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Co-operative Banks Development Agency

Annual Performance Plan

2023/2024

Date: 31 January 2023

Accounting Authority Statement

In 2012 Government developed and published the National Development Plan (NDP) with the aim of eliminating poverty, reducing inequality, and achieving full employment, decent work, and a sustainable livelihood for all. The medium-term strategic framework (MTSF) 2019-2024 is the manifestation of the plan for the NDP vision which acknowledges financial inclusion as an important tool that will contribute toward the realisation of its goals. The Co-operative Banks Development Agency (CBDA) strategy, through the support to the Co-operative Banking Sector would contribute to the NDP target of 90% of the population achieving banked status by 2030.

The announcement of the merger between CBDA/**sefa** & Seda by 1st April 2022 created uncertainty as the CBDA had taken a decision to put some projects on hold due to the CBDA operating without a Managing Director between October 2021 and May 2022.

A business case on how the entities will merge into one new Entity has not been approved yet and this creates uncertainty as to whether the entities will be merged by 30 December 2023 as the Cabinet approved an extension from the initial 1st April 2022 date. The new Entity's business model is underway and not finally approved at the time of this draft as it will inform the operations that will change, and where the CBDA will fit in. The current decision is that CBDA conducts business as usual. Overall, the merger is viewed as a positive move because it will serve as a one stop shop for the cooperative sector under the Department of Small Business Development which will improve service delivery. To the Small Medium Macro Enterprises (SMMEs) in South Africa (SA).

The strategy of the CBDA is to drive the Co-operative Banking Sector's growth and sustainability, contributing towards a transformed financial services sector in terms of ownership, meaningful participation in the mainstream banking sector, access to finance by Small, Micro and Medium Enterprises (SMMEs) and financial inclusion to the underserved communities, through the provision of accessible, reliable, and simplified cooperative retail banking services. This will be CBDA's contribution to the MTSF priority 2 on Economic Transformation and Job Creation.

The strategic focus over the medium term took a new approach in implementing its objectives which focusses on expanding the footprint of sustainable, professionalised, modernised, and technology enabled Co-operative Banking Institutions (CBIs), thereby growing the co-operative banking institutions (CBIs) sector membership base, member deposits and asset

base. On technology focussed CBIs this is still a challenge as this needs funding which the sector does not have at this stage.

In particular, the Annual Performance Plan (APP) for the 2022/23 financial year reflected on how to address the economic reform in areas and will be taken into the Annual Performance Plan 2023/2024 especially in areas where the Cooperative Sector were impacted by the covid 19 pandemic. The drive is to implement cooperative development efforts at local level and to capacitate the broader cooperative banking sector and SMME sector in South Africa. Some of these targets are still in progress in relation to the implementation of the “Cooperative Banking Sector Strategy” as some traction could be seen pertaining to growth in newly established organised groups that still need to be registered with the Prudential Authority (PA). The goal of economic reconstruction of the sector is still to align it to serve as an intermediary on economic development to serve our communities to produce, support, encourage and enhance development initiatives and programmes within communities through multiple, yet integrated solutions to reform societal breakdown through lower cost accessible banking.

Furthermore, the pronounced of the merger between CBDA/SEDA/**sefa** into a new entity will create a sector that strives to be easily accessible, efficient and have a simplified approach in redressing the slow growing SMME’s and cooperative sectors.

As the Chairperson of the CBDA Board, I am confident and committed to ensuring the implementation of the strategy and mandate of the CBDA and will support the management team in undertaking the task of reconfiguring the Agency to achieve an efficient financial and operational model which drives the co-operative banking sector’s growth and sustainability over the five-year period.

I would like to take this opportunity to acknowledge the assistance provided by the National Treasury, Department of Planning, Monitoring and Evaluation, my fellow board members and CBDA management and staff in providing efficiency within the Agency. Furthermore, I would like to extend my sincere gratitude to other government departments and agencies that have assisted the CBDA in achieving its mandate over the years, namely the provincial Departments of Economic Development (DEDs) and the Banking Sector Education Training Authority (BANKSETA) and the Small Enterprise Finance Agency (**sefa**).



Accounting Authority

Mr Luyanda Ntuane

CBDA Board Chairperson

Accounting Officer Statement

The CBDA is a schedule 3A entity established in 2007, through the Co-operative Banks Act, 40 of 2007, with a mandate to facilitate, support and develop co-operative banking in the country.

The Agency started operations in the 2010/11 financial year with a board of directors as the Accounting Authority and a Managing Director (MD) for day-to-day operations. The Agency reports to the Ministry of Finance and is funded primarily through the fiscus.

In previous financial years the CBDA's overall focus was on directly supporting, promoting, and developing CBIs through training provision, member education workshops, information sessions, development of management tools to enhance CBIs' performance, conducting research on Information Technology (IT) banking system used by CBIs and what is in the market to providing advice on systems are on offer in the market.

The strategic focus for the next planning period will focus on collaboration and partnerships across all stakeholders and a new approach in addressing the challenges of the past in assisting in the seamless implementation of institutional development, organisational strengthening, the enhancing of operational efficiency through innovative technology interventions and solutions to expand the footprint of sustainable CBIs through a holistic support programme.

This adopted cooperative sector strategy is being implemented through a working group that meets every month and quarter to establish a "National Secondary Cooperative Bank" to assist all cooperatives across South Africa. This will a drive to increase the number of owners/members serving the unbanked potential in the market and offer an alternative to stockholder banks, thus diversifying the financial sector.

With the merger between CBDA/SEDA/**sefa** into a new entity and immersing the CBDA mandate and strategy into the business case of the new entity to form an integrated part of the entity will provide sufficient resources to ensure the cooperative financial sector grows. The accounting officer, management and staff is committed in carrying out the strategy to provide value to growth and sustainability in the sector.

CBDA would like to thank the shareholder and all stakeholders who have contributed to its achievements.

A handwritten signature in black ink, appearing to read 'P. Rossouw', written over a dotted line.

Accounting Officer

Mr Paul Rossouw

CBDA Acting Managing Director

Official Sign-Off

It is hereby certified that this Annual Performance Plan:

- Was developed by the management of the Co-operative Banks Development Agency under the guidance of the Ministry of Finance.
- Considers all the relevant policies, legislation, and other mandates for which the Co-operative Banks Development Agency is responsible.
- Accurately reflects the impact, outcomes, and outputs which the Co-operative Banks Development Agency will endeavour to achieve over the period 2023/2024


Programme 1 Acting Managing Director: Administration

Paul Rossouw

Signature:  _____

Programme 2 Manager: Capacity Building

Ms Nomadelo Sauli

Signature:  _____


Business Support Manager

Ms Catherine Whitley

Signature:  _____


Financial Manager

Ms Lorna Padayachee

Signature:  _____

Human Resource Specialist

Ayanda Radebe

Signature:  _____

Acting Managing Director

Paul Rossouw

Signature:  _____

Approved by:

Mr Luyanda Ntuane

Signature:  _____

**Chairperson
Accounting Authority**

Part A: Our Mandate

To promote and advance the social and economic welfare of all South Africans by enhancing access to banking services under sustainable conditions.

The CBDA will contribute towards the transformation of the banking sector, by creating diversity through co-operative banking, thereby promoting financial inclusion, while ensuring access to capital by SMMEs and stimulating the economy at local level.

1. Vision

To facilitate financial inclusion and economic transformation while ensuring a sustainable co-operative banking sector that empowers communities.

2. Mission

To create an enabling environment for the co-operative banking sector through innovative solutions, institutional strengthening, funding, and technological interventions.

3. Values

- a) ***Passion:*** to be driven and dedicated by a sense of urgency to encourage full participation and a spirit of celebration.
- b) ***Integrity:*** to be accountable and transparent.
- c) ***Mutual respect:*** to be trustworthy, selfless, willing to serve and compassionate with shared values and a respect for decisions.
- d) ***Commitment to solidarity and co-operation:*** to be committed to teamwork which includes being supportive, having a common purpose, sharing information, and taking responsibility.
- e) ***Excellence:*** to be value-adding, diligent, professional, punctual, and competent. Including giving attention to detail and having a commitment to knowledge and learning; and
- f) ***Confidentiality:*** in dealings with all stakeholders.

4. Updates to the relevant legislative and policy mandates

LEGISLATION /POLICY	PURPOSE OF ACT/POLICY	CBDA ALIGNMENT
Co-operative Banks Act, 40 (2007)	To promote and advance the social and economic welfare of all South Africans by enhancing access to banking services under sustainable conditions.	<p>Chapter IX, Section 54 of the Act, legally established the CBDA and outlined its mandate aligned to government's programme of transforming the economy by reducing high levels of concentration in certain sectors that create barriers to economic expansion, inclusion and participation.</p> <p>The CBDA will contribute towards the transformation of the banking sector by creating diversity through co-operative banking, thereby promoting financial inclusion while ensuring access to capital by SMMEs and stimulating the economy at local level.</p>
Financial Sector Regulation Act, 9 (2017)	To promote and enhance the safety and stability of financial institutions	<p>The Act establishes the Prudential Authority (PA) (Chapter 3), and the Financial Sector Conduct Authority (Chapter 4) which regulates co-operative financial institutions (CFIs) and co-operative banks and whose mandates include supporting and promoting financial inclusion.</p> <p>CBDA has a Memorandum of Understanding (MoU) with the PA. The purpose of the MoU is to promote collaboration between the two institutions to ensure there is an enabling environment that protects members' deposits for those wanting to enter the co-operative banking sector.</p> <p>The CBDA and PA are in the process of extending the MOU to include the FSCA.</p>

LEGISLATION /POLICY	PURPOSE OF ACT/POLICY	CBDA ALIGNMENT
Medium Term Strategic Framework 2019 - 2024	<p>The MTSF 2019 – 2024 is the manifestation of the plan for the NDP Vision 2030. It lays out programmes on how to implement Vision 2030 and the seven electoral priorities adopted by Government.</p>	<p>CBDA's mandate and vision is aligned to the MTSF's Priority 2, Economic transformation and job creation whose outcome is aligned to reducing concentration and monopolies and expanded small business sector. The intervention seeks to increase the number of competitive small businesses with a focus on township economies and rural development increasing the number of co-operatives supported.</p> <p>The intervention further seeks to strengthen development finance towards SMME development, improving access to affordable finance for SMMEs and co-operatives.</p>

Part B: Our Strategic Focus

The CBDA's vision is to facilitate financial inclusion and economic transformation while ensuring a sustainable co-operative banking sector that empowers communities. Member based institutions promote inclusion by transformation through ownership and control.

The strategic focus for the next planning period will focus on collaboration and partnerships across all stakeholders to assist in the seamless implementation of the following:

- (a) ***Institutional development and organisational strengthening*** of existing CBIs and new entrants into the banking sector, through
 - i. Facilitating business model development supported by business case, risk management and a shared service approach.
 - ii. Organizational development through informal and formal training, mentorship and coaching.
 - iii. Through partnerships with industry leaders like commercial banks, Development Finance Institutions (DFIs), other state agencies, financial technologies (Fintech's) etc. will assist co-operative banks in offering their members a more diverse range of product and services and assist with financial inclusion.
 - iv. Leveraging strategic partnerships with stakeholders like Sector Education and Training Authorities (SETAs), South African Institute of Chartered Accountants (SAICA), Institute of Bankers (IoB), Institute of Internal Auditors (IIA), Banking Association South Africa (BASA). This will improve governance and management which in turn will improve trust and sustainability of the CBI.
- (b) ***Enhancing operational efficiency through innovative solutions and technological interventions.***

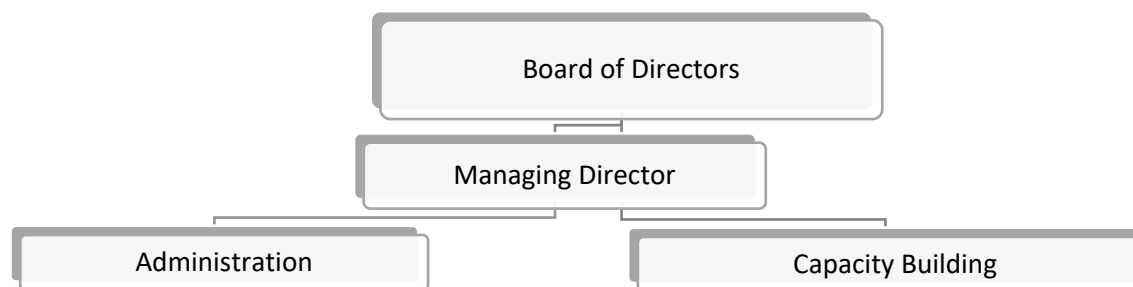
The Capacity Building Unit (CBU) continues to adopt a hybrid model in terms of their service offerings, meaning, the Unit, employs both virtual and onsite interventions. The Unit is still going to pursue the automation of its service offerings as mandated by the board, of-course, pending cost implications for such a project.

The CBDA automation and digitisation project will not be implemented due to the merger, as it is not decided yet what systems the new entity would be using, as such a consolidated plan would be developed to address the desired result in the following:

- a) Interactive online presence for the benefit of both the CBIs and the CBDA
 - b) CBDA professionally developed and packaged suite of services, that is, service offering application forms, training materials, coop-bank-in-a-box tool, webinars, pre-recorded videos, online interactive training sessions etc.
 - c) E-learning portal, where CBIs can download training modules that they want to do at a self-paced rate.
 - d) CBDA tracking traffic to the website, usage of training materials, training programmes conducted, progress on self-paced programmes.
 - e) CBIs uploading coop-bank-in-a-box tool.
 - f) CBIs uploading their completed monitoring tools to the Technical Analyst's folder responsible for their CFI.
 - g) CBDA uploading technical analysis reports for their respective CBIs in their portfolios.
- (c) ***Expanding footprint of sustainable CBIs***, civil society organisations like NGOs and CBOs will take lead and be the implementing agents of the programmes and tools designed to ensure the growth and sustainability of the co-operative banking sector, through a holistic support programme. It will help to increase the number of owner/members serving the unbanked potential in the market and offer an alternative to stockholder banks thereby diversifying the financial sector.

The CBDA has reconfigure the organogram to operate two distinct sections consisting of a business transformation unit doing business modelling and addressing sustainability issues facing start up and registered CBIs as well as an organisational development unit which will focus on training, training the trainer, accreditation, and mentorship.

CBDA Organogram



Administration	Funded 2022-2023	Unfunded 2022-2023	Unfunded 2023-2024
Stakeholder and Marketing Director		1	1
Business Corporate Manager	1		
Board Secretary	1		
Financial Manager	1		
Human Resource Specialist	1		
Finance Clerk	1		
Human Resource Clerk	1		
Brand and Marketing: Specialist		1	1

Capacity Building	Funded 2022-2023	Unfunded 2022-2023	Unfunded 2023-2024
Director	1		
Senior Technical Analyst	4		
Analyst	3		
Junior Analyst	3		
Trainer		1	1

5. Situational Analysis

5.1. Internal Environment Analysis

The CBDA is currently a going concern until the merger unfolds. CBDA as an entity is not adequately funded or resourced to achieve its legislative mandate resulting in it not being able to provide the support services it would have intended to provide in the following areas:

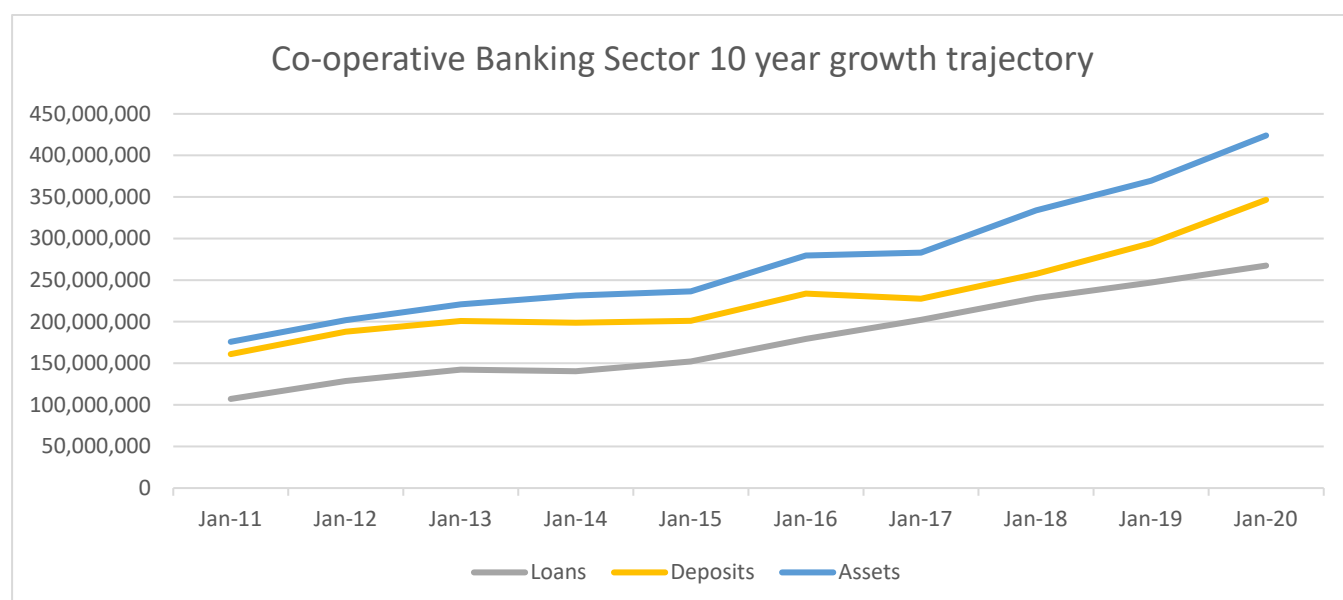
- (a) funding of the CBIs through products such as start-up capital and a stabilisation fund to assist CBIs in financial distress,
- (b) provision of appropriate capacity building interventions, including but not limited to the implementation of an incubation programme for new players in the banking sector, and
- (c) creating an enabling environment for the CBIs to ensure parity with the commercial banks in terms of technology, infrastructure, and access to the NPS.
- (d) Assist in the funding of a Cooperative Banking System.

Inadequate resourcing also had an impact on human capacity to carry out onsite visits which has resulted in the poor servicing of the CBIs in provinces where they operate as well as the impact of Covid19.

5.2. Major Risk Identified

The major risk identified in relation to the merger was the CBDA's mandate, but this has since been addressed. Although the business case and how it will be implemented has not been approved yet, it is likely that co-operative banking will be treated as a specialised unit in the business case. There is relative certainty that financial cooperatives will be able to provide financial and non-financial support to banking cooperatives in the merged entity, however, the prudential standards have not yet been revised to enable start-ups to receive financial and non-financial support to the extent needed to become viable and sustainable immediately after being registered. The merger will be beneficial to the sector, provided that the regional footprint of the merged entity is effectively used to provide increased assistance and that technology

challenges facing the sector are adequately addressed, using the resources that would be available after the merger. The merger process should not negatively impact the CBDA's normal core operations but will strengthen it through collective partnership with SEDA and **sefa** on identified activities until the transition to the new entity takes effect.



5.3. External Environment Analysis

This analysis of the sector reflects why the objective of growth and sustainability is difficult to achieve due to the following:

1. The CBIs face a massive challenge in competing with major banking institutions and increasingly Fintech's, capable of servicing consumers down market. The CBI model is a Savings and Credit Model and there are a significant number of lending institutions competing with CBIs lending offerings. Many commercial banks are now developing products that are like the CBI products e.g., Stokvel savings products that compete with CBIs. For CBIs to compete, digitisation will be key. However, in a survey of members¹ respondents indicated that a key element of a CBI is that the financial institution is owned by its members. The benefits of ownership may vary according to what each CBI offers to its members. However, the commonality is that members are the owners of the institution, which are not available in other business forms.

¹ World Bank Group 2022, Co-operative Banking Sector Strategy, Report No: AUS0002080

2. Governance issues in the sector are undermining basic trust in the sector. This is exacerbated by the lack of professional management in the sector. Governance issues include accountability to membership, adequate risk management and compliance with the NCA, FICA and prudential and market conduct regulations.
3. The sector is undercapitalised in terms of funding, especially during the start-up phase, which translates to an inability to modernise and leverage technology to its advantage.
4. Institutional support (government, association, and industry bodies) for the sector is fragmented. There are several organisations (SEDA, **sefa**, etc) that provide support services in the country for either the same sector or different sectors. By working together, duplication of service offering could be prevented. By streamlining interventions there would be a reduction in fragmentation, for example, a specific DED may have initiatives in this sector which at times duplicate the work done by CBDA.

5.4. SWOT Analysis

CBDA has become a significant participant in the co-operative banking sector with exclusive knowledge gained over the years. This advantage will provide the sector with skills and insight into how to attract members to grow the sector while achieving financial inclusion and economic transformation.

Planned Management Interventions	
1. Focus on improving existing basic and intermediate banking services – especially the issuance of good loans. (CFIs/CBs)	2. Ensure CBDA keeps a strong focus on the training needs for the sector, its boards, and committees, facilitating access to funding and enabling implementation of these strategies (CBDA & Sector).
3. To grow core deposits, make savings more accessible by eliminating withdrawal notifications and expand channels/hours. (CFIs/CBs)	4. Seek government and development partner support to hire staff and register second-tier co-operative bank. (Sector & Development. Partners)

INTERNAL STRENGTHS	INTERNAL WEAKNESSES
<ol style="list-style-type: none"> 1. Established qualified and committed staff in both capacity building and information technology. 2. Strong relations with CBIs and other sector stakeholders 3. In-depth understanding of the financial inclusion component of the economy. 4. Good relationships with the PA and FSCA 	<ol style="list-style-type: none"> 1. Funding constraints do not address the needs of the CBDA in servicing the sector. 2. Limited success in the adoption of a banking system and innovative products by CBIs 3. Lack of understanding of the CBDA mandate by targeted client groups and other stakeholders. The CBDA has, however, postponed the appointment of a Marketing Director to assist in aggressively marketing the cooperative sector within the South African Market, pending the merger as a cost saving measure and based on the understanding that resources will become available in the merged entity. 4. Through the developed Cooperative Sector Strategy Paper by the World Bank / The Cooperative Sector and the CBDA, the focus is to drive the pillars identified as well as enablers. <ol style="list-style-type: none"> 4.1. Pillar 1: Value Added Products and Systems 4.2. Pillar 2: Robust Sources of Funding 4.3. Pillar 3: Digital Delivery Channel <ul style="list-style-type: none"> • Enabler 1: Second Tier Co-operative Bank for Scale • Enabler 2: Access to the Financial Infrastructure • Enabler 3: Support Organizations for Advocacy and Training • Enabler 4: Tiered Licensing & Proportional Supervision

EXTERNAL OPPORTUNITIES	EXTERNAL THREATS
<ol style="list-style-type: none"> 1. Largely untapped rural, township, youth, and agricultural markets 2. Opportunity for CBIs to be financial intermediaries for small and medium enterprises (SMEs) and Co-operatives. 3. Deposit insurance providing confidence for members. 4. National, provincial, and local government commitment to co-operative development in expanding financial inclusion and ownership. 5. The cabinet memorandum pronouncing the merger between CBDA/SEDA (Small Enterprise Development Agency / sefa (Small Enterprise Finance Agency). 	<ol style="list-style-type: none"> 1. The sustainability of co-op banks and CBIs business model and their ability to sustain themselves and meet member's needs. 2. Reputational damage to the CBDA due to failed CBIs 3. High attrition rate. 4. Lack of a national/secondary Co-Op bank. 5. Competition from other financial institutions and non-bank retailers e.g., Shoprite. 6. CFIs currently excluded from the proposed National Deposit Insurance scheme.

Part C: Measuring Our Performance

6. Institutional Programme Performance Information

6.1. Programme 1: Administration

Purpose: To establish strategic leadership; administrative support and financial management capabilities.

Outcomes, Outputs, Performance Indicators and Targets			Annual Targets						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
Outcome	Outputs	Output Indicators	2019/2020	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Increased access to financial services by communities to ensure economic transformation.	Co-operative banking sector known and recognised.	6.1.1. Number of outreach and education activities about CBI model to groups and institutions.	5	26	33	12	10	10	12
		6.1.2. Number of communication activities and publications.	4	6	5	5	5	5	5
	Leverage of products and services offered by partners and stakeholders through collaborations and agreements.	6.1.3. Number of partners and stakeholder relationships.	2	8	11	8	8	8	8

Outcomes, Outputs, Performance Indicators and Targets

Outcomes, Outputs, Performance Indicators and Targets			Annual Targets						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
Outcome	Outputs	Output Indicators	2019/2020	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Fiscal discipline, sound governance and compliance with the regulatory framework,	Sound and compliant financial internal controls, financial management and reporting services.	6.1.4. Unqualified audit opinion	Unqualified audit (2018/19)	Qualified opinion (2019/20)	Unqualified audit opinion (2020/21)	Unqualified audit opinion with 25% fewer findings than 2021/22 on financial performance information	Unqualified audit opinion with 25% fewer findings than 2022/23 on financial performance information	Unqualified audit opinion with 25% fewer findings than 2023/24 on financial performance information	Unqualified audit opinion with 25% fewer findings than 2024/25 on financial performance information
	Maintain a compliant supply chain management process.	6.1.5. Percentage of valid invoices paid within 30 days.	100%	76%	100%	100% of valid invoices paid within 30 days			

Indicators, Annual and Quarterly Targets

Strategy

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
6.1.1 Number of outreach and education activities about CBI model to groups and institutions.	12	3	3	3	3
6.1.2 Number of communication activities and publications.	5	2	1	1	1
6.1.3 Accumulative number of partners and stakeholder relationships.	8	2	2	2	2

Finance and Supply chain management

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
6.1.4 Unqualified audit opinion	Unqualified Audit Opinion	-	Unqualified audit opinion with 25% fewer findings than 2022/23 on financial performance information	-	-
6.1.5 Percentage of valid invoices paid within 30 days.	Valid invoices paid within 30 days	100% valid invoices paid within 30 days.			

Explanation of planned performance over the medium-term period

The strategic outputs aim to achieve the following:

1. Awareness and information on the co-operative banking model as an alternative banking to the most vulnerable people who are not currently involved in transactional banking.
2. Collaboration and partnerships with stakeholders and partners would be an opportunity to provide greater impact to service delivery, preventing working in silos and duplication of services by leveraging of each other's products and services. CBDA would target provincial Department of Economic Development (DED's), Sector Education and Training Authorities (SETAs), South African Institute of Chartered Accountants (SAICA), Institute of Bankers (IoB), Institute of Internal Auditors (IIA), Banking Association South Africa (BASA) just to name a few.

The merger with Small Enterprise Financing Agency (**sefa**) and Small Enterprise Development Agency (SEDA) would result in close working relations to ensure the transition of services and products are effectively and efficiently provided to the cooperative sector.

3. Communication activities and publications would keep stakeholders, partners, and the co-operative banking sector abreast of new developments, services offered and the co-operative banking model value offering.
4. The facilitation of sub-committees to deliberate on the National Cooperative Banking Sector Strategy (NCBSS) finalised by the World Bank in February 2022. The strategy document looks at what will contribute to inclusive growth or efficiently servicing SMMEs and cooperatives in township and rural economies through the establishment of a National Secondary Cooperative Bank (NSCB). It will also address the concerns of a possible interim deposit insurance fund for CFIs and to provide digitisation support. This institution is likely to attract more liquidity and provide more integrated services such as standardised processes, risk management and a footprint in the South African market space. The business model for the secondary bank is being developed.
5. Provide accountability and transparency to the stakeholders, clients, and government through audit reports.

The above mentioned will contribute toward the strategic outcomes of increasing the number, membership, and assets of sustainable financial co-operative institutions within communities who have access to financial services which would result in economic transformation through financial inclusion.

Programme resource consideration

	Estimated expenditure	Medium term expenditure estimate		
Output Indicators	2022/23	2023/24	2024/25	2025/26
Number of outreach and education activities about CBI model to groups and institutions.	479 449	244 305	60 152	61 957
Number Of communication activities and publications.	350 000	155 600	171 714	60 000
Number of partners and stakeholder relationships.	61 744	58 400	60 152	61 957
Unqualified audit opinion	4 297 807	3 899 273	4 016 251	3 310 100
Percentage of valid invoices paid within 30 days.	500 000	200 000	206 000	212 180
	5 689 000	4 557 578	4 514 269	3 706 193

Economic classification				
Compensation	6 382 731	5 163 968	5 527 109	5 692 922
Annual license	-	10 000	10 300	10 609
Bank charges	30 000	25 000	25 750	26 523
Communication	30 000	36 000	37 080	38 192
Consultants	1 800 000	1 470 336	1 514 446	1 559 879
Depreciation	300 000	150 000	193 313	199 112
Lease payments	40 000	20 000	20 600	21 218
Legal cost	300 000	500 000	200 000	10 000
Printing and Stationery	100 000	20 000	20 600	21 218
Human Resource Management	100 000	100 000	103 000	106 090
Staff welfare	5 000	10 500	10 815	11 139
Subscription	5 000	5 000	5 150	5 305
Training and staff development	100 000	200 000	200 000	100 000
Rental of office space	1 700 000	1 500 000	1 545 000	1 591 350
Rental of furniture	304 000	310 000	319 300	328 879
	11 196 731	9 520 804	9 732 463	9 722 437

Narrative

Compensation budget of 37% comprised of five (5) filled positions and one (1) vacant position to render services towards governance, finance, supply chain management and administration. Unfortunately, due to the limited resources over the years, National Treasury have provided support in the form of service in kind which is included in the budget for an amount of R3 510 000. The 25% of kind in services provided is relates to office space, parking facilities, and providing services towards internal audit, enterprise risk management, legal, supply chain management, finance, IT, and cleaning. Good and services makes up 31% of the budget. Consultants of 15% is to address the capacity challenges for a small entity to compliance with the PFMA and other regulations to reduce audit findings.

The compliance for a schedule 3A entity takes away resources from the core activities of capacitating the sector with 97% allocated to the administration key performance indicators. The governance cost entails convening of Board and committee, consultants to take minutes of meeting, travel, and members fees. With the merger in progress there are additional cost for CBDA to participate in the Department of Small Business, **sefa** and SEDA activities. The compliance cost relates to audit fees, consultants to review annual financial statement and submission of reports. The administration cost relates to annual license fees, bank charges, cell phone, data, printing, and human resource matters with funds specifically budgeted for consequence management processes.

3% is allocated to key performance indicators towards building relationships with stakeholders, clients and partners promoting the co-operative sector and facilitating work around the NCBSP with the sector.

The decline of 17% in the administration budget in 2022/23 to 2023/24 is due to the over budgeting of the non-cash item of service in kind based on amounts not confirmed by National Treasury. This decline does not have any impact on CBDA activities and services provided or offered by National Treasury.

6.2. Programme 2: Capacity Building

Purpose: To provide institutional development and organisational strengthening interventions to promote and support the growth and development of the CBI sector. **To enhance CBI operational efficiency and quest for viability through technology.**

Outcomes, Outputs, Performance Indicators and Targets			Annual Targets						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
Outcome	Outputs	Output Indicators	2019/2020	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Increased access to financial services by communities to ensure economic transformation.	Institutional development and organisational strengthening	6.2.1. Number of training programmes conducted	-	-	5	10	10	10	10

Outcomes, Outputs, Performance Indicators and Targets

			Annual Targets						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
Outcome	Outputs	Output Indicators	2019/2020	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
		6.2.2. Number of direct technical assistance interventions provided.	17	39	66	64	64	70	70
		6.2.3. Number of monitoring visits conducted.	New indicator.		23	30	35	40	40
		6.2.4. Percentage of Organised groups supported	-	-	100%	100%	100%	100%	100%

**Indicator revised from previous years*

Indicators, Annual and Quarterly Targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
6.2.1 Number of training programmes conducted	10	2	3	3	2
6.2.2 Number of direct technical assistance interventions provided.	70	12	23	23	12
6.2.3 Number of monitoring visits conducted.	40	5	15	15	5
6.2.4 Percentage of organised groups supported	100%	100%	100%	100%	100%

**Indicator revised from previous years.*

Explanation of planned performance over the medium-term period

The capacity building unit, operate two distinct functions consisting of a business transformation unit, doing business modelling, and addressing sustainability issues facing start up and registered CBIs, as well as an organisational development unit which will focus on training, training the trainer, accreditation, and mentorship.

The outputs aim to provide a holistic support programme through business transformation, institutional development, organisational strengthening, branding, and marketing.

1. The business transformation will look at three areas of the CBIs:
 - People – Skills and competencies of CBIs, roles and responsibilities, the performance management system, segregation of duties, internal controls and governance structures, Financial Modelling and preparing the CBIs for change in business (Change Management)
 - Process – Understanding of the process and procedures, re-engineering policies, procedures, and reporting.
 - Technology – Technology adoption within CBIs, knowledge of IT systems and technology solutions in the market for affordability.
2. Institutional development and organisational strengthening through informal and formal training, mentorship, coaching and capacity building inventions etc. To assist new players in the banking sector, an incubation programme will be introduced and implemented to ensure viability and sustainability. These initiatives will improve operational efficiency and effectiveness in the institutions.
3. The branding and marketing would entail, developing a strong CBI brand, identifying brand ambassadors, and developing a marketing campaign for CBIs. This would provide recognition, loyalty, and reliability of CBIs.

The output will contribute towards improving operational efficiency and effectiveness, building trust and confidence in the sector and as a result the CBIs will grow in becoming sustainable entities which serve the communities.

Programme resource consideration

	Estimated expenditure	Medium term expenditure estimate		
Output Indicators	2022/23	2023/24	2024/25	2025/26
Number of training programmes conducted	994 508	994 508	1 024 343	2 034 587
Number of direct technical assistance interventions provided.	863 655	741 626	889 625	1 189 625
Number of monitoring visits conducted.	483 235	446 703	585 854	972 609
Percentage of Organised groups supported	83 368	83 368	85 869	88 445
	2 424 766	2 266 205	2 585 691	4 285 266
Economic classification				
Compensation	7 552 623	7 764 260	8 307 758	8 556 990
Communication cost	60 000	60 000	61 800	63 654
Marketing	-	158 562	163 319	168 219
Staff training and development	200 000	240 000	200 000	200 000
	7 812 623	8 222 822	8 732 877	8 988 863
Total	10 237 389	10 489 027	11 318 568	13 274 129

Narrative

Compensation budget comprised of nine (9) filled positions and two (2) vacant position with a 73% budget allocation. The remaining 27% is budgeted towards logistics (travel, accommodation, and subsistence) with a reduction in services from consultants. The operational expenditure of the Unit is towards providing training, support interventions and monitoring. The services are conducted virtually and on-site visit depending on the needs of the CBIs. Funds have been budgeted for marketing the sector through awareness campaigns and advertising.

The challenge of allocation of sufficient funds towards the Capacity Building unit persist.

OVERVIEW OF 2023/24 BUDGET AND MTEF ESTIMATES

Expenditure estimates

Revenue	APPROVED	MEDIUM TERM EXPENDITURE ESTIMATES		
R thousand	2022/23	2023/24	2024/25	2025/26
Transfers	20 831 000	20 911 000	21 850 000	22 829 000
Registration fees	2 000	2 000	-	-
Interest income	286 120	144 409	100 000	150 000
Stakeholder funding	-			
Service in Kind from National Treasury	6 004 000	3 510 000	3 615 300	3 723 759
	27 123 120	24 567 409	25 565 300	26 702 759
Programme Expenditure				
1. Administration	16 885 731	14 078 382	14 246 732	13 428 630
2.Capacity building	10 237 389	10 489 027	11 318 568	13 274 129
Subtotal	27 123 120	24 567 409	25 565 300	26 702 759
Surplus/(-) Deficit	-0	0	0	0

Detailed Expenditure For All Programmes

Economic classification

Current Payments	27 123 120	24 567 409	25 565 300	26 702 759
Compensation of employees	13 935 354	12 928 228	13 834 866	14 249 912
Goods and Services	13 187 766	11 639 181	11 730 433	12 452 846
Annual license	-	10 000	10 300	10 609
Audit costs	1 000 000	1 110 000	1 163 531	1 110 000
Bank Charges	30 000	25 000	25 750	26 523
Board Costs	853 377	934 643	962 682	850 000
Communication	115 000	121 000	124 630	128 369
Refreshments	21 600	31 800	32 754	33 737
Consultants	5 112 968	3 683 304	4 084 116	3 472 511
Depreciation & amortisation	300 000	150 000	154 500	159 135
Lease payments	40 000	20 000	20 600	21 218
Legal cost	200 000	500 000	200 000	100 000
Publication and Marketing	100 000	164 162	169 087	174 160
Printing and Stationery	125 000	45 000	46 350	47 741
Human Resource Management	100 000	100 000	103 000	106 090
Rental	2 004 000	1 810 000	1 864 300	1 920 229
Staff welfare	5 000	10 500	10 815	11 139
Subscription	5 000	5 000	5 150	5 305
Training and staff development	300 000	440 000	400 000	300 000
Travel and subsistence	2 650 821	2 253 772	2 121 118	2 881 247
Venues and facilities	225 000	225 000	231 750	1 094 836
Capital assets and transfers	-	-	-	-
Tangible and intangible assets	-	-	-	-
Total	27 123 120	24 567 409	25 565 300	26 702 759

Narrative

CBDA source of income is transfers from National Treasury. Other income is derived from interest income from un-utilised funds. Non-cash item of service in kind from National Treasury to compensate for the limited resources within CBDA.

The major expenditure relates to compensation (53%) since CBDA offer service to the sector as its primary operations with 47% towards goods and services.

The Capacity Building (primary operations) and Administration (secondary operation) makes up 43% and 57% of the allocated budget.

These primary operations entail onsite and virtual training, support and assistance which entails cost towards consultants, travel, and subsistence.

The secondary operation costs relate to providing administrative support (printing, stationery, data, cell phone, lease, etc.) and compliance (audit fees, board, and committees).

The high ranked budget allocation for the following: consultants of R3 683 304 which includes service in kind from National Treasury, travel and subsistence of R2 253 772, rental of R1 810 000 whereby CBDA is housed in National Treasury as in-kind service, audit cost: of R1 110 000 and board fees of R934 643.

Consultants are sourced for skills not within CBDA and insufficient personnel to perform compliance, risk, and finance reviews.

The decline of 42% of service in kind in 2022/23 to 2023/24 is due to the over budgeting of the non-cash item based on unconfirmed estimated by National Treasury. This decline does not have any impact on CBDA activities and services provided or offered by National Treasury.

7. Updated Key Risks

Outcome	Key Risks	Risk Mitigation
Increase in communities that have access to financials service and result in economic transformation.	Insufficient financial resources which may lead to the CBDA not being able to achieve its mandate.	<ul style="list-style-type: none"> Partnering with other stakeholders and setting up MOUs to leverage off existing functions and resources while reducing operating expenses Reduce the Cost to Income Ratio. Reconfigure the CBDA Operational Model for efficient allocation of available human resources
	Inadequate understanding of the CBDA's mandate by stakeholders.	<ul style="list-style-type: none"> Rebrand CBDA and the Co-operative Banking Model and create awareness through an electronic presence. Define a business case for the Stabilisation Fund and operationalise the funding to sustain the CBIs Conduct a feasibility study and develop a business case for a CBI incubation programme Form partnerships to leverage on existing stakeholder incubation programmes and/or resources for implementation. A cabinet memorandum pronounced a merger between CBDA/SEDA (Small Enterprise Development Agency / sefa (Small Enterprise Finance Agency) and this will be in the background as we gear towards delivering on our current mandate.

	Delays in implementation of technology solutions to modernise CBI operations due to dependencies on NT processes and shared functions.	<ul style="list-style-type: none"> Source technological solutions for the CBIs through strategic partnerships in the Private and Public sector
Outcome	Key Risks	Risk Mitigation
Increase in communities that have access to financials service and result in economic transformation	Reputational damage to CBDA through: <ul style="list-style-type: none"> CBIs inability to sustain themselves and meet the needs of their members. Ineffective/no assistance provided to distressed CBIs. Lack of confidence and trust in CBIs. Decline in growth and de-registration of CBIs resulting in non-existence of sector. 	<ul style="list-style-type: none"> Implementation of stabilisation fund/deposit insurance. Engaging with stakeholders and partners for assistance.

Part D: Technical Indicator Descriptions (TID)]

Programme 1: Administration

Indicator Title	6.1.1 Number of outreach and education activities about co-operative banking model to groups and institutions.
Definition	The CBDA to communicate the co-operative banking model to groups and institutions through workshops, presentations, etc.
Source of Data	Email request, invites, presentations and attendance registers.
Method of Calculation/Assessment	Quantitative Simple count of number of responses, presentations and workshops conducted for groups and institutions about the co-operative banking model.
Means of Verification	Presentations, programmes, and attendance registers
Assumptions	There is an interest by the public (groups & institutions) in the CBI model or sector.
Disaggregation of Beneficiaries (Where applicable)	Not applicable
Spatial Transformation (Where applicable)	Not applicable
Calculation Type	Cumulative (Year-end)
Reporting Cycle	Quarterly
Desired Performance	12 outreach and education activities conducted.
Indicator Responsibility	Acting Managing Director.

Indicator Title	6.1.2 Number of communication activities and publications.
Definition	The CBDA to communicate through publications (mail newsletters, articles, booklets, e-maildrops and campaigns and magazines) and communication activities (roadshows, exhibitions, and speeches).
Source of Data	Number of articles, newsletters, invites to conference, email drops, forums etc, done or registering for displays of exhibition stand at events. Digital communications.
Method of Calculation/Assessment	Quantitative. Simple count of number of newsletters, articles, booklet, email drops and campaigns produced.
Means of Verification	Newsletters issued, articles email drops published or issued. Programme for participation in roadshows, speeches, and registration form at exhibition.
Assumptions	Invites by stakeholders and partners to share information and awareness of the co-operative banking sector. CBIs are interested in being kept up to date and informed of what is happening in the sector and around them.
Disaggregation of Beneficiaries (Where applicable)	Not applicable

Spatial Transformation (Where applicable)	Not applicable
Calculation Type	Cumulative (Year-end)
Reporting Cycle	Quarterly
Desired Performance	5 communication activities and publications.
Indicator Responsibility	Acting Managing Director

Programme 1: Administration (continued)

Indicator Title	6.1.3 Accumulative number of partners and stakeholder relationships.
Definition	Partners and stakeholders engaged in building working relationships through collaboration and partnerships so that CBDA can leverage from the services and products offered.
Source of Data	Meeting requests, reports of engagements/meetings held, agreements signed, use of services or products. reports of meetings and minutes of meetings.
Method of Calculation/Assessment	Quantitative. Simple count of relationships with partners and stakeholders. Signed MOUs, joint programs agreed to, minutes of meetings, collaborative programmes/project working with stakeholders.
Means of Verification	Number of agreements and minutes of meetings provided.
Assumptions	
Disaggregation of Beneficiaries (Where applicable)	Not applicable
Spatial Transformation (Where applicable)	Not applicable
Calculation Type	Cumulative (Year-end)
Reporting Cycle	Quarterly
Desired Performance	8 agreements,
Indicator Responsibility	Acting Managing Director.

Indicator Title	6.1.4 Unqualified audit opinion
Definition	Unqualified audit with no material finding
Source of Data	Year-end preparation check list. Annual financial statements submitted to Audit committee. Tabling of document at Board meetings for approval.
Method of Calculation/Assessment	Qualitative – Process of preparation of annual financial statement to be submitted for audit.
Means of Verification	Auditor's report. Auditor management report on findings. Proof of submission to National Treasury.
Assumptions	Sufficient skilled staff compliment recruited in the organisation.

Disaggregation of Beneficiaries (Where applicable)	Not applicable
Spatial Transformation (Where applicable)	Not applicable
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly
Desired Performance	Clean audit opinion
Indicator Responsibility	Finance Manager and Programme Managers

Programme 1: Administration (continued)

Indicator Title	6.1.5 Percentage of valid invoices paid within 30 days.
Definition	To measure invoices paid within 30 days of receipt.
Source of Data	Invoices stamped date or recorded on register. Register of invoices received and date of payment.
Method of Calculation/Assessment	Number of valid invoices paid within 30 days of receipt /Number of valid invoices received and paid x 100.
Means of Verification	Register of invoices received and date of payment.
Assumptions	National Treasury and suppliers provide invoices timeously without any queries on invoices.
Disaggregation of Beneficiaries (Where applicable)	Not applicable
Spatial Transformation (Where applicable)	Not applicable
Calculation Type	Non-Cumulative
Reporting Cycle	Quarterly
Desired Performance	100% of valid invoices paid within 30 days of receipt.
Indicator Responsibility	Finance Manager.

Programme 2: Capacity Building

Indicator Title	6.2.1 Number of training programmes conducted.
Definition	Training Programme refers to programmes based on the CBDA training materials, i.e., Governance, Financial Management, Supervisory, Risk Management and Credit Committee.
Source of Data	Approved annual training calendar and attendance registers.
Method of Calculation/Assessment	Quantitative. Number of training programmes conducted.
Means of Verification	Quantitative. Approved annual training calendar
Assumptions	Board of directors, committee members, managers, staff, and general members will attend the training

Disaggregation of Beneficiaries (Where applicable)	Not applicable
Spatial Transformation (Where applicable)	Not applicable
Calculation Type	Cumulative (Year-end)
Reporting Cycle	Quarterly
Desired Performance	10 training programmes are conducted
Indicator Responsibility	Programme Manager

Indicator Title	6.2.2 Number of direct technical assistance interventions provided.
Definition	Direct Technical Assistance, refers to, operationalisation, monitoring and highly technical interventions as outlined in the CBU service continuum.
Source of Data	Direct Technical Reports
Method of Calculation/Assessment	Quantitative Number of Direct Technical Assistance interventions.
Means of Verification	Direct technical assistance reports.
Assumptions	CFIs board, management and staff will be available for the direct technical assistance
Disaggregation of Beneficiaries (Where applicable)	Not applicable
Spatial Transformation (Where applicable)	Not applicable
Calculation Type	Cumulative (Year-end)
Reporting Cycle	Quarterly
Desired Performance	70 direct technical assistance interventions provided.
Indicator Responsibility	Programme Manager

Programme 2: Capacity Building (continued)

Indicator Title	6.2.3 Number of monitoring interventions conducted.
Definition	Monitoring of CBI performance on all interventions undertaken by both Business Transformation and Organisational Development Sub-units.
Source of Data	Monitoring Reports.
Method of Calculation/Assessment	Quantitative. Number of monitoring interventions conducted by Technical Analysts within the Business Transformation and Organisational Development Sub-units (OD) after interventions as per signed monitoring reports.
Means of Verification	Monitoring reports.
Assumptions	CBIs will be available to conduct the monitoring visit.
Disaggregation of Beneficiaries (Where applicable)	Not applicable
Spatial Transformation (Where applicable)	Not applicable
Calculation Type	Cumulative (Year-end)
Reporting Cycle	Quarterly
Desired Performance	40 Monitoring interventions provided.
Indicator Responsibility	Programme Manager
Indicator Title	6.2.4 Percentage of organised groups supported. (Demand driven)
Definition	Organised groups are potential Cooperative Banking Institutions (CBIs) that meet the minimum requirements to register with the Prudential Authority (PA). The minimum requirements being: 200 members, R100k share capital & common bond.
Source of Data	Capacity Building Unit (CBU) Global Register of total Organised Groups that approached CBU for assistance Capacity Building Unit Register of Organised Groups assisted per quarter
Method of Calculation/Assessment	(Number of organised groups assisted by CBU divided by total number of organised groups that approached CBU for assistance) multiplied by 100
Means of Verification	Capacity Building Unit (CBU) Global Register of total Organised Groups that approached CBU for assistance Capacity Building Unit Register of Organised Groups assisted per quarter
Assumptions	There will be demand for pre-registration support

Disaggregation of Beneficiaries (Where applicable)	Not applicable
Spatial Transformation (Where applicable)	Not applicable
Calculation Type	Non-cumulative (Year-end)
Reporting Cycle	Quarterly
Desired Performance	100% organised groups requesting support are assisted.
Indicator Responsibility	Programme manager

Acronyms and Abbreviations

Acronym/Abbreviation	Description
AGM	Annual General Meeting
BANKSETA	Banking Sector Education Training Authority
BASA	Bankers Association of South Africa
CBDA	Co-operative Banks Development Agency
CBI	Co-operative Banking Institution - Co-operative Banks and Co-operative Financial Institutions previously or currently registered by CBDA or PA respectively.
CBO	Community Based Organisation
DED	Department of Economic Development
DFI	Development Finance Institution
DSBD	Department Small Business Development
Fintech	Financial Technology
FSCA	Financial Sector Conduct Authority
FSRA	Financial Sector Regulation Action
IIA	Institute of Internal Auditors
IoB	Institute of Bankers
IT	Information Technology
NCSB	National Cooperative Sector Strategy
NSCSB	National Secondary Cooperative Sector Bank
NDP	National Development Plan
NPA	National Payment System

NGO	Non-Government Organisation
PA	Prudential Authority
PFMA	Public Finance Management Act
SAICA	South African Institute of Chartered Accountants
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SEDA	Small Enterprise Development Agency
sefa	Small Enterprise Finance Agency
SETA	Sector Education Training Authority
SME	Small and Medium Enterprise
SMME	Small, Micro and Medium Enterprises
SoE	State owned Enterprise