

Opening Address by Gauteng Premier David Makhura at the Stokvel and Burial Society Indaba. Soweto Theatre. City of Johannesburg.

18th September 2015

Programme Director, Mr Sebasa Mogale of Thobela FM;
MEC Lebogang Maile responsible for Economic Development, Agriculture and Environment;
MMC Chris Vondo responsible Community Development;
Managing Director of Banking Association of SA;
CEO of SizweNtsalubaGobodo;
Members and representatives of stokvels;
Members and representatives of burial societies;
Leadership of the National Association of Stokvels of South Africa;
Leadership of the South African Federation of Burial Societies;
Representatives of banks, funeral schemes and insurance companies;
Representatives of the SA Savings Institute;
Researchers, academics and policy experts;
Senior government officials from national, provincial and local government;
Distinguished delegates;
Ladies and gentlemen:

I would like to start by congratulating the organisers of this profoundly important initiative for bringing various stakeholders together to have a conversation with the burial societies and stokvels, the often forgotten critical players in the savings and investment landscape of our country.

You have defined the objective of this Indaba as creating “a platform for stakeholders to engage, share information and find solutions where there are challenges.”

Thank you for inviting me to join you in the engagement, especially for the sector that is so much talked about, but so much misunderstood and so much neglected. I have been looking forward to an opportunity to directly engage with you. I understand there are almost 400 participants invited, majority of whom are from stokvels and burial societies themselves.

I would like to share with you my views and the policy perspectives of our provincial government on the potential role of stokvels and burial societies in our programme for radical economic transformation and the revitalization of the township economy.

The tradition of collective saving scheme through stokvels is well known and well established among the black communities in general and Africans in particular.

Within this tradition we find various ways in which our people have pooled their savings and resources as groups to address various community needs – whether it be about saving towards holiday, grocery, wedding, entertainment, education, house or car.

The savings are usually for a shorter period and the money rotates among members of the stokvel every month. The stokvels take different forms such as *mogodisano*, savings clubs and investment clubs.

On the other hand, you have collective saving schemes towards giving our loved ones dignified funerals. The primary reason for the existence of a burial society is to provide for the cost of a funeral on the death of a member or the dependent of a member. It also provides 'helping hands' benefit in which a member's family is relieved of household and other duties in the week before or during the funeral. It operates as an informal mutual or co-operative insurance scheme.

The reasons for the emergence of burial societies are historical, economic and cultural. Burial societies were born as a response to the rising costs of providing a dignified funeral experienced by migrant workers when the country underwent a mining and industrial revolution in the second half of the 19th century.

The exorbitant burial costs made it absolutely impossible for an individual household to be able to afford all costs associated with funerals – coffin, transport and catering. The costs were particularly more unbearable for migrant workers who passed on in the urban centers and townships but had to be buried in the rural areas.

Thanks to the men and women gathered here today, burial societies have grown phenomenally across the country and have footprints all over the country providing funeral cover and some kind of social insurance against undignified paupers' funerals.

Sadly, the revolutionary and transformative potential of both the stokvels and burial societies has not been understood and unlocked. We have not harnessed the strong values of cooperation and solidarity ever present in the burial societies and stokvels to expand the frontiers of economic justice and promote a social economy.

We also find the practice of greater equality and more democracy strongly embedded in stokvels and burial societies. Many leaders of our communities first learnt about chairing a meeting, doing secretarial work, managing members' finances, in a burial society or stokvel. Like trade unions, stokvels and burial societies are indeed schools of democracy where ordinary citizens meet on a regular basis, control how their money is used and design their own funeral benefit policies.

Although no one really knows the exact size of this movement, many studies by independent agencies have confirmed now and again, that we are dealing with large movement probably between 100 000 and 800 000 burial societies and stokvels nationally.

The 2014 Finscope Consumer Survey, a FinMark Trust research project that has been conducting studies on burial societies for more than 10 years, indicates that these tens of thousands of burial societies could be serving at least 11.7 million direct members, excluding dependents of members. 37 percent (4.3 million) of these members are in Gauteng.

Another study by Darlyn Collin from the Financial Dairers project, estimates that in a township like Diepsloot, an average number of dependents covered by a member of a burial society could be 6, way above those covered by private funeral insurance providers.

This research tells the story that nearly every African household is covered by a burial society! Burial societies are the second largest form of member-based organization, after the church.

Research also reveals that women are in the majority in this sector, representing more than 61 percent of membership. The majority happens to be those who are working, especially low-income workers and elderly who benefit from social grants – although membership composition cuts across the whole African working class, irrespective of their income.

Finscope research estimates that the membership of burial societies and stokvels contribute between R25 billion and R44 billion to the national economy.

We have noted how the funds in the hands of burial societies serve as social protection in communities, especially the most vulnerable. Let us also remember that it is burial societies which carried the heaviest burden of providing dignified funerals for those who die of HIV/AIDs and other devastating ailments.

However, I have heard many questions being asked about why people spend so much money on funerals in the face of so much poverty and unemployment. I have also heard questions asked about why stokvels are not investing their money in tangible assets instead of sharing the cash monthly or annually. In other words, are those who are saving money through these schemes getting maximum returns on their savings? Is the money working for burial societies and stokvels or is it working for insurance companies and banks? Why is the money invested by burial societies and stokvels not being invested to improve quality of life in the townships? How do we protect these schemes from unscrupulous funeral parlours and rogue financial services providers?

One of the reasons why people save for funerals is that burial costs have become incredibly expensive in South Africa. It is also compounded by the fact that many of the funeral undertakers are highly unregulated. Newspapers are full of stories of people being sold a coffin that took R1500.00 to produce and sold at R15 000.00.

Even though many burial societies are unable to cover the total costs of what families regard as a dignified funeral, they still go a long way in providing the needed cash and access cash and the person-power to cook and cater at the funeral. Such is the social and economic value of burial societies in Black communities.

However, let me turn my attention to the many external and internal challenges facing burial societies and stokvels. One seminal paper by Wits University Professors Thompson and Posel (2002), based on actual interaction and interviews with burial society leaders and their members, vividly described these challenges as identified by the burial societies themselves. What are the main challenges?

The internal challenges include the misuse of money, inefficient administration, non-payment of contributions and so on. These are internal challenges that have to do with skills development, discipline and order in the movement. These are also problems societies themselves can overcome, if they work together around education, training and sharing of best practices and experiences in the sector. The forums like you have today, provides such spaces for member education and sharing of knowledge on best practices in managing the affairs of the societies.

In this regard, I wish to congratulate initiatives by INSETA – the insurance SETA – for taking active interest in the developing skills in the organisation and management of burial societies.

External challenges, that burial societies face, are the relationship with the private banks, private insurers, administrators, funeral parlours and of course government.

They point to high fees charged when they simply bank their funds, high insurance premiums that exclude other members of societies, products inappropriately designed for the nature and purpose of burial societies, and funeral parlours and administrators involved in illegal insurance activities and exploitation.

The relationships of burial societies with some of these service-providers create additional problems for the members of burial societies and they may constitute a threat to the sustainability of these societies.

They also face problems of high premiums, which include charges and commissions by “middle-men” acting on behalf of insurance companies. Premiums also escalate due to age and health status of members of a burial society.

Then there are administrators that are selling insurance services to burial societies without a license from Financial Services Board (FSB).

There are interventions that can be made to mitigate or fully address the challenges faced by burial societies. There is a call to regulate the funeral industry so that we can protect burial societies from business malpractices.

Rather than acting alone, burial societies would need to better organize themselves into a stronger movement that can enhance the economies of scale and even consider establishing own co-operatives to provide credit and insurance to their members, instead of leaving their savings in the hands of big banks and insurance companies.

The new Co-operatives Act, under the Department of Trade and Industry enables burial societies to formalize as co-op burial societies and run and to form their own co-operative insurance enterprise.

Co-operating at a movement level, could also help burial societies to improve their ability to negotiate with banks, insurers, funeral parlours and government. We are sure that some of the topics you will be discussing in this conference will address common problems facing burial societies.

With regard to stokvels, members of these savings schemes need to be encouraged to use some of their savings to invest collectively in fixed assets and infrastructure projects will generate income continuously for members, with a better rate of return on investment.

All these challenges can be addressed if we work together with national and provincial structures of burial societies and stokvels to create a policy and institutional environment that fosters the growth of the social economy and the revitalization of the township economy.

As Gauteng Provincial Government, we have identified the townships as important spaces through which we can effect radical economic transformation of our province. More than 80 percent of the population of Gauteng is located. The townships are also the space in which most burial societies and stokvels activities take place.

It is estimated that the township economy is worth more R100 billion. Soweto alone is about R18 billion, while Diepsloot is about R2 billion. This means that even the smallest township's economy is almost R1 billion. Most of the money generated in the townships is repatriated and spent outside the townships, instead of circulating the money in the local communities to produce goods and services that meet the needs of the residents, thus boosting local economic development.

In order to transform townships into thriving economic hubs and vibrant cultural and intellectual activities, Gauteng provincial Government has adopted a strategy to revitalise and mainstream the township economy.

Our strategy focuses on the following five interventions:

- **Develop an appropriate and supportive regulatory framework:** In the case of burial societies, we encourage a process toward some formalization so that burial societies can enjoy many benefits that are enjoyed by formal enterprises, including government support. This however is a process we will discuss closely with burial society - including the degree in which these entities can be

formalized. In fact many of them are semi-formalized by the fact that they have banking accounts, and enter into some contracts with service providers and so on. We have already mentioned favourable legislation in terms of Co-operatives Act for societies or those stokvel types that want to form group buying co-operatives.

- **Encourage productive and manufacturing activities in the township space as part of the re-industrialization plan.** In the case of burial societies there are indeed opportunities for investments in productive activities, including coffin manufacturing and other related funeral products.
- **Provide adequate supportive infrastructure** to ensure that stokvels and burial societies can have adequate spaces to convene their meetings (rather than in open spaces) and their associations have access to operating spaces.
- **Improve access to markets**, particularly through public procurement, in which we will ensure that 30% of goods and services are procured from township enterprises in the next four years.
- **Promote investment in the township economy:** in the case of societies and stokvels and other actors in the township space we ensure that more of their funds are directed towards building their financial strength through creation of own co-operative insurance and co-operative banking. Government is already putting these initiatives in motion.

Support for the development of the SMMEs, cooperatives, township and village enterprises has dramatically increased during this term of government. All national, provincial and local government departments and agencies have been given a policy directive to increase their support for township and village enterprises and build new black industrialists. This is in line with radical economic transformation.

The burial societies and stokvels need to seize this opportunity to expand their scope and position themselves in line with the strategies and policies of our government as part of tackling unemployment and poverty through building the social economy based on solidarity and cooperation.

Let us stress once again, these opportunities will need to be supported by active education and training programmes as well as a well-organized cooperative movement that will promote and protect the interests of the sector.

Accordingly, we would like to convene a Provincial Conference of Burial Societies and Stokvels in March 2016. It will be the first conference convened by the Provincial Government and municipalities to look at how we can unlock the full transformative potential of stokvels and burial societies and ensure that they are part of our programme for radical Transformation, Modernization and Reindustrialization.

A Provincial Working Group will be established to prepare for the Conference. It will be made of representatives of government and organizations representing burial societies and stokvels and take forward the opportunities opened by our township economy revitalisation programme.

A series of meetings will be convened at local and regional levels to identify concerns and challenges faced by burial societies and stokvels and explore proposals to ensure that members of burial societies and stokvels seize opportunities created by the provincial government.

I would like to see many of you at the Conference in March 2016, with actual projects that will boost township businesses. Let us ensure that we revive the spirit of entrepreneurship in our townships. Let us take back township spaza shops and ensure there is a vibrant economy in our localities. Let us use the monies that are raised through stokvels and burial societies to build sustainable small business and township enterprises.

We want townships to grow the vegetables and bake the bread that feed township residents. We want townships to produce the furniture, the uniform and food that our schools and hospitals require.

We want big retailers who sell goods and foodstuffs in our townships to buy what they sell from township producers and manufacturers and actively empower township businesses through their supply chain and business development programmes.

As the Gauteng government, we have started to lead by example. We are going to spend 12% of our procurement budget buying from and empowering township-based businesses and cooperatives. This amount will grow to 30% by 2025.

We are serious when we say the township economy and its enterprises should have a share of 30% of Gauteng's economy of R2 trillion by 2025 (R600 billion). This is what we really mean by radical economic transformation.

In order to transform, modernize and reindustrialize Gauteng, empower black-owned and women-owned businesses, township-based enterprises, cooperatives and SMMEs, we must use the capital that is controlled by the state institutions, township economy, trade union and social organizations like burial societies and stokvels very strategically and intelligently.

The workers' pension and provident funds are worth R8 trillion. The Public Investment Corporation controlled more than R3 trillion of public servants pensions. As we pointed out earlier, nearly R30 billion controlled by burial societies and stokvels and R100 billion in the township economy. If we combine all this capital and deploy it to decisively drive radical economic transformation, we can change the quality of life of the overwhelming majority of South Africans, especially those who live in the townships and villages.

We in Gauteng want to be the custodians and catalysts of fundamental social and economic transformation. We have the political will, courage, foresight and economic muscle to push forward the boundaries of radical economic transformation, the rest of the country shall follow. Our province contributes more than 35% to the country's GDP; more than 42% to our national industrial output; more 63% to our national exports and 10% to Africa's GDP.

We cannot leave our economy to remain in the hands of few monopolies. If we do, future generations will spit on our graves. We cannot fail. We dare not fail

We look forward to future interactions and serious engagements with the representatives of burial societies and stokvels after this Indaba.

God Bless Africa!

Thank you. Siyabonga. Rea leboga.