

TheConnection

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ISSUE 8 | DECEMBER 2014

FIRST EVER CFI INTERNSHIP PROGRAMME INCREASING THE NUMBER OF HIGHLY-SKILLED INDIVIDUALS



Legislative Briefing Note

**Sector
Developments**

**Mentorship and Coaching
in Co-Operative Financial
Institutions (CFIs)**

Capacity Building Training Programme

Special Report:
Intern Experience

Conferences and
Workshops

Banking Platform
Update

Sector
Developments

MORE

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INTERN EXPERIENCE

TOPICS THAT WERE COVERED INCLUDED:

CFI Model, Lending Methodology, Product Development, Product Pricing, Strategic Marketing, Strategic Planning, Business Planning, Financial Management, Risk Management and Audit Compliance, Governance, Rules and Regulations, Prudential requirements and the National Credit Act.

What stood out in the course were the common bond and the seven principles that underpin the co-operatives model. The seven principles are the foundation of the cooperatives identity and core values. The requirement to belong to a common bond is seen as a corner stone in the success of cooperatives. These characteristics make the cooperative model unique.

We learned about the successes and challenges of the South African CFI

INTRODUCTION

The CBDA, BANKSETA and NACFISA launched the CFI Technical Analyst Internship Programme to offer workplace training and increase the number of highly-skilled individuals so that Co-operative Financial Institutions have a bigger pool with relevant education from which they can draw.

The process started with interviews whereby research on CBDA and the CFI is undertaken prior to the interviews. The programme began on the 4th of November 2013, with all of us coming from different backgrounds, not being really sure of what to expect but it was clear from the first day that we had a lot to learn.

UNIVERSITY OF PRETORIA CCCFIM

Just two weeks into the programme we attended the University of Pretoria Certificate Course in Cooperative Financial Institution Management (CCCFIM). Since most of us knew very little about the sector, the idea of a course was quite daunting but after the first lecture we realized we were on an exciting journey. It also helped that our lecturers were experts in the area.

The course was designed specifically for board of directors and managers of CFIs so we learned about the sector's origins and evolution. The course also gave a broad overview and outlook for the sector and proved to be very informative even for beginners such as ourselves.



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sector and compared it to countries with developed CFI sectors such as Kenya and Canada. We then realised that our country's sector is still at a developing stage and that as interns we have a role to play to address the challenges and work towards the success of this sector.

We were fortunate in that we interacted with the people who have direct experience in the sector, the Board of Directors and Managers of CFIs. The course structure allowed for an effective and efficient learning process as it enabled a well-coordinated learning environment whereby CFI managers, board of directors and interns were able to exchange information and knowledge through discussions, group work and debates pertaining to the topics which were covered during the course. Learning continued beyond the classroom as discussions continued during breakfast, lunch and supper. We were now speaking the CFI language. We started to understand the purpose of us being part of the internship programme and now it was time to put the theory into practice.

FIELD EXPERIENCE

The second step of our journey was to implement the theoretical aspects learned during the CCCFIM course in relation to various CFIs across the country and to ensure that South Africa is counted amongst the best in the world. Integrating the theoretical and practical learning experiences, one is very optimistic that over time South Africa's

TELL ME AND I FORGET, TEACH ME AND I MAY REMEMBER, INVOLVE ME AND I LEARN.

BENJAMIN FRANKLIN

social and economic development will improve through the financial inclusion provided by the CFI sector.

For us, as the first ever interns on the CFI programme, the journey continued to be very exciting and developmental as we travelled with Examiners, Inspectors and Senior Technical Analysts to various CFI's around the country. We travelled to the mountainous KZN, the flat lands of the North West, the heat of Venda with its abundance of fruits and vegetation; we travelled throughout the country learning the different languages. We now know our country better; travelling gives one an open mind and a better understanding of how to relate to other people. Travelling taught us communication and social skills, which form part of the skills that are required by this sector. During the visits we were able to be part of financial transformation, as we learned about the various Acts, which informed the regulatory framework and capacity building within the sector.

Regulation and Compliance:

The following assessments, informed by the CFI Regulatory Framework, were conducted during our visits to

various CFIs. The assessments vary per CFI depending on the stage and size of the CFI to be assessed.

On site Pre-registration Assessment

This assessment is aimed at determining the level of CFI's readiness in relation to its compliance with the prudential and operational standard requirements as per the exemption notice. The assessment puts great focus on systems, operational and documentation review, identification of risks and associated controls and the evaluation of controls adequacy.

Compliance Assessment

This assessment is aimed at determining the level of CFI compliance with its constitution, savings policy, loan policy, financial management, liquidity management, risk management and internal control adequacy policies.

Full scope Examination: Risk Assessment

This assessment is aimed at determining the level of risks faced by the institution and to assess the adequacy and effectiveness of internal controls to mitigate and manage the identified risk areas.

The assessment covers a wide range of areas and issues that affect and influence sustainable operations and risks faced by the institution; the following areas are reviewed and evaluated during the assessment: environmental risk, operational risk, credit risk, market risk, liquidity risk, strategic risk, legal & compliance risk and reputational risk.



Sectoral Capacity Building

Member education, mentoring and coaching, training workshops and direct technical assistance are various forms of training and support provided to CFIs and are focused mainly on the skills gaps identified and compliance matters raised during regulatory assessment. Below are some of the topics covered during training and support intervention program that we attended with the Senior Technical Analysts.

Direct Technical Assistance

Performance assessment is conducted to monitor the performance of the CFI, concentrating on six core operational and financial performance areas which are:

Governance, Policies and Procedures, Management, Financial Management, Marketing and Products, Cooperative Principles.

Being compliant with prudential and performance standards indicates that the CFI is gearing towards achieving its financial self-sustainability goal and can finance its operations from retained earnings, and moreover members' deposits are protected during cases of liquidation.

This intervention program strives to provide effective and continuous support through the mentoring and coaching sessions which include policy review, strategic planning sessions, business planning sessions, finance and accounting support relating to the activities of the institution. These workshops and training sessions encourage the importance of proactive participation by CFI personnel in the development

and review of their policies that guide operations, ensuring complete and accurate recording of management and accounting information is also emphasized during these intervention programs.

(See more details on these topics on the Mentoring and Coaching article)

The purpose of direct technical assistance is to equip the staff, management and the board with the skills so as to be able to discharge their duties more efficiently and effectively.

Training and Workshops

Governance Training

This training intervention seeks to promote and encourage the development and implementation of sound and prudent constitution and policies; which promote and support compliance with regulatory standards and cooperative principles.

Manual Accounting System Training

This training intervention aims to ensure proper and complete recordkeeping of all transactions of the institutions in order to enable the CFIs to present accurate and reliable financial statements to the board on a monthly basis and quarterly returns to the supervisor.

Member Education

This is provided through the study circles methodology and the main purpose of member education is to have informed membership that is aware of its roles and responsibilities in a CFI. The members form small groups of 10-15 people who meet every two weeks to study. The topics covered

include; Knowing your CFI, Importance of saving, Importance of repaying loans, Personal finances, HIV and AIDS and Business planning.

Over and above the training and skills we acquired during the field visits we attended additional courses such as basic and advanced MS Excel, office etiquette, presentation and business writing skills. These have added value to our skills development.

FUTURE OF THE SECTOR

There is a view in some communities and amongst some stakeholders that the financial co-operative sector is an informal and unprofessional form of enterprise. This mindset reduces the chance for the sector to attract young, skilled and passionate people and the technology that can enhance the enterprise ability such as accessibility and other operational issues.

These are some of the suggestions that we as interns believe can improve the CFI sector and propel it to faster growth and put it on par with our international peers:

- Locating one intern for a minimum period of six months in a challenged CFI;
- Developing customised training programs that will suit each CFI according to size and training needs as highlighted by the performance assessment report
- Enhancing networking and strategic alliances within the sector i.e. NACFISA, ACCOSCA, ICA AND WOCCU

INTERN EXPERIENCE

- Aggressive marketing of the CBDA and CFI model so that communities can gain trust and know about the sector and therefore join or start CFIs
- Recruitment of young, skilled CFI members and employees (Entry level employees).
- Imposing minimum monetary penalties instead of just infringement notices, as these will/could strengthen the compliance to legislation.
- Research and development of an undergraduate curriculum that extends on the Certificate Course in Cooperative Financial Institution Management (CCCFIM).

With regards to regulation, we have realised that it is hard to enforce rules and regulations on existing CFIs. Perhaps regulation should not be implemented retrospectively, meaning only new CFIs should be forced to comply.

The capacity building intervention programs don't have to shift their focus completely from the currently registered CFIs, however 50% of

intervention programs can be on existing and other 50% of intervention programs can be on new CFIs.

The future of co-operatives in South Africa lies in introducing the financial co-operative model to the youth of South Africa. With the use of social networks and the continuous growth in technological platforms; these could be used to introduce the youth to start doing things for themselves and their communities. Education and awareness is imperative in order for us to ensure that the sector continues to grow for generations to come.

'NACFISA – National Association of Cooperative Financial Institutions South Africa

ACCOSCA – African Confederation of Cooperative Savings and Credit Associations

ICA – International Cooperative Alliance

WOCCU – World Council of Credit Unions

The population of South Africa is dominated by the “youth”, with an estimated 66% of the population being under 35 years of age. The bankable population (over 15 years) constitutes an

estimated 70% of the total population, with 36% of that being within the age range 15-35 years old.

That calls for a South African CFI Young Leaders Forum; this is a sure way to attract young people into the CFI sector.

CONCLUSION

We would like to express our deepest gratitude to all stakeholders involved in ensuring that we take part in the historical movement of transforming the South African economy through the co-operative financial sector as part of financial inclusion.

It has indeed been a great and exciting internship program not without its challenges of-course, as interns we are committed to further contribute productively in ensuring and strengthening sustainable development and expansion of the sector in years to come.

² Information was extracted from the Statistics SA publication “Mid-Year Population Estimates”



INTERN GRADUATION



Mr Timothy Mutyavaviri receiving award for mentor of the year



Top 3 performers of the internship programme



NACFISA: Mr. Ernest Biyela



CBDA Acting Chairperson: Mr Peter Koch



Thabiso Nkabane serenading us with his Pavarotti voice

INTERN GRADUATION



SO AS SOON AS I HEARD ABOUT THE INTERNSHIP PROGRAM I GRABBED IT WITH BOTH HANDS AND HAVEN'T LOOKED BACK SINCE
OFENTSE SEAGENG



THIS IS A SIGN THAT THE AIM OF GOVERNMENT TO FIGHT FOR FINANCIAL INCLUSION FOR THE POOR IS AN EXCEPTIONAL NEED
FRANCINAH MUDAU



CBDA SHOULD ALSO FOCUS ON PRODUCING STRONG NEW CFIS
POPPY THUBANA



I WAS EXCITED TO BE ABLE TO TRY AND MAKE A DIFFERENCE IN THE SECTOR
ALFRED NDHLOVU

EDITORIAL

editorial

By Tebogo Tshabalala, Alfred Ndlhovu and Lucky Gamede

INTERN PERSPECTIVE

This is a newsletter with a difference. It's the first one to be jointly edited by the very first group of interns in the CFI Technical Analyst Internship Programme.

We are therefore excited about this edition that is a culmination of our journey over the past 10 months. Not so long ago, none of us knew anything about the CFI sector and yet here we are.

As interns at the CBDA, it has been our privilege to be mentored and coached by experienced officials. Visits to cooperative financial institutions around the country, with coaches from CBDA's Capacity Building and Supervision Units gave us first-hand experience of how people do it on the ground. The practical experience gave us an added appreciation of just how crucial CFIs are in the country's financial sector. The main feature article on the Intern experience captures it very well.

The start of the internship program coincided with the one-year Mentorship and Coaching program with the Kenyan experts from the African Confederation of Cooperative Savings and Credit Associations (ACCOSCA). That program nurtures the development of CFIs in South Africa and we tell you more about its successes in this issue.

The first few months of the internship were mainly about reading, to get ourselves up to date with the sector. We now better understand the importance of the legislation and policies that govern the CFI sector, the benefits of regulation and how it promotes institutional development and eradicates unethical business practices. We also have, in this issue, a legislative briefing note on the new exemption notice and an article on registration of Representative Bodies and Support Organisations.



For the South African CFI sector, which is still in its developmental stage, the importance of networking cannot be overstated. Forums and workshops conducted to share experiences and lessons are therefore crucial to keep abreast of industry best practice. Our featured forums and workshops include those done in the Sector Development section and Capacity Building Training Program. But the 2014 CFI Indaba in East London is the main event on the CFI calendar this year.

We may have been the first but we are not the last interns of the CBDA. So, CBDA and NACFISA have joined hands to ensure involvement of young people in the sector. That is the one way to ensure the success of CFIs.

LEGISLATIVE BRIEFING NOTE

By David de Jong

SOUTH AFRICAN RESERVE BANK

15 AUGUST 2014

Designation of an activity not falling within the meaning of "The Business of a Bank" (A group of persons between the member of which exists a common bond)

Under paragraph (cc) of the definition of "the business of a bank" in section 1 of the Banks Act, 1990 (Act No. 94 of 1990), I Rene van Wyk, Registrar of Banks, with the approval of the Minister of Finance, hereby designate, with effect from 1 March 2014, the activity set out in paragraph 2 of the Schedule as an activity that does not fall within the meaning of "the business of the bank", in order to be in line with the provisions of paragraph (cc) of the Banks Act, 1990 (Act No. 94 of 1990).

Government Gazette No 37903, with Exemption Notice 620

Be advised Government Gazette No 37903, with Exemption Notice 620 was issued on the 14th of August 2014, by the South African Reserve Bank

This replaces Exemption notice, No. 404

The major amendments are related to:

- The common bond definition has been amended to provide better clarity
- Paragraph 2.1 aligns the designated activities to those within the Co-operative Banks Act
- Paragraph 3 (b) exempts a stokvel holding less than R100,000 in contributions from having to register with a Stokvel Association
- Paragraph 3(k) in which CFIs currently operating outside the R30 million framework have 60 days, from the date of publication of the Exemption Notice 620 (15 August 2014), to apply for registration with the CBDA. Their deposits may not exceed R 40 million.

CFIs meeting the minimum requirements to register as a Co-op bank (R1 million in deposit and more than 200 members) must still apply as required under the Co-operative Banks Act. CFIs not registered under the Co-op Banks Act, but under this exemption notice will not be allowed to take on deposits exceeding R30million. CFIs ready to re-apply as a co-op bank may do so whenever they feel confident they meet all the requirements.

REGISTRATION OF REPRESENTATIVE BODIES AND SUPPORT ORGANISATIONS

By David de Jong

One of the general functions of the CBDA under Sections 55(1) (d) and (e) of the Co-operatives Banks Act (No 40 of 2007) is to register and regulate Representative Bodies (RBs); and to accredit and regulate Support Organisations (SOs). Taking into account the amendments to the Act in terms of Section 10 of the Financial Services Laws General Amendment Act of 2013, the supervision unit prepared draft rules for Representative Bodies' and Support Organisations' application process and requirements.

The draft Rules for Representative Bodies and Support Organisations were published on the 20th of March 2014 and were circulated to all registered CFIs and known stakeholders with an interest in applying as Representative Bodies or Support Organisations. The closing date for written comments was 17 April 2014.

Having considered all comments the final rules for Representative Bodies and Support Organisations will be published. Provided below is a brief overview of the requirements for registration and accreditation.

RBs wanting to apply for registration will be required to:

Complete and submit application form RB1 containing all the documents required which include;

- List and document evidence of representation of co-operative banks (CB)/co-operative financial institutions (CFIs)
- Interactions with organs of state, the private sector and stakeholders to date

- Demonstrate that the proposed RB has the requisite experience, knowledge, qualifications and competence to represent CBs and CFIs (including CVs of directors)
- Demonstrate that the proposed RB has sufficient human, financial and operational capacity to function efficiently and competently through an attached business plan

SOs wanting to apply for accreditation will be required to: Complete and submit application Form SO1 containing all the documents required which include;

- Copies of support agreements entered between more than one CB/CFI
- Documentary proof that the SO has the prerequisite experience, knowledge, qualification and competence to give effect to its obligations in terms of the support agreements (including CVs of directors)
- A business plan (include human, financial and operational capacity to function efficiently and competently)
- Certified copy of its certificate of registration as a co-operative under the Co-operatives Act
- A certified copy of its constitution
- A list of its directors and members
- List of CBs/CFIs which support agreement is provided for (Names and CIPC registration number)

Proof of payment must be provided that the application fee of R2,000 to register a SO and RB has been paid. Once the final rules are published the sector will be notified that applications are open for registration.



CONFERENCES & WORKSHOPS

SACCO REGULATORY FRAMEWORK

4-6 JUNE 2014, NAIROBI-KENYA

By McIntosh Kuhlengisa

The SACCO Regulatory Framework Roundtable held from 4-6 June 2014, in Nairobi Kenya brought together regulators from around the continent to discuss on issues pertinent to the regulation and supervision of the SACCOs. Attended by delegates from Botswana, Canada, Ghana, Kenya, Lesotho, Malawi, Nigeria, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe, this invitation-only forum was the fourth meeting of African regulators.

Additionally, a technical regulatory meeting for examiners was held from the 9-10 June 2014 at the same venue, facilitated by regulators from the Office of the Superintendent of Financial Institutions Canada.

Delegates made presentations on the state of SACCOs in their various countries, with regards to numbers, growth as well as regulatory frameworks. Consistent themes across most country presentations were that countries are at various stages of moving towards SACCO specific legislation, with Kenya, Malawi and South Africa widely considered front runners in this regard.

A high level summary of the conclusions and action plans from the roundtable are summarised below:

- Skills gap for regulators and examiners- there is a need for capacity building on both the regulators and regulated

entities, specifically on their roles i.e. regulators must have an understanding of how SACCOs operate - Know Your Sacco (KYS)

- Stakeholder engagement- there is a need to improve consultation between regulators and SACCO especially on major decisions. This could be by establishing forums (formalised) with clear guidelines to improve communication and engagement between stakeholders. It was proposed and accepted that through ACCOSCA, an interactive portal can be created to facilitate engagements.
- Central Database - There is need for a more robust data collection and standardisation system that takes into account the differences between countries. Regulators can share format of data collections or request help from development partners. ACCOSCA was tasked with developing a standardized data collection system for the continent, as currently data on Africa is only available from WOCCU. Some delegates were of the view that a clean-up of the data should be prioritized to ensure information is captured correctly before moving to the next step of systems' improvement.
- Market dynamics- delegates noted that rules and regulations should remain relevant and take into account changes in the operating environment i.e. Law should not be cast in stone.
- Rules and regulations should also prioritize savings mobilization

SACCO LEADERS FORUM AND ALTERNATIVE FINANCE FOR SACCOS WORKSHOP

12-14 MARCH 2014, LUSAKA-ZAMBIA

By Timothy Mutyavaviri

The 5th Annual SACCO Leaders Forum (SLF) was held in Zambia from the 12th to the 14th of March. The theme of the forum was "Financial Inclusion using the Co-operative Model of Financial Access". Discussions at this year's forum for SACCOs Managers and Chief Executive Officers centred on drivers of Cooperative Financial Institutions (CFIs) success;

- issues affecting the sustainability and viability of CFIs
- expanding financial access
- strategic management in CFIs
- strategic role of the board of directors
- best practise in cooperative management
- effective management of CFIs
- risk management and regulation of CFIs.

Lessons learned included the importance of:

- having a strategic plan owned by all board members, management and staff
- planning in order to achieve the CFI's strategic goals
- Information and Communication Technology (ICT) in the CFIs as it improves efficiency and improves

the competitiveness of CFIs risk management as it protects members' funds and helps the CFI to continue offering savings and credit services to its members

- supervision and regulation as it instils confidence in the CFI sector and also protects the members' deposits.

A workshop for alternative finance for SACCOs was held and discussions centred on improving the financing in SACCOs. SACCO leaders were reminded of the benefits of using internal sources because it is a cheaper option that is easily available and carries no interest for the CFI. Internal sources include share capital, members' savings, reserves, members' contributions and insurance schemes. There are also external sources that the CFI can use and they include grants, donations, loans, overdrafts, managed funds, co-financing, fund raising and linkage banking.

It is highly recommended that the CFI board of directors and managers attend these workshops so that they can learn more about the CFIs and also share knowledge and experience with their peers from Africa.



ANNUAL CONFERENCE AND CONTINUING EDUCATION

By Nobuzwe Mafanya

The International Credit Union Regulators' Network (ICURN) Conference, hosted by the bank of England was held in London from 14 to 16 May 2014. The three-day conference covered extensive topics, with regards to the Supervision of Credit Unions/ Co-operative Financial Institutions (CFIs). More than 50 supervisors of financial cooperatives from around the world participated in the conference.

The first day's programme included presentations by the regions on the challenges faced by the CFIs and supervisors in their respective jurisdictions. The regulatory burden faced by CFIs emerged as a common theme amongst regions and while cyber risk had increased due to wider use of technology.

The Executive Director for UK Deposit-Takers Supervision and member of the Bank of England's Executive Director Committee, Lyndon Nelson, presented to the group on future prospects and strategies for Credit Unions. His main message was that although the United Kingdom was a developed country, many issues and challenges facing their economy were similar to those in South

Africa. He explained that 40% of his family members were unbanked; and that although the focus was on the unbanked through credit unions, government still did not want to spend money on credit unions, and government still expected that none should fail and none should be deregistered.

The key highlights of the three-day conference included discussions focusing on whether ICURN should offer accreditation or assessment to Supervisors of Credit Unions/ CFIs. This discussion was after John Kohloff from National Association of State Credit Union Supervisors (NASCUS), and the methods the United States of America use for assessments and accreditation.

Capital developments and the importance of capital in Credit Unions dominated discussions on the last day. The Deputy Governor of the Bank of England, Andrew Bailey, closed the conference with a few anecdotes from his career as a Supervisor. He explained that a supervisor looking for love in what he does was in the wrong profession, and his words of wisdom were "Be robust in your approach, and be fair in what you do".

¹The International Credit Union Regulators' Network (ICURN) is an independent international network of credit union regulators that promotes the guidance given by the leaders of the Group of 20 (G-20) nations for greater international coordination among financial services regulators. ICURN facilitates the sharing of information and positions of common interest among financial cooperatives, initiates research on financial cooperatives and their oversight, identifies best practices and provides direct access to an exclusive forum for thought leaders worldwide on issues critical to sound credit union regulation.

²The Regions are Africa, Asia, Caribbean, Europe, Latin America, North America and Oceania. ICURN was formed in 2007 during the fifth annual Regulators' Roundtable in Calgary, Canada, and currently has members in over 30 countries and jurisdictions. These members belong to the above regions.



CAPACITY BUILDING TRAINING PROGRAMME

By Hlumelo Dwesini and Timothy Mutyavaviri

The Cooperative Banks Development Agency (CBDA) Capacity Building Unit is tasked with developing the Cooperative Financial Institutions' (CFI) board of directors, managers, members and staff. The CBDA is running a number of programmes such as direct technical assistance, training workshops, member education, mentoring and coaching, and the banking platform project.

The **direct technical assistance** provides on-the-job support to CFI managers and staff. This includes accounting support to ensure that the CFI records are complete and accurate; strategic planning sessions to ensure that the CFI crafts a strategy that is owned by the board, staff and management and policy review workshops to ensure that CFIs have up-to-date policies that guide their operations.

The unit also runs **training workshops** for CFIs in provinces. These include governance and financial management training for the board, as well as manual

accounting and audit training for the staff and management. A service provider was appointed to conduct Governance and Financial Management training for board members in five provinces. The purpose of the **Governance training** was to capacitate board members on their duties and responsibilities, and it covered the following topics:

- The role of the board, board members and committee members;
- Monitoring, marketing, administration and employees' performance;
- Developing employment policies;
- Risk management training; and
- Planning and conducting meetings.

The purpose of the Financial Management training is to capacitate board members to understand the financial statements of the CFI; and their role with regards to overseeing the financial wellbeing of the CFI.

The training covered the following topics:

- Formulating and monitoring a strategic plan;
- Monitoring activities and expenses against the budget;
- PEARLS training;
- Analysing and interpreting the income statements and balance sheet; and
- Using financial statements to make decisions

The Capacity Building unit further provided Board Orientation training for board members in Limpopo and the North West provinces. The aim of the training was to orientate board members and management on their roles and responsibilities and to reduce the power struggles between the board and management. Materials are available for the credit committee and supervisory committee training and the unit will shortly be rolling out the credit committee training and the supervisory committee training.

Member education training is targeted at training for the CFI membership through a self-study concept called the study circle education methodology. The CBDA trains the organisers and leaders of the study circles who then go back to their respective locations and form the study circles which are small groups of 10-15 people. Some of the topics that are discussed include: "knowing more about your CFIs", financial literacy, roles of members, board members and staff, importance of attending AGMs, the importance of saving and to acquire loans from a CFI.

The mentorship and coaching programme is a targeted intervention currently to six CFIs in the country and is led by a team from African Confederation of Cooperative Savings and Credit Associations (ACCOSCA). It is focused on mentoring and coaching the management, staff and board of directors in areas of governance, management, strategic planning and implementation, policy development, risk management, customer care and marketing (see an article on Mentoring and Coaching in CFIs).

The CBDA is working on the banking platform project and when completed, CFIs will be connected to the national payment system thus enhancing their efficiency and also giving them a competitive edge in the financial services sector. The piloting of the banking platform is expected in 2015.

The capacity building unit is making tremendous strides to provide capacity building support to the CFI sector but is disappointed by the poor attendance of managers and board of directors in some of the trainings. Board members and managers are urged to attend these training sessions as it is for the benefit of their CFIs. Failure to attend means CFI lose out on the benefits of information-sharing while the CBDA still bears the travel and accommodation costs for staff and conference venue fees.

In future, the CBDA capacity building team, will also work closely with the newly formed Managers Forum (see article on Managers' Forum under the Sector Developments section) to identify training needs of the sector.





MENTORSHIP AND COACHING IN CFIs

By Kizito Omolo and Tonny Otieno

Mentorship involves training, coaching, learning, counselling, networking and an all-round support. The purpose of mentorship is to help the mentee change the usual manner of doing things in order to improve performance, develop leadership qualities, partnership skills and to realise the vision of the organisation. CFIs development and sustainability depend on key concepts of self-awareness and will of the mentee to change. Mentorship assists the mentee (CFI) to develop autonomy, responsibility, a sense of self image and a self-solid foundation.

A Mentor can be described as a wise, loyal and trusted friend. Coaching as a component of mentorship is the art of improving performance and strives to develop people skills & confidence to ensure that the required performance levels are achieved, especially where change in performance is required.

The Role of CFIs in development cannot be understated. CFIs are member-based, member-owned entities

established for enhancing the economic well-being of their members. CFIs are financial institutions that mobilize member funds, invest the same and give out provident and development loans. These institutions operate under relevant Acts of Parliament, gazetted Regulations and their own governing Constitutions. Besides, the board of directors draw short and long term strategic plans and formulate policies and manuals for the effective and efficient operations of the CFIs. It is in this regard that mentorship and coaching becomes an essential priority in the day to day calendar of the CFI.

MENTORSHIP AND COACHING AS A KEY ROLE OF THE CO-OPERATIVE BANKS DEVELOPMENT AGENCY (CBDA)

The Co-operative Banks Development agency is tasked with, among other things, the role of capacity building in the Co-operative banking sector. Research conducted by the

CBDA on the skills level within the CFI sector revealed that majority of the employees and the Board of directors have undergone training in relevant topical subjects. However, the application of theory learnt into practice has always been a challenge. The mentorship programme has therefore been identified as the most effective method in up-skilling the CFI Board, management and staff.

In this regard, the mentorship programme which was commenced by the Mentorship team in December 2013 carried out diagnostics to ascertain problems/challenges facing some 5 CFIs (Boikago, Motswedi, Kuvhanganyani, Lotlhakane and Mathabatha), especially in areas of Financial Management, marketing strategies, governance and customer care. The team has so far developed turn around strategies for each CFI. These could be short, medium and long term strategies depending on the area of need.

Mentoring and coaching programme is an on -going process and areas of emphasis include: improving Prudential standards, Financial management, Governance, Policy formulation, General office administration, Record keeping, Credit management, Risk prone areas and Human resource management and others.

Most CFIs are already adapting to change and there is visibility in regard to policy implementation. The interventions of the mentoring and coaching programme have since assisted Boikago to apply for registration as a Co-operative bank. As a continuous process, this mentorship exercise is meant to see CFIs level up to absolute member ownership, enjoy sustainable benefits, explore and maintain a strong co-operative culture and tradition in accordance with the principles of co-operation as stipulated by the International Co-operative Alliance (ICA).

'The International Co-operative Alliance (ICA) is a non-governmental co-operative federation or, more precisely, a co-operative union representing co-operatives and the co-operative movement worldwide. It was founded in 1895 to unite, represent and serve co-operatives worldwide.'

BOIKAGO SACCO BOARD AND MANAGEMENT DURING STRATEGIC PLANNING WORKSHOP



SECTOR DEVELOPMENTS

By Lulama Mbatha and Thami Masuku

MANAGER'S FORUM

For many decades Managers in their respective corners, have been operating in isolation and this have led to some extent, some CFI managers feeling left out and out of reach.

It was then decided through interaction that it would benefit the sector to set up a Managers' Forum and a small team of Managers was tasked to facilitate the process. The team then facilitated the first meeting in Pretoria to establish a National Manager's Forum. There was an overwhelming response as 6 provinces were presented namely Gauteng, KZN, Limpopo, Western Cape, Free State and North West. This marked an official launch of the National CFI Manager's forum. It was agreed that members of the forum will be on a voluntary basis.

The forum's objectives were agreed as follows:

- Act as the consultative structure to NACFISA and CBDA, on matters affecting the operational functions of a CFI.
- Network and collaborate on operational issues within the sector
- Review and make recommendations on regulations and compliance related matters.
- Identify capacity building opportunities both nationally and internationally.
- Identify capabilities of individual managers in order to develop the sector.

ROLES AND RESPONSIBILITIES

Operational Matters

The Forum will:

- Identify strategies that will assist CFIs in improving membership growth and retention;
- Own, support and be committed to the goals and objective of the forum; and
- Profile minimum competency requirements for managers.

Sector Related Matters

The forum will:

- Identify Champions that can promote the visibility, awareness and benefits of the sector;
- Negotiate better rates and bank charges with Commercial banks;
- Research Investment Options;
- Engage with SARS and National Treasury re: Tax implications for the sector; and
- Lobby for support from NACFISA and CBDA regarding;
 - a. Funding /External finance
 - b. Banking platform
 - c. License renewals

¹Manager at CEBISA ²Manager at Zimele FSC

The Managers also raised the following issues that affect CFIs and will be areas of collaboration, between the CFI sector and (the below listed) stakeholders:

- Sector Growth (CFIs vs. Stokvels);
- Support by NACFISA, CBDA, SETAs, NCR, Commercial banks etc.;
- Tax implications (SARS/National Treasury);
- Membership growth; Product development, insurance; and
- Regulation issues e.g. CBDA license, Common bond

The forum elected a three member coordinating committee comprising of Ms Lulama Mbatha (Cebisa FSC), Ms Patiswa Kruca (Nehawu Sacco) and Mr Thamsanqa Masuku (Zimele FSC). The committee will co-ordinate meetings; ensure that the decisions/tasks are carried out and act as a link between the forum, NACFISA, CBDA and the stakeholders within the sector.

KZN MANAGER'S FORUM

KZN is in the lead as its managers forum was formally formed in Dec 2013 and they meet quarterly. The forum is composed of 5 registered and 1 unregistered CFI as follows:

- Cebisa FSC
- King Grange FSC
- K Ladies
- KwaMachi FSC
- Zimele FSC (unregistered)
- Ziphakamise FSC

At this forum Managers get the chance to discuss issues of concern and come up with solutions. They have successfully coordinated a number of training programmes through the Capacity building unit of CBDA.

The Forum has successfully facilitated/negotiated terms with a firm of accountants for preparation of Annual Financial Statements (AFS), as well as sourcing insurance for all KZN CFIs.

The Managers Forum is a platform where managers..

“Come together to work and to play, and bring positive, constructive input to the sector and their province specifically”



Update

By Hlengiwe Kheswa

(CFI) Banking Platform Status Report

1. May 2013 – October 2013

The initial phase of the project ended with the issuing of the RFI in October 2013 and was an exploratory phase. The purpose of the initial phase was getting to understand the industry, environment and the operational challenges faced by individual CFIs and documenting the requirements.

2. November 2013 – February 2014

During this phase time was spent assessing the responses to the Request for Information, getting clarity on the responses and putting together a high level cost model. This phase also provided the project team to assess the availability of the solution. The assessment focused on the following:

- To assess whether there was an available solution that is capable of replacing what was currently being used by CFIs that would provide a level of consistency in both member management, administration and reporting;
- To assess the possibility of accessing the National Payment System in order to provide the anticipated new products and services required by CFIs

3. March 2014 to date

During this phase time was spent on:

- Developing the cost model in more detail and understanding critical components making up the structure and costs associated with providing and supporting the anticipated banking platform.
- Understanding how the components interact, specifically with regards to connectivity between the IT system and access to the NPS.
- Investigation on finding the sponsoring banking that will assist the Corporate Financial Institutions to

access the National Payment Settlement is currently on progress.

- The next phase of the project will be the issuing of the Request for Proposal.

CFI Readiness Assessment Project

A service provider has been appointed to assess the state of CFI readiness prior to the implementation of the Banking Platform. The expected duration for the project to conduct the required services in the selected CFIs is 02 July 2014 to 30 November 2014. The project will be conducted in two phases:

Phase 1 involves an assessment and the review the CFI Financial Records (accuracy and completeness), CFI staff Skills Level (General & ICT Skills) and ICT Infrastructure. This phase is already completed and 6 (six) CFIs have been selected for phase 2 and these are:

- Cebisa
- Nehawu
- Ditsobotla
- Boikago
- Mathabatha and Motswedi

Phase 2 will involve assisting CFI personnel with bringing the accounting records up-to-date, reconcile all the accounts and capture the records in a compatible computerised system to enable a simple and seamless migration to the banking platform.



CBDA Events Calendar

EVENT	LOCATION	DATES
CFI Indaba	East London, South Africa	15-17 October 2014
15th SACCA Congress	Maseru, Lesotho	29-31 October 2014
2nd Africa Development Educators	Jahannesburg, South Africa	14-20 February 2015
SACCO Leaders Forum	Harare, Zimbabwe	18-20 March 2015
Regulatory Round Table	Accra, Ghana	3-6 June 2015
WOCCU Conference	Denver-Colorado, USA	12-15 July 2015
ICURN Annual COncference	Denver-Colorado, USA	13-15 July 2015

WORDS OF WISDOM



"A successful man is one who can lay a firm foundation with the bricks others have thrown at him"

– David Brinkley

"It's not what you look at that matters, it's what you see"

– Henry David Thoreau

"Patience can cook a stone"

– African Proverb

"Tell a man there are 300 billion stars in the universe and he'll believe you. Tell him a bench has wet paint on it and he'll have to touch it to be sure"

– Murphy's Law

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3 Year Fixed Rate	7.75%	5 Year Inflation	1.25%
5 Year Fixed Rate	8.25%	10 Year Inflation	2.00%

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