



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; and Replicable & Scalable job creation models.

#2 - Jobs Fund Partnerships and Beneficiaries: The Benefits of Collaboration

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 and food security to support for workseekers and enterprise development. **The Jobs Fund was established with a broad mandate to work across sectors and systemic barriers** and was allocated R9 billion in grant funding for this purpose. For more detail on how Challenge Funds operate, refer to the [Get to Know the Jobs Fund Article #1](#)

Both nationally and abroad, it has been acknowledged that **governments on their own cannot adequately respond to all the social and developmental challenges** that presents in their country. The private and non-state sectors are key stakeholders in co-creating and implementing solutions to these challenges.

The capacity to conceptualise new programmes and implement is identified as a critical growth area for government. Often, there is an underestimation of the programme management resources required to administer funding instruments and incentive systems efficiently. The crowding-in of support and additional capacity is a critical success factor for government's delivery of services, however these partnerships must be recognised as mutually beneficial by all parties involved.

In this regard, the Challenge Fund instrument has shown to be an attractive incentive for the private and non-state sectors to participate in achieving broader social impact. Finance is available on a matched funding basis; the grant portion that the funder (government) contributes is matched by contributions from the grantee. Collaboration and partnership is at the heart of challenge funding, where experienced intermediaries make significant monetary investments in the projects and leverage their capacity and networks to access and support the targeted beneficiaries. **Sustainability is driven through the co-creation of shared value between parties**; that is, building initiatives that have a social and developmental impact while also achieving the commercial returns required to remain viable in the long term.

Since its inception, the Jobs Fund has built a vast network of intermediaries with a national footprint, which have implemented over 146 different job creation projects through **four funding windows**:



Pathwaying youth into jobs through the effective matching of workseeker to employer or workseeker to business opportunity (supply of labour).



Co-financing critical missing infrastructure to improve the business environment for SMMEs/farmers and employment-linked investment (demand for labour).

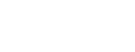


Building institutional capability by improving operational efficiencies & removing barriers to doing business - scaling up the potential for job creation (supply of and demand for labour).



Supporting entrepreneurship & growing sustainable SMMEs/farmers in the informal and formal sector through business support and financing (demand for labour).

Project partners include:



Over the last decade, the Jobs Fund has built a network of project partners with advanced technical skills, project management experience and broad support networks that promote the effective and efficient roll-out of projects. All project partners have been vetted,

i.e. they have gone through a strict due diligence process, and all have a track record of performance before partnering with the Jobs Fund.

These partnerships have:

- **Encouraged innovation in the market** (e.g. testing new project models; accessing previously untapped investors; establishing new markets; changing market behaviour; etc.).
- **Enabled the piloting of job creation interventions** across multiple sectors, value chains and project models to establish efficacy.
- Identified successful job creation models for replication and scale.
- **Leveraged significant private and non-state sector capital**, thereby minimising government fiscal dependency and reducing implementation costs.
- **Leveraged technical expertise** to augment and build government's existing capacity.
- **Reached priority beneficiaries** through intermediaries' established networks, channels and partnerships. As at 30 June 2021, the majority of jobs created were filled by youth (64%), blacks (98%) and women (57%).
- Resulted in over 55,000 Small, Medium & Micro Enterprises (SMME) and Smallholder Farmers (SHF) receiving **support through enterprise development**.
- **Supported institutional capability building** for the development of solid job creation ecosystems that stimulate demand and job sustainability.

An example to demonstrate the impact of working with intermediaries is highlighted below



A2Pay is a domestic financial technology company that the Jobs Fund has incubated since 2013. A2Pay specialises in providing advanced digital vending solutions and business support to empower and grow SMME retailers in the informal sector. Solutions are available for these SMMEs across the value chain, including digital ordering, delivery of stock, digital stock management, wholesale linkages and access to appropriate financial solutions, such as credit to refill stock, that are relevant and affordable for spaza owners.

The A2Pay model has recently attracted the attention of J.P. Morgan and BFA Global, which resulted in an award of \$50,000 in grant capital to scale

their operation further. Following the COVID-19 crisis, J.P. Morgan and BFA Global launched a programme designed to improve the livelihoods and resilience of spaza shop owners in South Africa's townships. A2Pay was one of three South African fintech companies awarded both grant capital and access to support services, such as venture building support and networking opportunities with corporate innovators. This is a significant achievement for the Jobs Fund since a large part of its mandate is to generate market interest in successful job creation initiatives that ultimately results in the replication and scale of these programmes.

The A2Pay model is an interesting one for South Africa, as it has shown broad impact in largely impoverished areas and responds to many of the developmental challenges that the government has earmarked to address, such as:

- Accessing digital services and technology.
- Stimulating local economic development in peri-urban areas and townships.
- Delivery of core services to residents in marginalised areas (e.g. SASSA grants, airtime, electricity vouchers, etc.).
- Encouraging entrepreneurship and SMME growth.
- Building inclusive value chains that informal sector businesses can access.
- Creating employment within local economies.

Off the back of R247.6 million in grant funding disbursed, A2Pay has leveraged a further R266.1 million in additional funding for SMME development and job creation. Thus far, 7,040 permanent jobs have been created. The initiative has reached and supported 4,865 informal sector businesses through training and mentorship and the provision of tech hardware to grow and formalise their business operations. This has resulted in significant impact in the areas in which A2Pay operates:

- Access to formal value chains for informal sector businesses.
- Local economic development through SMME growth and job creation within the community.
- Broadening service offering to customers through digitisation.
- Formalisation of business systems and building SMME resilience.

Experienced intermediaries can assist government in scaling up current job creation initiatives or rolling out new initiatives, thereby assisting in the rapid deployment of funds for greater impact. The Jobs Fund has developed a pipeline of intermediaries (Institutional Capacity Building) that can support government in the further roll-out of social development initiatives.

Although the private and non-state sector is considered the engine of growth, innovation and job creation, government plays a critical part in promoting stable and supportive environments for these partnerships to thrive. The Challenge Fund instrument focuses on desired outcomes without prescribing to partners the means of achieving them, thus creating collaborative win-win opportunities. **It is only through collaboration and the implementation of high-impact initiatives that the country can drive job creation, job retention and economic growth.**

The next article in the series will focus on the lessons and achievements of the 8 funding rounds concluded by the Jobs Fund.



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