



Get to Know the Jobs Fund Series

Welcome to the *Get to Know the Jobs Fund* series. In this series we will focus on: the Challenge Fund as an innovative funding instrument; why in 2011 the Jobs Fund was conceptualised as a Challenge Fund; how the Fund operates; who it targets and partners with; the funding rounds; the importance of Monitoring, Evaluation, Reporting & Learning; Replicable & Scalable job creation models.

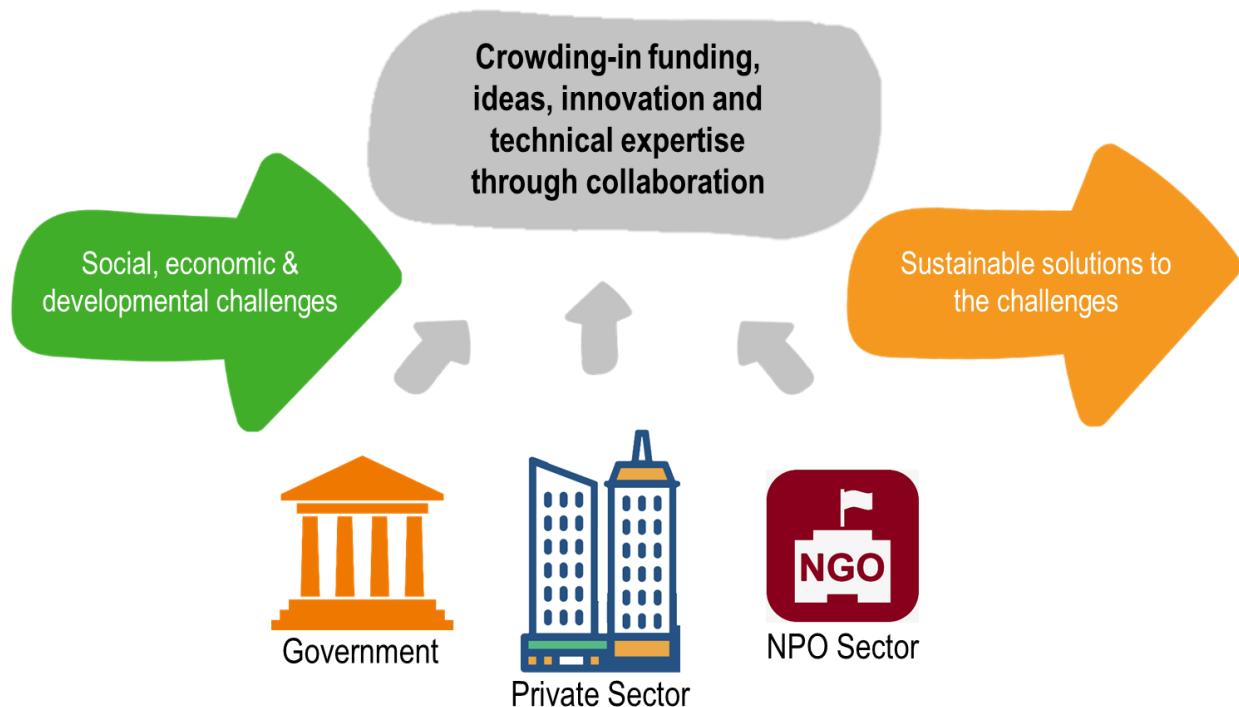
#1 - Challenge Funding - A Tool for Positive Social Impact: Catalysing Investment and Innovation

What is a Challenge Fund?

The Challenge Fund development financing model was first piloted by the United Kingdom's (UK) Department for International Development (DfID) in the 1990s as an alternative methodology for development assistance. The premise behind the funding mechanism was to attract and leverage substantial private sector investment and expertise that would assist government in solving social and developmental challenges. **This meant that significantly more money was raised for the initiatives off the back of the initial government investment.**

Since the 1990s, challenge funds have emerged globally as an effective and versatile financing mechanism to deploy public money across various contexts and sectors*, targeting a range of outcomes from financial education to enterprise-linked poverty reduction and 'pro-poor' growth. Examples of these challenge funds include: Girls Education Challenge Fund; Business Linkages Challenge Fund (BLCF); Financial Deepening Challenge Fund (FDCF); Africa Enterprise Challenge Fund; and the Jobs Fund.

* Reference: <https://cdn.odi.org/media/documents/9086.pdf>



Challenge Funds are based on the core principles of:

Co-investment

Project partners are required to match the grant funding disbursed by the Challenge Fund, i.e. the development initiatives are co-financed.

Transparency

Call for Proposals have clear application & assessment processes and funding & eligibility criteria. Open to public, private and civil society organisations.

Competition

Approval process is via an independent investment committee. Applications compete against one another for funding within predefined criteria.

Collaboration

Risk sharing via the matched funding principle; brings together private, public and civil society, enabling each to achieve their goals.

The Challenge Fund instrument is able to drive value for money by:

- Enabling the most cost-effective and valid solutions to complex developmental issues, to be accessed from the market via a competitive process;
- Crowding in private sector support and participation, which results in the optimisation of value for money as it improves implementation capability while scaling interventions for a given level of public spend;
- Encouraging investment in innovation, given that the solutions to longstanding social issues can only be achieved by doing things differently;
- Facilitating active engagements with stakeholders without creating market distortions; and
- Focusing on desired outcomes without prescribing the means of achieving them, thus creating a collaborative win-win opportunity.

So where does the Jobs Fund fit in and why was it established as a Challenge Fund?

In the context of persistent unemployment, the Jobs Fund was established in 2011 to inspire innovation in the face of several challenges government was experiencing, including the lack of innovative and flexible public instruments to leverage private sector resources and test solutions to social challenges. The National Treasury recognised the versatility of the Challenge Fund instrument in addressing a wide range of social and economic challenges; from rural agricultural development to food security and support for workseekers to enterprise development. The Jobs Fund was therefore established with a broad mandate to work across sectors and systemic barriers, and was allocated R9 billion in grant funding for this purpose.

The Jobs Fund's overarching objectives are to:



Test innovative approaches to job creation (intervening at both the supply side and the demand side of the labour market)



Share risk and catalyse social returns (project partners invest in the project alongside the government, at a funding ratio of at least 1:1, i.e. if the Jobs Fund contributes R10 million, the project partner contributes R10 million)



Encourage the adoption of successful job creation models by other organisations (scale and replicate job creation models for mass-employment)



Encourage wider market adoption of the challenge fund model over the medium to long term (encourage further collaboration and investment in job creation by the private and NPO sectors).

The Fund works with intermediaries, leveraging their networks to access and provide support to the targeted beneficiaries, through four funding windows: Enterprise Development, Support for Workseekers, Infrastructure Development and Institutional Capacity Building the intent is to focus on addressing specific barriers to job creation.

To date the Jobs Fund has partnered with the private, public and NPO sectors on 146 projects which to date have created more than 280,000 jobs (as at 31 March 2021).

The Jobs Fund has demonstrated the Challenge Fund instrument's relevance within the South African context by:

- Catalysing innovative, cost-effective job creation models across the economic spectrum;
- Leveraging R11.15 billion in matched funding from the market (project partners) off the back of the R5.61 billion in grant funding disbursed, thereby tripling government's grant funding investment (as at 31 Mar 2021), resulting in more than R16 billion invested in job creation. In addition to the funding leveraged, the Fund has also accessed sector-specific insights on job creation and has contributed to improving the implementation capacity of the private and NPO sector;
- Over-achieving on its job creation targets at a lower than anticipated cost per job, that is very competitive relative to other employment incentives and DFIs (Jobs Fund grant cost per job is R20,013 (as at 31 Mar 2021);
- Limiting operating costs to less than 10% of the overall budget allocation, which compares favourably to the cost of implementing similar funds globally;
- Improving capacity at project and beneficiary-level and expanding overall reach to targeted sectors and beneficiaries, in collaboration with intermediary partners; and
- Demonstrating significant public good impact (positive social and economic outcomes aligned to national strategies).

Next article in the series - #2 Jobs Fund Partnerships and Beneficiaries: The Benefits of Collaboration



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