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Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

PRESENTATION TO THE PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY

Terms Of Reference – Socio Economic Impact Assessment Study

National Credit Amendment Bill

the dti

16 MAY 2018



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Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

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BACKGROUND

- ❑ In 2017, the Portfolio Committee of Trade and Industry (PC) requested **the dti** to assist with the Socio Economic Impact Assessment Study (SEIAS) once the draft National Credit Amendment Bill (NCAB) is in place.
- ❑ The need for the SEIAS was also raised by stakeholders during the public hearings.
- ❑ **the dti** developed the Terms of Reference (ToR), with inputs from National Treasury and the Department of Justice.
- ❑ The PC requested that the ToR for the SEIAS be presented to the Committee before finalisation.
- ❑ The presentation is made to obtain inputs and endorsement of the ToR before invitation of bids.

BACKGROUND

- ❑ Preliminary work has been done by the NCR and NCT on resource requirements.
- ❑ Research was conducted by Eighty-20 for National Treasury titled “Analysis into the Impact of Implemented and Proposed Policy Interventions”.
- ❑ The SEIAS will draw on the above mentioned work.

STUDY OBJECTIVES

- ❑ The study aims to:
 - Assess the socio economic impact of the debt intervention as stipulated in the NCAB, on targeted consumers and credit providers.
 - Assess the potential risks associated with the implementation of debt intervention and the mitigation measures thereof.
 - Advice on some of the implementation mechanisms for debt intervention.
 - Develop recommendations to strengthen debt intervention and assess whether existing debt relief measures could be enhanced for the benefit of low income consumers.

SCOPE OF STUDY

- ❑ In assessing the socio economic impact of debt intervention, the following will be the areas of focus:
 - Total debt, consumer credit standings, extent of consumer over-indebtedness by race, gender, employment type, income level, geographical location, credit provider and credit type/use.
 - Existing debt relief measures implemented by credit providers and the extent to which they are implemented.
 - The impact of debt intervention on credit providers, differentiating impact on micro lenders from that of macro lenders.
 - The impact of debt intervention on the stability of the banking and retail sectors.
 - The impact of debt intervention on the contribution of the credit industry as a percentage of GDP and the knock-on effect on the economy.

SCOPE OF STUDY

- The impact of debt intervention on targeted consumers in terms of reduced over-indebtedness, future access to credit, improved financial literacy, etc.
- The impact of debt intervention on other role players such as debt collectors, payment distribution agents, lawyers, South African Reserve Bank and the Financial Services Board.
- Assess the risks associated with implementation of debt intervention and the mitigation measures thereof.
- Determine the resource requirements and cost implications for the implementation of debt intervention for the National Credit Regulator (NCR), National Consumer Tribunal (NCT) and Credit Bureaux.

SCOPE OF STUDY

- Assess the time period required for the NCR, NCT, Credit Bureaux and credit providers to put in place the required mechanisms and capacity for debt intervention implementation.
- Assess the readiness of the market to offer mandatory credit life insurance.
- Recommend an approach for the roll-out of debt intervention in terms of:
 - The administration of about 1.7 million applications likely to be received.
 - Access to the NCR (geographical location).
 - The verification of the consumer's assets and change in financial circumstances.
 - Dispute resolution mechanism for debt intervention.
 - Roll-out of the financial literacy training programme.
- Assess the time period required to rehabilitate a successful debt intervention applicant.



STUDY DURATION

- It is envisaged that the study will be conducted over a period of 16 weeks.

Activity	Time-frame
1. Bid advertisement	3 weeks
2. Bid evaluation and appointment of service provider	3 weeks
3. Research/data collection and analysis	6 weeks
4. Report writing and close out	4 weeks



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THANK YOU