

Declaration of the Financial Sector Summit

Pretoria, August 20, 2002

1. The Government, Business, Community and Labour constituencies at NEDLAC began meeting at the beginning of 2002 in order to agree on strategies to ensure the financial sector is more efficient in the delivery of financial services, which will enhance national savings and direct them to developmental purposes. The proposed strategies should assist the financial sector:
 - a. To provide sustainable and affordable banking services, contractual savings schemes and credit for small and micro enterprise and poor households,
 - b. To support higher levels of savings and investment overall,
 - c. To expand developmental investments that create jobs, raise living standards and strengthen the economy, and
 - d. To encourage broader and more representative ownership, control and employment within the financial sector itself and in the economy as a whole.
2. To achieve these aims requires a financial sector which is more diverse in terms of the nature, size and ownership of institutions. All its different components must assume a strong developmental role.
3. Today, on the anniversary of the launching of the United Democratic Front, the parties agree on the following proposals. These agreements must be seen as a package.
 - 3.1. **Ensuring access to basic financial services:** To engage effectively in the economy, encourage savings and improve the quality of life, every South African resident should have access to affordable and convenient payments and savings facilities. Both the public and private sector financial institutions must play a role in achieving these aims.
 - 3.2. The parties will jointly research the economics of basic financial services and on that basis establish mechanisms and timeframes for achieving universal access.
 - 3.3. **Development of sustainable institutions to serve poor communities.** While the large formal financial institutions have an important role to play in providing services for the poor. They must interact with and support smaller institutions, especially co-operative banks and NGOs that can provide micro-credit to the poorest households. We need to harness the energies of the existing institutions in our communities, such as stokvels and burial societies, in order to mobilise our people's savings. The smaller financial institutions serve to increase the diversity of the sector and broaden ownership.

- 3.4. The parties agree on the need for new enabling legislation for so-called second and third tier deposit-taking financial institutions. As a start, they have agreed key principles for legislation for financial co-operatives. The legislation should ensure that these institutions operate according to co-operative principles and enjoy adequate prudential oversight.
- 3.5. Following the Summit, the parties will also make proposals on ways to enhance the developmental impact of the regulatory framework.
- 3.6. The parties also agree that all the constituencies should seek to support financial co-operatives and micro-credit providers. After the Summit, they will engage on a concrete support programme.
- 3.7. In the absence of realistic alternatives, many wage-earners have had to resort to micro-lenders when they need credit. In too many instances, the result has been an accumulation of excessive debt at a high price. Following the Summit, the parties will propose appropriate regulation for micro-lenders to minimise the negative effects of usurious practices.
- 3.8. **Regulation of credit bureaux.** Credit bureaux should play a positive role by providing creditors with necessary information on potential borrowers, which will reduce information asymmetries in the market. The parties have proposed elements of a regulatory framework to ensure that they supply only reliable information that is relevant to a person's creditworthiness; that they are more open to consumer complaints; and that there is no scope for unfair discrimination in their operations.
- 3.9. **Discrimination.** The parties have agreed that, within the context of the Equality Act of 2000, every subsector within the financial sector should establish or strengthen a code to end unfair discrimination. Government should legislate uniform norms on disclosure of financial services by race, gender, location and categories of amount. People who face unfair discrimination should have an effective route for adjudication.
- 3.10. **HIV/AIDS.** The parties are particularly concerned about the need to end unfair discrimination against people with HIV and develop appropriate services for them. Following the Summit, they will work together to achieve this end, and especially to ensure that people with HIV have improved access to housing finance and other services.
- 3.11. **Capital markets and investment.** The parties agree on the need to increase overall investment and in particular projects that strengthen infrastructure, create jobs, meet basic needs, stimulate economic activity in the poorest regions and communities of South Africa and/or support development throughout southern Africa. They agree on the need to establish a system to identify these projects. On that basis, they will engage around the establishment of realistic targets and monitoring mechanisms. In addition, they will develop training for fund managers and retirement-fund trustees to enable them to adopt more informed and appropriate investment strategies.

- 3.12. **Development finance institutions (DFIs) and other state-owned financial institutions.** Following the Summit, the parties will make proposals around the developmental impact of these institutions and, if necessary, recommend improvements. A particular concern is to ensure that the PostBank should maintain and expand its services to poor communities.
- 3.13. **Savings initiatives.** The parties have agreed on activities to promote a savings culture, mobilise our people around the need to increase savings and improve the savings facilities available to all our people.
4. The parties recognise that the proposed measures require a great deal of work following the Summit. We have agreed to meet at least once a month to review progress and strengthen our proposals. To ensure our success in this process, the NEDLAC constituencies commit to providing the necessary capacity, time, energy and enthusiasm.

Signed this 20th of August, 2002, in Pretoria.

For Government: _____

For Business: _____

For Labour: _____

For Community: _____