2009

A REVIEW OF THE SOUTH AFRICAN MICROFINANCE SECTOR

VOLUME II – BACKGROUND PAPERS: SECTION I - CONTEXT

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CENTRE FOR MICROFINANCE

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PAPER 1: ECONOMIC CONTEXT

Prior to examining the dynamics of the microfinance sector in South Africa, it is important to understand the poverty and unemployment profile of the country, as well as current macroeconomic conditions.

Unemployment in South Africa

Despite South Africa's high Gross National Income (GNI) per capita (US$ 9 780 in 2008) and accelerated growth rates, the country is characterised by an unresponsive labour market, largely due to high levels of structural unemployment. Structural unemployment refers to unemployment caused by the mismatch of skills offered by the workforce and skills required of available vacancies. It perpetuates problems of income inequality and poverty, and hinders economic growth.

Table I.1.1: Unemployment Rates from Labour Force Survey

	3rd Quarter 2005		4th Quarter 2008		4th Quarter 2009	
Working age population	29.7 million		30.9 million		31.2 million	
Employed individuals	12.3 million	41%	13.8 million	44.8%	12.9 million	41.3%
Individuals seeking employment	4.5 million	15%	3.9 million	12.5%	4.2 million	13.5%
Participation rate	16.8 million	57%	17.7 million	57.3%	17.1 million	54.8%
Discouraged work seekers	3.3 million	11%	1.2 million	3.8%	1.7 million	5.4%
Unemployment rate (official)	(4.5/16.8)	27%	(3.9/17.7)	21.9%	(4.2/17.1)	24.6%
Unemployment rate (expanded)	(7.8/20.1)	39%	(5.1/18.9)	27.0%	(5.9/18.8)	31.4%

Source: Labour Force Survey, Statistics South Africa

Economic growth has translated into an increase of 1.5 million job opportunities between 2005 and 2008, resulting in the steady decline of the "expanded" unemployment rate from over 40% in the late 1990s, to under 30% in 2008 (see Table I.1.1 above). During 2009 this trend reverses, with a loss of some 900 000 jobs in 2009.

In comparison to other upper middle income countries, South Africa's unemployment rate remains high. Table I.1.2 below compares a number of upper middle income countries (defined by the World Bank as countries with a GNI per capita of between US$ 3 856 and US$ 11 905 in 2008). Of countries reporting their unemployment statistics in 2008, South Africa has the second highest unemployment rate of all upper middle income countries, at 22.9%.

An additional feature of employment growth in South Africa is the reliance on the so-called "second economy" to create informal jobs. From a macroeconomic perspective, the existence of a dualistic economy is not favoured; it suggests that structural impediments face players in the second economy. In South Africa, this is largely attributed to a skills shortage, an unfortunate result of the former apartheid regime. The lack of adequate education prevents a considerable proportion of the population from participating in the modern first economy, which requires a higher level of skill. The history of residential segregation in South Africa also creates a problem. Work opportunities are forgone due to the restrictive costs of travelling to work (and also, the cost of looking for job opportunities), owing to the large distance between urban centres and peri-urban and rural settlements. Travel costs make up a considerable proportion of household budgets, with households spending more than the targeted 10% of income on public transportation.

Figure I.1.1: Unemployment rate, Annual (Source: SARB)

The Bureau for Market Research (BMR) reports that employment growth in South Africa's informal sector has been faster than that of the formal sector. This suggests that the so-called second economy has been a significant creator of job opportunities. This is encouraging for microfinance institutions, as higher economic activity and employment in this parallel economy is conducive to business. Declining economic activity, however, is also putting upward pressure on arrears rates. All microfinance institutions have been struggling this year to maintain their portfolio quality ratios.

Table I.1.2: Unemployment Rates of Selected Upper Middle Income Countries, 2008

Country	Unemployment rate	Country	Unemployment Rate
Kazakhstan	0.6	Venezuela, Bolivarian Rep.	6.9
Belarus	0.8	Mauritius	7.1
Cuba	1.6	Chile	7.5
Malaysia	3.3	Latvia	7.5
Mexico	3.5	Poland	9.5
Costa Rica	4.9	Jamaica	10.3
Panama	5.8	Turkey	11.0
Lithuania	5.9	Colombia	11.4
Bulgaria	6.3	Serbia	13.6
Russian Federation	6.3	South Africa	22.9
Peru	6.8	Bosnia and Herzegovina	23.4

Source: ILO, 2009

Table I.1.3: Unemployment Rate of Selected Sub-Saharan African Countries, Latest Available

Country	Unemployment rate		Country	Unemployment rate	
Liberia	85%	2003	Mozambique	21%	1997
Zimbabwe	80%	2005	Comoros	20%	1996
Burkina Faso	77%	2004	Mauritania	20%	2004
Zambia	50%	2000	Sudan	18.7%	2002
Senegal	48%	2007	Ivory Coast	13%	1998
Lesotho	45%	2002	Ghana	11%	2000
Kenya	40%	2001	Central African Republic	8%	2001
Swaziland	40%	2006	Botswana	7.5%	2007
Cameroon	30%	2001	Mauritius	7.1%	2008
Mali	30%	2004	Madagascar	5.9%	1998
Mayotte	25.4%	2005	Namibia	5.2%	2007
South Africa	22.9%	2008	Nigeria	4.9%	2007
Cape Verde	21%	2000	Seychelles	2%	2006
Gabon	21%	2006			

Source: NationMaster and ILO, 2009

Poverty in South Africa

South Africa continues to have high poverty levels, with almost 40% of its population living below a poverty line of R283 per month, according to van den Berg (2009), dropping from a peak of 53% in 1996. This is conservative when compared to estimates of the Human Sciences Research Council, which suggest that poverty remained unchanged between 1996 and 2001, with 57% of the population living below the poverty line. This is despite accelerated economic growth in the country.

Income inequality, reflected by the Gini coefficient[1] estimated by Bhorat (2009), has increased from 0.64 in 2002 to 0.68 in 2008, suggesting that the benefits of economic growth have not benefited the poorest households.

Economic growth

Real economic growth in South Africa has tended towards an average of 3% per annum since 1994. Due to favourable macroeconomic conditions, this average was raised to 5% between 2005 and 2007, but moderated to 3.1% in 2008, in line with global economic trends. In the fourth quarter of 2008, growth of –0.7% was recorded. In the subsequent quarter, economic growth was again negative, at –7.4%, placing South Africa in its first recession since 1992.

Inflation and interest rates

Since February 2000, South Africa has followed a regime of inflation targeting. As such, the South African Reserve Bank is required to contain consumer inflation to between 3 and 6%. Between 2000 and 2008, the target inflation measure was CPIX inflation, which included all the elements of the consumer price index, but excluded mortgage interest payments, as this was directly affected by changes in the interest rate. Rebasing and reweighting of the CPI basket led to the removal of mortgage interest payments as a proxy for home payments, and the Reserve Bank have, since 2009, used the new CPI inflation as the target inflation measure.

[11] The Gini coefficient is a measure of income inequality. A value closer to zero suggests low income inequality (which is favoured), while a value closer to one is indicative of high income inequality and a skewed income distribution.

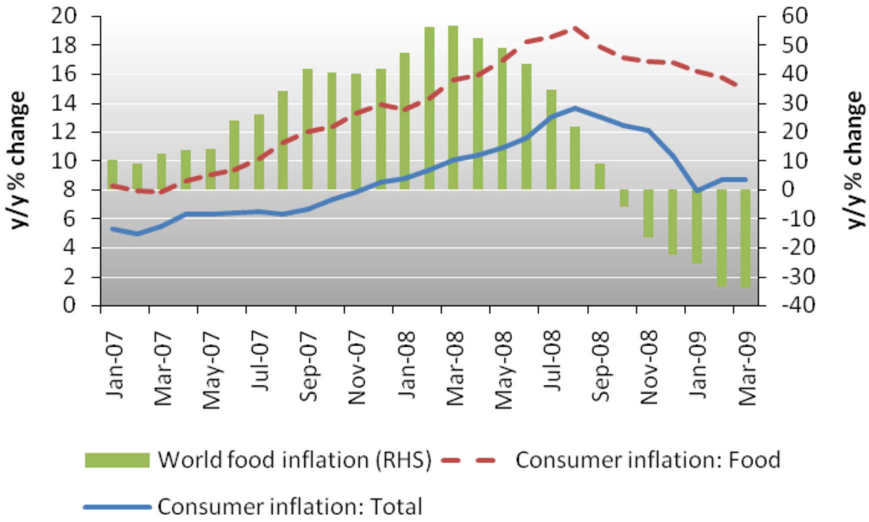
The repurchase rate, the interest rate at which the Reserve Bank lends to commercial banks, directly affects the prime lending rate, the rate at which commercial banks lend to their most favoured clients. The prime rate is set by commercial banks at approximately 3.5% above the repurchase rate.

Since April 2007, inflation has breached the target range, which led to an increase in the repurchase rate by 5 percentage points between June 2006 and June 2008.

Trends point towards food inflation as being the principal driver of total inflation during most of 2008 and the first half of 2009. As Figure I.1.3 exhibits, food inflation far exceeds total consumer inflation, and lags international trends, which are currently showing deflationary tendencies. Food inflation is difficult to curtail with interest rates, as food prices are largely insensitive to changes in interest rates. Administered prices are also a significant contributor to total consumer inflation. Speculative increases in the oil price in early to mid-2008 placed pressure on domestic fuel prices, which are also largely insensitive to movements in the interest rate and rather responsive to the international price of oil and prevailing exchange rates. Rising utility costs, particularly that of electricity and more recently, water, continue to weigh down consumers' purchasing power.

Easing food and transport costs have led to a subsequent decline in inflation during the course of 2009, and an improved inflation outlook has paved the way for a number of interest rate cuts, which have occurred since December 2008. By August 2009, the repo rate had fallen by 500 basis points to 7%, last observed in June 2006.

Figure I.1.2: Inflation Trends – Food



In the context of the demand side of microfinance, food and fuel price inflation has adverse effects on the purchasing power of individuals, reducing the value of discretionary income, which eventually affects the value and decisions to save. Prevailing high inflation also erodes the value of savings, further reducing the incentive to save. Restrictive high interest rates translate into tighter lending criteria by commercial banks, and consequently reducing access to credit, as discussed in the next section of this report on Demand Indicators.

Education

According to the General Household Survey, an annual barometer of development in South Africa, school enrolment rates have exceeded 97% of 7-15 year olds since 2003. Additionally, enrolment rates of 0-4 year olds at an educational institution have more than doubled from 7.4% in 2002 to 16.9% in 2008. Enrolment rates of 5-9 year olds has also improved from 79.9% in 2002 to 88.6 % in 2008. This shows some progress by the Department of Education's Early Childhood Development Programmes, which aim to have all students complete Grade R before entering Grade 1. On the other end of the age spectrum, a higher proportion of over-25 year olds were enrolled at an educational institution in 2008, when compared to the same ratios in 2002.

Rising education enrolment rates have also translated into higher education levels. Whereas one third of the over-20 population only had a primary school education or less in 2002, this has been reduced to 28.6% in 2008. Growing secondary and tertiary education completion rates are also encouraging indicators which may well translate into better employment prospects for South Africa.

PAPER 2 - LEGISLATIVE CONTEXT

The three primary pieces of legislation which govern the microfinance sector in South Africa include:

- The National Credit Act (NCA), No. 34 of 2005, which governs all credit granted to consumers, as well as loans to legal entities with annual turnovers or net worth of less than R1 million;
- The Cooperative Banks Act, No. 40 of 2007, which governs the deposit-taking activities of cooperatives with deposits of between R1 million and R20 million.
- The Banks Act, No. 94 of 1990, which governs the deposit-taking activities of the commercial banks and financial cooperatives with deposits of R20 million and above.

A summary of the primary provisions for the first two of these Acts are provided below.

NATIONAL CREDIT ACT, No. 34 of 2005

Introduction

The NCA was enacted in 2005 and it has been in effect since the 1st of June, 2006. The Act was the result of a process to design regulation which would achieve specific objectives in the consumer credit market and wider economy. This was done particularly to improve opportunities for asset accumulation for previously disadvantaged South Africans, by 1) improving access to finance, 2) reducing the cost of finance and 3) increasing the levels of protection available to consumers. The National Credit Regulator (NCR) was established to ensure compliance.

The Act was also a reaction to certain undesirable practices which had developed in the consumer credit market. These included: negative option selling; misleading disclosure; extreme interest rates; inflated prices for goods sold on credit; extreme over-indebtedness; no effective debt rehabilitation; burdensome payroll deductions & garnishees, inflated debt collection charges; hidden profits in credit life insurance; preferential treatment for certain consumers; and unjustified blacklisting of clients.

The National Credit Act, No. 34 of 2005, opens by listing the following thirteen objectives:

1. To promote a fair and non-discriminatory marketplace for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information.
2. To promote black economic empowerment and ownership within the consumer credit industry.
3. To prohibit certain unfair credit and credit-marketing practices.
4. To promote responsible credit granting and use and for that purpose to prohibit reckless credit granting.
5. However, the act also looks to curb reckless lending and over-indebtedness, and encourage responsible borrowing. Those who are over-indebted are also targeted.
6. To provide for debt reorganisation in cases of over-indebtedness.
7. To regulate credit information.
8. To provide for registration of credit bureaux, credit providers and debt counselling services.
9. To establish national norms and standards relating to consumer credit.
10. To promote a consistent enforcement framework relating to consumer credit.
11. To establish the National Credit Regulator and the National Consumer Tribunal.
12. To repeal the Usury Act, 1968, and the Credit Agreements Act, 1980.
13. To provide for related incidental matters.

Application of the NCA of 2005

The NCA applies to all credit providers which reach a certain size; currently 100+ disbursed loans or R500 000+ loan portfolio, and all types of credit excluding incidental[2] credit, such as trade credit extended by a supplier of goods. Since the NCA does not reach informal credit providers, a significant proportion of the micro-credit market may not be governed by the Act.

The NCA applies to all consumers who are a natural entity, or individual. If the consumer is a juristic (legal) entity, the Act applies if the turnover or net asset value of the entity is less than R1 million at the time of application for the loan and the loan is less than R250 000.[3]

Developmental Credit

The Act makes special provision for certain exemptions for developmental credit, which is defined as including lending for small business development, housing development, education loans, and loans made by a savings and credit cooperative to a member, in which profit is not a primary motive. A lender wishing to avail itself of the developmental credit dispensation, however, needs to apply for supplementary registration as a provider of developmental credit and needs to meet certain capacity requirements.

Maximum Rates and Fees

As mentioned earlier, one of the objectives of the NCA was to reduce the cost of consumer credit. Regulations to the Act define eight loan categories, or types, and specify the maximum rates and fees which may be charged for each.

NATIONAL CREDIT ACT REGULATIONS, CHAPTER 5 - MAXIMUM RATES AND FEES

	Table A – Maximum Interest Rates	Table B – Maximum Initiation Fees
General		Never to exceed 15% of Loan
Incidental Credit Agreements	2% per month	Nil
Mortgage Agreements	(RR x 2.2) + 5%	R1,000 plus 10% of the amount in excess of R10,000, But never to exceed R5,000
Credit Facilities	(RR x 2.2) + 10%	R150 plus10% of the amount in excess of R1,000, But never to exceed R1,000
Other Credit Agreements	(RR x 2.2) + 10%	R150 plus of the amount in excess of R1,000, But never to exceed R1,000
Unsecured Credit Transactions	(RR x 2.2) + 20%	R150 plus 10% of the amount in excess of R1,000, But never to exceed R1,000
Short term Credit Transactions (Up to R 8 000, term up to 6 m)	5% per month	R150 plus 10% of the amount in excess of R1,000, But never to exceed R1,000
Developmental Credit for Small Business	(RR x 2.2) + 20%	R250 plus 10% of the amount in excess of R1,000, But never to exceed R2,500
Developmental Credit for low Income Housing (unsecured)	(RR x 2.2) + 20%	R500 plus 10% of the amount in excess of R1,000, But never to exceed R2,500

Source: NCA Regulations
RR – SA Reserve Bank Repurchase Rate
Maximum Service Fees, R 50 / month for all loan categories, collected monthly or annually

[2] Section 8(4)(b) of NCA of 2005
[3] Since "large" credit transactions with juristic entities are excluded.

Primary Compliance Provisions

The primary compliance provisions can be found in three chapters within the Act: Chapter 4, governing Consumer Credit Policy; Chapter 5, governing Consumer Credit Agreements; and Chapter 6, governing Repayments, Collections, and Debt Enforcement. Annex I.2.A provides a four page extract of the primary provisions.

Table I.2.1: Summary of Credit Providers, Credit Bureaux, and Debt Counsellors registered as at March 31, 2009

	Credit Providers	Credit Bureaux	Debt Counsellors
Applications logged	6 244	23	1455
Approved Registration	4 570	12	920
Applications refused, withdrawn, cancelled, or duplications	2 193	9	263
Fully Registered	3 690	11	834

Source: NCR 2009 annual report

Table I.2.2: Number of Credit Providers registered as at 31 March 2009

Category per type of Credit Provider	Number of Credit Providers	% Size Breakdown
Banks	25	1
Clothing retailers	9	0
Food retailers	3	0
Furniture stores	21	1
Co-operatives	32	1
Housing lenders*	11	0
Life insurers	16	1
Motor vehicle financiers	120	3
Private colleges	15	0
Securitisation**	60	2
State enterprises	12	0
Universities	5	0
Pawnbrokers	159	4
Other short and long financiers	3 202	87
Total	3690	100

* Housing lenders refers to low income housing providers

** Securitisation is defined as the process whereby pools of loans, receivables or debt instruments are packaged in the form of securities that are tradeable

Source: NCR 2009 Annual Report

Debt Counselling

The debt counselling provisions introduced by the NCA became effective from 1 June 2007. Debt counselling seeks to create a mechanism for the rehabilitation of over-indebted consumers through mediation between the consumers and credit providers.

During the year 2007/2008, the NCR invested considerable time and resources to ensure that debt counsellors are fully capacitated with the skills, resources such as systems, and support structures necessary to service over-indebted consumers. By the end of 2009, over 1 500 debt counsellors had been trained and registered throughout the country while more than 150 000 consumers had applied for debt counselling.

There are currently eight training institutions that are accredited to train debt counsellors. These are Association of University Legal Aid Institutions (AULAI), Damelin, Institute of Bankers, Rudo Research & Training, The Credit Skills Training Institute (Pty) Ltd, Cornerstone Performance Solutions, Summit Financial Partners (Pty) Ltd and You and Your Money.

In order to safeguard the interest of consumers, debt counsellors are prohibited from collecting and distributing renegotiated payments to creditors on behalf of consumers; this is done by Payment Distribution Agents (PDAs). These PDAs focus on improving and maintaining systems which facilitate the allocation of payments from consumers and effecting payments to creditors. The role of payment distribution agents is dependent on substantial investment in information technology systems. To date, four Payment Distribution Agencies have been approved by the NCR.

The current regulations only provide for a R50 application fee which is payable by a consumer upon application for debt review. All other fees are unregulated. To avoid the charging of excessive fees and consumer abuse, the NCR has approved guidelines proposed by the industry body, the National Debt Counsellor's Association.

The NCR also makes provisions for low income consumers by establishing a fund to pay for the cost of debt counselling. This covers consumers with an individual gross income of less than R2 500 per month or household with an income of less than R3 500 per month. A firm of registered accountants and auditors manage payments of these subsidised fees to debt counsellors. The relief fund has been under-utilised with only 21 debt counsellors registering with it and limited consumers benefiting from this. On investigation, the NCR found that it is mostly middle to high income consumers who use the services of debt counsellors and hence they do not qualify for the subsidy.

National Debt Mediation Association (NDMA)

Another partner in the process of debt counselling in South Africa is the National Debt Mediation Association (NDMA), an initiative by credit providers to combat over-indebtedness and assist consumers before they reach formal debt counselling. According to the NDMA March 2009 newsletter, out of 50 000 reported debt counselling cases up to the end of February 2009, only between 1% and 3% were brought to conclusion and sanctioned by a court order. There are obviously gaps in the system and it is these gaps that the NDMA aims to fill by partnering with credit providers, debt counsellors, and payment distribution agents.

The NDMA has two main goals. One is to facilitate and promote collaborative interventions between credit providers, debt counsellors and PDAs, to enable the fast and efficient resolution of debt counselling cases. The second is to act as a channel for the execution of certain provider obligations to combat over-indebtedness. In order to achieve these two goals, the NDMA offers:

- First line assistance to debt distressed consumers though a website and national help line where these consumers can be referred to the appropriate help and be empowered with the key information on their rights.
- Development of rules for debt restructuring, in agreement with all its members representing all stakeholders, which will be accepted by the affiliated credit providers
- Standardised documentation that will be used by affiliated debt counsellors with the knowledge that affiliated credit providers have already agreed to accept the standards if applied in debt review applications submitted to the courts.
- Accredited IT systems for debt counselling to provide assurance to debt counsellors and the credit providers that the NDMA rules are correctly and consistently applied by the system.
- Mediation and dispute resolution mechanism between affiliated credit providers and debt counsellors.

Consumer Tribunal

The Tribunal was established on 1 September 2006 in terms of Section 26 of the National Credit Act, Act 34 of 2005 (the Act), as an independent adjudicative body with jurisdiction throughout the Republic. Section 27 provides that the Tribunal may rule on matters arising from any application made to it in terms of the Act, or as a result of allegations of prohibited conduct.

The Tribunal hears and decides on applications and referrals involving consumers, credit providers, debt counsellors and credit bureaus. It also reviews decisions of the National Credit Regulator (the Regulator). Typically, cases are brought before the Tribunal by the Regulator. The Act provides for limited circumstances where applications can be made directly to the Tribunal by consumers, credit providers, credit bureaux and debt counsellors. Direct applications can only be made if the parties failed to resolve the matter directly between themselves and alternative dispute resolution has failed.

The Tribunal may impose a wide range of sanctions and remedies, including the imposition of an administrative penalty of up to R1 million or 10% of annual turnover, whichever is greater.

The Tribunal has, in terms of the Act, powers to make a range of orders. Some of the specific orders are: declaring conduct to be prohibited; interdicting prohibited conduct; imposing administrative fines; confirming consent orders; cancelling or suspending the registration of any entity registered with the National Credit Regulator; and confirming, modifying or setting aside the decisions of the National Credit Regulator on appeal by the affected parties.

The Tribunal began receiving enquiries and complaints in September 2007. We were unable to obtain updated figures from the Tribunal on the number of complaints resolved or on turnaround times.

The National Credit Regulator (NCR)

The NCR registers and supervises credit providers and agents, credit bureaux, and debt counsellors, and oversees the smooth functioning of the Consumer Tribunal.

Key individuals:

Gabriel Davel	Chief Executive Officer
Nomsa Motshegare	Chief Operating Officer

Contact details:

Physical address (Head office)	127 – 15th Road, Randjepark, Midrand
Postal address	
Contact telephone numbers	011 554 2600 TOLL SHARE: 0860 627 627
Email address	complaints@ncr.org.za
Website URL	www.ncr.org.za

LEGISLATION GOVERNING DEPOSIT TAKING FINANCIAL COOPERATIVES

Financial Cooperative Institutions are regulated by one of four different bodies, depending on the size of the cooperative. The South African Microfinance Apex Fund (SAMAF) and the Savings and Credit Co-operative League of South Africa (SACCOL) are mandated to register and regulate all the smallest financial cooperatives in South Africa. Once the cooperative reaches 200 or more members and R1 million or more in deposits, the cooperative must apply for registration as a Cooperative Bank to the supervisor within the Cooperative Banks Development Agency (CBDA). Once a cooperative bank reaches deposits exceeding R20 million, they are required to apply for registration with the South African Reserve Bank. At October 2009, only two financial cooperatives had deposits of over R20 million, Orania SACCO in the Northern Cape and Kleinfontein SACCO of Gauteng.

Government Notice 877 mandates samaf to register and regulate all community based Financial Service Cooperatives (FSCs) in South Africa and Government Notice 1176 recognised SACCOL to register and regulate all Savings and Credit Co-operatives (SACCOs) until they reach the thresholds to apply as a cooperative bank. Before a prospective cooperative may register with samaf or SACCOL, it must first comply with the rules governing cooperatives (as per the Cooperatives Act) through the Companies and Intellectual Property Registration Office (CIPRO), and the rules as adopted by samaf or SACCOL.

To register a cooperative, CIPRO requires the prospective cooperative to complete an application form, appoint auditors, reserve a name and submit a constitution that complies with the samaf /SACCOL model.

Samaf requires cooperatives to submit an application form, proof of a bank account, a resolution by the members to establish a financial service cooperative, a list of 150 saver members, a list of management agreements, bookkeeper agreements and proof of membership to a representative organisation. Where applicable, audited financial statements and proof of registration with the NCR are also required. A business plan is required, detailing the background of the cooperative, its human and operational capacity, the experience of its board members, a three-year financial forecast, and details of its products and savings policy. Where applicable, the business plan should also include the cooperative's lending policy.

Financial service cooperatives registered with samaf are also required to meet prudential and operational requirements, and submit returns to samaf on a quarterly basis.

Cooperative Banks Act

The Cooperative Banks Act, No. 40 of 2007, is intended to improve access to financial services by providing a legislative framework allowing cooperative banks to develop and provide financial services to their members. It was gazetted in February 2008. According to the Act, Cooperative banks must comprise a minimum of 200 members and hold deposits to a value exceeding R1 million. Four broad types of cooperative bank are outlined in the Act:

1. Primary savings cooperative banks
   These banks may take deposits from members, and open savings accounts for each member, from which members may deposit or withdraw funds. Primary savings cooperative banks also provide trust or custody services to members. They may borrow from the Development Agency for Cooperative Banks, and open an account at a banking institution (in the name of the Cooperative Bank).

2. Primary savings and loans cooperative banks
   In addition to primary savings cooperative banks, these banks may, subject to a maximum value, offer secured and unsecured loans to their members.

3. Secondary cooperative banks
   In addition to primary savings and cooperative banks, secondary cooperative banks may trade financial instruments on behalf of their members and facilitate foreign exchange transactions through a bank registered under the Banks Act.

4. Tertiary cooperative banks
   In addition to secondary cooperative banks, tertiary cooperative banks provide additional banking services, and may use deposits in investments prescribed by the Minister of Finance.

Cooperative banks may not convert into any other type of corporate or incorporated entity. This means that, for example, primary cooperative banks may not become secondary cooperative banks, and tertiary cooperative banks may not become banks under the Banks Act. The only exception is the conversion of primary savings cooperative banks to primary savings and loans cooperative banks. It is an offence for a cooperative bank to offer banking services other than those it is authorised to offer under the Cooperative Banks Act.

Cooperative banks may however, according to Section 57 of the Cooperatives Act, amalgamate with other cooperative banks. The board of directors of each cooperative are required to present the proposed agreement at the general meetings of both cooperative banks. The agreements must be approved by each amalgamating cooperative, and the constitution and other notices must be sent to the registrar of cooperatives for approval.

The prudential and registration requirements of cooperative banks are less strict than those of banks registered according to the Banks Act, and are discussed below.

Registration requirements

Prospective cooperative banks, in applying to register, must show that:

- A constitution of the proposed bank contains the general functions as prescribed by the Cooperative Banks Act and, optionally, provisions to: receive donations and grants; join a support organisation; create a support organisation (in the case of secondary and tertiary cooperative banks); establish a dispute resolution framework; and act as an agent of its members.
- The proposed bank has formulated a saving policy and, where applicable, a lending policy.
- The proposed bank has sufficient human, financial and operational resources to function efficiently and competently.
- Directors and executives have the necessary skill and expertise in performing their required duties.
- The composition of the board of directors is appropriate.
- The establishment of the cooperative bank is in the public interest.
- The name of the cooperative bank complies with the provisions as set out in the Cooperative Banks Act.

It is an offence for any entity not registered as a cooperative bank to refer to itself as such, and to perform the functions of a cooperative bank. In applying to register as a cooperative bank, it is an offence to provide false information. The penalties for offences include fines and imprisonment of up to ten years.

Prudential requirements

Cooperative banks are required to comply with the following prudential requirements:

Reserve requirement: Section 46 of the Cooperatives Act requires cooperative banks to establish a reserve fund, depositing at least 5% of its surplus into this fund, which is indivisible to members. Failure to comply with this may result in suspension or deregistration of the cooperative bank.

Capital adequacy: Cooperative banks are required to keep a minimum capital adequacy ratio of 6% of its total assets.

Loan loss provision requirements: Cooperative banks are required to keep loan loss provisions based on the following formula:

- ✓ 2% of all loans, plus
- ✓ 35% of loans delinquent for between one and six months, plus
- ✓ 50% of loans delinquent for between six and twelve months, plus
- ✓ 100% of all loans delinquent for over twelve months.

Liquidity requirements:

- ✓ A maximum 5% of total assets may be held in fixed and non-earning assets
- ✓ A minimum 10% of total deposits must be held in approved investments with a tenure not exceeding 32 days and convertible into cash immediately without incurring penalties
- ✓ A minimum of 2.5% of total deposits must be deposited with the agency or a higher tier cooperative bank
    - o Savings cooperative banks must hold the balance in approved investments.
    - o Other cooperative banks may grant up to 80% of total assets as loans.
- ✓ Loans to members sourced from cash donations may not exceed 15% of total deposits

Deposit requirements: No deposits may be taken from a member whose cumulative deposits exceed 10% of total assets or 25% of the cooperative banks' capital, whichever is the lesser

Reporting: Cooperative banks are required to produce a report documenting the compliance of the prudential requirements to the supervisor, who prescribes the submission dates of the report.

Large exposures: If a single investment or loan-recipient is to exceed the prescribed percentage of total investments or loans, prior approval must be obtained from the supervisor.

Support Organisations

Support organisations are accredited representative bodies whose functions are to support cooperative banks in terms of Section 37 of the Cooperative Banks Act. Support organisations assist cooperative banks in the form of education and training to members and personnel of cooperative banks. SACCOL is the only currently active support organization.

Supervision

The South African Reserve Bank, subject to the approval of the Minster of Finance, selects an employee to supervise secondary and tertiary cooperative banks, as well as primary cooperative banks with total deposits exceeding R20 million.

The Development Agency (see below) appoints a supervisor to supervise primary cooperative banks with total deposits of between R1 million and R20 million.

Broadly, supervisors' role and functions in terms of the Cooperative Banks Act are to:

- protect the public in their dealings with cooperative banks;
- provide guidelines to cooperative banks, their members, support organisations, representative bodies, auditors and attorneys on the interpretation of the Act;
- impose penalties to cooperative banks who do not comply with provisions of the Act, subject to a maximum determined by the Minister of Finance;
- provide information, acquired from cooperative banks, in legal cases;
- provide information to the Minister of Finance; and
- keep records of cooperative banks' documentation for a minimum of ten years.

Cooperative Banks Development Agency (CBDA)

The Cooperative Banks Act provides for the formation of the Development Agency, whose broad roles and functions are to:

- develop, promote and financially and operationally support cooperative banks;
- develop, register, promote and regulate support organisations and representative bodies; and
- manage the Cooperative Banks Deposit Insurance Fund.

The Development Agency is housed within the National Treasury and is accountable to the Minister of Finance.

Cooperative Banks Deposit Insurance Fund

The Cooperative Banks Act makes provision for the Deposit Insurance Fund, administered by the Development Agency for Cooperative Banks, which is funded by required contributions by cooperative banks as well as interest it earns from its investments. The funds are used to compensate paid-up cooperative banks which have lost deposits resulting from the inability to repay deposits received by the banks' constituent members, subject to a maximum percentage prescribed by the Minister of Finance.

Appeal Board

The Appeal Board, established by the Act, exists to facilitate appeals by cooperative banks, support organisation and representative bodies on decisions of the supervisor or the Development Agency on registration or accreditation issues. The Board comprises at least three members appointed by the Minister of Finance, and includes: an experienced advocate or attorney to be the chairperson of the Board; a person with experience and knowledge of cooperative banks; and a registered auditor.

Key individuals:

Sharda Naidoo	Managing Director
David de Jong	Regulator

Contact details:

Physical address (Head office)	27th Floor, 240 Vermeulen Street, Pretoria
Postal address	Private Bag X115, Pretoria 0001
Contact telephone numbers	012 315 5367; Fax 012 315 5905
Email address	cbda@treasury.gov.za
Website URL	www.treasury.gov.za/coopbank

ANNEX I.2.A - The National Credit Act, Act No. 34 of 2005 Primary Compliance Provisions – Chapters 4, 5, and 6

CHAPTER 4: CONSUMER CREDIT POLICY
Part A – Consumer Rights

Consumers have a right to apply for credit.

A credit provider has the right to refuse to give credit on reasonable commercial grounds, consistent with customary risk management and underwriting practices.

If credit is refused, the applicant must be advised in writing with the dominant reason provided.

Documents must be offered in at least two official languages; contracts must be written in plain and understandable language.

Delivery of documents to a consumer should be based on the consumer's choice in terms of the following options: in person, at the business premises of the consumer, or any other place chosen by the consumer, or by ordinary mail, fax, e-mail or printable web page

A Credit Provider may not charge a fee for any original document, or for one replacement within a 12 month period

Credit providers are required to protect the confidentiality of consumer information and should only use it for a purpose permitted by law or in accordance with the instruction of the consumer or a court or a tribunal

Part B - Confidentiality

The information to be reported to a Credit Bureau must fall within the definition of Consumer Credit Information – *See Handout Two*

A credit provider must give consumers 20 days notice before negative information is reported to a credit bureau; the individual has a right to receive a copy of such information.

Negative information includes:

- "delinquent", "default", "slow paying", absconded" and "not contactable", or
- classifications related to enforcement, such as "handed over for collection", "legal action" and write-off"".

Part C – Marketing Practices

Opting Out is prohibited: A Credit Agreement offered on the basis that it will automatically come into existence unless the consumer declines the offer.

A Credit Agreement must include a statement which informs the consumer that he has the right to be excluded from any marketing campaigns.

Agents may not visit the consumers home or place of business unless this has been pre-arranged by the consumer.

No fee or commission may be paid to an employer or representative trade union in exchange for making a credit arrangement.

When advertising a credit product, interest and fees must be displayed in the prescribed manner, unless it is a generic advertisement.

If comparing to another product, interest and fees for both must be displayed equally, as well as total amount payable.

An advert should not be misleading, fraudulent, or deceptive.

Prohibited phrases include: “no credit checks required” or “blacklisted consumers welcome”: or “free credit”.

Disclosures must be given the same prominence as the advert.

Part D – Overindebtedness and Reckless Lending

[This section does not apply to juristic persons]

Affordability Tests must assess the “financial means, prospects, and obligations” of a consumer, which includes:

a) Income or any right to receive income, frequency or regularity of that income,

b) The financial means, prospects, and obligations of any other adult person within the consumers immediate family or household, to the extent that they customarily share their respective financial means and mutually bear their financial obligations, and

c) If the consumer had a financial purpose for entering into a particular credit agreement, the reasonably estimated future revenue from that business purpose.

Reckless lending includes lending whereby,

a) The Credit Provider failed to conduct an adequate assessment, or

b) The Credit Provider conducted an assessment and entered into an agreement which would push the consumer into an over-indebted position.

To prevent reckless lending, four items must be assessed:

a) The consumer’s understanding of the risks and costs of the credit agreement

b) The debt repayment history of the consumer

c) Existing financial means, prospects, and obligations

d) Expected level of success of any commercial purpose

The NCR may publish guidelines for achieving the above and may pre-approve mechanisms for developmental lenders.

A consumer may visit a debt counsellor directly or may be referred by a Credit Provider or a court. All Credit Providers must cooperate with the debt counsellors.

Credit may not be extended to a consumer while they are in a re-arrangement order, other than a consolidation agreement.

Reckless lending provisions do not apply to the following: school or student loans; emergency loans (associated with death, illness, unexpected loss or interruption of income) – reasonable proof of the emergency must be kept by the credit provider, or a public interest agreement

CHAPTER 5: CONSUMER CREDIT AGREEMENTS

Part A – Unlawful Provisions and Agreements

Unlawful provisions of Credit Agreements – any provision which overrides or defeats a policy of the Act or waive common law rights

May not give priority to payments for the Credit Provider over any other Credit Provider.

No supplementary agreement may override a provision of the Act

Part B – Disclosure, Form, & Effect

A pre-agreement statement and quotation must be provided in the prescribed form

For a Small Credit Agreement., this quote must be honoured for five days at a rate equal to or less than the quoted rate.

For an Intermediate or Large CA, the rate may be adjusted according to a fixed margin from a prevailing bank rate

Small:	Pawnshop loans and loans up to R15 000
Intermediate	Loans from R15 000 to R250 000
Large	Loans over R250 000 and All Mortgage Loans

The Credit Provider must deliver to the consumer a document which records the Credit Agreement in paper form or a printable electronic form.

Any changes must be signed by both parties; a copy of an amended agreement must be sent to the consumer within 20 business days after the amendment.

Part C – Consumer's Liability, Interest, Charges, and Fees

Allowable charges include: initiation fee, service fee, interest, credit insurance, default administration charge, and collection costs.

An initiation fee may only be charged if the consumer's application has been accepted. An initiation fee may be capitalized only if the consumer has declined to pay it up-front. An initiation fee cannot be charged on a Credit Agreement which replaces another agreement.

Other types of fees (such as insurance) may also be capitalized

Default interest may not exceed the highest interest rate applicable to the principal debt.

Default interest and fees may never exceed the principal balance outstanding at the time of default.

Interest becomes payable a*fter* the day it is raised.

Variable interest must vary in relation to a reference rate, but is not allowed by developmental lenders unless pre-approved by the NCR.

The minister will determine maximum rates and fees from time to time

Credit Life insurance may be required, but not exceeding the value of the obligations. If insurance is charged annually, a refund must be provided in the event of an early settlement.

Part D – Statement of Account

This part does not apply to pawn transactions or incidental credit agreements. It also does not apply to developmental lenders if NCR has pre-approved an alternative mechanism.

The consumer has to be given monthly statements as prescribed (Form 26).

This can be reduced by agreement to a period of not more than 3 months. In the case of joint consumers, it is enough if the statement is given to one of them; for a mortgage agreement, statements may be provided every 6 months

At the request of a consumer, the CP must provide the following information without charge: a) The current balance of the consumer's account; b) any amounts debited or credited during the period; c) any amounts currently overdue and when each amount became due; d) any amount currently payable and the date it became due.

A consumer may request a statement which must be delivered within: 10 business days if covering information within 12 months, or 20 business days if covering a period greater than 12 months.

The statement may be delivered orally, in person or by telephone, or in writing by sms, email, fax, mail, or other electronic form.

Part E – Alteration of Credit Agreement

Any change to a Credit Agreement must be done in writing and initialled by the consumer

A Credit Provider may not change the term of the loan except to lengthen it.

Part F – Rescission & Termination of Credit Agreement

This section does not apply to Leases or Instalment agreements entered into at the registered business premises of the credit provider.

A consumer may terminate a Credit Agreement within five business days of signing the agreement. The Credit provider must return any fees paid within seven business days of receiving notice of termination.

A consumer may terminate at any time by paying the settlement amount according to S 125. A Credit Provider may terminate only if the client is in default

CHAPTER 6: COLLECTION, REPAYMENT, SURRENDER & DEBT ENFORCEMENT

Part A – Collection & Repayment Practices

A consumer may authorize a series of payments against an account.
A CP must provide notice in a [prescribed manner] providing particulars of the charge made.

A consumer or guarantor may settle an agreement early without penalty. They must only pay the principal and accrued interest and fees. Settlement fees are allowed only for large credit agreements – these are prescribed or are equal to 3 months of interest

Crediting of Payments must be done in the following order: firstly to satisfy any unpaid interest, secondly to satisfy any due or unpaid fees or charges, and thirdly to reduce the amount of principal debt.

Part C – Debt Enforcement

Once in default, the CP must notify the consumer and

a) Agree on a plan to bring the payments up to date, or

b) Propose that the consumer refer the agreement to a debt counsellor, consumer court, dispute resolution agent, or ombud with jurisdiction.

No legal action may be taken prior to notifying the consumer.
This provision does not apply if the credit agreement is already subject to a debt restructuring order.

A Credit Provider may not make use of any cards or pins when collecting money owed.

A Credit Provider may only approach a court to enforce a credit agreement if

a) The consumer has been in default for at least 20 days,

b) Ten days have elapsed since the CP issued a notice to the consumer, and

c) The consumer has either not responded to the notice or has rejected the proposals of the CP, and

d) The consumer has not surrendered collateral property to the Credit Provider.

e) The matter is not before a debt counsellor or alternative review mechanism,

If the court determines that the Credit Agreement was reckless, or that the Credit Provider was in violation of any provision of the Act, it may set aside all or part of the consumer's obligations. Otherwise, it may rule in favour of the C.P.

PAPER 3 - FINANCIAL SECTOR CHARTER (FSC)

At the 2002 NEDLAC Financial Sector Summit, the financial sector committed itself to the objectives of broad based black economic empowerment. This commitment was encompassed in the Financial Sector Charter (FSC), which was negotiated between the sector and the Association of Black Securities and Investment Professionals (ABSIP), as representatives of black interests in the sector. This was the first voluntary charter by an economic sector to advance transformation and equitable growth. The Charter came into effect in January 2004 and is expected to run until 31 December 2014.

Institutions' compliance with the Charter is assessed by an annual rating based upon a balanced scorecard, overseen by the Financial Sector Charter Council, an independent body representing the Charter participants, government and other stakeholders. The scorecard comprises of a total of 90 points pertaining to targets in the following six areas: Human Resources Development; Access to Financial Services; Empowerment Financing; Procurement and Enterprise Development; Ownership and Control; and Corporate Social Investment. According to Table I.3.1 below, the larger commercial banks are all approaching full marks on the scorecard. Some banks, such as African Bank, do not incorporate all elements of the scorecard in their business model, such as infrastructure development. In such cases, these banks are scored only on that portion of the scorecard congruent with their business model.

The charter has clearly provided an impetus for the recent entry by primary banks into microfinance, and particularly the Mzansi deposit initiative. Only 8 points in the scorecard, however, are allocated to lending to the previously disadvantaged: 4 for housing; 2 for agriculture, and 2 for Small and Medium sized Entrepreneurs (SME) lending. Microenterprise loans are excluded from the scorecard altogether. At the time of negotiation, the sector agreed with the Department of Trade and Industry that the apex fund, samaf, would be the vehicle through which microenterprise loans would be expanded.

The Charter was signed in 2003, shortly before the Department of Trade and Industry began formalising the Codes of Conduct to ensure Broad Based Black Economic Empowerment (BBBEE) in South Africa. These codes then served as a guideline for other sector charters, but those charters signed before the Codes were not fully aligned with the rules and intention and guidelines of the Codes of Conduct. There is now agreement between all stakeholders to align all elements of the FSC to the Codes, where relevant. There is also agreement to include in the Sector Codes all elements which are specific to the Charter, such as Access to Financial Services. The topic on which agreement has not yet been reached is that of ownership. The differences between the sector and other stakeholders on this topic have delayed the process to gazette the FSC as a Sector Charter.

Table I.3.1: Financial Sector Charter Score Card

	Total Possible	ABSA Bank (Dec)		First National Bank (Dec)	
		2006	2008	2006	2008
H.R. Development	20	14.7	17.7	15.8	19.9
Procurement & Enterprise Development	15	13.2	15.0	13.1	15
Access to Financial Services	18	13.3	16.4	12.9	14.5
Empowerment Financing	22	22.0	22.0	11.4	22
Ownership & Control	22	20.0	20.0	20.0	20
Corporate Social Investment	3	3.0	3.0	3.0	3
	100	86.2	94.5	76.20	94.4

	Nedbank (Dec)		Standard Bank (Dec)		African Bank (Sep)	
	2006	2008	2006	2008	2006	2008
H.R. Development	16.7	18.3	19.3	19.2	16.5	17.9
Procurement & Enterprise Development	13.8	15	13.8	15	15.0	15.0
Access to Financial Services	13.3	17.3	14.5	18	4.0	4.0
Empowerment Financing	22.0	22	22.0	22.0	22.0	22.0
Ownership & Control	20.2	22	19.8	19.8	15.4	14.0
Corporate Social Investment	3.0	3	3.0	3.0	3	2.7
	89.0	97.60	92.4	97.0	75.9	75.6

	INDICATOR	2008 TARGET	2014 TARGET	POINTS		
Human Resource Development						20
Employment equity					15	
Senior management	black people as a percentage of senior management	20 - 25% (min)		4		
	black women as a percentage of senior management	4% (min)	33% of black senior mgt	1		
Middle management	black people as a percentage of middle management	30% (min)		4		
	black women as a percentage of middle management	10% (min)	33% of black middle mgt	1		
Junior management	black people as a percentage of junior management	40 - 50% (min)		4		
	black women as a percentage of junior management	15% (min)	33% of black junior mgt	1		
Skills development					5	
Skills spend	percentage of annual payroll spent on skills development of black employees	1.50%		3		
Learnership programmes	learnerships as a percentage of total staff	4.50%		2		
Procurement and enterprise development						15
Procurement						
Procurement from black influenced companies, and 'D' rated companies	50% of Rand spend					
Procurement from 'C' rated companies	75% of Rand spend					
Procurement from black empowered companies, and 'B' rated companies	100% of Rand spend					
Procurement from black SMEs, black companies, black women-empowered companies, and 'A' rated companies	125% of Rand spend					
Enterprise development						
Black influenced companies	50% of Rand spend					

Black empowered companies	100% of Rand spend					
Black SMEs, black companies and black women-empowered companies	125% of Rand spend					
Access to financial services						18
Transaction savings products and services	Effective access from LSM 1-5	80%		4		
Bank savings products and services	Effective access from LSM 1-5	80%		4		
Life assurance products and services	Effective access from LSM 1-5			12		
Collective investments products and services	Effective access from LSM 1-5	1%				
Short term risk insurance products	Effective access from LSM 1-5	6%		4		
Home loan origination				4		
Agriculture loan origination				2		
Black SME loan origination				2		
Consumer education	percentage of after-tax profit spent	0.2% (min)		2		
Empowerment financing						22
Targeted investments				17		
BEE transaction financing				5		
Ownership and control						22
Ownership					14	
Direct ownership	standard valuation	10% (min)		12		
Direct/Indirect ownership over 13.75%				+0.5		
Direct/Indirect ownership over 17.5%				+0.5		
Direct/Indirect ownership over 21.25%				+0.5		
Direct/Indirect ownership over 25%				+0.5		
Control					8	
Board	black people as a percentage of the board of directors	33%		2		
	black women as a percentage of the board of directors	11% (min)		1		

Executive	black people as a percentage of executive management	25% (min)		4		
	black women as a percentage of executive management	4% (min)	33%	1		
Corporate social investment	percentage of after-tax profit spent on CSI	0.50%		3	3	3

PAPER 4 - GOVERNMENT DEPARTMENTS

All three layers of government within South Africa recognize the importance of supporting self-employment and entrepreneurship. Within the National Government, three departments in particular play a role in supporting microfinance: National Treasury, the Department of Labour, and the Department of Trade and Industry. The Department of Agriculture plays a lesser role through support to small scale farm holdings.

National Treasury

In performing its role of managing public finances, the National Treasury allocates budgets to government departments and agencies. As such, these include government-owned and funded development finance institutions such as the South African Microfinance Apex Fund and the Micro Agricultural Finance Initiative of South Africa, which use these allocations to cover administrative expenses and to capitalize their funds.

National Treasury is also involved in formulating financial sector policy in South Africa and is committed to supporting financial inclusion. As such, Treasury engages with the South African Reserve Bank, the Financial Services Board, the Financial Intelligence Centre and a number of other organizations participating in financial sector development.

The Cooperative Banks Development Agency, which is responsible for supervising and supporting cooperative banks in terms of the Cooperative Banks Act, is also housed within the National Treasury.

Department of Labour

The Department of Labour is mandated to institute programs and policies that reduce unemployment, inequality and poverty, and is responsible for labour regulation in South Africa. Such programs and policies are aimed to improve labour productivity, encourage skills development and employment generation, foster sound economic relations and improve working conditions.

The Department of Labour coordinates the National Skills Development Strategy, from which the Sector Education and Training Authorities (SETAs) were established, together with the Skills Development Act. The Department regulates and sets targets for the various SETAs, including BANKSETA. In turn, Bankseta provides support to the microfinance sector through training vouchers, learnerships, and other development initiatives.

The Umsobomvu Youth Fund was an organization founded by the Department of Labour, aimed to promote entrepreneurship, job creation, and skills development among South African youths. It does this through training, information, business advisory, and mentoring functions, targeted at BEE entrepreneurs aged 35 and under, with or without currently operating businesses. In 2005, Umsobomvu launched a retail lending programme which operates from one or more offices in each of the provinces. (Details of this operation are provided in SECTION III.6 of this report.) In June 2009, the Umsobomvu Youth Fund merged with the National Youth Commission to form the National Youth Development Agency in accordance with the National Youth Development Act of 2009. The National Youth Development Agency reports to the Presidency.

Department of Trade and Industry (DTI)

The Department of Trade and Industry states as its vision the achievement of *a vibrant economy, characterized by growth, employment and equity, built on the full potential of all citizens*, and is charged with small business development as one of its focus areas. The DTI identifies the lack of access to finance as a constraint to the growth and development of SMMEs, and subsequently, broader economic participation.

The Enterprise Development Business Unit of the DTI is charged with creating an enabling environment for the Small Micro and Medium sized Enterprises (SMMEs), through the development of legislative frameworks, policies, strategies and programmes to encourage SMME participation in all sectors of the economy. Interventions include the Integrated Small Business Strategy, as well as five main agencies created to provide financial and nonfinancial support to smaller enterprises:

1. The South African Microfinance Apex Fund (samaf): aims to address poverty by providing sustainable access to financial services to the very poor. It does not lend directly to borrowers, but partners with a range of organizations to deliver these services to their primary target markets, which comprises of micro-entrepreneurs and households earning less than R1 500 a month. Samaf provides both on-lending finance and capacity building grants to microfinance institutions and fledgling financial service cooperatives nationwide. (See Section I.9 for further details.)

2. Khula Enterprise Finance: a DTI-owned limited liability company established in 1996 provides wholesale funding through retail financial institutions, which then provide credit to SMMEs. Khula also offers itself as a loan guarantor for SMME borrowers (a function it took over from the Small Business Development Corporation, now known as Business Partners) and provides mentorship services to entrepreneurs. In addition, Khula is also registered as an insurer. (See Section I.9 for further details.)

   Samaf provides support to microfinance institutions targeting loans of R10 000 and below to very small and micro enterprises, while Khula supports financial institutions serving enterprises with loans ranging from R10 000 to R250 000. Samaf and Khula do not limit their services to wholesale funding, but also provide capacity building and product development services to their partners.

3. The National Empowerment Fund: Finances broad-based BEE transactions, and offers loans to previously disadvantaged individuals to start expand or develop small and medium businesses. It provides financing of between R250 000 and R10 million. In terms of the DTI's plans, the investment target for the National Empowerment Fund is expected to grow from R490 million in the 2009/10 fiscal year to R920 million in 2011/2012.

4. The Industrial Development Corporation (IDC): provides funding of at least R1 million for industrial and entrepreneurial projects both in South Africa and around the continent, and is self-funded.

5. The Small Enterprise Development Agency (SEDA): offers business development services to small businesses through its support agencies and Enterprise Information Centres located in all nine provinces. These services include assistance in developing business plans, marketing, tender and other technical advice. (See Section I.5 for further details.)

In 2008, the DTI launched the Isivande Women's Fund, which offers loans of between R30 000 and R2 million to female Small and Medium sized Entrepreneurs (SME) located in rural and peri-urban locales.

The DTI also houses the National Credit Regulator, a body established under the National Credit Act. It is responsible for the regulation of the domestic credit industry, and is mandated to enforce the Act, develop related policies, register credit providers and credit bureaux, investigate complaints, provide education and conduct related research (further described in Section I.2. Legislative Context).

Department of Agriculture, Forestry & Fisheries (DAFF)

The Department of Agriculture has a range of projects to support small-holding farmers. Their primary entity supporting access to finance for small-holding farms is the Micro Agricultural Finance Institution of South Africa (MAFISA), a wholesale finance facility discussed in Section III.

PAPER 5 - NON-FINANCIAL SERVICE PROVIDERS

A large variety of organizations provide non-financial service support to micro and small enterprises in South Africa: government agencies, non profit organizations, and the private sector.

Small Enterprise Development Agency (SEDA)

The Small Enterprise Development Agency (SEDA) is an agency of the Department of Trade and Industry (DTI) established to support small businesses in South Africa. The agency formed in 2004 in terms of the National Small Business Amendment Act, which amalgamated the Ntsika Enterprise Promotion Agency, NAMAC Trust, and Community Public Private Partnerships.

The vision of SEDA is *to be the centre of excellence for small enterprise development in South Africa*, with a mission *to develop, support and promote small enterprises to ensure their growth and sustainability.*

SEDA is mandated to design and implement a national delivery network that supports and promotes small and cooperative enterprises, particularly in rural areas. It does not finance enterprises, but does promote improved access to finance.

The agency's work supports the DTI's Integrated Small Enterprise Development Strategy, whose aims are to:

- strengthen support for SMMEs' access to finance
- create an enabling regulatory environment
- expand market opportunities for specific categories of small enterprises
- localize small business support through SEDA-coordinated information access points
- initiate a national entrepreneurship drive and expand education and training for small businesses
- co-finance business infrastructure facilities in line with the local economic development programmes in respective municipalities

SEDA operates in all nine provinces. Each province has a provincial office (except Gauteng, where the SEDA head office is situated), supported by a number of branches and Enterprise Information Centres. SEDA has 530 employees.

SEDA supports entrepreneurs in survivalist, micro, small and medium enterprises. The classes of enterprises are distinguished based on the number of employees, as well as their technical and business expertise. It focuses predominantly on small and micro enterprises and cooperatives (80%), while still supporting medium-sized businesses.

Support services are designed for businesses in the conceptualization phase, start-up phase, and expansion phase, and include such areas as: business registrations, training, mentoring, and business planning. SEDA also supports a number of business incubators in specialized fields such as information technology.

For the 2009/2010 fiscal year, SEDA aims to establish 90 new SMMEs and extend its support services by 200 SMMEs, 73% of which are black owned, and 24% of which are female owned.

Contact details:

Physical address (Head office)	Block G, second floor, the dti Campus 77 Meintjies Street, SUNNYSIDE, PRETORIA
Postal address	PO Box 56714, ARCADIA 0007
Contact telephone numbers	0860 103 703; 012 441 1000
Email address	info@seda.org.za
Website URL	www.seda.org.za

Business Partners Ltd

Originally established in 1980 as the Small Business Development Corporation (majority owned by government), Business Partners is a private organization providing venture funding, mentorship and other non-financial technical assistance to viable small and medium enterprises in South Africa; it does not, however, work at the microenterprise level.

Through its subsidiary, Business Partners International, its operations are extended to reach Kenya and Madagascar. Business Partners was privatized before 1994, and its present shareholders include Khula Enterprise Finance, Remgro, Sanlam, BHP Billiton, Absa, Nedbank, FirstRand, Old Mutual, Standard Bank, Anglo American, De Beers, and the Business Partners Employee Share Trust.

It supports entrepreneurs in a number of industries, with its investment exposure largely present in the manufacturing, travel and tourism, franchising and retailing, leisure, professional and personal services and marine fishing industries. It manages a number of specialist funds, including the Business Partners Empowerment Fund, the Business Partners Women's Fund and the Business Partners Youth Franchise Fund, and provides equity and debt financing to SMMEs. Furthermore, it manages a property portfolio, which is used to provide for entrepreneurs who require premises. Business Partners also provides technical assistance and business support, as well as mentorship and consulting services to its clients.

Business Partners operates from 25 offices across South Africa, and offers free initial consultations to prospective clients. It places a focus on female and previously disadvantaged entrepreneurs.

In 2006, it launched a start-up fund in partnership with Khula Enterprise Finance to fund new black entrepreneurs. The fund, called the Business Partners/Khula Start-Up Fund, was launched with a R120 million contribution from Khula and R30 million from Business Partners.

Commercial Banks

The entire big four banks offer some level of non-financial support to small enterprises.

Nedbank, for example, offers three value added services: 1) Free seminars in 18 locations, including townships and city centres, 2 to 3 times per year in each. A range of topics are covered by subject matter experts, including cash flow management, business startups, business registration, IR- HR, sales and marketing. According to Nedbank, these seminars have been popular, with up to 300 attendees per session, 2) Business Mentorship: turnaround or start up mentorships organized through business partners, and 3) Swift Reg: a service to register a company for a fee of R450. One requirement is that the business must have an accountant to produce monthly management accounts.

ABSA, which is the largest participant in the Khula Indemnity Scheme, has set up ten of its own Enterprise Development Centres: two in Gauteng and one in each of the other provinces. These centres provide business support to emerging entrepreneurs through access to markets, business advice, and other non-financial support.

PAPER 6 - CREDIT BUREAU SECTOR

A credit bureau is a company which maintains a database of credit related information and behaviour for natural persons (consumers) or legal entities (businesses). Credit bureaux compile information on individuals and business and include information on credit repayment records, court judgments, bankruptcies and fraud data. They supply these records for a fee to credit providers who register as members with a credit bureau, such as banks, retailers, and other entities.

The private credit bureau industry is divided into two categories: consumer credit bureaux and commercial credit bureaux. Commercial credit reporting relies less on reporting from lenders, and more on company information available both through public sources and direct investigations, as well as payment behaviour reported by suppliers. Historically, the consumer credit reporting model was applied to consumer reporting only but credit bureaux now include information on small-sized loans to firms.

Table I.6.1 gives a breakdown of registered credit bureaux in South Africa as of the end of March 2009. Eleven entities were fully registered out of twenty three who presented applications.

Table I.6.1: Number of Registered Credit Bureaux as of the end of March 2009

	Credit bureaux
Applications logged	23
Approved registration	12
Applications refused, withdrawn or voluntary cancelled	9
Fully registered	11

Source: NCR 2009 Annual Report

In South Africa, the consumer credit bureau sector is separated into primary and secondary credit bureaux. The primary credit bureaux, listed in the box below, have the right to receive and host the credit payments data from the two primary sources: the Credit Providers Association (CPA) and the National Loans Register (NLR). The secondary bureaux enter into agreements with the primary bureaux to access this data. All members of the CPA and NLR are required to submit data directly to all four primary credit bureau.

Box I.6.1 – Primary Credit Bureaux

TransUnion	Established 1901
Experian	Established 1995
CompuScan	Established 1994
XDS[4]	Established 2005

Consumer Credit Information

Credit information can either be positive, such as accounts that are up to date; or negative, such as judgments or adverse credit behaviour on defaulted credit accounts or late payments[5]. The National Credit Act regulates the type of information which may be kept on a consumer, as shown in Box I.6.2.

[4] XDS does not keep NLR data; CPA only.

Box I.6.2 – NCA Section 70 (1) – Definition of Consumer Credit Information

a) a person's credit history, including applications for credit, credit agreement to which the person is or has been a party, pattern of payment or default under any such credit agreements, debt re-arrangement in terms of this Act, incidence of enforcement actions with respect to any such credit agreement, the circumstances of termination of any such credit agreement, and related matters;

b) a person's financial history, including the person's past and current income, assets and debts, and other matters within the scope of that person's financial means, prospects and obligations, as defined in section 78(3), and related matters;

c) a person's education, employment, career, professional or business history, including the circumstances of termination of any employment, career, professional or business relationship, and related matters; or

d) a person's identity, including the person's name, date of birth, identity number, marital status and family relationships, past and current addresses and other contact details, and related matters.

Benefits provided by Credit Bureaus

- Decrease information asymmetries between borrowers and lenders
- Allow lenders to more accurately evaluate risks and improve portfolio quality
- Lower the cost of credit for a good borrower
- Increase credit volume/ improves access to credit
- Enable lending without collateral – credit report is borrower's collateral
- Strengthen borrower discipline and reduce moral hazard, since a late or non-payment with one institution can result in sanctions by many others
- Supports introduction of credit scoring and automated underwriting, lowers lender operational costs and improves profitability

The Credit Providers Association (CPA)

The CPA is a non profit user group consisting of 80 full credit provider members. This membership includes South Africa's four major banks and most of the major retailers, telecommunications companies, and smaller banks.

The CPA allows for consumer credit data to be shared between all members of the association. CPA members submit 208 data files containing 31.5 million records on a monthly basis. Once combined with NLR data (discussed below), this covers almost the entire credit granting industry.

The association requires that all members report on borrowing and repayment data of clients to all four primary Credit Bureaux. The principle of reciprocity is applied. If a member refuses to supply data, they are then prohibited from accessing the data to assist with credit decisions. If they do not access this data, however, they could be deemed to be issuing reckless loans.

[5] http://www.wizardmidrand.com/home-loans/nca/credit-bureau.html (accessed 07/07/09)

The CPA is responsible for the quality of the data on the CPA database. It institutes rules for the submission of data by the Credit Bureaux and ensures that legislation such as the credit act is adhered to when members submit data to the bureaux and that the retention period and consumer protection policies are enforced.

The National Loans Register (NLR)

The NLR was launched by the Micro Finance Regulatory Council (MFRC) in 2000. The register is a database which consists primarily of microloans as defined under the former Usury Act Exemption Notice which included loans up to R 10 000 and with terms of up to 36 months. Under the Notice, there was an obligation for all MFRC registered microlenders to submit loans to the NLR.

The MFRC reached a reciprocal data sharing agreement with the CPA, which allowed the NLR members access to CPA information also if they were in good standing with the regulator and submitted loan data on a regular basis as per the requirements. With the advent of the NCA, the obligation to submit data fell away. Many credit providers, however, continue to submit data on a voluntary basis.

The National Register of Credit Agreements

Within 12 months, the National Credit Regulator hopes to launch a National Credit Register of all outstanding credit commitments per consumer and legal entity. At the moment, pockets of loans are missing from the CPA and NLR data, such as loans fully secured by pensions or private banking loans; the register will capture these. The register will be a “different beast” from the CPA and NLR data; it will not have dynamic reporting on payments but will simply reflect the total credit commitments per entity.

Credit Standing of Consumers

Table I.6.2 below demonstrates that the percentage of consumers in good standing has been falling steadily since June 2007. Of the total 17.79 million credit-active consumers as at the end of June 2009, just 56% were in good standing.

The number of consumers with an impaired record at the end of June 2009 stood at 7.46 million, an 18% increase from June 2007.

Table I.6.2: Credit Standing of Consumers

	June '07	June '08	June '09	% change 24 months
Credit active consumers	16.78m	17.17m	17.79m	5.7%
Good standing	10.67m	10.38m	10.15m	-5.1%
Good standing %	63.60%	60.40%	55.90%	
Current[6]	47.50%	44.90%	41.70%	-14.0%
1-2 months in Arrears	16.10%	15.50%	14.20%	-13.3%
Impaired Records[7]	6.11m	6.79m	7.46m	18.1%
Impaired Records %	36.40%	39.60%	41.60%	
3+ months in Arrears	12.80%	15.30%	15.10%	23.8%
Adverse listing[8]	11.80%	13.10%	13.80%	16.9%
Judgments and Administration	11.80%	11.20%	12.90%	8.5%
Total	100%	100%	100%	

Source: NCR Credit Bureaux Report

Credit Bureaux Enquiries

There are various reasons for looking up consumer information on credit bureaux. It is most often used for the purpose of granting credit, but can also be used to trace individuals, verify an address or assess a person who is being considered for employment in a position that entails the handling of cash or finances. The table below shows the number of enquiries by quarter from June 2008 to June 2009. The only significant change is for enquiries due to tracing or debt collection which more than doubled for the quarter ending June 2009.

Table 1.6.3: Number of Enquiries by Quarter

	June 2008	September 2008	December 2008	March 2009	June 2009
Enquiries due to consumers seeking credit	8.90m	8.56m	8.99m	7.74m	8.07m
Enquiries related to telecommunication services	0.60m	0.61m	0.73m	0.58m	0.69m
Enquiries due to tracing / debt collection purposes	11.27m	11.70m	11.15m	9.39m	23.19m
All other enquiries	81.77m	92.79m	80.66m	80.68m	89.51m
Total	102.54m	113.67m	101.53m	98.39m	121.46m

Source: NCR Credit Bureaux Report

The table below gives a sectoral outlook for credit inquiries, demonstrating a sizeable drop in retailer enquiries and a significant rise in enquiries for telecommunication providers and debt collection agencies.

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[6] A consumer is up-to-date with payments and has not missed any instalment over the period of the credit agreement.
[7] A record on which any of the accounts are either classified as three or more payments in arrears, or has an "adverse listing", or that reflects a judgment or administration order(opposite of "good standing")
[8] Accounts with adverse classifications such as 'slow-paying', 'absconded', 'default', 'handed over' and/or 'write-off'.

Table I.6.4: Enquiries by Sector

	June 2008	September 2008	December 2008	March 2009	June 2009
Banks and other financial institutions	44.60m	42.86m	40.82m	41.36m	47.81m
Retailers	28.38m	40.98m	29.83m	22.39m	17.21m
Telecommunication providers	10.71m	10.56m	12.30m	14.13m	28.75m
Debt collection agencies	5.68m	5.67m	5.59m	4.77m	15.93m
All other entities	13.18m	13.60m	12.99m	15.74m	11.76m
Total	102.54m	113.67m	101.53m	98.39m	121.46m

The table below shows the number of credit reports issued to consumers, reflecting a strong interest by consumers to understand and manage their credit ratings.

Table 1.6.5: Credit Reports Issued to Consumers

	June 2008	September 2008	December 2008	March 2009	June 2009
Credit reports issued without charge	33,868	38,068	33,827	30,652	33,662
Credit reports issued with charge	2,989	2,072	3,528	2,889	5,288
Total Number of Credit Reports Issued	41,057	48,531	37,355	33,541	38,950

Profile of Credit Bureaux Serving the Micro Market

The credit bureaux which are most active in providing data on the micro market include three of the primary credit bureaux: TransUnion, Experian, and CompuScan, as well as the Micro Lenders Credit Bureau (MLCB). Short profiles on these organizations are included below:

TransUnion

TransUnion is a private, foreign-owned consumer and commercial credit bureau, reporting over 18 million credit-active consumer profiles and two million company profiles in Southern Africa. TransUnion is the largest credit bureau in the country. The company's history goes back to 1901, when RG Dun & Company resumed operations in South Africa. In 1986, the company was renamed Information Trust Corporation (ITC), and thereafter extended operations to Namibia and Botswana. In 1993, TransUnion purchased a majority stake in the company, renaming it TransUnion ITC in 2002 and TransUnion in 2006 after a number of domestic and regional acquisitions.

In South Africa, TransUnion is headquartered in Illovo, Johannesburg, with divisional offices in Cape Town and Pretoria. The South African operations are closely linked to those in Namibia, Swaziland and Botswana. Globally, TransUnion is active in over 30 countries.

TransUnion provides a wide variety of services for businesses and individuals. In addition to credit information, TransUnion offers credit and decisioning model development services, auto information services, cheque guarantee services, and debtor management services. Individuals are also offered access to their personal credit report.

Key individuals:

Edward Khoury	Group C.E.O.
Ian Logon	Marketing Executive

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Website URL	www.transunion.co.za

Experian

Experian is a private, foreign-owned credit bureau. It is one of the two major credit bureaux in South Africa, along with TransUnion. It recently acquired KreditInform, a large commercial credit bureau reporting more than two million company profiles.

Experian SA has headquarters in Johannesburg and offices in Cape Town.

Key individuals:

Kim Jenkins	Managing Director
Andrew Haynes	Senior Executive: Sales & Business Development

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Website URL	www.experian.co.za

CompuScan

CompuScan is a private credit bureau established in 1994, providing credit information and risk management services, as well as training on these. It originally provided services only to the microfinance sector, as an agent of Experian, but evolved into a primary credit bureau in 2008 serving all markets.

CompuScan's vision is to be the leading provider of credit management solutions in emerging markets. Their mission is to serve the credit industry in developing markets with relevant and reliable credit management solutions to assist businesses in making better business decisions, to minimize risk and maximize profits, at the same time protecting the consumer against over-indebtedness and reckless borrowing.

CompuScan currently serves the majority of microlenders in South Africa, including informal lenders.

Credit bureau services are delivered through the CreditCheck system, which can be accessed online. The information contained includes account and credit histories obtained from the CompuScan micro loan database, as well as from the Credit Providers Association and the National Loans Register. The information also includes a register of previous enquiries, borrower identification information, public information, a record of defaults and collections, as well as fraudulent behavior.

In addition to credit bureau services, CompuScan assists in the development of credit bureau systems and databases, credit application systems (Xcellerator), decisioning applications (Codix), loan management systems (ProLoan) and biometric identification systems (Biometrix). CompuScan also offers a credit scoring consulting service, as well as a training academy.

Key individuals:

Remo Lenisa	Managing Director
Frank Lenisa	Marketing Director
Jaco Alberts	IT Director

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Website URL	www.CompuScan.co.za

Micro Lenders Credit Bureau

The Micro Lenders Credit Bureau (MLCB) is a small bureau focused on obtaining and sharing credit information regarding borrowers among its microlender members. It was formed by the Micro Lenders Association of South Africa in 1997. MLCB offers credit information at a cheaper rate than its larger counterparts; this information is accessible to clients via telephone.

The MLCB offers: online consumer credit reports; consumer tracing; offline queries; commercial reports; criminal reports; qualification verification; deed information; default listings; registrations and enquiries to the National Loans Register, and; final notices to list and collect.

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PAPER 7: BANKING SYSTEMS; IT COMPANY DEVELOPMENTS[9]

There are five IT companies operating in South Africa which have identified the micro sector as a strategic focus: Integrated Product Intelligence, the Xpertek Group, CompuScan Proloan Group, SAP, and Fern Software. A sixth company, the Neptune Group, has operations throughout Africa and has recently opened an office in Johannesburg.

Microloans Administrative System, IPI (Integrated Product Intelligence)

Integrated Product Intelligence (IPI) is a Close Corporation registered since 1995. IPI was born of the development experience that its members gained from working at the CSIR division, Micomtek, which specialises in micro-electronics and information technologies. IPI has established a solid client base in database design, software development and programming services.

Located in Pretoria East, IPI has made inroads into the micro-finance industry by developing the Microloans Administrative System (MLAS), a software program specific to retail financial intermediaries in the development sector.

MLAS is a dynamic and technologically advanced management information system that enables the micro-lender to disburse and manage loans to clients efficiently. It is fully integrated with the Pastel Evolution Accounting System. All transactional activity in MLAS is posted automatically in the general ledger and accounts receivable/ payables in the accounting system. The system supports term loans to both individuals and solidarity groups.

Some of the clients using the MLAS system are: Tiisha Finance Enterprise, Beehive EDC -Entrepreneurial Development Center, Tetla Financial Solutions, Identity Development Fund, Standard Bank Community Investment Fund, YEBO Co-operative Ltd., Marang Financial Services, Indlu – Beehive, Sacco Lydenburg, Women's Development Banking, Youth Development Agency, Akanani and Bittersweet Trade and Investment.

IPI develops related software and systems. One example is Loanassist, which allows users to share client information between lenders in a controlled manner. This is aimed at preventing clients from moving from one lender to another and obtaining multiple loans. IPI also develops web based applications and solutions including mobile automation using GSM networks assisting in loan initiation and collections.

Key individuals:

Mark Carson	Managing Member
Anthea Carson	C.C. Member/ Developer

[9] In future releases of this Review we will also include the Financial Cooperative sector system, CUBIS.

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Acquire and Reward, the XPERTEK Group

Xpertek is a private company, with the majority of equity owned by staff and management. Xpertek was formed in 2003 after a management buyout from a listed IT company. Xpertek owns the intellectual property (IP) for all of their products which is then licensed to clients. Xpertek's vision is as follows:

To be a leader in the loan finance and payments markets by providing quality solutions that meet the needs of our clients and their customers. To create a positive partnership with our clients that endorses our commitment to the success of their business.

Xpertek has clients in 18 countries but they develop, sell, implement and support all of their products from their Johannesburg office. Client locations are as follows: South Africa, Lesotho, Botswana, Swaziland, Mozambique, Zimbabwe, Mauritius, Seychelles, Tanzania, Zambia, Kenya, Nigeria, Cameroon, Bahamas, Barbados, Jamaica, Ethiopia, and Uganda.

Xpertek's loan finance product is a web-based, end-to-end solution which handles the processing of any type of loan from application right through to final repayment. The solution addresses the business issues that lenders face such as paper-intensive processes, slow deal turnaround times, unnecessary credit risk and non-compliance with legislation. The loan finance solution consists of two products: Acquire and Reward.

Acquire is the back-office component of the solution, which facilitates the accurate recording of all the financial information relating to a loan finance business and allows for management of exposures by customer, sector of industry, region etc.

Reward is Xpertek's business process solution, which integrates to Acquire and provides a workflow-driven solution. It manages the activities of users and enforces the correct processes and procedures as defined by the business.

Some of Xpertek's clients include: ABSA Bank, Barclays, Axial, Stratfin, CentraFin, CMS Group, Co-operative Bank of Kenya, First Carribean, ITEC, Mafori Finance, Merchant West, WIZZIT, Standard Chartered and Stanbic Bank.

Key individuals:

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Proloan, CompuScan

Proloan is a software application used by credit providers to manage and control their loan products. It was created in 1997 to respond to the lack of administration programs in the micro lending industry. In 2004, Proloan was taken over by CompuScan, a leading credit bureau and credit management solutions provider in South Africa. Proloan offers credit providers a fast and easy way to manage their entire loan cycle by providing them with a complete loan servicing, management, tracking and collection software platform. Integrated into Proloan are numerous value adding functionalities such as interfaces to access credit bureau information, payment/collection systems, credit life insurance and management reports. It utilises biometric identification applications to identity and verify customers and employees, thereby preventing fraudulent behaviour and identity theft within a business.

Key individuals:

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SAP South Africa (Pty) Ltd

Systems Applications and Products, (SAP) International was founded in 1972 with the vision of providing products and services that help accelerate business innovation for the company's customers. The company now employs more than 47 804 people world wide. The Regional Office in Woodmead, Gauteng, employs 380 full time staff as at end of 2008 of which 37% are black employee managers.

The vision of SAP is to develop standard application software for real-time business processing. Its objective is to offer the industry's most comprehensive portfolio of business performance and optimization solutions for companies of all sizes.

SAP Africa partners with over 200 customers, including many of Africa's prominent enterprises, who effectively run their operations on the SAP software, using best business practices from around the globe.

There are branches in the Western Cape, KwaZulu Natal and Pretoria. The Western Cape branch is at the Waterford Place, Century City Cape Town and in KWA-ZULU NATAL the branch is at Armstrong Avenue La Lucia, Durban. SAP has a Research Group, which is located at Haymeadow Street, Faerie Glen Pretoria.

IT Business and Financial Solutions

1. SAP Business One: Designed specifically for small businesses, the SAP Business One application integrates business financials, sales, customer relationships, e-commerce, inventory, and operations.

2. SAP Business By Design™: The SAP Business By Design™ solution is business management software delivered on demand and fully managed, monitored, and maintained by SAP experts in world class hosted data centers. This means that clients don't have to invest time and money in any additional IT resources to build or support it. This product is the best fit for companies that want the benefits of a large-scale business management solution without a large IT infrastructure.

3. SAP Business All-in-One: The SAP Business All-in-One solution is comprehensive and flexible business management software with support for industry-specific best practices built in. It helps clients manage everything from financials, human resources, inventory, manufacturing, logistics, and product development to customer service, sales, and marketing in one configurable solution. Available from SAP and over 1,100 SAP partners in over 50 countries, SAP Business All-in-One solutions can be readily configured to meet the business requirements of midsize companies in any industry.

Business Intelligence Solutions:

4. SAP Business Objects Edge BI Software: SAP Business Objects Edge BI software comprises comprehensive, versatile BI applications that provide unparalleled insight to manage any business.

5. SAP Business Objects Edge Planning and Consolidation: The SAP Business Objects Edge Planning and Consolidation application is designed to meet all budgeting, planning, consolidation, and reporting requirements. It supports the full array of top-down and bottom-up financial and operational planning needs.

6. SAP Business Objects Edge Strategy Management: The SAP Business Objects Edge Strategy Management application provides the score carding functionality that can help improve execution against strategic goals by tying metrics to initiatives, plans, and operational activities, so businesses can explicitly communicate accountability throughout their structure.

SAP's customers in South Africa and the rest of the continent include a range of mining houses, manufacturers, parastatal companies, banks and insurers, retailers, and telecom operators as well as government agencies. In South Africa, Marang Financial Services is currently installing SAP.

Key individuals:

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Fern Software, Belfast, Ireland

Fern Software has been developing and implementing financial software since 1979. Fern originally started with credit unions in Ireland and the UK, and has since expanded into a variety of institutions and numerous applications in various countries, complying with all respective regulatory requirements.

Today Fern products can be found across the globe in Banks, Development Banks, Credit Unions, Microfinance Institutions, SACCOs, and Social Housing Finance organizations. Fern works with over 300 clients in over 40 different countries and has established offices in Australia, Dubai, Fiji, Panama, Philippines, South Africa and the UK.

Fern's overall strategy is to develop the best generic world standard banking systems for MFIs, SACCOs, Credit Unions and other community credit organisations. All development is completed in-house and most services are provided directly. Fern also has a number of carefully selected independent consultants and systems houses with whom it partners for certain services.

By sticking strictly to the philosophy of a world standard system, Fern has virtually achieved the impossible – a single "*OneWorld" range of products and services* to suit the widest variety of community banking organisations.

A significant step in achieving this was the first implementation of *Abacus OneWorld* software in 2004. This was the culmination of six years of research and development of a new *"best of breed"* system that would deliver the strategic advantage of new technology to SACCOs without compromising their objectives of delivering low cost credit to their clients.

The simple decision to adopt Microsoft Windows and .NET as the platform of choice facilitated the recruitment of developers. It also made it easier to hire local contractors in every country to assist with implementation and training – on a variable cost basis. This keeps Fern's overheads lower and consequently lowers the cost to clients.

Fern has alliances with the following global microfinance stakeholders and regional microfinance and SACCO groupings:

- Accion International, www.accion.org
- Blue Orchard, Switzerland, www.blueorchard.com
- CGAP, USA, www.cgap.org
- Clann Credo, Ireland, www.clanncredo.ie
- Doen Foundation, Netherlands, www.doen.nl
- Fiji Savings & Credit Union League (FSCUL), Fiji fcul@connect.com.fj
- Irish Aid, Ireland, www.irishaid.gov.ie
- Microfinance Pasifika, www.microfinance-pasifika.org
- Savings and Credit Coops Organisation Ltd (SACCOL). South Africa, www.saccol.org.za
- South African Microfinance Apex Fund (SAMAF), South Africa www.samaf.org.za
- Triple Jump, Netherlands www.triplejump.eu

Fern's product range of easy to use world standard systems includes:

- Abacus OneWorld – A comprehensive integrated front and back-office system - multi-lingual, multi-currency and optional modules. Based on Microsoft SQL and .NET, Abacus OneWorld integrates all data processing, financial management and client services into one efficient microfinance management information system. Abacus OneWorld is the most advanced system available and will handle: savings, loans, management information (reporting), administration, marketing, consolidation, accounting and client relations. Design your own savings and loan products, email any report to clients or to management, output to mobile phone, full financial reports. Released in 2004, Abacus was introduced both in Europe to credit unions and microfinance institutions in Africa. The "One World" concept stems from the ability of Abacus to offer additional modules, including: Internet Banking; Mobile Banking; SMS reports and mini-statements; ATM connectivity; and a range of other services

- Focus SQL - powerful, flexible and robust MFI application delivering all the power of the internationally acclaimed MS SQL 2008 at a budget price. Focus SQL is the latest product in Ferns suite of financial software packages. It has been developed in response to the Microfinance and SACCO markets particularly for medium to large sized institutions that require scale and security. Focus has been developed on the successful performance and architecture of M2 offering the same feature with new additions and the core database is SQL. Additional Modules available include ATM; Switch; Bridge; Document Scanning; and Seamless upgrade to Abacus

- M2 (Microfinance Manager) - well proven MFI software running in 100s of sites, M2 is an integrated package for small to mid-sized institutions. M2 perfects a balance of functionality, flexibility, ease-of-use and affordability. It is entirely parameter-driven for localisation and translation. Features the easiest-to-use "client-centric" interface. Its product name created its market name; Microfinance Manager to M2 and its popularity is due to its ease of use and value for money.

- Credit Unions Banking Information System (CUBIS) - suitable for Credit Unions, SACCOs and other savings and loans cooperatives; Cubis was originally developed in 1979. It has been the corner stone for the development of Abacus but continues to be effective and a priority choice for many of Ferns clients. Cubis 8 includes shares and loans processing and delinquency management as well as powerful, quick and easy reporting. It also includes general ledger, bank reconciliation and direct debits. Ideal for credit unions ready to move beyond a basic solution, Cubis 8 helps institutions to get up and running quickly.

- iLoan - peer-to-peer lending model via the Internet, integrated with Abacus back-office transaction processing.

- Software Development and Maintenance - Fern delivers the complete range of services for software development, maintenance and support services.

Fern Software products have been reviewed and accredited by CGAP and are built in accordance with International Accounting and Regulatory Standards. Abacus again received the highest score in the recent 2009 evaluation, see: http://www.cgap.org/p/site/c/template.rc/1.11.103251/ . This covers Functionality, Ease of Use, Management Reporting, Implementation, Support, Training and Technical Capabilities.

In South Africa Fern installed its Cubis software in all the SACCOs in South Africa and also in Swaziland. Fern implemented Abacus OneWorld in the Kuyasa Fund, Cape Town with the least disruption to their busy schedule and to integrate their Automated Field Operation System (AFOS).

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The Neptune Group

The Neptune Software Group was founded in 1999. It is headquartered in the United Kingdom with subsidiaries in India, South Africa, Kenya and Nigeria. The UK office is primarily responsible for production direction and quality assurance, with actual development spread across infrastructure in the UK, India and Nigeria.

Their core business is the provision of banking software solutions to the financial services industry. The client base includes commercial banks, microfinance institutions, cooperatives, mortgage lenders and development finance institutions. These range from small single branch institutions to large institutions with 100+ branches.

Neptune's Mission is*: To deliver client success through innovation. Harness our deep business domain knowledge and technical expertise to provide end-to-end integration of technology with business processes. Bring trust and personal responsibility to all relationships.*

Values: *Empowering clients with sustainable competitive advantage by providing innovative business software solutions and excellent services within a cost effective bottom line.*

Neptune has a representative office in Sandton, Johannesburg. The do not yet have any clients in South Africa but several in Africa including Malawi, Zambia, Mozambique and Zimbabwe

Product suite: Rubikon and Orbit-R, state-of-the-art 24/7 systems built on J2EE, SOA architecture with integrated CRM, workflow, rules engine and document management and support for Retail, Treasury, Trade Finance, Internet Banking, ATM/POS and mobile banking. Orbit-R has MFI-specific features such as group lending.

Key individuals:

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PAPER 8: MFI TRAINING INSTITUTIONS / PROVIDERS

Three training institutions in South Africa are particularly active in the microfinance sector. Cornerstone Performance Solutions and CompuScan Academy each provide a variety of courses relevant to low income salary-based lending. The Centre for Microfinance at the University of Pretoria specializes in courses relevant to lending to microenterprises as well as general management in microfinance.

Six training institutions outside of South Africa provide quality microfinance training which is relevant for African based microfinance providers and policy-makers: the Applied Microfinance Institute in Ghana; the Boulder Institute of Microfinance in Turin, Italy; the School of Applied Microfinance in Kenya; the Microenterprise and Development Institute (MDI) of New Hampshire; the Frankfurt School of Applied Microfinance; and the Harvard Business School – ACCION leadership programme in microfinance.

Cornerstone Performance Solutions (CPS):

Established in 2002, Cornerstone Performance Solutions works in partnership with the DaVinci Institute and is accredited by BankSeta, Institute of Credit Management, Umalusi, and recognised by the Financial Services Board. The DaVinci Institute, through their South African and international partners, offer a spectrum of management and leadership programmes to create a cadre of managerial leaders who have the competence to lead their organisation. Cornerstone delivers professional development in the form of short courses, learning programmes, learnerships, qualifications, and skills assessment.

Some of the courses offered by CPS include learnerships in banking and credit and courses in FAIS (Financial Advisory and Intermediary Services). Short courses in consumer education, marketing of small businesses, fraud risk management and financial management for non-financial managers are also provided. They also offer courses in Vector performance coaching.

Key individuals:

Dr Derek Shirley	Managing Director
Karen Blore	Director

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CompuScan Academy:

CompuScan Academy, a subsidiary of CompuScan Holdings and formerly known as the Credit Skills Training Institute (CSTI), is a skills development and training provider that delivers accredited, generic or customised training services to the microfinance, credit and corporate industry of South Africa. CompuScan Academy aims to provide training for financial institutions in need of skills development interventions to make them competitive and profitable. They offer a wide variety of training programme topics which can be customised to industry and customers' training needs. Having trained thousands of learners countrywide since their establishment in 2004, CompuScan Academy strives to become a leading training provider in emerging financial markets.

Skills Programmes and Short Courses offered by the Academy include:

Navigate your way through the NCA	The Legal Framework for Consumer Credit Management
An Introduction to Credit Management	Applying Credit Assessment Practices and Methodologies
Credit Control and Collections	Fraud Prevention and Monitoring
Debt Counsellor Training	The Impact of Debt Counselling on Credit Providers
Marketing for Credit Providers	The Authenticated Early Debit Order System (AEDOS)
Financial skills for Micro-Credit Providers	Effective Debt Collection under the NCA

Key individuals:

Frank Lenisa	Director
Cindee Groenewald	General Manager

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Centre for Microfinance (CMF), University of Pretoria:

The Centre was established in 2004 and is a member of the Microfinance Management Institute's (MFMI) global community, which includes 65 training and academic institutions from over 29 countries in Africa, Asia, Latin America, the Middle East and Europe. The CMF receives support from the South African Banking Sector Education and Training Authority (BankSeta) and is a Centre of Excellence of this institution. It aims to improve capacity in microfinance institutions.

Located in the Faculty of Economic and Management Sciences at the University of Pretoria, the Centre's mission is to build management capacity in microfinance and general microfinance knowledge among financial institutions, donors, government, and other stakeholders, thereby enhancing access to financial services for low income clients.

The Centre is active in Research and Dissemination as well as Education. In addition to microfinance electives offered as part of the MBA and economics degree programmes, two Certificate Courses are offered as continuing education options:

Certificate Programme in Microfinance Management (CPMM): This course is targeted at middle and senior level managers of any institution offering financial services to the low income markets, including commercial banks, consumer lenders, microfinance institutions, and larger cooperative financial institutions. It is also relevant for consultants and staff of policy making entities such as donors or government departments. The aim of this programme is to provide participants with a thorough understanding of best practices, management techniques, and critical analysis in microfinance. This course will provide the participant with a firm theoretical foundation to succeed in any senior role in the microfinance sector.

Certificate in Individual Microenterprise Lending (CIML), This course is targeted at loan officers and supervisors of financial institutions who extend individual loans to micro-enterprises, including commercial banks, consumer lenders, microfinance institutions, and cooperative financial institutions. The aim of this programme is to provide participants with a thorough understanding of best practices in client assessment and relationship management for individual microenterprise lending. A secondary objective is to give the participant a comprehensive understanding of the environment within which they work, including the legal framework, the role of credit bureaux, and the role of the NCA and NCR.

Key Individuals:

Prof. Gerhard Coetzee	Director
Barbara Calvin	Head of Education

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The Applied Microfinance Institute – Africa (AMI), Ghana:

Launched in 2009 and offered on an annual basis, the AMI training programme supports microfinance managers and consultants in developing the practical skills necessary to improve and expand the microfinance services that their institutions offer. Four courses are offered over two weeks, which has morning and afternoon sessions. AMI is for middle and senior-level managers of microfinance institutions and consultants/trainers. The training is designed to be high-pressure and to allow participants to return home equipped with new, practical knowledge and tools to apply in their institutions. The Applied Microfinance

Institute has been designed to meet the demand for field oriented practical training, with courses based largely on the well researched and tested toolkits from *MicroSave*.

Some of the courses offered at AMI include: risk management, optimising efficiency, product development, basic microfinance, offering savings services, customer responsive microfinance and market responsive microfinance.

Key Individuals:

David Cracknell	Programme Director for Africa, MicroSave

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Email address	amiafrica@microsave.org
Website URL	www.appliedmicrofinanceinstitute.org

BOULDER Institute of Microfinance:

The Boulder Institute of Microfinance is a non-profit organization founded to cultivate a platform for dialogue and critical thinking in microfinance. The sponsors of Boulder Microfinance Institute include the MasterCard Foundation and Agence Francaise de Development.

Upon its inception in 1995, the Boulder Microfinance Training grew rapidly in three years from 20 participants in 1995 to 200 students in 1997. Over the course of fourteen years, the Boulder MFT has graduated over 2,500 professionals from 131 countries. The Boulder Institute was established in 2004. The institute offers program participants an opportunity to confront the sector's most pressing issues and learn the latest techniques alongside leading academics and practitioners from around the world.

Courses offered: The Boulder MFT program takes place in Turin, Italy, and lasts for three (3) full weeks, divided into three 1- week sessions. Some of the courses offered include New Paradigms in Microfinance, Agricultural Microfinance, Branchless Banking & Technology, Commercial Microfinance, Financial Analysis of Microfinance Institutions, Sustainability of MFIs and many more.

Key Individuals:

Richard Meyer	Lecturer
Robert Peck Christen	Lecturer
Marguerite Robinson	Lecturer

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School of Applied Microfinance (SAM):

Located in Kenya, the School of Applied Microfinance has been conducting microfinance training in Africa, since 2005. SAM is a training of Front Fin Media, a business media company that works with professionals in Micro & SME finance, in frontier markets, to become high performers. They deliver knowledge, skills, insights and ideas through training, conferences, networking events and consulting. They work with MSME finance professionals and their institutions to increase financial access in frontier markets.

Courses offered: There are a total of 14 courses available and each participant can do 4 courses during a two-week period - 1 course in the mornings and another course in the afternoons for week 1 and likewise for week 2. Some of the courses offered include; Reporting, Financial Analysis & Monitoring of MFIs, Individual Lending, Strategic Marketing, Managing Change & Growth for Organizational Leaders, Product Costing, Loan Portfolio Audit Toolkit, Corporate Branding & Identity, Delinquency Management and Risk Management. The courses are offered once a year.

Key individuals:

Chris Malwade	Lecturer

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Microenterprise and Development Institute – New Hampshire (MDI-NH):

Microenterprise and Development Institute (MDI) – New Hampshire is located in the United States. Founded in 1999, MDI is dedicated to building financial as well as social capital through practitioner skill building. Participants in the MDI get an opportunity to learn from some of the top practitioners in the field and network with peers from all over the world.

Over the past nine years, MDI has presented a course annually in New Hampshire. In collaboration with the Thembani International Guarantee Fund, they have also presented a course annually in South Africa over the past three years. In total, they have trained more than 800 practitioners from approximately 100 countries and 500 INGO's, NGO's, MFI's, Universities, Banks and other organizations.

Courses offered: Pro-Poor Enterprise Development – Principles and Practices, Current Issues in Microfinance and Micro-enterprise Development, MFIs Financial Management, Monitoring and Evaluation, Nuts and Bolts of MF – Risks, Plans, Management, and Monitoring, Cooperative Development and Microfinance and Enterprise Development in Emergency Environments.

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Frankfurt School of Applied Microfinance, Germany:

The Frankfurt School of Applied Microfinance is located in Frankfurt, Germany and operates under the Faculty of Finance and Management. The Micro Banking Summer Academy is interactive and hands-on and has been operating for almost 10 years on an annual basis in August.

Key individuals:

Kathrin Haerdle	Project Manager
Hannah Wuttke	Project Coordinator

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Harvard Business School – ACCION program on strategic leadership:

The HBS – ACCION program on strategic leadership for Microfinance is located in Boston, USA. The course provides an opportunity for participants to learn through a proven case-study approach. The course is designed for CEOs and senior executives working at microfinance institutions or commercial banks. The program is for six days for those new to the field and for five days for experienced microfinance practitioners.

Courses offered: A brief description of the Microfinance Industry, Focus on operations of Leading Microfinance Industries, Fundamental challenges faced by MFIs, Reaching new business segments and Evolving products and delivery channels in microfinance.

Key individuals:

Kasturi Rangan	Chair of Marketing department at HBS (lecturer)
Michael Chu	Microfinance Specialist (lecturer)

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PAPER 9: WHOLESALE DFIS & ACCESS TO CAPITAL

Access to on-lending capital is crucial for a financial intermediary. Institutions working in developmental microfinance which are not yet realizing a profit do not generally have access to commercial funding, such as loans from commercial banks, unless these loans are guaranteed by a donor or government entity.

The donor agencies which have been most active in the microfinance field over the past ten years[10] are no longer providing the large multi-year capacity building grants which helped to build the Small Enterprise Foundation and Marang Financial Services during the 1990s into the organizations they are today.

Government has recognized, therefore, that there is a valid role for it to play in filling the gap in the provision of on-lending funds and associated capacity building grants. Five agencies, in particular, have been established to carry out this function for the microfinance sector:

1. The National Housing Finance Corporation established as a corporation by the National Department of Housing in 1996 to offer housing finance, project facilitation, and technical assistance to private and public entities, to ensure availability of housing stock and housing finance for the low to moderate income households.

2. The Rural Housing Loan Fund was established by the National Department of Housing in 1996 as a Section 21 company to assist with financial sector development and housing provision for the working poor in rural areas.

3. Khula Enterprise Finance was established by the Department of Trade and Industry in 1996 to support retail financial intermediaries who were on-lending to either the microenterprise sector or small and medium business sectors. When the South African Microfinance Apex Fund (SAMAF) was created in 2006, Khula refocused its energies on the small and medium business market while samaf assumed responsibility for the developmental micro market.

4. The South African Microfinance Apex Fund (SAMAF) was established in 2006 to support microfinance institutions and financial service cooperatives with both on-lending capital and capacity building.

5. MAFISA was established by the Department of Agriculture to support financial service provision to facilitate the development of micro and small agribusinesses and to enable entrepreneurs to develop into larger businesses.

In addition to the above, both the Industrial Development Corporation (IDC) and the Umsobomvu Youth Fund have provided wholesale support to microfinance institutions. These activities are secondary to their main objectives, however, so these two organizations are not covered in this section.

Various privately funded donor organizations and guarantee funds are operating in South Africa. Unfortunately it is beyond our scope and resources to include these in this first issue of the environmental scan.

[10] Such as the United States Agency for International Development (USAID), the U.K. Department for International Development and Cooperation (DFID), and the Swedish International Development Agency (SIDA)

National Housing Finance Corporation (NHFC)

The NHFC is a state owned development finance institution, established by the National Department of Housing in 1996 to offer housing finance, project facilitation, technical assistance and retail service finance to private and public entities. The aim of the institution is to ensure availability of housing stock and housing finance for the low to moderate income households.

Vision: The NHFC is the leader in the development of the low to middle income housing market.

Mission statement: Provide innovative and affordable housing finance solutions to the low to middle income housing market.

These households are defined as those with regular monthly incomes of between R1 500 and R7 500. This market sector is able to contribute towards its housing costs, but finds it hard to access bank-funded housing finance.

Objectives:

- Make housing finance accessible and affordable for the low to middle income households
- Help households to meet their housing finance needs
- Extend the reach through the provision of innovative housing finance products
- Support BNG (Breaking New Ground) Strategy by facilitating the development of sustainable human settlements
- Significantly expand the housing supply and tenure options
- Promote integrated/ inclusionary housing development
- Help in the eradication of informal settlement
- Facilitate the development of a viable and sustainable low to middle income housing finance market
- Implement risk-enhancement mechanisms; and
- Advocate the promotion of an enabling environment in the low to middle income housing market.

NHFC operates from one office in Houghton, Gauteng, but serves all provinces.

NHFC provides the following forms of funding:

1) Commercial lending through intermediaries for households with an income between R1 500 and R15 000. The micro lending component provides loans in amounts from R1 000 to R10 000.
2) Commercial lending through intermediaries to private and public landlords and housing developers, including municipal entities established to fulfil their housing mandate, which provide rental and bonded housing options to end-users. A maximum of 90% of the costs of a housing project is extended; the client is required to provide equity for the balance.
3) Funding of Social Housing Institutions, which provide rental, rent-to-buy and instalment sale housing options to end-users.

4) Retail lending through development of a mortgage bond option for people with household incomes between R1 500 and R15 000. This lending is delivered through various channels including originators, employers and a call centre.

Key individuals:

Mr Samson Moraba	Chief Executive Officer
Ms Adrienne Egbers	Chief Operating Officer
Prof. Michael Katz	Chairperson

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Website URL	www.nhfc.co.za

National Housing Finance Corporation – Key Indicators:

		Mar 06	Mar 07	Mar 08	Mar 09
Total Assets		2 514,6	2 565,6	2 586,6	2687,7
Total Equity		1 899,5	1 979,2	2 033,6	2141,2
Net Income after Tax		72.1	79.7	54.4	107,5
Return on average Equity		3,9%	4.1%	2.7%	5.0%
Total Staff		n/a	n/a	81	n/a
Total branches / outlets		1	1	1	1
Value of Gross Loan Book (capital only)		814.7	910.4	986.1	1176.2
Provision/Reserve for Losses		59.0	63.8	56.6	60.0
Portfolio at Risk more than 30 days (%)		n/a	7.9%	7.6%	n/a

Rural Housing Loan Fund

The Rural Housing Loan Fund (RHLF) was established as a Section 21 company by the National Department of Housing in September 1996, as a result of a German-South African bilateral agreement. It helps to address the housing needs of rural working poor. RHLF also assists with financial sector development in rural areas.

Target market: The target market is low-income rural people and 55% of the ultimate borrowers are females.

Vision: RHLF is a rural housing social venture capital fund that creates new financial arrangements and opportunities for rural families to improve their housing, economic, and living environments.

Mission statement: To empower rural people to maximize their housing choices and improve their living conditions with access to credit from sustainable retail lenders.

Objectives:

- The primary objective is to improve the basic living standards of low income rural people through the provision of funding to qualified intermediaries.
- To facilitate lending by people who do not have a house to offer as collateral.
- RHLF is in the business of making a responsible contribution to the long term social development of rural communities by focusing on what really makes a difference in people's lives - improved housing conditions.

RHLF serves all nine provinces of South Africa through their head office in Johannesburg.

RHLF provide two types of loans to their clients, namely: *structured loans* and *pilot loans.* They are provided to intermediaries to establish, support or develop a housing loan operation addressing the need of individual households. The minimum loan size is R 1 m, unless decided otherwise by the Credit Committee.

Structured loans are disbursed according to the following criteria: Draw-downs should be structured so that the RHLF's exposure is limited (a higher risk profile should be accompanied by a slower draw-down pattern to allow the RHLF to monitor the performance of the intermediary); draw-downs should be matched with the intermediary's disbursement of qualifying loans and should not allow the intermediary to build up extensive surplus funding. The size of the facility and the draw-down schedule should be in line with the historical growth pattern of the intermediary and its capacity to manage growth, to avoid potential destabilizing effects. The repayment period should match that of the end user.

A Pilot Loan is a venture-capital investment instrument designed by the RHLF to support retail lenders to explore new markets (such as informal earners or low-income households in un-served rural areas) and/or new products (like alternative loan products with appropriate collection methodologies). It is expected that out of a successful pilot loan, a structured loan will follow.

RHLF also offers a Market Development Fund which is a matching grant facility, which co-finances the cost of studies and preparatory tasks leading to an increase in the number of housing loans and/or an extension in target group coverage that a particular intermediary institution might need to improve its performance.

Key individuals:

Willem van Emmenis	Managing Director
Totsie Memela-Khambule	Chairperson
Moray Hathorn	Non-executive Director

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Rural Housing Loan Fund – Key Indicators:

		Mar 06	Mar 07	Mar 08	Mar 09
Total Assets (R mlns)		185,2	143,3	269,1	277,9
Total Equity (R mlns)		132,4	140,4	147,4	156,8
Net Income after Tax (R mlns)		0,1	4,9	5,4	9,5
Return on Equity		N/A	3.6%	3.8%	6.3%
Total Staff		11	10	9	8
Value of Gross Loan Book (capital only)		115.4	117.2	176.4	227.9
Provision/Reserve for Losses (on balance sheet at end of period)		20.5	18.5	28.3	37.1
Provision Ratio		17.7%	15.7%	16.1%	16.3%

Khula Enterprise Finance

Khula Enterprise Finance was established in 1996 as a development finance agency of the Department of Trade and Industry. While Khula's initial mandate included support to all Small, Medium, and Micro Enterprises (SMMEs), and particularly those owned by previously disadvantaged groups, this scope changed in 2005/6 when the South African Microfinance Apex fund was created and Khula's mandate was refocused on development of small and medium enterprises.

Up to now, Khula has primarily functioned as a wholesale lender which makes use of Retail Financial Intermediaries (RFIs), such as commercial banks, joint ventures, and specialist funds, as distribution channels.

In response to disappointing outreach by the financial intermediary partners, however, Khula launched a retail financing initiative in 2009 called "Khula Direct".

Khula's two primary wholesale products include the following:

1) The Khula Credit Indemnity Scheme is aimed at providing finance to entrepreneurs who do not have sufficient collateral to obtain financing from commercial banks for their small and medium enterprises. Upon application for a loan, a financial institution may approach Khula for indemnity over the loan and appoint a mentor to assist in implementing the business plan and setting up operational systems. This product is *not* used for the micro market.

2) Khula provides on-lending capital to nine retail financial institutions, only three of which reach the micro enterprise market: the Small Enterprise Foundation and Marang Financial Services who offer group-based lending, and Vengrow Capital which operates a supplier credit service through Metro Cash n Carry.

Key individuals:

Setlakalane Molepo	Chief Executive Officer
Mkhululi Mazibuko	Chief Operating Officer

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Website URL	www.khula.org.za

Khula – Key Indicators:

		Mar 07	Mar 08	Mar 09
Total Assets (R millions)			1258.8	1315.2
Total Staff				
Value of Gross Loan Book (capital only)			277.1	417.2
Provision/Reserve for Losses			27.5	67.5
Core Business Investment			89.3	82.4

The South African Microfinance Apex Fund (samaf)

The South African Microfinance Apex Fund (samaf) was launched in April 2006 as a trading entity of the Department of Trade and Industry (the dti). Samaf envisions a country in which a network of sustainable micro-finance institutions broadens and deepens access to affordable financial services by the enterprising and working poor.

Samaf's mandate is to contribute to government's poverty reduction goals by acting as a catalyst for the development of an effective microfinance sector through:

• Support for the establishment of sustainable microfinance institutions that can reach deeper and broader to the enterprising poor;
• Facilitating the establishment of an enabling environment for effective financial intermediation and creation of working markets for the enterprising poor; and
• Building a strong, effective and efficient Apex Fund.

Samaf's mission is to provide developmental financial and non-financial services to Financial Intermediaries (FIs) through:

• The effective mobilisation and wholesaling of capital for microfinance institutions with proven potential;
• The development of human capital in the economic environment through capacity building and institutional development;
• Contributing to policy development in respect of microfinance to inform and support samaf staff, its partners and stakeholders; and
• The development of valuable partnerships between business, government and the community.

Samaf has a head office in Pretoria and regional offices in each province.

Samaf supports both Microenterprise Finance Institutions (MFIs) and Financial Service Cooperatives (FSCs) with both on-lending capital and capacity building grants. The total support to any one organization cannot exceed R15 million. Since inception to date, a total of 49 institutions have received support from samaf, as follows:

PROVINCE	MFI	FSC
Eastern Cape	Bittersweet Financial Services	Siyazakha Co-op Sakhisizwe Co-op Middledrift co-op
Free State	Double-Ring	Makwane Tseki Thabanchu
Gauteng	Aloga Financial Services Mazwe Vusiszwe	Chakatsa Co-op Diatla Co-op Tsosologo
Kwa Zulu Natal	Isivivane	Sizathina Umthombo Ncedisizwe Ullimo Kwa Machi Ingavuma Eplangweni
Limpopo	Small Enterprise Foundation Tsoga Microfinance Get Ready Akanani	Mathabatha Bothlokwa Lesolo Agric Commo Tlharihani Mashashane Bakenberg
Mpumalanga	Khulamnotfo Co-op Beehive Women's Development Businesses Makwande (Makwande)	Fernie FSC Qalakancane Co-op
North West	Ikussasa ET Mothusi EWT	Disaneng Motswedi Lehurutshe Kraaipan
Western Cape	Act of Grace 7 Africa Unite Tetla Financial Services Impact Direct Ministries Kuyasa (SPV)	Great Financial Services Sibanye Cape Sibanye Gugu Stellenbosch

In addition to funding, samaf has appointed two project finance specialists who assist financial intermediaries with implementation of financial reporting and control systems.

Since 2006, samaf has disbursed a total of 67.3m million; R43.3m million in on-lending funds, R24 million in capacity building grants, and 0.4 million in direct technical assistance. Meeting the requirements of the PFMA combined with the weak state of financial management of many of its partners are the primary reasons provided for the relatively low level of disbursements in relation to total assets.

Key individuals:

Mr Sitembele. Mase	Chief Executive Officer
Mr Buhle Dlulane	Chief Operating Officer
Ms Thobeka Njozela	Chief Financial Officer
Ms Nosipho Ngewu	Human Resources Executive

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Website URL	www.samaf.org.za

Samaf – Key Indicators:

		Mar 07	Mar 08	Mar 09	Dec 09
Total Assets (R millions)		n/a	146.1	151.3	183,2
Total Staff		n/a	55	60	60
Total branches / outlets		n/a	9	9	9
Value of Gross Loan Book (R millions)		n/a	23.1	29.2	34.8
Provision/Reserve for Losses (R millions)		n/a	12.7	14.7	14.1
Total Funds Approved (R millions)		55.2	30.6	10.0	22.5
On-lending Funds Disbursed (R millions)		9.1	18.5	9.1	13.6
Capacity Building Funds Disbursed (R millions)		10.7	5.9	3.4	6.3
Total Savers reported by F.I.s [11]		14 353	18 133	17 255	19 960
Total Borrowers reported by F.I.s		4 346	13 198	29 714	13 907

[11] Includes member savings held in banks