indaba is virtual. It will be held online, and you can attend from the comfort of your home or office. The details will be sent to you as soon as you register.  |
| 6. Is there a cost to participate?                                     | There is no cost to participate in the Indaba. There is however data cost or connectivity costs and the CBDA will be of assistance in covering these costs. See guidance on 'How to claim for data' on the previous page. Claims can only be processed when all the supporting documents are provided.   |
| 7. Can I attend using my phone or tablet?                              | Yes, you can. All you need on your phone or tablet is internet connectivity and a web browser.   |
| 8. Who is eligible to attend this Indaba?                              | The Board of Directors, Managers and employees of the CBI can attend the Pre Indaba workshops from Monday to Wednesday, 15-17 March 2021. All invitees will attend closed session of the Indaba on Thursday and Friday, 18-19 March 2021. The last sessions are open to everyone and these are the Prize-giving and exhibitions taking place on Saturday, 20 March 2021.   |
| 9. Can I invite non-CBI members?                                       | Non CBI members are encouraged to attend the open day on Saturday the 20th March 2021 to learn more about CBIs and their offerings.  |
| 10. What happens at the Indaba?  | The Strategic options will be presented, and you can add your voice to the strategic direction that the co-operative banking sector must take. There will be speakers and panelist in the Indaba. See program further down   |
| 11. Who do I contact if I have questions or queries during the Indaba? | You can contact CBDA on <a href="mailto:CBDA@Treasury.gov.za">CBDA@Treasury.gov.za</a> or visit the CBDA website alternatively call Khuthala Lengisi on 012 406 9179 or Portia Botabota on 071 677 2538.   |

# Webinar Program



CO-OPERATIVE BANKS DEVELOPMENT AGENCY

## CO-OPERATIVE BANKING INSTITUTIONS INDABA 2021

*“Strategizing for the future of Co-operative Banking Institutions”*

### **PRE-INDABA WORKSHOPS (Board and Staff)**

**15th- 17th MARCH 2021**

**Monday 15th March 2021**

09:00 – 12:00 ••• Market conduct

15:00 – 18:00 ••• Members surveys and product development

**Tuesday 16th March 2021**

09:00 – 12:00 ••• Market conduct standards and principles

15:00 – 18:00 ••• NCR licencing and financial modelling

**Wednesday 17th March 2021**

09:00 – 12:00 ••• Product development of savings and loan products

15:00 – 18:00 ••• Asset liability management and break-even pricing

### **INDABA**

**18th MARCH 2021(Sector and stakeholders and invitees)**

15:00 – 15:45 ••• DEPUTY MINISTER of FINANCE Address – Dr David Masedo (MP)

16:00 – 17:00 ••• WORLD BANK-World reflection on status of CFIs – Mr Juan Buchenau

16:00 – 17:00 ••• ACCOSCA continental reflection - Mr George Ombado

17:20 – 18:00 ••• Strategic Options and Research Findings - Mr Dave Grace

**FRIDAY 19th MARCH 2021(Sector and stakeholders)**

15:00 – 15:45 ••• Recap - Strategic Option Paper by Dave Grace

15:45 – 17:00 ••• BREAKAWAY SESSIONS - Discussion on Options Paper

17:00 – 17:30 ••• Discussion Session Q&A

17:30 – 18:00 ••• Plenary and Closure

**PRIZES AND EXHIBITION (Open day)**

**SATURDAY 20th MARCH 2021**

09:00 – 09:25 ••• Prize Giving

09:25 – 12:00 ••• Virtual Exhibition

REGULATORS  
SUPPORT ORGANISATIONS  
ECONOMIC DEVELOPMENT  
IT PROVIDERS