

**SELECT COMMITTEE OF THE TRADE AND  
INTERNATIONAL RELATIONS**

**28 OCTOBER 2009**

**Mr. Sithembele Mase**

**CHIEF EXECUTIVE OFFICER: samaf**

**012 394 1722 (PA Line)**

**012 394 1116 (Direct Line)**

# TABLE OF CONTENTS

- 1. DEFINITIONS**
- 2. TARGET SEGMENTATION AND POLICY GAP ANALYSIS**
- 3. MANDATE AND ALIGNMENT**
- 4. samaf FUNDING**
- 5. PERFORMANCE HIGHLIGHTS (BY PROVINCE)**
  - 5.1 - FI District Network
  - 5.2 - Office Network & Satellites
  - 5.3 - Disbursements & No of FI 's
  - 5.4 - Savings & Borrowings
- 6. CHALLENGES**
- 7. ACTION PLANS**

# 1. DEFINITIONS

FI = Financial Intermediaries

FSC = Financial Services Co-operative

MFI = Financial micro-Finance Institution

Sacco = Savings and Credit Co-operative

PFMA = Public Finance Management Act of 1999

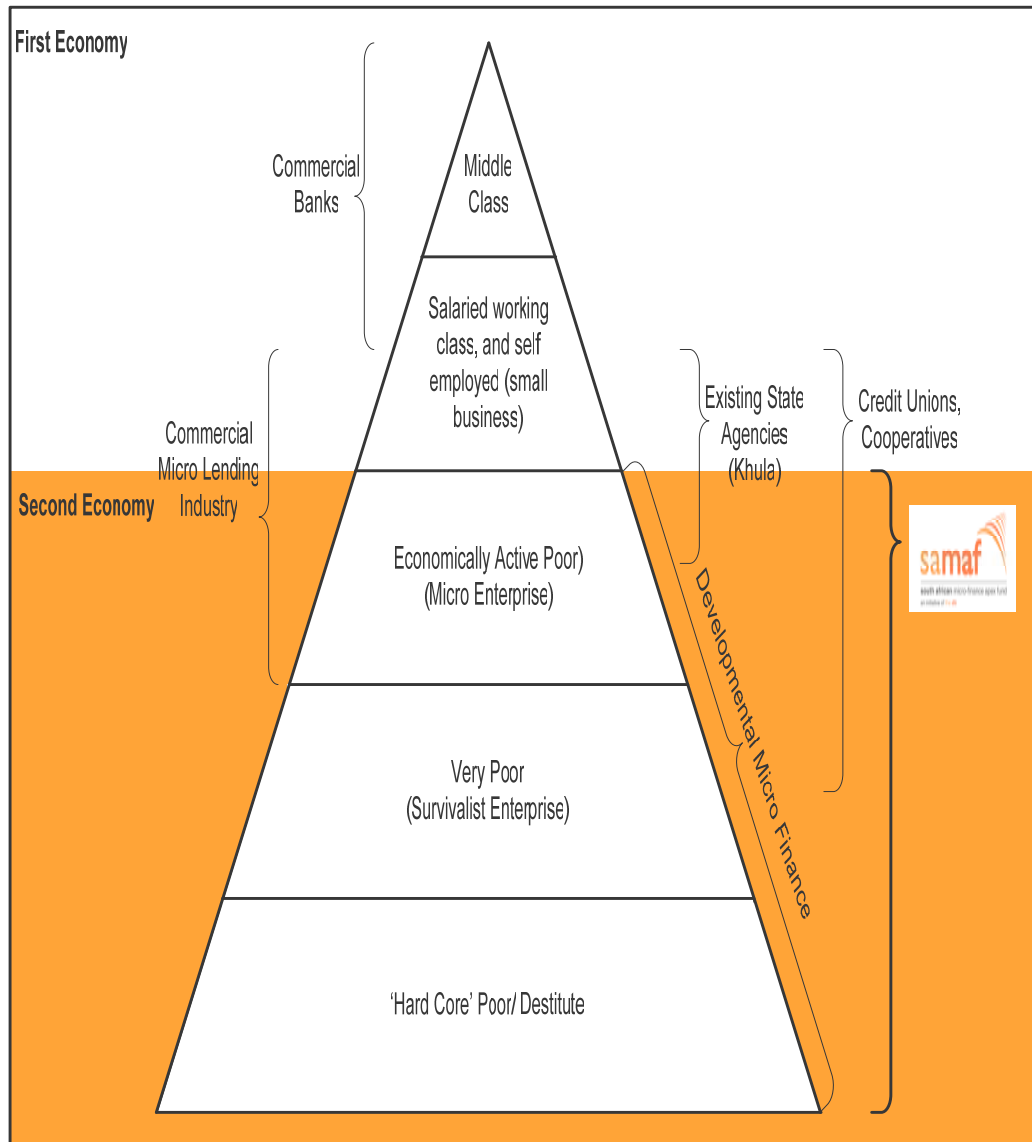
GAAP = General Accepted Accounting Practice

IFRS = International Financial Reporting Standards

IAS = International Audit Standards

NCA = National Credit Act of 2006

## 2. TARGET MARKET SEGMENTATION



### POLICY GAP ANALYSIS & RATIONALE

- 2005 Policy review indicated a financing gap for the **enterprising and working poor** survivalists and hard core;
- The financing gap is from R100- R10 000 loan per individual;
- It was not feasible for a government trading entity to lend directly to the enterprising poor survivalists, as they have particular risks in terms of mobility, volatility, credit risks and other. Their businesses are informal with no fix address;
- It was therefore considered that the viable method is to encourage the poor to either to establish their own savings and lending vehicles to deliver financial services in terms of getting loans and collecting deposits. It was further envisaged that other existing developmental micro finance institutions should play the role of lending to poor households.
- **samaf** was therefore established in terms section 38 (1)(m) read together with sections 76(4)(b) of the PFMA of the **dti**. It is a wholesale fund to support the development of these financial intermediaries namely Financial Service Co-ops (FSC's) and Micro Finance Institutions (MFI's)
- **samaf** provides loans for on- lending, grants for a institutional capability and technical support to these FI's.

### 3. MANDATE AND ALIGNMENT

#### samaf MANDATE

**samaf** mandate is to contribute to governments poverty reduction goals by acting as a catalyst for the development of an effective micro- finance sector through:

- Support the establishment of sustainable micro- finance intermediaries that can reach deeper and broader to the enterprising poor;
- Facilitating the establishment of sustainable micro- finance intermediaries that can reach deeper and broader to the enterprising poor; and
- Building a strong, effective and efficient wholesale (Apex) Fund

#### Alignment to Government Policy and Objectives

- Government policy to create work, eradicate poverty, reduce inequalities and expand economic opportunities for all

## 3.1 MISSION AND PURPOSE

### samaf MISSION

**samaf's** mission is to provide developmental financial and non- financial services to Financial Intermediaries (FI's) through:

- The effective mobilization and wholesaling of capital for financial intermediaries 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 micro-finance to inform and support **samaf** staff, its partners and stakeholders; and
- The development of valuable partnerships between business, government and the economy

### Alignment to Government Policy and Objectives

The purpose of policy is to mainstream and align developmental micro- finance instrument to:

- Poverty alleviation
- Unemployment reduction
- Job creation
- Entrepreneurship, thus ensuring decent work

## 4. samaf FUNDING

| Funding sources & usage                      | 2006/7              | 2007/8             | 2008/9             | 2006- 2009 MTEF     |
|--|---------------------|--------------------|--------------------|---------------------|
| <b>INCOME</b>                                | <b>R130,595,075</b> | <b>R93 163 938</b> | <b>R53 661 642</b> | <b>R277 420 655</b> |
| Grants received from the dti                 | R130 000 000        | R83 999 000        | R38 093 000        |                     |
| Interest income                              | R 595,075           | R 9 164 938        | R15 568 642        |                     |
|  |                     |                    |                    |                     |
| <b>OPERATIONAL EXPENDITURE</b>               | <b>R25,439,970</b>  | <b>R43 744 387</b> | <b>R43 435 929</b> | <b>R112 620 286</b> |
| Administration expenses                      | R13 446 598         | R11 538 712        | R16 695 419        | R 41 680 729        |
| Depreciation & amortisation                  | R 555 309           | R 739 124          | R 1 090 028        | R 2 384 469         |
| Personnel costs                              | R 9 856 337         | R19 012 504        | R23 610 101        | R 52 478 942        |
| Impairment losses on loans                   | R1 581 726          | R12 432 694        | R 2 032 200        | R 16 046 620        |
| Loss on disposal of assets (PPE)             | -                   | R 21 353           | R 8 181            | R 29 534            |
| <b>TRANSFERS TO FINANCIAL INTERMEDIARIES</b> | <b>R19,969,076</b>  | <b>R24 488 341</b> | <b>R12 784 446</b> | <b>R57 241 863</b>  |
| Grants                                       | R10 772 101         | R 5 956 441        | R 3 398 401        | R20 126 943         |
| Loans  | R9 196 975          | R18 531 900        | R 9 180 045        | R36 908 920         |
|  |                     |                    |                    |                     |
| <b>Number of employees</b>                   | <b>45</b>           | <b>55</b>          | <b>60</b>          | <b>60</b>           |
| <b>No of borrowers- beneficiaries</b>        | <b>4346</b>         | <b>13 198</b>      | <b>29 714</b>      | <b>47 258</b>       |
| <b>No of FI's</b>                            | <b>31</b>           | <b>38</b>          | <b>42</b>          | <b>42</b>           |

### Administration expenses include:

- Rental lease expenses for nine (9) provinces and samaf head office;
- Set up costs for new offices, replacement of computers and other equipment;
- Employees increased from 45 (forty five) to sixty (60) to date;

### Loan loss provisions

- Impairment losses increased substantially in 2007/08 due to high delinquency and closures FI's



**Micro- survivalists (enterprising, working & hard core poor) Trading to put food on the table, educate their children and improve housing.**





# 5. NATIONAL FOOTPRINT & OUTREACH NETWORK

## FINANCIAL INTERMEDIARIES BY DISTRICTS

| PROVINCE:    | FI NAME:                         | RESPONSIBLE PERSON:                         | DISTRICT:            |
|--------------|----------------------------------|---|----------------------|
| EASTERN CAPE | Middledrift FSC                  | <b>Acting Manager:</b><br>Ntomizandile Booï | Amathole             |
|              | Siyazakha Women's Co-Operative   | <b>Manager:</b><br>Nontuthuzelo Mehlulo     | Nelson Mandela Metro |
|              | Bittersweet Trade & Invest 16    | <b>Manager:</b><br>Vuyiswa Keyi             | Amathole             |
|              | Ziboneleni Sacco                 | <b>Manager:</b><br>Bulelwa Mgilane          | OR Tambo             |
| FREE STATE   | Mankwane FSC                     | <b>Manager:</b><br>Bongani Mposula          | Thabo Mofutsyane     |
| GAUTENG      | Chakatsa Co-Operative            | <b>Manager:</b><br>Nomfundo Dastile         | Johannesburg Metro   |
|              | Diatla Co-Operative              | <b>Manager:</b><br>Dinah Munano             | Tshwane Metro        |
|              | Algoa FSC                        | <b>Manager:</b><br>Matsha Makena            | Tshwane Metro        |
|              | Mazwe MFI                        | <b>Manager:</b><br>Godsend Roberts          | Johannesburg Metro   |
|              | Vusisizwe Retail Development MFI | <b>Manager:</b><br>Veli Zulu                | Ekurhuleni Metro     |
|              | Marang FSC                       | <b>Manager:</b><br>Gerhard Botes            | Tshwane Metro        |

# FINANCIAL INTERMEDIARIES BY DISTRICTS CONT.

| PROVINCE:            | FI NAME:                      | RESPONSIBLE PERSON:                    | DISTRICT:   |
|----------------------|-------------------------------|--|-------------|
| <b>KWAZULU NATAL</b> | Kwamachi FSC                  | <b>Manager:</b><br>Tracey Zangwa       | Ugu         |
|                      | Ncedisizwe MCO                | <b>Manager:</b><br>Sindi Zulu          | Uthukela    |
|                      | Sizanthina MCO                | <b>Acting Manager:</b><br>Zweli Shange | Sisonke     |
|                      | Ingwavuma FSC                 | <b>Manager:</b><br>Philisiwe Tembe     | Umkanyakude |
| <b>LIMPOPO</b>       | Tshoga Micro Finance Services | <b>Manager:</b><br>Kalipe Mashaba      | Sekhukune   |
|                      | Bakenberg FSC                 | <b>Manager:</b><br>Elizabeth Molekwa   | Waterberg   |
|                      | Get Ready Investment          | <b>Manager:</b><br>Thomas Chauke       | Vhembe      |
|                      | Akanani Finance Company       | <b>Manager:</b><br>Richard Sambo       | Vhembe      |
|                      | Thlarihani Sacco              | <b>Manager:</b><br>Richard Ngobeni     | Vhembe      |
|                      | Botlokwa FSC                  | <b>Manager:</b><br>Joyce Moseamo       | Capricorn   |
|                      | Mashashane FSC                | <b>Manager:</b><br>David Maubane       | Capricorn   |

# FINANCIAL INTERMEDIARIES BY DISTRICTS CONT.

| PROVINCE:  | FI NAME:                      | RESPONSIBLE PERSON:                     | DISTRICT:           |
|------------|-------------------------------|---|---------------------|
| MPUMALANGA | Women Development Business    | <b>CEO:</b><br>Ben Nkuna                | Ikangala            |
|            | Fernie Financial Services     | <b>Manager:</b><br>Michael Mkhonza      | Gert Sibande        |
|            | Qalakancane Co-Operatives     | <b>Manager:</b><br>Christina Mavela     | Steve Tshwete       |
|            | Emalahleni Financial Services | <b>Manager:</b><br>Simo Ntaupane        | Emalahleni          |
| NORTH WEST | Disaneng FSC                  | <b>Manager:</b><br>Mana Botswe          | Ngaka Modiri Molema |
|            | Ikusasa Empowerment Trust     | <b>Manager:</b><br>Basetsana Makolomako | Klerksdorp          |
|            | Motswedi FSC                  | <b>Manager:</b><br>Shadrack Khosiemang  | Ramotshere Moloa    |
|            | Lehurutshe FSC                | <b>Manager:</b><br>Godfrey Letsemela    | Ramotshere Moloa    |
|            | Ecumenical Women's Talent     | <b>Manager:</b><br>Tiny Leshika         | Bojanala            |

## FINANCIAL INTERMEDIARIES BY DISTRICTS CONT.

| PROVINCE:           | FI NAME:                            | RESPONSIBLE PERSON:                         | DISTRICT:           |
|---------------------|-------------------------------------|---|---------------------|
| <b>WESTERN CAPE</b> | Act of Grace                        | <b>Manager:</b><br>Jonathan Matthews        | Cape Town Metro     |
|                     | Africa Unite                        | <b>Manager:</b><br>Dudley Mtyalela          | Masiphumelele       |
|                     | Great Financial Services            | <b>Manager:</b><br>Benita Alard             | Phillipi Khayletsha |
|                     | Tetla Financial Solutions           | <b>Managing Director:</b><br>Yvonne Radinku | Strand & Overberg   |
|                     | Sibanye Cape                        | <b>Manager:</b><br>Victor Botha             | Tygerberg           |
|                     | Sibanye Gugulethu                   | <b>Manager:</b><br>Peter Jack               | Gugulethu           |
|                     | Stellenbosh Wine & Employees Saccol | <b>Manager:</b><br>Harriet Steward          | Cape Wine Lands     |

# NATIONAL FOOTPRINT AND OUTREACH CONT.

## OFFICE NETWORK

| PROVINCE      | EXISTING OFFICE | SATELITE OFFICE |
|---------------|-----------------|-----------------|
| LIMPOPO       | 1               | 2               |
| MPUMALANGA    | 1               | 1               |
| EASTERN CAPE  | 1               | 2               |
| KWAZULA NATAL | 1               | 2               |
| GAUTENG       | 1               | 0               |
| WESTERN CAPE  | 1               | 1               |
| NORTHERN CAPE | 1               | 0               |
| FREE STATE    | 1               | 1               |
| NORTH WEST    | 1               | 0               |
| <b>TOTAL</b>  | <b>9</b>        | <b>9</b>        |

## FI Network: (Disbursements by province)

| PROVINCE                          | NO OF FI'S | AMOUNT DISBURSED |
|-----------------------------------|------------|------------------|
| LIMPOPO                           | 7          | R5.4m            |
| MPUMALANGA                        | 5          | R12.4m           |
| EASTERN CAPE                      | 5          | R3.1m            |
| KWAZULA NATAL                     | 4          | R2.5m            |
| GAUTENG                           | 6          | R18.4m           |
| WESTERN CAPE                      | 7          | R6.2m            |
| NORTHERN CAPE                     | 1          | R2,1m            |
| FREE STATE                        | 2          | R0, 5m           |
| NORTH WEST                        | 5          | R1.9m            |
| Opening balances – Grants & Loans | -          | R4.4m            |
| <b>TOTAL</b>                      | <b>42</b>  | <b>R57.1m</b>    |



# BORROWERS & SAVINGS PER PROVINCE

## STATISTICAL REPORT - 31 MARCH 2009

| Province          | Outstanding loans | No. of savings accounts | Value of Savings (R) | No of Borrowers | No of Active loans | Categories of Borrowers |             |            |             |
|-------------------|-------------------|-------------------------|----------------------|-----------------|--------------------|-------------------------|-------------|------------|-------------|
|                   |                   |                         |                      |                 |                    | Women                   | Youth       | Disabled   | Men         |
|                   | R                 | No.                     | R                    | No              | No                 | No                      | No          | No         | No          |
| North West        | 648,411           | 4400                    | 7.294.570            | 912             | 364                | 637                     | 94          | 10         | 171         |
| Western cape      | 2,467,997         | 6828                    | 5,601,919            | 3926            | 3311               | 2293                    | 967         | 6          | 599         |
| Kwa Zulu Natal    | 1,830,172         | 1231                    | 400,702              | 870             | 138                | 912                     | 272         | 7          | 133         |
| Free State        | 460,374           | 1291                    | 203,006              | 881             | 136                | 510                     | 168         | 37         | 206         |
| Eastern Cape      | 1,695,007         | 573                     | 91,543               | 611             | 557                | 360                     | 28          | 6          | 1           |
| Northern Cape     | 945,136           | 0                       | 0                    | 180             | 91                 | 90                      | 68          | 0          | 90          |
| Mpumalanga        | 9,025,355         | 0                       | 0                    | 32078           | 6416               | 32078                   | 5132        | 0          | 0           |
| Gauteng           | 9,876,742         | 301                     | 7,440,145            | 3730            | 320                | 2293                    | 405         | 40         | 1261        |
| Limpopo           | 2,628,945         | 2631                    | 1,396,214            | 4080            | 3776               | 3638                    | 223         | 11         | 288         |
| Indirect Capacity | 0                 | 0                       | 0                    | 0               | 0                  | 0                       | 0           | 0          | 0           |
| <b>TOTAL</b>      | <b>29,578,139</b> | <b>17255</b>            | <b>15,133,529</b>    | <b>47268</b>    | <b>15109</b>       | <b>42811</b>            | <b>7357</b> | <b>117</b> | <b>2749</b> |

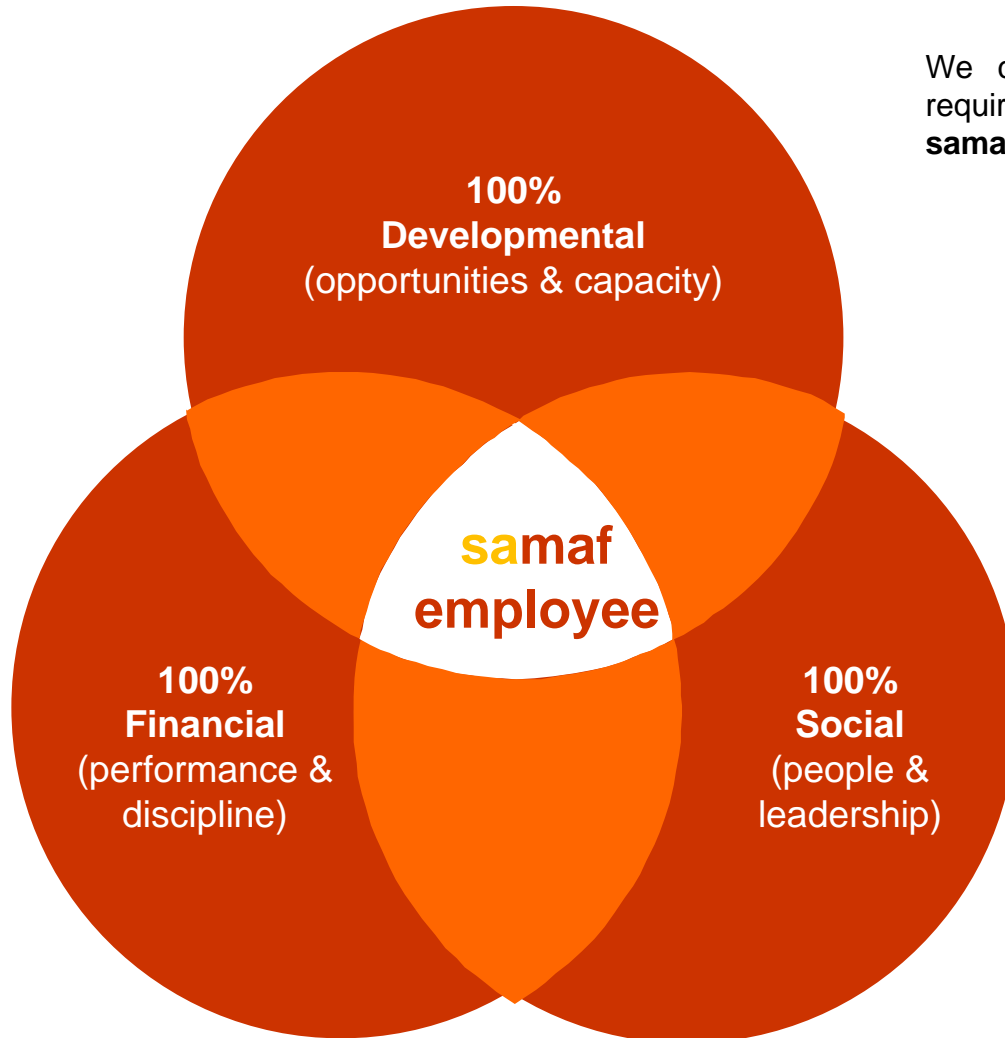
## 6. COMMON CHALLENGES FI's

- Slow up- take of funds by Financial Intermediaries [FI's] due to not meeting financial and reporting requirements;
- Defrauding of FIs by own members and Boards;
- Decline of member savings;
- Unreliable and inaccurate information ( requiring intensive verification);
- Inadequate financial controls and systems of FI s not aligned to GAAP and IFRS;
- Non-compliance to Statutory requirements (NCA, Exemption Notice, PFMA);
- Poor financial planning and management leading to reckless lending methods;
- Misuse and poor handling of funds (loans & grants);
- Poor member and borrower loan repayments rate leading to high default rate;
- Conflict and mistrusts amongst FI membership and Boards thus creating operational instability;
- Absence of deposit insurance scheme indemnity cover for FI's with less than R1m assets and 200 members discourages effective savings mobilization;
- Provinces did not meet their service delivery targets for 2008/9 thus making **samaf** to miss its targets too.



# samaf CHALLENGES IN TERMS OF THE REQUIRED COMPETENCIES

We conducted a review of core skills & competencies required for **samaf**. The competencies required to take **samaf** forward:



## **Developmental (opportunities & capacity):**

- Identifying market opportunities that will assist **samaf's** goals in supporting rural peri-urban communities.
- Building capacity for financial intermediaries in order to sustain themselves and achieve **samaf's** mandate of alleviating poverty

## **Financial (discipline and management):**

- To inculcate a culture of financial performance & discipline thus ensuring financial reporting systems are in place.

## **Social (people & leadership):**

- To ensure adequate people leadership; thus aligning people capabilities to the strategic objectives. Also inspiring people for higher achievement .
- Activism and “**dirtying of hands**” to ensure managers can engage poor communities honestly, fairly and with respect, thus creating a leadership that will support the execution of **samaf's** mandate.

## 7. ACTION PLANS- TO MITIGATE RISKS AND CHALLENGES

**7.1 samaf** has embarked on training of its staff and management in order to impart **financial** plus **social** plus **development** skills. Through an organizational change and development program (**samaf Bokamoso**), employees have been extensively involved in defining the required work standards, required leadership behaviors and establishing the required performance standards. This is strengthened by appointment of financial experts to assist and audit FI books .

**7.2** Disciplinary actions were taken against identified cases of poor performance, lack of adequate monitoring, fraud and corruption at all levels.

**7.3** New loan agreements were re-drafted to ensure they are compliant with GAAP and IFRIS standards (AS27 & AC132). 15 loan agreements have been renegotiated and amended thus reducing the risks of non-consolidation from the original amount of R15m to R3m to date;

**7.4 samaf** has appointed independent service providers to conduct an extensive review of its 3- year operations

The evaluation will cover the work done to date, lessons learnt, binding constraints (from a legal, regulatory and policy perspective), proposed solutions and benchmarking recommendations of other wholesale funds for improved effectiveness and efficiency.

**7.5** Two policy papers will be developed for:

- insurance deposit cover for small FSC with less than R1m assets.
  - A proposed increase of R10 000 maximum micro-loan to R50 000.
- the papers will be submitted during before the year-end March 2009.

## The enterprising poor trading to put food on the table for survival



“Financing opportunities for community based Financial Intermediaries to benefit working poor and the enterprising communities”.



# THANK YOU