

WELCOMING ADDRESS BY THE IDC CEO
AT THE LAUNCH OF THE SAVINGS MONTH

Distinguished guests,

Ladies and gentlemen,

Good morning and a very warm welcome, on this rather chilly morning, to the launch of the *Savings Month*.

Year after year, when we at the IDC are approached by the leadership of the South African Savings Institute for continued funding support, we take our minds to the reasoning behind our initial decision way back in 2001.

The symbiotic relationship between savings and investment was then well recognised. So was the importance of savings at the individual, corporate, governmental and macroeconomic levels. Furthermore, the perils of an excessive reliance on foreign savings to finance domestic investment activity, or to fund the shortfalls on our balance of payments, were common knowledge.

Yet, back then the savings propensity across the board was extremely weak in South Africa, with the respective ratios comparing rather poorly with those of our peers.

As a financier of investment activity, and not a deposit-taking institution, we at IDC then questioned our role as a promoter of a savings culture. Surely this was the domain of other financial institutions such as commercial banks and other players within the broader financial system that seek to mobilise savings.

A few words widely used in our corporate lingo motivated our approval of seed capital for SASI – these included the words “**market gap**”, “**catalyst**” and “**neutral partner**”.

A global bestseller like “*The Fortune at the Bottom of the Pyramid*” (authored by C. K. Prahalad) was yet to be published, but we knew there was a considerable savings potential lying relatively dormant amongst our populace, particularly the less privileged. The widespread use of relatively informal savings mechanisms by communities throughout our country provided sufficient evidence to this effect.

Certainly our poor wished to save, and many did so with greater sacrifice than we could even begin to imagine.

However, inadequate financial literacy, a lack of access to information and inappropriate mediums of communication prevented them from building any positive net worth, from maximising the return on their extraordinary savings efforts.

By being deprived of asset building opportunities, they were unable to accumulate the modest stocks of wealth that could eventually permit a leap out of poverty. They were unable to utilise their savings for the development of other assets, including their human

capital, and were constrained in accessing formal means of finance. An enormous potential was simply waiting to be unleashed and compounded.

Common sense would dictate that financial institutions could not afford to ignore this huge untapped market, but unfortunately this was largely the case.

This “**market gap**”, or to put it more bluntly - this “**market failure**” - was not for us to fill as a development finance institution. After all, our mandate is really to expand our economy’s industrial base. But perhaps our successes in **catalysing** new investments, especially those deemed too risky by private sector financiers, could be replicated in the savings arena.

As founding sponsors of SASI, we also thought that our **neutrality**, with no direct business interest in savings mobilisation, would serve the new, not-for-profit institution well by attracting other core funders as well as those wishing to support specific programmes.

The South African Savings Institute has done remarkable work since its inception.

Despite its very limited financial and human resources, it has tirelessly waved the savings flag from the most marginalised of our schools to centres of academic excellence. In doing so, it has managed to achieve oddly coherent objectives. It has planted the savings seed in the minds of our youth, particularly the less privileged and those physically distant from our financial centres. Simultaneously, it has stimulated debate amongst intellectuals and business leaders. Its reach and achievements have indeed been impressive, particularly when related to a rather miniscule budget.

SASI has “institutionalised” the *Savings Month* within our media calendar and has tried extremely hard to communicate its critical message in a manner that is understood by all.

Numerous individuals and institutional players have provided support to SASI in various forms over the years. We are certainly grateful for this, as it certainly contributed to a worthy cause. Its achievements have been praised in several fora and many of the most distinguished names in our financial system have welcomed their association with SASI or have participated in its events.

Many of the financial institutions represented here today are the direct beneficiaries of SASI’s endeavours. Somewhat disappointingly, however, SASI remains exclusively reliant on the IDC for continuous core funding support, although it does obtain relatively small capital injections from other sources on a very sporadic basis. Many of the forces at play may be relatively easy to discern, but are possibly best left for discussion in another forum.

On this day marking the launch of another *Savings Month*, it is far more important that a sense of common purpose be unleashed, that we position our collective institutional power behind this crucial national imperative.

As South Africans, we have just proven to the world our ability to bring a dream to reality by hosting a magnificent Soccer World Cup. The spirit of unity touched millions of

individuals and tens of thousands of institutions throughout the country. This dynamism can be spread onto other spheres of national importance.

The factors that convinced us at the IDC to support the birth of SASI almost one decade ago, and to continue supporting it on an annual basis without interruption, are basically as distressing today as they were back then. Perhaps the urgency is even greater at the present time, considering the impact of the global financial crisis and the vulnerability of many our people to such enormous shocks. The ratio of savings to the disposable income of households has in fact turned negative over the past decade (currently at -0.4%), whilst our country's gross savings ratio has barely moved at 15.3% of GDP.

Surely we can do better than this in the collective, pulling our weight behind a robust and nationwide savings campaign on a sustained basis. We would definitely be making a precious investment in our own future as a country, leading to progressive improvements in the welfare of our people, and leaving a sound legacy for generations to follow.

I therefore appeal for your support.