



South Africa Siyasebenza

10th ANNIVERSARY

A DECADE OF INNOVATION AND PARTNERSHIP



Ushintsho Olughakazile

Jobs Fund Webinar

*Findings from a 3-year Longitudinal Study on Jobs Fund Supported Projects
Part 1 of 2: Enterprise Development Good Practice*

05 July 2022



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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



Welcome

Facilitator: Mokete Mokone (Jobs Fund)

Opening Address

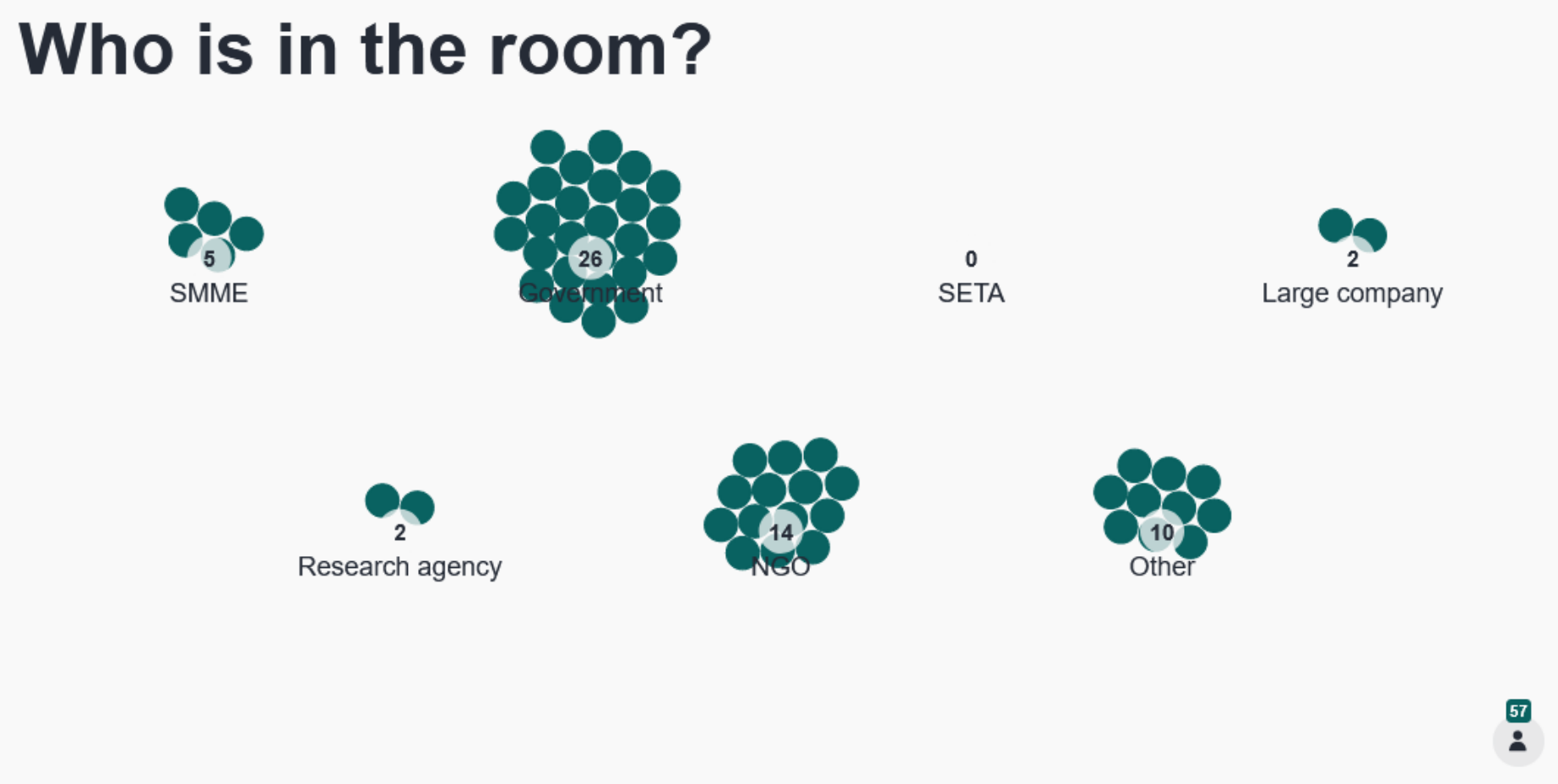
Najwah Allie-Edries

Deputy Director-General: Employment Facilitation
(Head of the Jobs Fund)



Audience participation on MENTI during the webinar

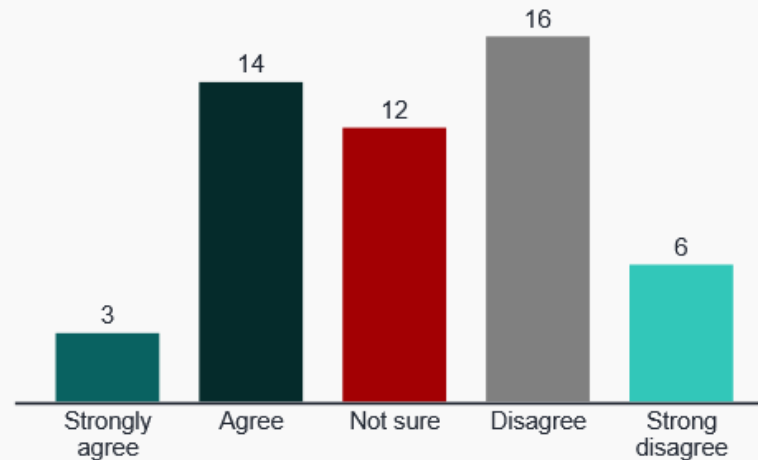
(137 attendees)





Audience participation on MENTI during the webinar

Do current enterprise development programmes/interventions in South Africa respond to the needs of SMMEs?



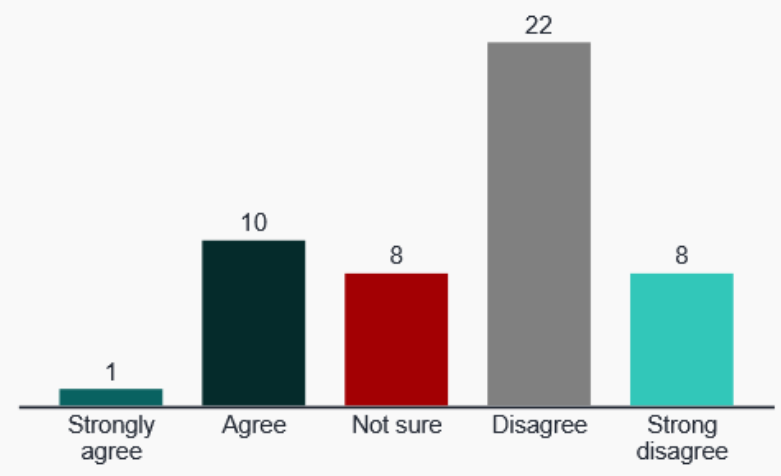
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Audience participation on MENTI during the webinar

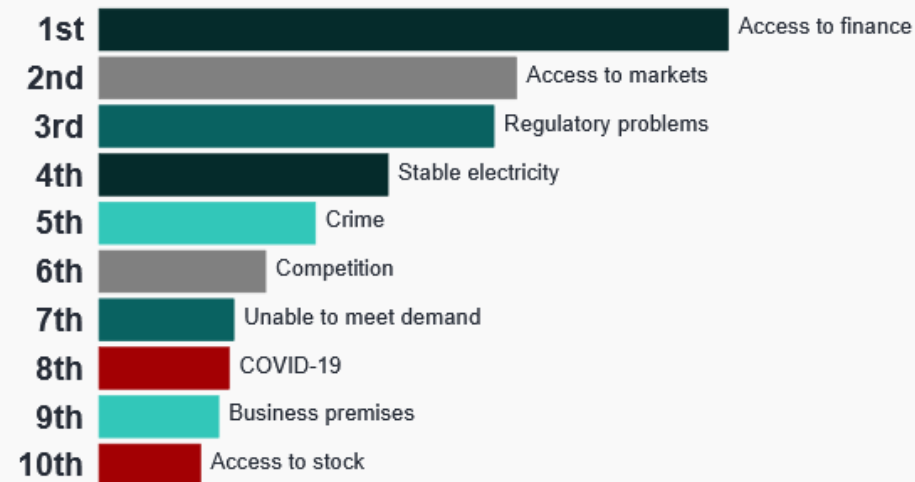
The current government legislative and policy context is responsive to and supportive of the needs of SMMEs ?





Audience participation on MENTI during the webinar





The greatest challenges faced by SMMEs are:

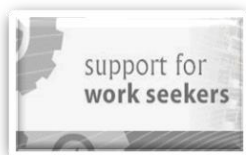


Background to the Tracer Study

Vuyo Tetyana

Head of Monitoring & Evaluation – Jobs Fund

- In the context of persistent unemployment, the Jobs Fund was established to inspire innovation in the face of several challenges government was experiencing, including:
 - Lack of innovative and flexible public instruments to leverage private sector resources and test solutions to social challenges.
 - Despite a number of interventions in government, the desired impact has not always been achieved.
- Capitalised with **R9 billion** in 2011.
- The Jobs Fund is government's R&D Pilot on innovative job creation models:
 -  **Test innovative approaches to job creation** - supply and demand side of the labour market
 -  **Share risk** - catalyse social return
 -  **Successful Job creation Models adopted** by pioneering organisations
 -  **Wider market adoption of challenge fund funding instrument** over the medium to long term
- The Fund works with intermediaries, leveraging their networks to access and provide support to the targeted beneficiaries, through four funding windows. The intent is to focus on addressing specific barriers to job creation:





- The Jobs Fund has a rigorous monitoring, evaluation, reporting, and learning framework established at the onset of the Fund.
- These principles are applied:
 - At Project level during the concept stage of each funded project and throughout implementation
 - At Programme level to allow for the regular monitoring of progress against portfolio targets and the evaluation of the portfolio to extract learnings and good practice
- The commission of research studies and evaluations is intrinsic to the work that the Jobs Fund and its partners do:
 - Support evidence-based policy making
 - Establish a feedback loop – for project and programme improvements
 - Encourage knowledge-sharing to a wider audience
- To date the Jobs Fund has commissioned many evaluations/studies on its portfolio and projects, and the longitudinal 3-year Tracer Study is one of these.

Jobs Fund 3-year Tracer Study



- The Jobs Fund appointed JET Education Services to undertake a three-year longitudinal tracer study of beneficiaries of 10 projects funded under two funding windows:
 - Enterprise Development (ED)
 - Support for Work Seekers (SFW)
- The main purpose of the study was to:
 - Ascertain and document changes which have occurred in beneficiaries' lives following their participation in the Jobs Fund funded projects.
 - Provide insight into which interventions are most relevant, effective, replicable, scalable and provide the greatest value for money in addressing barriers to entry into the South African job market and small business environment.
- Data collection points:
 - Year 1 - between September 2018 and August 2019
 - Year 2 - between May and November 2020
 - Year 3 - between May 2021 and February 2022

Findings from the Tracer Study

Eleanor Hazell

Executive Manager: Monitoring and Evaluation – JET

James Keevy

Chief Executive Officer – JET



Economic indicator	Metrics (latest available data 2019-2021)
Small business contribution to employment	60% (Dladla, 2021)
Small business contribution to GDP	34% (Dladla, 2021)
% employment self-employed	10% compared to 30% in most middle-income countries (World Bank Group, 2021)
% official unemployment rate	34.9% Q3: 2021 from 34.4% Q2: 2021 (StatsSA, 2021) Year on year change: from 30.8% Q3:2020 (StatsSA, 2021)
% expanded unemployment rate	46.6% Q3: 2021 from 44.4% Q2: 2021 (StatsSA, 2021) Year on year change: from 43.1% Q3: 2020 (StatsSA, 2021)
% youth unemployment (15–34 years)	46% Q3: 2021 (StatsSA, 2021)
Real GDP	-7% in 2020 (World Bank Group, 2021) -1.5% Q3: 2021 (StatsSA, 2021)
Expenditure on real GDP	-1.6% Q2: 2021 (StatsSA, 2021)

Image source: <https://ewn.co.za/2022/05/31/unemployment-ticks-down-in-q1-of-2022-stats-sa-data>

About the projects



- ED1 provided technology and support to use it, to **existing retail businesses** to improve efficiencies and later introduced access to finance and bulk purchasing.
- ED2 provided comprehensive support to **start-up businesses** over two years which included: training culminating in an accredited NQF level 3 qualification, an interest-free start-up loan, access to stock, and various types of coaching, counselling and mentorship.
- ED3 provided start-up capital (up to 40% interest free and 50% with interest payable) for **new franchise businesses** in a **variety of sectors**, alongside with training and optional (paid for) mentorship.
- ED4 an incubator which supported start-ups and pre-existing businesses in a **variety of sectors**.
- ED5 provided comprehensive support to new **health care** franchise businesses which included: infrastructure, funding for two years, training, mentorship, monitoring and networking.

Targeted informal retail sector businesses

ED1

ED2

Supported formal businesses

ED3

Franchise
model

ED5

Franchise
model
(healthcare)

ED4

Incubation
model



50 Interviews: 11 JFPs, 31 beneficiaries (five W1, 12 W2, 11 W3), one ED sponsor/ partner, two SFW employers, one organised business representative, six subject matter experts, one Jobs Fund representative.

JFP	W1 sample	W1 surveys	W1 response rate	W2 sample	W2 surveys	W2 response rate	W3 surveys	W3 response rate
ED1	831	451	54.3%	451	381	84.4%	341	89.5%
ED2	540	274	50.7%	274	245	89.4%	222	90.6%
ED3	31	14	45.2%	14	12	85.7%	10	83.3%
ED4	34	16	47.1%	16	13	81.3%	9	69.2%
ED5	26	18	69.2%	18	15	83.3%	14	93.3%
Subtotal	1462	773	52.9%	773	666	86.2%	596	89.5%



Project	Demographic criteria	Achieved?
ED1	South African citizens over the age of 18, general grocery retailers	😊
ED2	Unemployed females living in poverty, mothers with at least one dependent child.	😊
ED3	Black entrepreneurs from previous disadvantaged backgrounds, female where possible.	Race 😊 Gender 😐
ED4	Black business owners (100% black owned businesses).	😊
ED5	Black female professional nurses	😊

ED projects were mostly successful in selecting the participated they targeted: individuals from previously disadvantaged backgrounds who had or wanted to start businesses.

Three projects had explicit gender targets and two successfully achieved them.

Very few persons with disabilities participated in any ED projects.

Project statistics

ED1 was responsible for more than half of permanent jobs (57.3%) created.

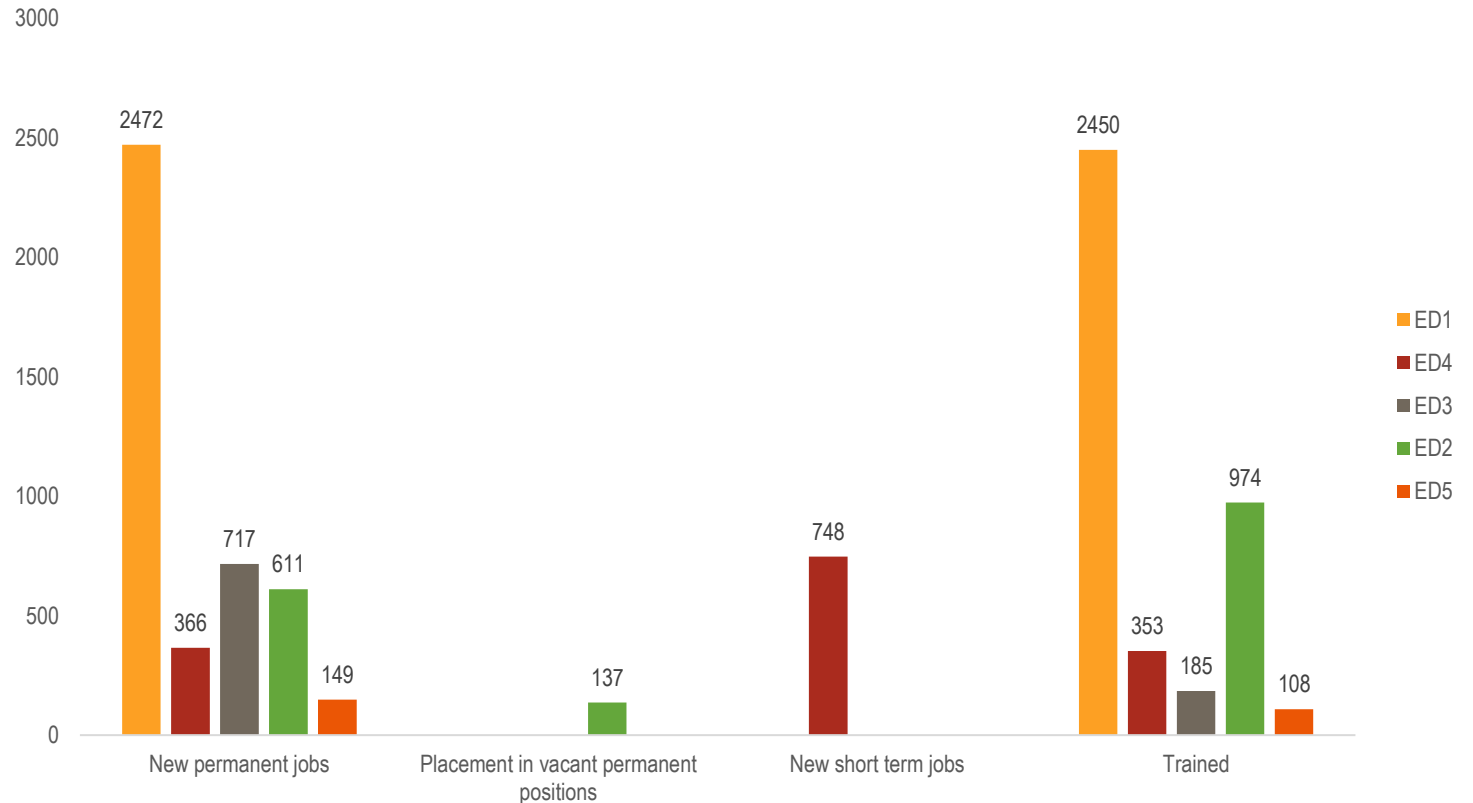
With the exception of ED4, the majority of jobs were occupied by females.

Over ninety percent of jobs were occupied by individuals from previously disadvantaged groups.

With the exception of ED2 the majority of jobs were occupied by youth aged 18-35.

Just two ED projects each employed one person with a disability.

Summary of ED project statistics



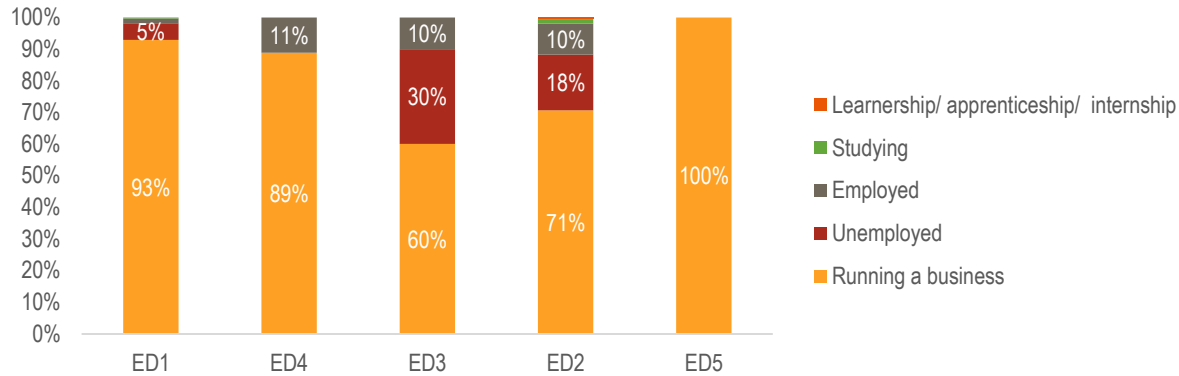


Over 80% of ED survey respondents are running a business as their primary economic activity, and over 75% are still running the business they received support from the Jobs Fund for.

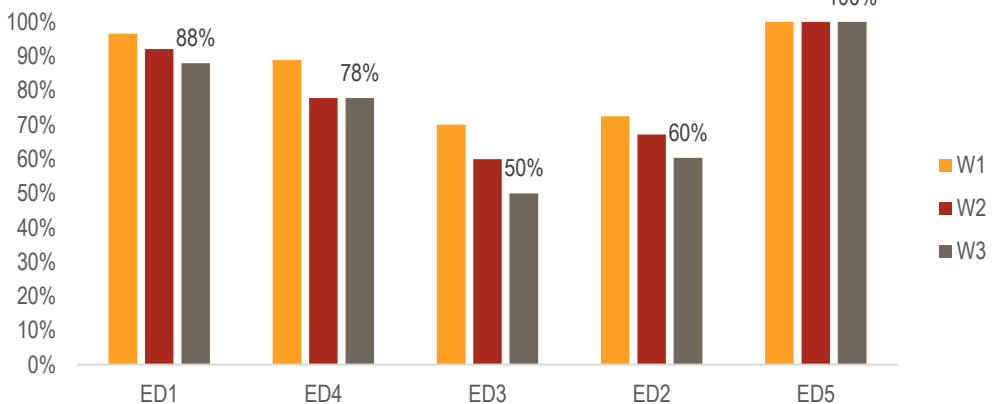
30.9% of those who no longer owned the supported business were running a new business as their primary economic activity.

23.4% of those whose primary economic activity was not running a business were also running a business on the side.

Primary economic activity at the time of the Wave 3 survey



Respondents who still own the supported business





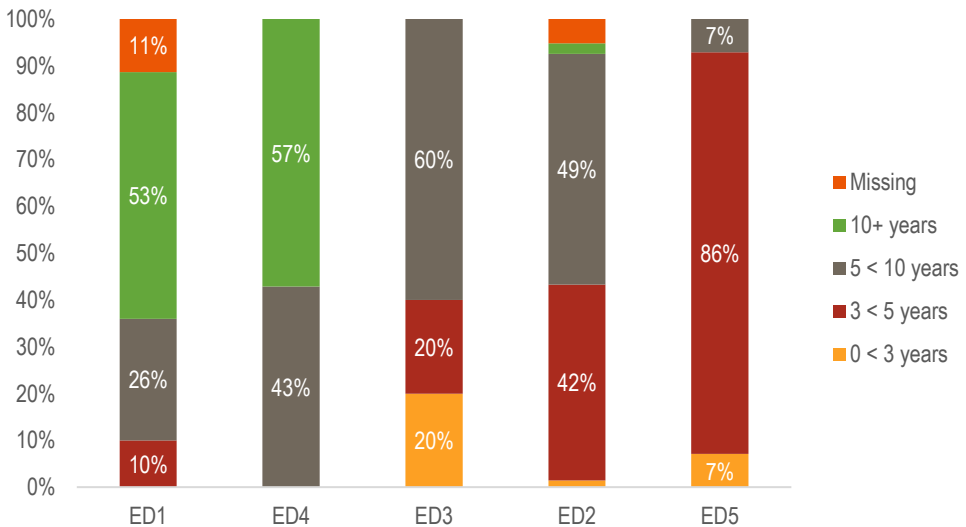
Jobs Fund Partner	W2 Minimum	W2 Mean	W2 Maximum	W3 Minimum	W3 Mean	W3 Maximum
ED1	2	2.2	5	2	2.1	4
ED2	2	2.1	3	2	2.2	4
ED3	2	2	2	3	3	3
ED4				2	2	2
ED5	2	2	2	2	2	2

- At the time of the Wave 2 survey, 105 (i.e. 17.6% of) respondents indicated that they were running 224 other businesses.
- At the time of the Wave 3 survey, 115 individuals (i.e. 19.3% of respondents) reported that they were running 246 other businesses.
- The number of individuals running multiple businesses is increasing steadily over time.

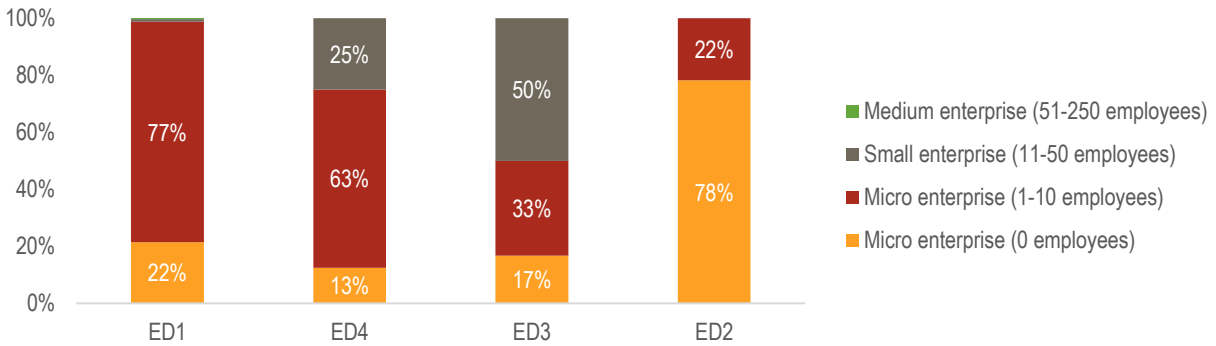


The vast majority (98.2%) of enterprises are micro enterprises. 38.4% had no employees, and just eight (three ED1, three ED3 and two ED4) are small businesses and one (ED1) is a medium enterprise.

Age of Jobs Fund supported businesses



Enterprise size based on employees



The businesses were of varying ages, indicative of the varying project start dates and project models.

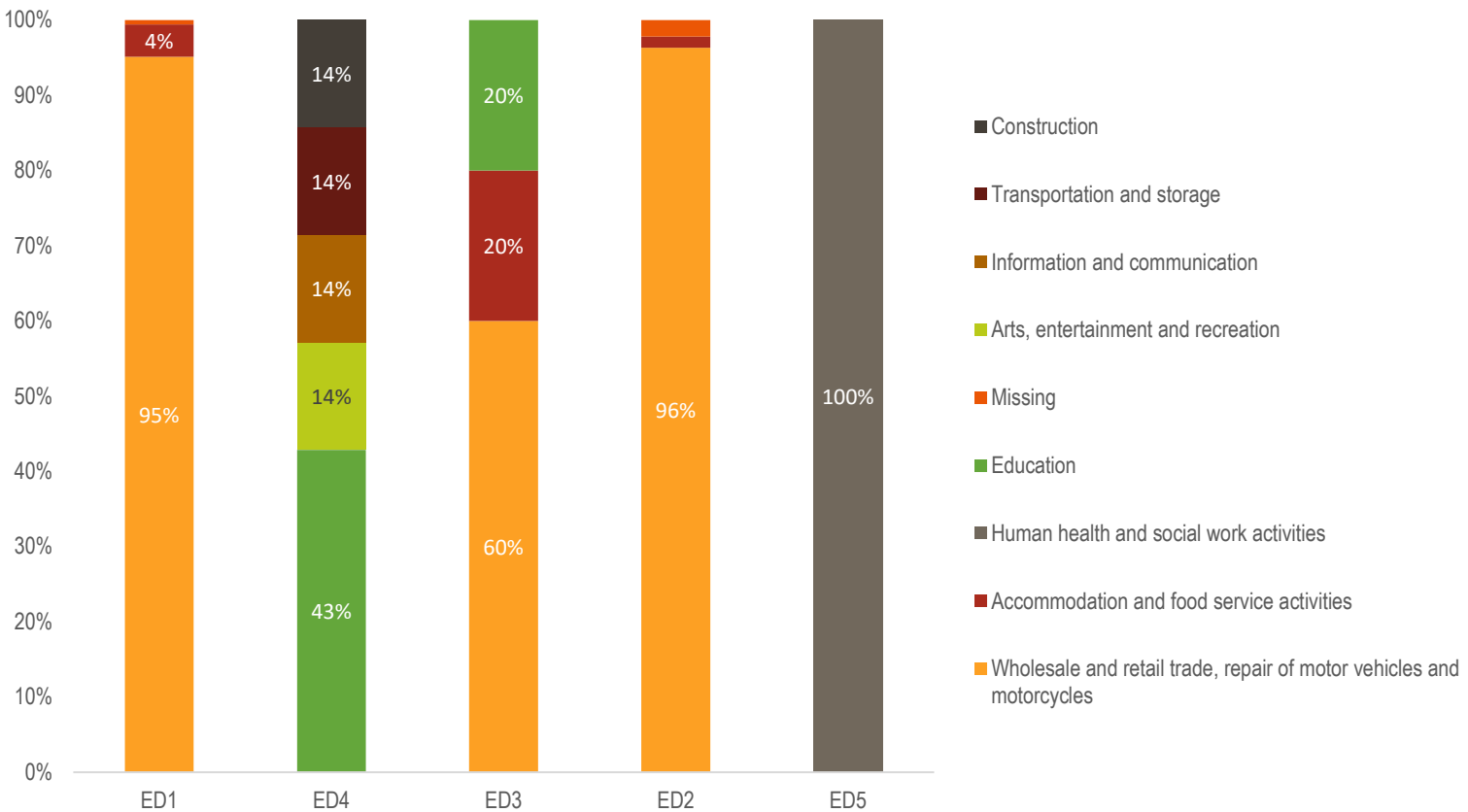
The longevity of supported businesses is positive given that around 40% of informal business start ups close within six months (Fourie, 2018).

Characteristics of supported businesses

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Economic sector of active Jobs Fund supported businesses



The vast majority of supported active businesses, operate in the wholesale and retail trade sector which is not a growth sector.

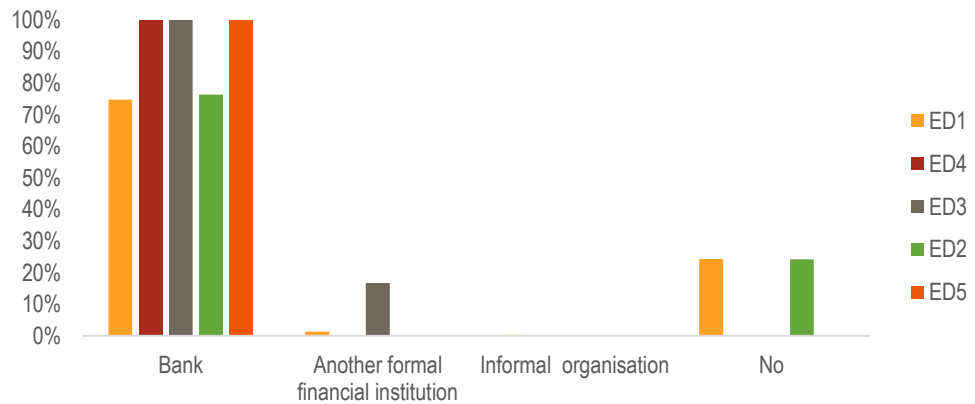
Only ED4 and ED3 supported businesses which operated in a variety of sectors.

Financial inclusion

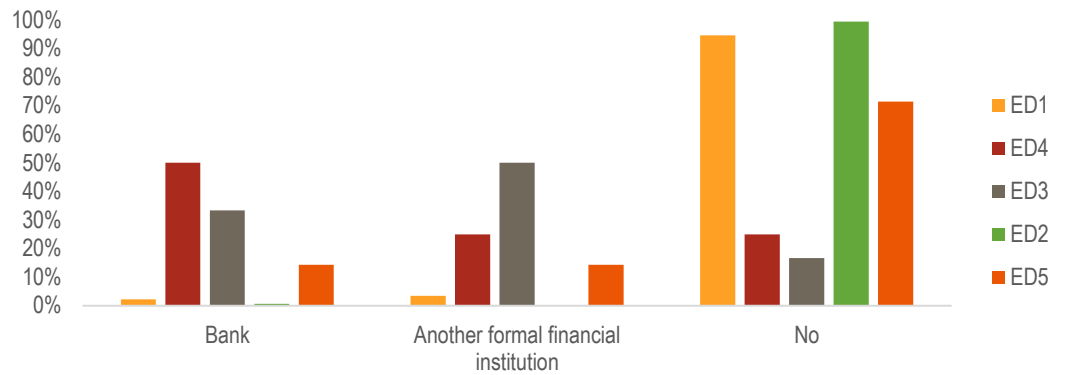
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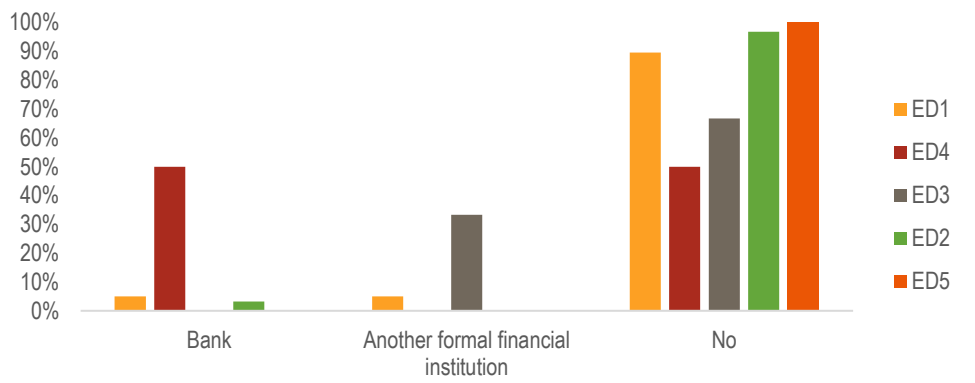
Access to banking



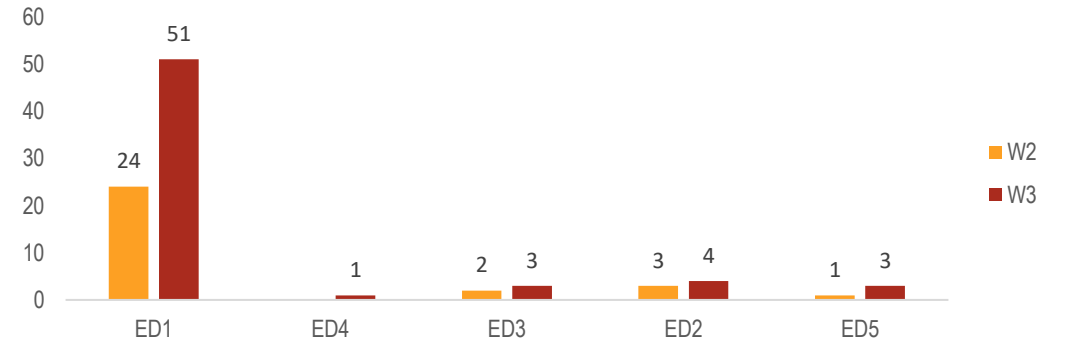
Insurance on business assets



Access to credit

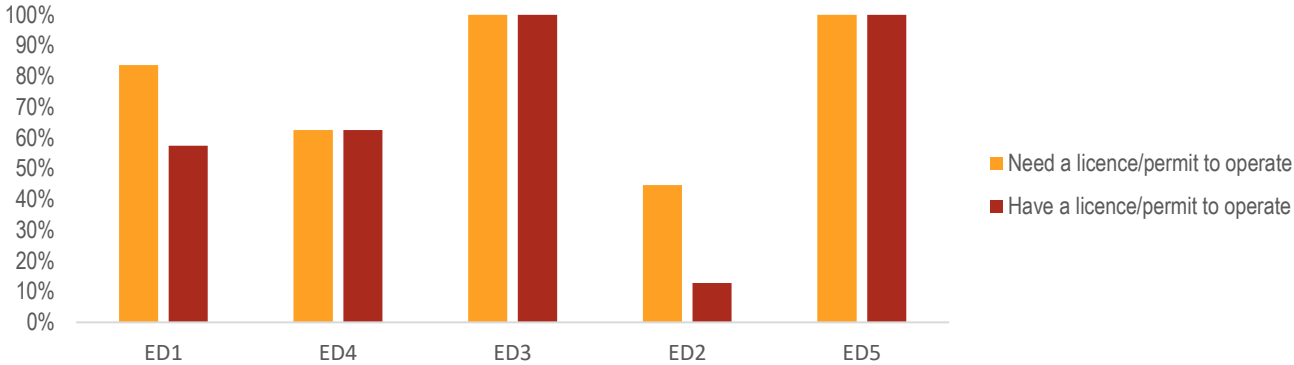


Business debt



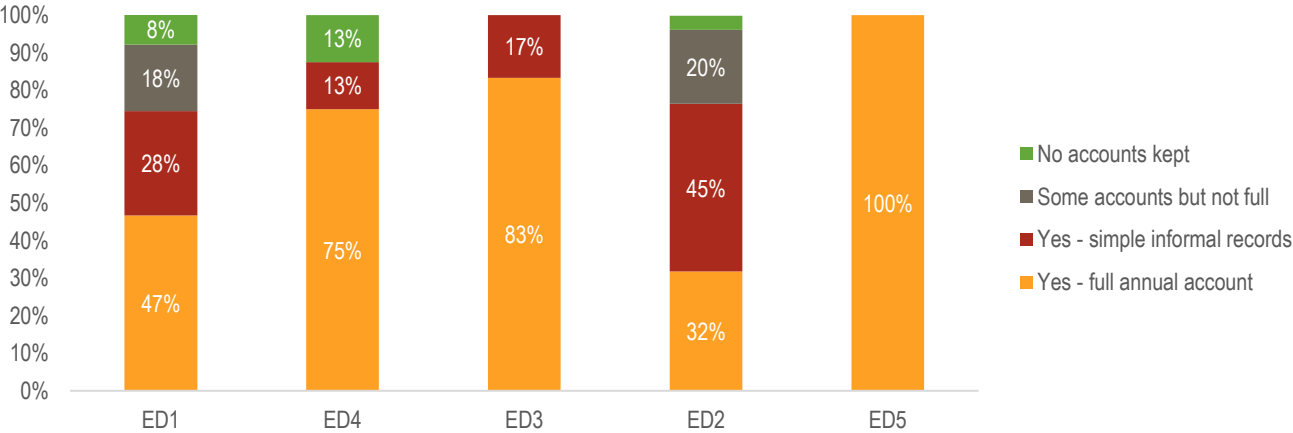


Businesses which need and have a licence/permit to operate



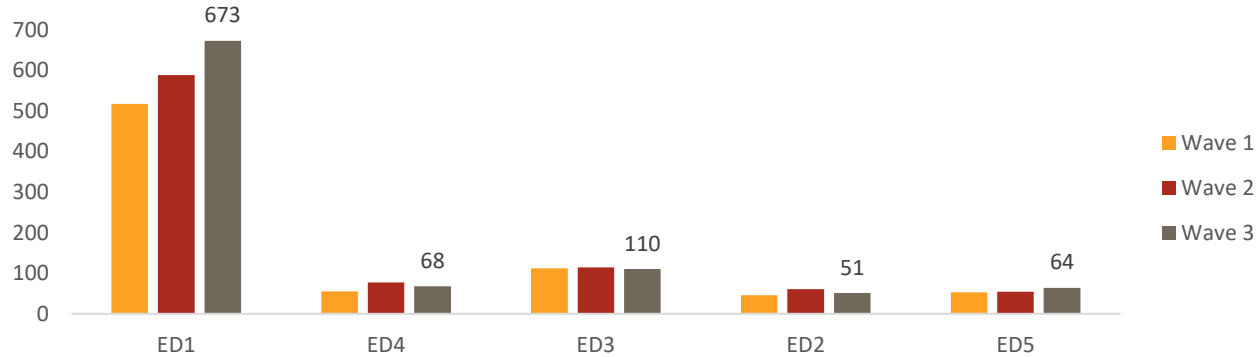
A decline was evident in the proportion of businesses with licences/permits to operate (from 67.7% at the time of the Wave 2 survey to 45.2% in Wave 3), registered for VAT (by 2.2 percentage points), and registered for income tax (by 3.5 percentage points) since the Wave 2 survey, as well as in financial record keeping.

Do you keep financial records or books?





Number of employees (excluding the business owner)

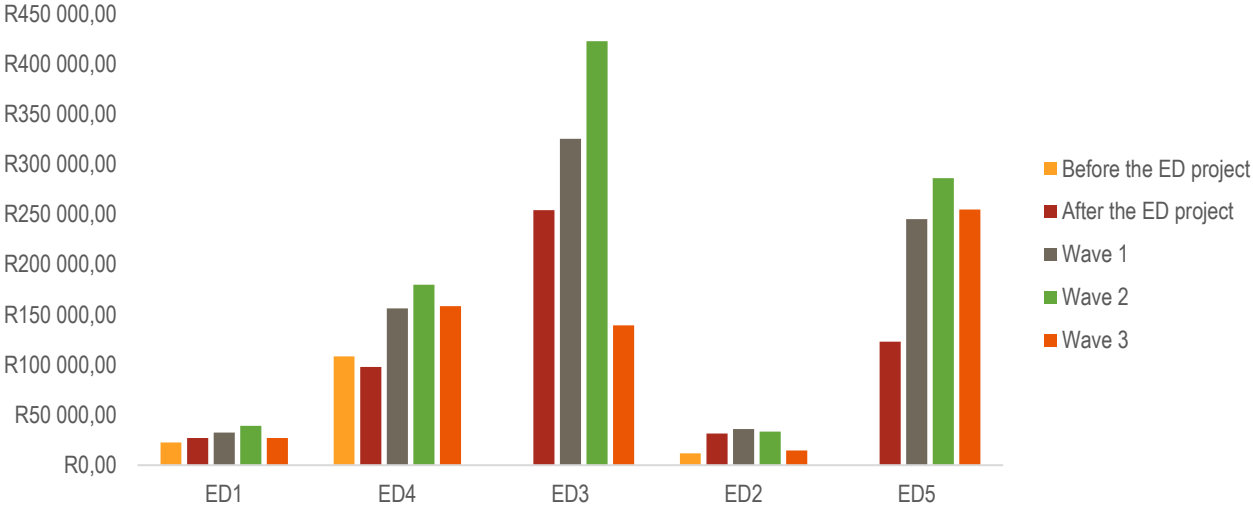


502 businesses employed 966 individuals as compared to the 894 employees that 517 businesses employed at the time of the Wave 2 survey

JFP	W2 businesses with no employees	W2 employees	W2 mean	W3 businesses with no employees	W3 employees	W3 mean
ED1	73	588	1.8	68	673	2.1
ED2	133	61	0.4	123	51	0.3
ED3	0	114	22.8	1	110	18.3
ED4	1	77	11	1	68	9.7
ED5	0	54	3.9	0	64	4.6

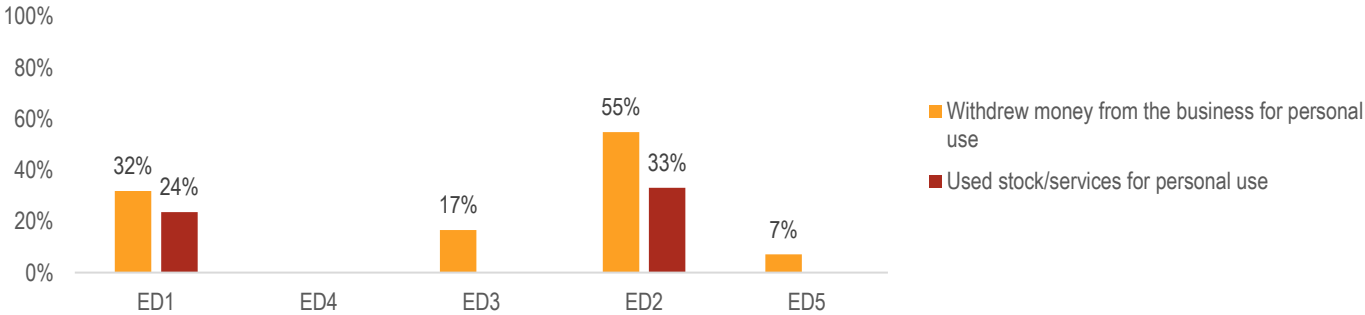


Average annual owner salary including those earning nothing



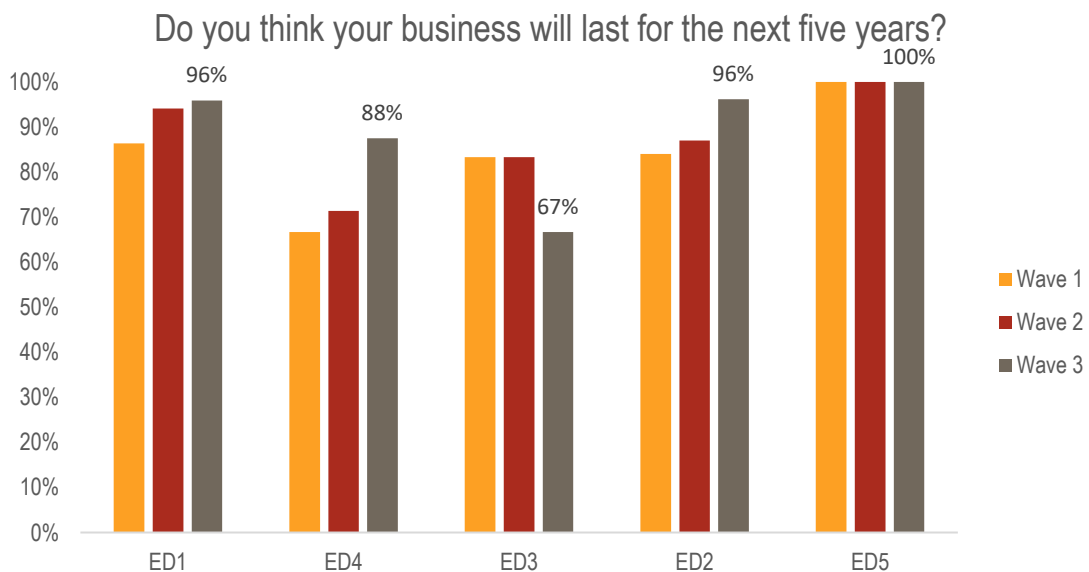
The average salary paid to owners increased over time until the time of the Wave 2 survey for ED1, ED4, ED3 and ED5 respondents. However, average salary declined for all projects between the second and third survey waves, most likely due to the economic impact of COVID-19.

Cash withdrawals and personal use of business stock/services

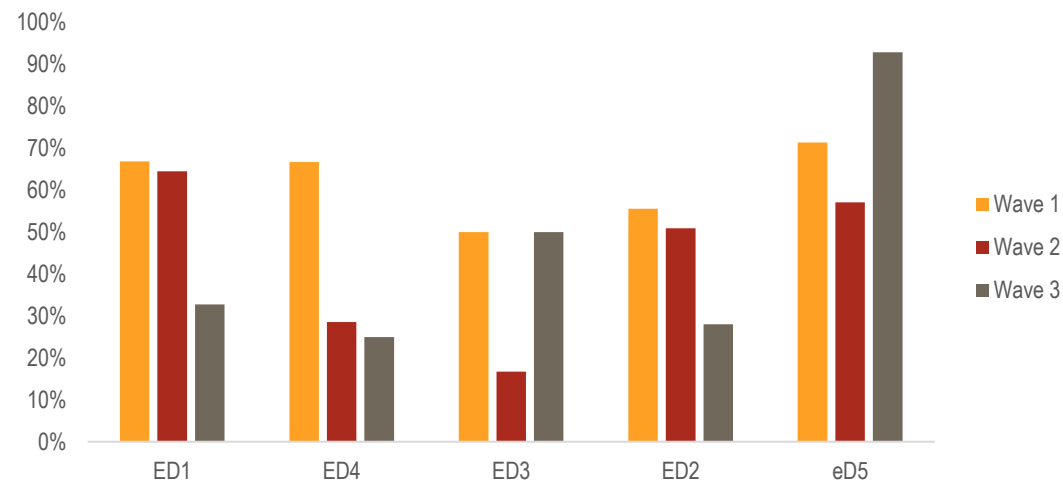


ED2 and ED1 respondents earn less but are more likely to withdraw money and use stock/services.

One out of every three respondents (33.1%) said their business had grown in the last 12 months.



Businesses which have grown/expanded

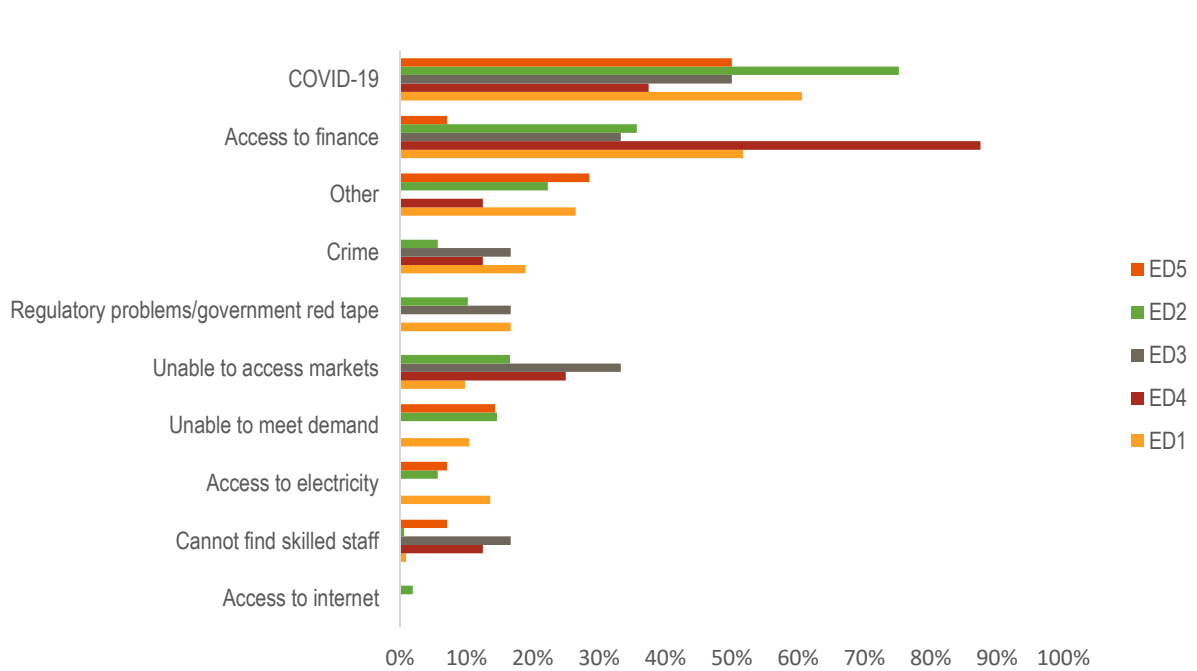


Business optimism is high. 95.6% of respondents expected their businesses to last for the next five years.

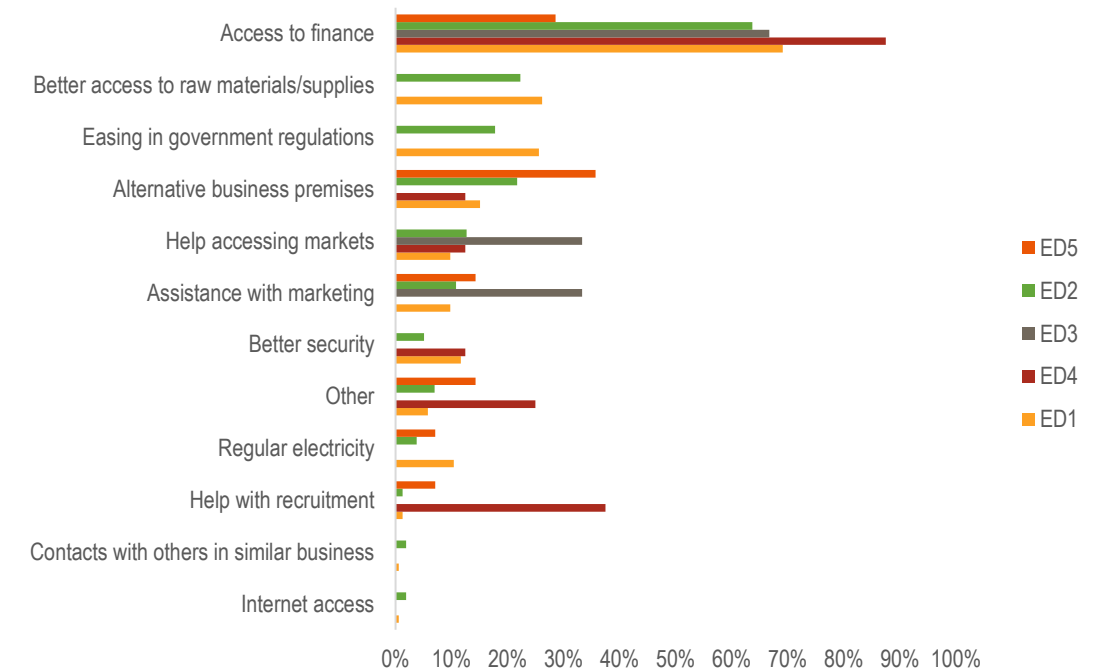
Challenges affecting business growth and business assistance required



Main challenges affecting business growth



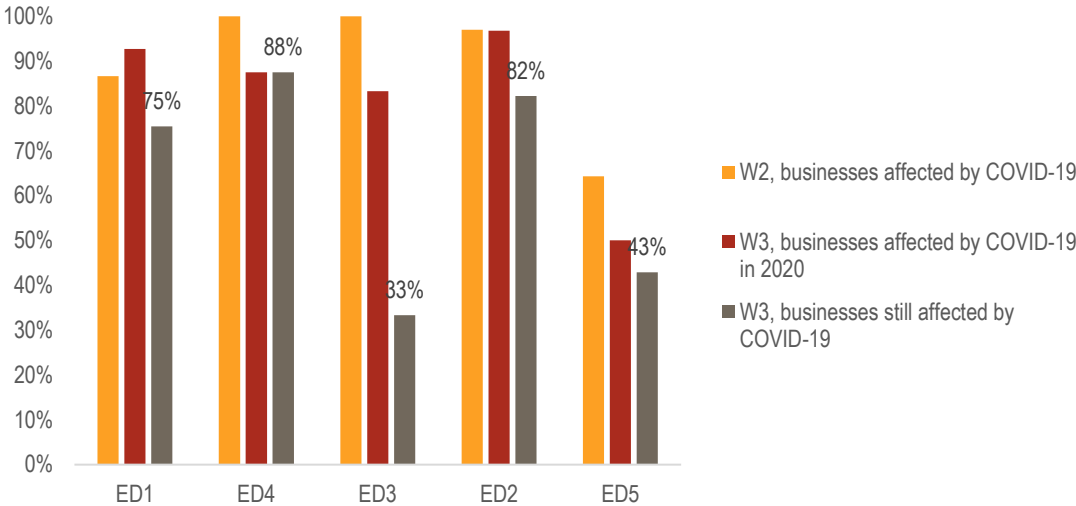
Business assistance required



COVID-19, followed by access to finance were STILL the greatest challenges affecting business growth. The other reported challenges were very varied.



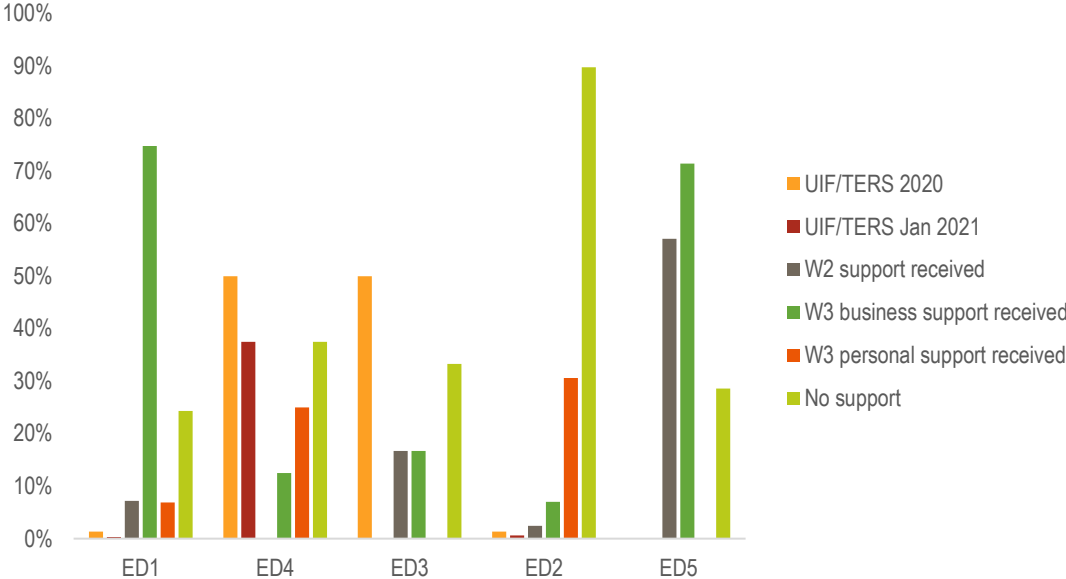
Businesses affected by COVID-19

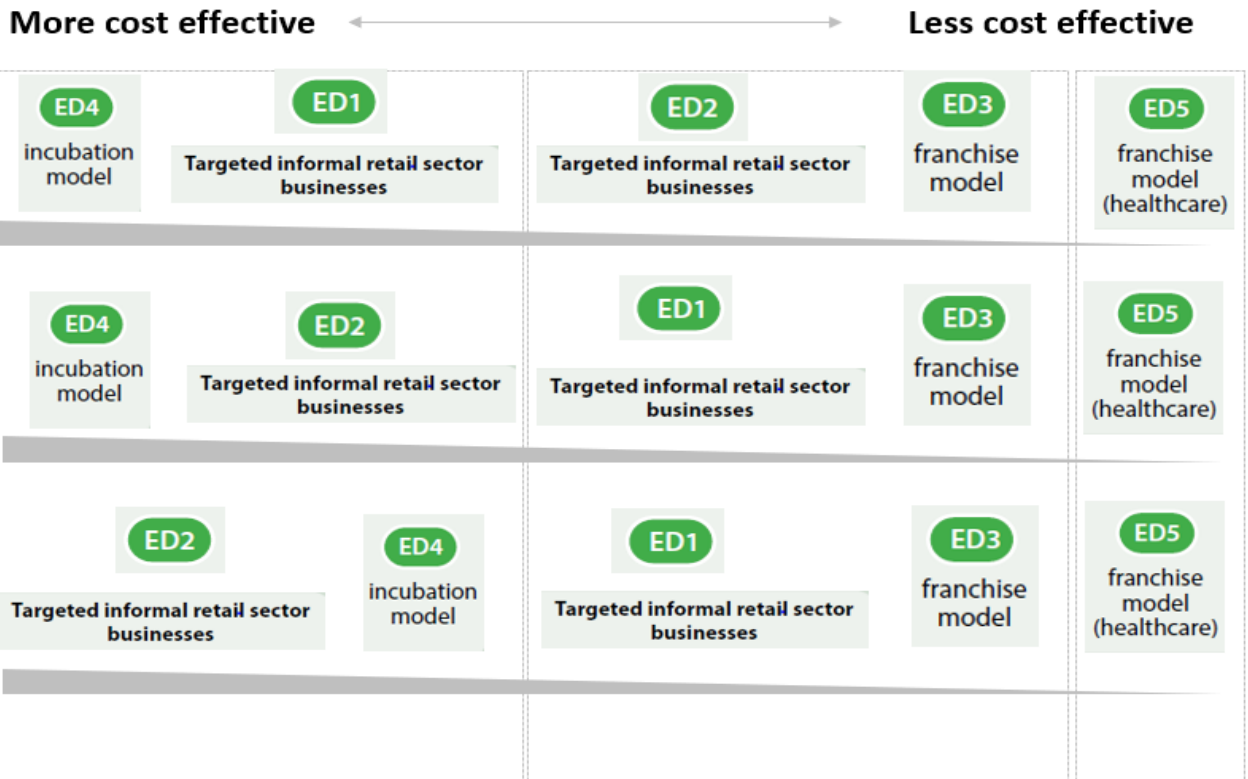


Over 90 percent of businesses were affected by COVID-19 in 2020, and 76.3% of businesses were still affected at the time of the Wave 3 survey.

Just over half (54.8%) of business owners reported that their **business had received any form of support** to address the challenges of COVID-19. **The vast majority of this support was provided by The Jobs Fund/JFPs.**

COVID-19 support





< average GDP per capita (R83,844) = very cost effective

< 3x average GDP per capita (R251 532) = cost effective

> 3x average GDP per capita = less cost effective (Bertram et al., 2016).

ED4 was always considered very cost effective and ED2 was considered very cost effective when considering all costs excl training, and only the Jobs Fund Grant.

ED1 and ED3 were considered cost effective when considering all costs or all costs excl training, and very cost effective if only the Jobs Fund Grant was considered.

ED5 was only considered cost effective if only the Jobs Fund Grant cost was considered.

Value for Money



	ED1	ED2	ED3	ED4	ED5
Cost effectiveness	5	5	5	5	3
Permanent jobs created	4	5	5	5	5
Employment equity	3	3	4	3	4
Supported business ownership	5	3	3	4	5
Business growth/ development	3	2	1	1	3
Owner income	3	3	3	4	5
Total	23	21	21	22	25
Overall evaluation	Adequate	Adequate	Adequate	Adequate	Good



Conclusions & Recommendations

1

Whilst the targeted participants were reached – to a large extent – **greater consideration needs to be given to who the “right participants” are**, given intersections of race, gender, disability, and geography which combine to entrench deprivation.

2

Ensure that SFW and ED initiatives **target and accommodate persons with disabilities** by factoring these considerations in at the design stage.

3

Ensure that ED and SFW projects are **also offered outside metropolises** and target district and local municipalities which do not usually have budgets for catalysing employment in their localities.



Conclusions & Recommendations

4

Promote **integration between ED and SFW projects** within and across funding windows in order to create more fluidity for beneficiaries to move in and out of ED and SFW supported spaces. For example, SFW beneficiaries could be employed in ED beneficiaries' enterprises, work seekers who wish to start businesses can be referred to appropriate JFPs.

5

Consider **expanding innovative products/practices** that are proven to be successful (e.g. the ED1 PoS terminal) to other projects that may benefit from it (e.g. ED5 deals with cash and stock).

6

JFPs can be effective **conduits for supporting informal businesses during times of crisis** such as COVID-19.

Utilise JFPs to provide information about where and how to access SMME support provided via national, regional and local initiatives during times of crisis and beyond.



Conclusions & Recommendations

7

Improve the supply and availability of national data on small businesses (including informal businesses) and the employment and unemployment of persons with disabilities.

8

Beneficiary dissatisfaction with respect to specific JFPs/projects should be taken seriously and investigated by the Jobs Fund and its partners.

9

Have a **long-term view with respect to job creation via ED**, consider social value as well as the cost per job.

OFFERING SUPPORT TO SMMEs:

Considerations & Recommendations



Ushintsho Oluqhakazile

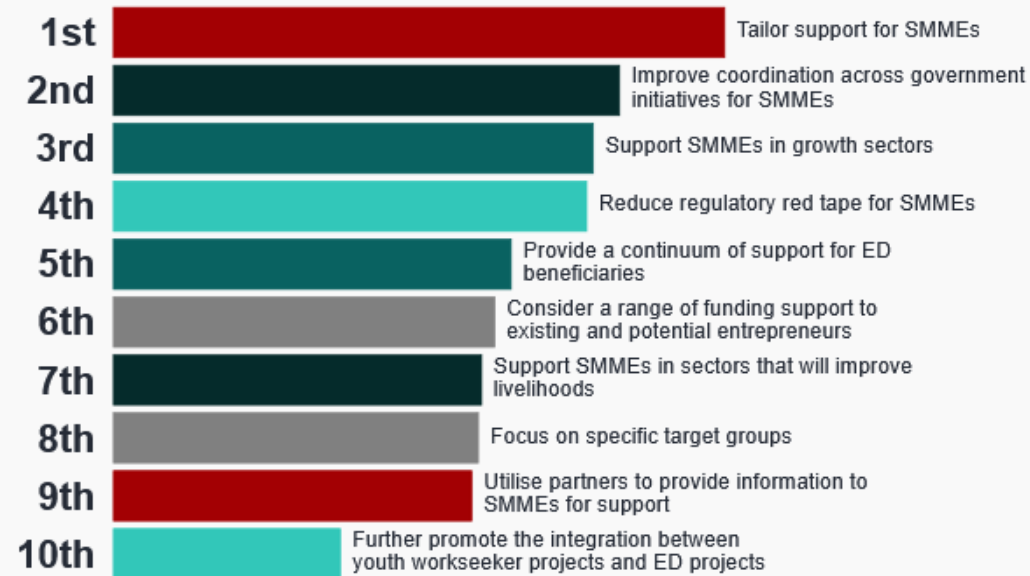
1. ...continue to support ED initiatives in identified growth sectors/ areas including their value chains.
2. ...also support SMMEs in other sectors/areas which may not have high growth potential but can support sustainable livelihoods.
3. ...prioritise reduction of red tape which makes it onerous for SMME's to do business, be compliant, grow, employ people and contribute to the economy.
4. ...maintain contact and direct ED project beneficiaries to other ED support initiatives.
5. ...consider how to assist business owners to address the most common challenges as well as those most pertinent for participants in their programmes.
6. ...project models should be responsive to business owners' emergent needs.
7. ...provide a range of types of funding support: finance should not be provided without concomitant support.
8. ...where possible utilise technology to enhance business efficiencies which support growth.





Audience participation on MENTI during the webinar: Rank the recommendations that you think are most important:

Tracer Study Recommendations



Reflections from Participating Jobs Fund Partners

Tina Mason

Chief Operations Officer – A2Pay

Jerome Eckles

General Manager: Entrepreneur Development – Black Umbrellas

Response to the Tracer Findings



1. These merchants were coached and supported from 2017, 2018, 2019. Concentrate on Merchant and the job created as recipients. We currently have 5,500 sites. 900 recipients were audited.
2. Focused on addressing main pain points as we identified them. LACK OF ACCESS TO:
 - Technology, Training, Coaching, Finance, Bulk Buying.
3. And changing behaviors rather than training. 3 main behavioral changes needed for sustained SME and for evidencing and ROI:
 - Cash to Digital, Retail Disciplines, Increased Numeracy.
4. Focus is on entrepreneurs that ready have the skills already and can benefit from the investment.
5. Created a Financial Services company (2019) to enable access to capital with SASME.
6. Provided COVID relief - Supported 1,795 merchants with R21,000 each over a period of 3 months.
7. Provided 12,000 needy households with hampers using the Spaza network.
8. Technology solutions on track include solar, UPS, speed points, market integration/screens.
9. Opening up to other niches in the primary market.
10. Scaling at 700 new Spaza merchants.
11. Opened an NPC in 2019 to secure additional funding – target is 10,000 sites.





01 - 03

- Regional penetration is on track.
 - 7 provinces to date.
 - Municipality relationships.

04

- A2Pay partnered with Harambee but we could investigate this further.
- Increase is youth running spaza shops.

06

- The A2Pay platform allows for integration of point of sale, cash recyclers, speed points, media screens and integrated UPS solutions.

07

- Communication remains a massive challenge given our market and the scale at which we are operating.



About Black Umbrellas

- Black Umbrellas (BU) **Virtual Incubator** is an online platform accessible from anywhere with an internet connection
- BU is an **enterprise and supplier development (ESD) incubation** organisation
- BU runs programmes that offer **training, mentoring support and business coaching**
- The primary focus on **developing businesses** to a level where they can gain meaningful **access to procurement, finance and networks** and to facilitate access to these opportunities
- Programmes and platform is **available to any business** at any stage of their development



What have we done

- **Scaling** via the Virtual Incubator Platform
- Virtual Incubator Platform **assists with access** to those who need it most
- Change in programme offering **better alignment with beneficiary expectations**

What we are busy doing

- Addition of an Entrepreneurial Relationship competency within the flagship programme to **maintain contact with beneficiaries** and provide ongoing support **beyond the completion of initial programmes**
- With the change in programme offerings to revisit the Theory of Change with a specific **focus on the contextual factors** of beneficiaries and how this **relates to programme activities**



Q&A

Facilitator: Mokete Mokone (Jobs Fund)

Closing Address

Najwah Allie-Edries

Deputy Director-General: Employment Facilitation



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Thank you



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