



Centre for
Microfinance

Strauss Commission Retrospective

Gerhard Coetzee

Presented to the DFI Forum 2007

Outline

- Revisiting
- Did things change...
- The role of development finance...
- Where to in South Africa with rural finance?

Context and Background



Terms of reference

To investigate the provision of rural financial services, within the context of the rural development objectives of the RDP, and make recommendations for policy, legislative and institutional measures to improve access to financial services for rural households, farmers and other entrepreneurs

- central, provincial and local interrelationships
- position of women
- rural finance policy frameworks in Southern African context
- capital retention in rural areas
- to structure a monitoring and evaluation system

Points of departure

- Commercial viability
- Flexibility of structures
- Important role for the state
- Needs of rural women
- Needs of land reform programme
- Deficiency of data base

Strauss Recommendations

- The provision of financial services must include grants, suitable credit instruments, saving instruments and transmission facilities
- To increase access, reduce risk and ensure sustainability - Rural finance institutions must be close to clients, be able to serve all rural sectors, have access to the money and capital markets and therefore they need to be nurtured by the state
- The need for a reconsideration of state support
- Creating a new institution vs. transformation
- The Land Bank, the DBSA and ACB
- Prudent regulation and the need to reorder the legal framework
- The need for flexible, low cost institutions at local level
- A two-tier structure required that allows for a State supported wholesaler as mentor and nurturer, maximum flexibility where clients are served, support for NGOs, banks, Co-ops, DFCs, through the Post Bank, appropriate supervision and co-ordination with other DFIs

Did things change...

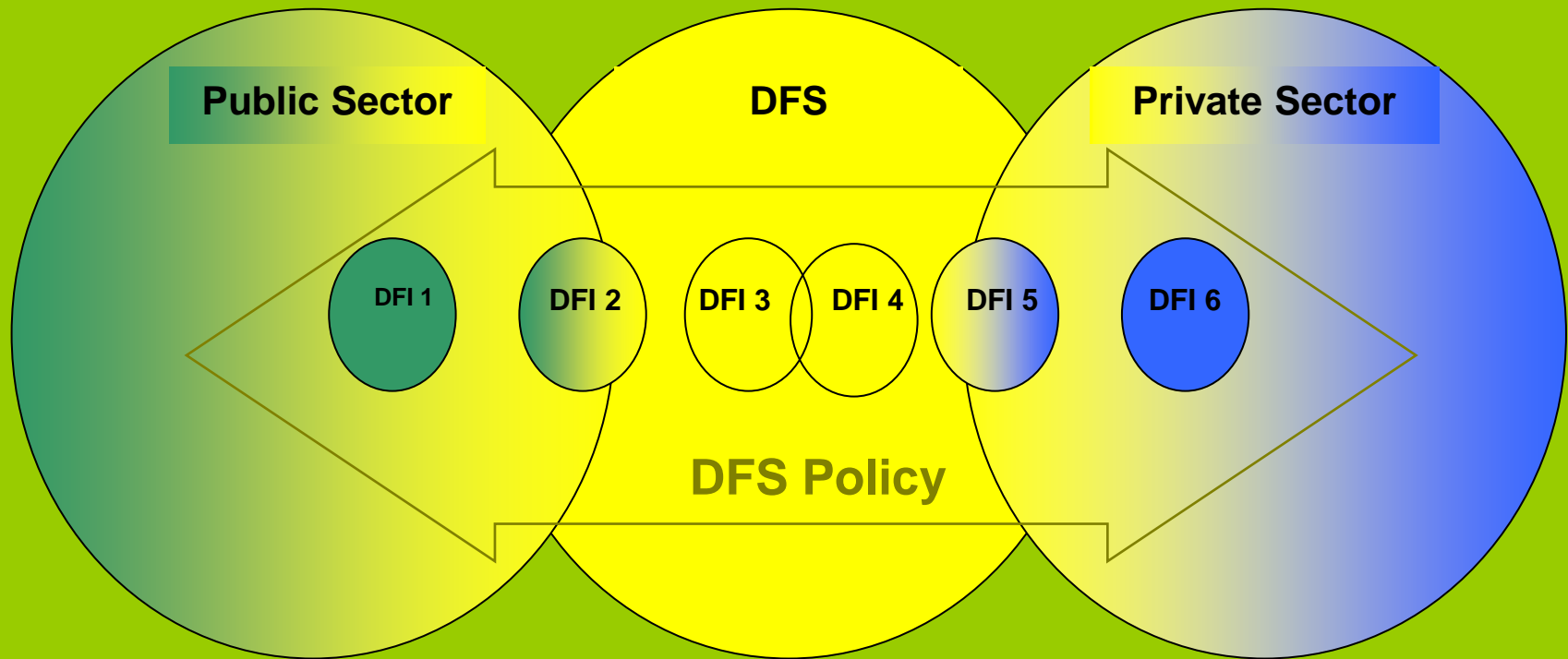
- In 1996 the Strauss Commission reported
- In 1996 the DFS changed structure, strategy?
- In 2007 the reality is...
 - Outreach
 - Sustainability
 - Impact?
 - Roles – search for identity
- Thus, the Strauss proposals still relevant, and should be revisited, but the challenge is to understand it in the context of the Strauss Commission's thinking and deliberation, not our own institution based interpretation

Not that much

- Thus, the majority of Strauss proposals still relevant
- Should be revisited
- Challenge is to understand it in the context of the Strauss Commission's thinking and deliberation, not our own institution based interpretation
- Extremely relevant to the topic of today
- As rural finance is largely a failure in South Africa

The role of development finance

Government Policy Objectives



Whereto with rural finance?

- Understand government policy objectives
- Understand challenges, clients
- Design appropriate products and delivery systems
- Do not ignore international best practices
- Use DFIs in support of the financial market actors
- Coordinate activities and focus
- Play to the strength of institutions
- Set targets, monitor and act
- If failure, reform – do not resort to new structures