



South Africa Siyasebenza

Learning Series

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The Jobs Fund Profile: Funding Job Creation



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The Jobs Fund is a R9 billion fund established by the South African Government in 2011. It was established to encourage innovation and give greater impetus to initiatives with potential to generate sustainable employment. The Fund aims to catalyze innovation in job creation through structured partnerships with the private and public sectors as well as NPOs by awarding once-off grants to organisations through a competitive process. The Jobs Fund operates on challenge fund principles and aims to incentivise innovation and investment in new business approaches that directly contribute to long term sustainable employment creation.



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Abstract

The Jobs Fund aims to catalyse innovation in job creation through structured and strategic private and public sector partnerships. It awards once-off grants to partner organisations through a competitive project application and appraisal process. Since its inception in 2011, the Jobs Fund has disbursed R4.42 billion in Grant Funding to 121 projects and leveraged R8.04 billion in Matched Funding. These projects have created 162,801 permanent jobs, 49,148 short-term jobs, provided training for 241,264 people and placed 20,389 young people in internships which have been successfully completed to date (as at 30 June 2018).

1. Introducing the Jobs Fund

The Jobs Fund was established by government to encourage innovation and give greater impetus to initiatives with potential to generate sustainable employment. Particular emphasis is placed on the need to create employment and facilitate skills development for young people and women.

The Fund was announced by the President in the State of the Nation address in 2011 and an amount of R9 billion allocated. The overall objective is two-fold:

- a) permanent sustainable job creation, and
- b) the sharing of good practice through experimentation with innovative concepts, approaches or models.

The Jobs Fund complements existing efforts by government to combat unemployment with a targeted programme of support for effective labour market interventions and job creation projects in the short to medium term. In this

regard, the Jobs Fund will be used to overcome five identified short-term barriers:

Firstly, opportunities for **partnership between the private and public sectors** frequently face institutional hurdles that will not be overcome without new incentives and better mechanisms for collaboration. Good but untested ideas are often not pursued by the private sector because the private funding markets will not generally support untested business and training ideas even though they may bring external social benefits. The state, for its part, is not as nimble or responsive as the private sector in recognising and driving business opportunities. There is a need for a mechanism that can combine the best capabilities of the public and private sectors.

Secondly, **enterprises face risk and cost barriers when testing new models and projects**. Addressing the unemployment problem requires innovation; this means new approaches, partnerships and products. Yet new models are inherently risky. High costs, uncertainty and risk make them less attractive to financiers and employers. In these cases, additional incentives may be needed to trigger the investment. These incentives rely on public funding. The support and funding of the kind envisaged under the Jobs Fund have been developed with a view to incentivising experimentation, risk-taking and new ideas by private and public players alike.

Thirdly, **low-cost infrastructure that improves market access of enterprises** is frequently missing or inadequately maintained. Where infrastructure is prohibitively expensive for any single employer to bear alone, public funds can be used to fill the gap.

Fourthly, there is a general **mismatch between the skills set of unemployed work seekers and available opportunities for employment**. The Jobs Fund seeks to close this gap.

Finally, many public institutions that could facilitate job creation have weak expertise or poorly designed programmes. The Jobs Fund

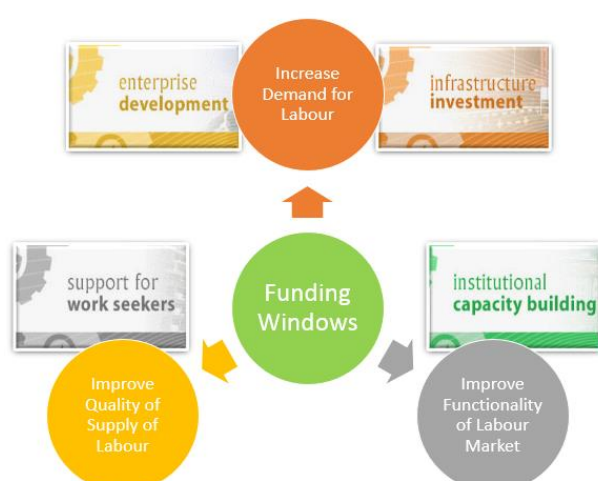
assists in **improving the institutional functioning of the jobs market**.

The Jobs Fund explores options for tackling these five barriers by providing public funding through four “Funding Windows” (refer to Figure 1).

In brief, the Funding Windows are defined as follows:

- **Enterprise Development:** Initiatives that develop innovative commercial approaches to sustainable job creation in ways that combine profitability with high social impact.
- **Support for Workseekers:** Seeks to link active work-seekers, especially the youth, to formal sector opportunities and job placement.
- **Institutional Capacity Building:** Targets projects that will improve operational efficiencies, remove barriers to doing business, catalyse innovation and thereby scale up the potential for job creation.
- **Infrastructure Investment:** Involves the co-financing of critical missing infrastructure to improve the business environment for enterprises, and employment-linked investment.

Figure 1 - Funding Windows



Overall, it is the mandate of the Jobs Fund to identify and learn from effective interventions and programmes that will contribute to

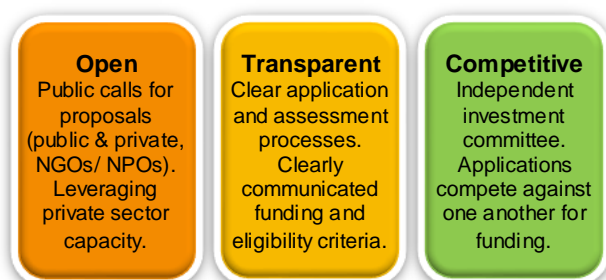
accelerated job creation and a better functioning labour market.

2. Jobs Fund Partners

To carry out the above mandate, the Jobs Fund operates on Challenge Fund principles, which have been proven to be a highly effective, cost-effective, transparent and innovation-promoting way to disburse public funding. Through the provision of funding, the Jobs Fund partners with different types of organisations, from the private sector and non-profit organisations to public sector partners such as other government departments and agencies.

The Challenge Fund model is a competitive mechanism by which potential partner organisations compete for available funds. Typical features of a Challenge Fund include:

- a) open competition;
- b) a focus on innovative and/or evidence-based proposals;
- c) proposals are evaluated against fixed, transparent scoring criteria, often referring to, among other features:
 - the proposed project's feasibility in terms of the industry, sector and market it aims to function in;
 - the project's ability to leverage other resources through its own partners and/or matched funding;
 - the project's ability to effect systemic change in a particular industry and/or sector;
 - an emphasis on local solutions; and
 - the ultimate number of permanent jobs and placements it can deliver; and
- d) an independent governance structure through which investment decisions are made.

Figure 2 - Challenge Fund Principles

The Jobs Fund partners, in the main, are intermediary organisations. Intermediaries in the context of the Jobs Fund are those organisations that have extensive knowledge, experience and links to specific sectors, or value chains, or geographical industries, coupled with innovative investment channels/finance mechanisms to originate and support scalable job creation projects. In order to be eligible to apply for Jobs Fund funding, these organisations should have:

- A decent track record of implementing similar projects;
- Capacity to deliver a high quality intervention;
- An in-depth understanding of the sectors in which they operate;
- Considerable networks and reach with the Jobs Fund's target groups;
- Financial stability (i.e. are able to match potential Grant Fund allocations on a ratio of 1:1);
- Value chain and market linkages.
- A high potential to create sustainable jobs and achieve large scale impact; and
- Capacity to contribute to systemic change.

Jobs Fund Partners ultimately need to deliver the best possible support packages and services to the benefit of our beneficiaries at optimum levels of efficiency.

Currently, the Jobs Fund has more than 100 partners.

3. Funding Rounds

Since inception, the Jobs Fund has successfully concluded seven funding rounds, with the 8th funding round currently underway. The current round is entitled “Catalysing Inclusive Economic Growth”, and is looking for proposals from entities that can demonstrate that they will catalyse inclusive economic growth and risk sharing. The Jobs Fund has limited support in this funding round to its Support for Work Seekers, Infrastructure Investment and Enterprise Development windows. While no sector is excluded, the propensity to for sustainable job creation is critical. The deadline for Concept Note proposals was the 24th of May 2018 and currently applications are being appraised.

Applying for Grant Funding from the Jobs Fund is a two stage process which consists of the Concept Note stage and the Business Case stage. Should an applicant's Concept Note be approved by the independent Jobs Fund Investment Committee (JFIC), the applicant will be invited to submit a Business Case application, which is a much more detailed proposal. Thereafter, the JFIC will review each Business Case and make a final decision on whether to approve or decline the project.

4. Overview of Performance

Since the Fund's inception in 2011, the Jobs Fund Investment Committee have approved 127 projects in seven Funding Rounds (as at 30 June 2018). An amount of R6.7 billion in Grant funding has been allocated to the 127 projects, which will be disbursed in tranches to the Jobs Fund Partners throughout their project implementation period. The Jobs Fund Partners have in turn committed R9.5 billion in Matched Funding, confirming an approved funding ratio of 1:1.42. This means that for every Rand the Jobs Fund contributes, Jobs Fund Partners contribute R1.42, showing the

Jobs Fund's potential to crowd-in additional funding. The vast majority of projects (121) are implementing or have completed, with the remaining six currently in their contracting phase.

The table below reveals the high-level achievements of the 121 implementing/completed projects to date (as at 30 June 2018).

Figure 3 - Jobs Fund Performance Figures

Indicators	Actuals
Financial Indicators	
Number of Contracted Projects	121
Jobs Fund Grant Disbursed	R 4.42 billion
Matched Funding Leveraged	R 8.04 billion
Funding Ratio	1 : 1.82
Average grant size per project	R 37 million
Programme Indicators¹	
New Permanent Full-time Jobs	112,169
Permanent Full-time Placements in Vacant Positions	50,632
New Full-time Short Term Jobs	49,148
Completed Internships	20,389
Trained Beneficiaries	241,264
Grant cost per permanent job	R 27,129

The results show an inception-to-date (ITD) funding ratio of 1: 1.82, which suggests a high-level of commitment and investment by Jobs Fund Partners, all of which ultimately benefits the Fund's intended target groups.

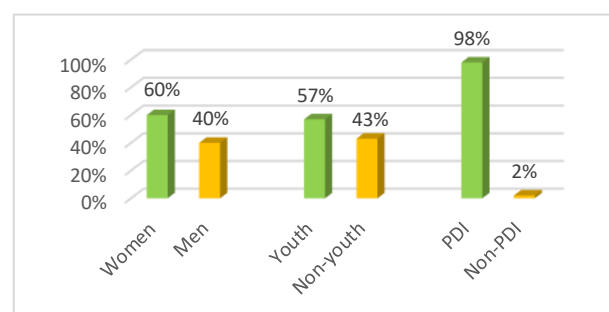
5. Jobs Fund Beneficiaries

5.1 Priority Areas

The Jobs Fund has identified priority areas of focus which includes women, youth and

previously disadvantaged individuals (PDI). To date, the majority of permanent sustainable jobs created are filled by these priority groups, as the figure below reveals.

Figure 4 - Beneficiary demographics



6. Project Models and Benefits to Priority Groups

Under each of the Jobs Fund Funding Windows, a variety of project models are implemented. The impact of a selection of these models is unpacked below.

6.1 Enterprise Development

6.1.1 On-lending Models

In these types of models, the Jobs Fund Partner lends money that they have received from the Jobs Fund and/or money they have borrowed from other organisations. This money is lent to beneficiaries who generally would not qualify for traditional funding, and this aids them in starting or expanding their businesses.

On-lenders have been found to be critical in the facilitation of much needed private funding to historically under-served SMEs, most particularly PDIs, women and youth. To date, these projects have created 32,978 permanent jobs at a lower than average cost per job of R24,285.

¹ Self-reported by the Jobs Fund Partners

On-lending projects in the Jobs Fund portfolio have been recognised for their astuteness with regards to where and how to access finance and how best to deploy it to under-served SMEs.

On-lending Factsheet ²	
Permanent jobs created	32,978
Average job creation per project	2,061
Grant disbursed	R801 million
Funding leveraged	R3.3 billion
Grant cost per job	R24,285
Funding ratio	1: 4.15

Impressively, on-lenders have demonstrated success in leveraging their credit worthiness to borrow from lenders, with some of the Jobs Fund projects leveraging over four times their grant allocations. Many of these partners also provide other services to the entrepreneurs, such as training and mentorship, which assists in improving the business operations of SMEs and overall viability and sustainability.

On-lending partners' advocacy efforts in the greater investment space have also resulted in changing perceptions about the risks associated with the funding of SMEs. As a result, a large number of SMEs that were previously unable to obtain funding to expand operations due to a lack of collateral or credit history, are now able to secure these much-needed funds.

6.1.2 Training & Mentorship Models

Training and Mentorship models assist business owners to grow their operations through business and management training and thereafter embedding those skills in a practical manner through mentorship.

Training and mentorship models have been found to offer good value for money in the Jobs Fund portfolio with a low cost per job and potential to create a high number of jobs.

Good practice shows that the selection of beneficiary entrepreneurs is vital for success. Opportunity-driven entrepreneurs stand a better chance of success than necessity-driven entrepreneurs. Unfortunately, in the SA context the latter is far more commonplace.

Training and Mentorship Factsheet ³	
Permanent jobs created	8,260
Average job creation per project	826
Grant disbursed	R225 million
Funding leveraged	R230 million
Grant cost per job	R27,239
Funding ratio	1 : 1.02

Enterprise Development projects in general have been found to be an effective way of addressing unemployment; small businesses are viewed as key to unlocking employment in SA. Training and mentorship interventions assist in reducing SMME failure rates, developing critical entrepreneurial skills for the business owner, and opening up potential networking and business opportunities.

The success of these projects also rests largely with where they are pitched in terms of industry/sector focus, and intensity and duration of the intervention. Successful projects tend to focus on growth sectors, assist entrepreneurs in developing their business ideas, support entrepreneurs over at least a 3 year period, and potentially facilitate market access/linkages.

A2Pay Beneficiary Story

A2Pay developed technology that allows local people to sell prepaid products to informal settlement, peri-urban and rural consumers. This not only provides a much-needed service to the community, but also creates jobs in these areas where unemployment tends to be rife.

David Manyaka and his wife Sarah have grown their spaza shop in Vereeniging into a flourishing business as a result of the A2Pay

² Performance to date (as at 30 June 2018)

³ Performance to date (as at 30 June 2018)

project. Their spaza, Quick Tuck Shop, acts as a hub for over 45 other spaza shops in the area, banking their money and topping up their A2Pay prepaid wallet. The increased revenue has transformed their spaza shop into a thriving small business which has allowed the couple to build a decent home and afford much-needed medical care.



6.2 Support for Workseekers

6.2.1 Train and Place Models

The overriding principle in these models is to effectively train workseekers, match them efficiently with employers and place them into permanent and temporary positions.

Support for workseekers (SWS) models have been found to be effective in addressing unemployment, providing impact at scale and at lower costs relative to other funding windows.

Successful SWS projects employ innovative selection and assessment criteria going beyond the traditional numeracy and literacy testing methods. They use pragmatic approaches that include attitude, behavioural and aptitude-based assessments; with a focus on a few niche sectors which they have come to understand deeply over the years. In this regard, they do not base their assessment of youth on their matric results, which may have been influenced by a host of socio-economic factors. Rather, they focus on the person's learning potential. On the employer side, having an in-depth appreciation of the business

requirements of employers ensures a good employer-employee match, and is vital for effective roll-out of these models.

Train and Place Factsheet ⁴	
Permanent jobs created	51 542
Average job creation per project	1,610
Grant disbursed	R1.14 billion
Funding leveraged	R1.75 billion
Grant cost per job	R22,026
Funding ratio	1: 1.54

SWS projects use creative ways of bridging and matching candidates to opportunities including exposing potential candidates to actual or simulated work environments, so the candidate has a greater appreciation for what is required in the workplace. Young workseekers need to be placed within reasonable proximity of their places of residence (the 2-taxi rule) to ensure success.

These projects target predominantly unemployed youth and generally follow this route to placement:

- Young people are trained in work readiness and other soft skills to prepare them for the world of work.
- Young people are trained in technical skills in preparation for adequately matching them with potential employers.
- Young people are effectively matched with employers and placed in employment.
- Young people's employability and prospects for securing long-term employment is greatly increased.

Harambee Beneficiary Story

Based on the understanding that if a young person gets and keeps their first job, they are more likely to remain employed for the rest of their lives, Harambee helps first-time job seekers and employers by effectively matching a job seeker with an employer.

⁴ Performance to date (as at 30 June 2018)

Mthembeki Mungeka grew up in a corrugated iron shack in the Philippi informal settlement. After completing matric, Mthembeki spent over a year looking for work but faced continued rejection from employers stating that he wasn't qualified or didn't have the right experience.



A friend told him about Harambee and helped him in accessing their mobi-site to apply. He was invited to complete assessments at the Harambee Cape Town office and then attended an eight-week work readiness bridging course. After being effectively assessed, he was placed in Merchants, one of Harambee's employer partners and a leading Business Process Outsourcing (BPO) solutions provider. In just over three years at the company, he has already been promoted to the acting manager in an international BPO call centre in Cape Town.

Mthembeki is now the proud owner of his first property.

6.3 Agriculture

Agriculture projects are able to create a significant number of jobs, especially when Smallholder farmers (SHF) are the target beneficiaries. These projects have considerable impact in rural areas (job creation and the stimulation of the local economy), where there are historically high levels of poverty. The National Development Plan highlights these areas as priority nodes, and

Jobs Fund interventions assist in reducing unemployment in these areas.

Agriculture Factsheet ⁵	
Permanent jobs created	51,071
Average job creation per project	1,380
Grant disbursed	R1.14 billion
Funding leveraged	R1.92 billion
Grant cost per job	R22,341
Funding ratio	1 : 1.68

Agricultural projects in the Jobs Fund Portfolio have shown their ability to create a large number of jobs at a relatively low cost per job. Findings from Jobs Fund evaluations recommend that SHF support packages should ideally grow from a Lease model to an Entrepreneurial model. The findings also suggest that Communal production models tend to pose more of a risk due to their high failure rate when compared to Lease and Entrepreneurial models. They therefore require intensive support over the long term.

Lease models are beneficial in that they optimise land use, promote high levels of production and low transaction costs, and facilitate the empowerment of local beneficiaries to management positions or to grow into independent farmers or contractors. These interventions are therefore recommended for rapid mobilisation of resources in poorly developed areas.

Entrepreneurial models, on the other hand, are beneficial as they guard against keeping SHFs small (perpetuating the poverty trap) and rather promote the rapid acceleration of SHFs that are growth-orientated and show talent. It is the recommended model for a better developed SHF, who has access to some infrastructure and an intermediate level of technical skill.

Overall, regardless of the model implemented, it is recommended that a SHF support programme should focus on, and be built around, the needs of the farmer beneficiaries

⁵ Performance to date (as at 30 June 2018)

and not the needs of the implementer of the support programme. Where implementers have a vested interest in a project however, it bodes well for its longevity and sustainability and it is recommended as an important consideration when selecting projects to implement. Support must be provided as and when needed by the SHF and must be present at each milestone along the journey map or development path that a SHF will follow in his/her business or career: from taking a decision to become a farmer and/or the initial step of land acquisition; through the crucial first season when the foundation must be laid; to subsequent career or farming business growth; and his/her eventual exit from farming (succession planning).

Timbali Technology Incubator Beneficiary Story

The Timbali project aims to help small agricultural businesses enter the market, ensuring that they reach optimal production levels, reduce produce wastage and create sustainable jobs.

Alucia Ngobeni, a Timbali beneficiary, is a single mother of two. Before Timbali's Jobs Fund Incubation project came along, she was a farm labourer earning R700 per month. Through the Timbali project she was given the opportunity to become a business woman and was afforded training and access to finance through the intervention. She took a loan of R75,000 to start her own farming enterprise.

Timbali's supply chain services, which provide access to export baby vegetable markets, has provided her with secure off-take. South Africa's retail market tends to have higher quality standards than the export market but Alucia now has no trouble in meeting those standards and supplying both markets. She has since repaid her loan of R75,000.

"I have learnt that through hard work, full-time commitment, attention to detail, I am able to plan my production,

harvesting and sales to be able to continuously supply the market week after week. I double check quality of my produce before I send to both export and retail markets such as Woolworths, Freshmark, and other retailers. Thank you to the Jobs Fund for their support of Timbali."



7. Conclusion

The Fund has reached a level of maturity (after 6 years of implementation) that enables it to focus on the Dissemination of Lessons Learnt and Good Practice. To that end, the Jobs Fund is producing and sharing more of its knowledge products. This Learning Series provides the opportunity for the Fund to share its learning, a necessary pre-condition for wider market absorption and replication of tested Jobs Fund employment creation models.

Through this process, the Fund hopes to engage other stakeholders working within the job creation space to share good practice and innovation.



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