



South Africa Siyasebenza

# A DECADE OF INNOVATION AND PARTNERSHIP



Ushintsho Olughakazile



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**



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# Jobs Fund - GTAC Webinar

*Supporting Women in Underserved Areas:  
Micro-enterprise Development*

25 August 2023

**The event will start at 14h00**



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# Opening Address

**Vuyo Tetyana**

Head of Monitoring & Evaluation (Jobs Fund)

# Background to the Jobs Fund

**Facilitator**

Nazeem Hendricks (Jobs Fund)



## Background to the Jobs Fund

- The Jobs Fund is a programme of the National Treasury and, for administrative purposes, is located in the Government Technical Advisory Centre (GTAC).
- The Jobs Fund was established to inspire innovation and to **co-fund** programmes that address specific barriers to job creation and in 2011 was capitalized with R9 billion.
- The Jobs Fund is government's R&D Pilot on innovative job creation models and operates on Challenge Fund principles:
  -  **Test innovative approaches to job creation** - supply and demand side of the labour market
  -  **Share risk** - catalyse social return
  -  **Encourage wider market adoption of challenge fund funding instrument** over the medium to long term
  -  **Encourage adoption of successful Job creation Models** by organisations
- The Fund is not a mass employment programme, but complements other government programmes by encouraging innovation and sustainable job creation
- The Fund works with intermediaries, leveraging their networks and expertise to access and provide support to the targeted beneficiaries.
- The Jobs Fund was established with knowledge sharing as one of its foundational pillars and has a rigorous monitoring, evaluation, reporting, and learning framework.
- To this end, the Jobs Fund regularly hosts and participates in knowledge exchange sessions, together with its partners and the public.

# ***Supporting Women in Underserved Areas through Micro-enterprise Development: Lessons from the Phakamani Foundation***

**Eric Crawford (Phakamani, CEO)**

**Kudzayi Rujuwa (Phakamani, F&A Manager)**

# Phakamani Video

## Microfinance background



- Microfinancing has existed in small operations since the 18<sup>th</sup> century.
- In its modern form, microfinancing became popular on a large scale in the 1970s.
- Microfinance is a banking service provided to low-income individuals or groups who otherwise would have no other access to financial services.
- Microfinance allows people to take on reasonable small business loans safely, in a manner that is consistent with ethical lending practices.
- Most microfinancing operations occur in developing nations.
- The global microfinance market was valued at an estimated \$187 billion in 2022 and is expected to exceed \$488 billion by 2030.
- According to the World Bank's data as of 2020, more than 500 million people directly or indirectly benefited from microfinance-related operations.
- Microfinance includes several services, such as savings accounts, current accounts, fund transfers, microinsurance, and microcredit.
- Trend towards For Profit organisations, individual lending, and movement up the so-called Pyramid.



## Group Lending Methodology



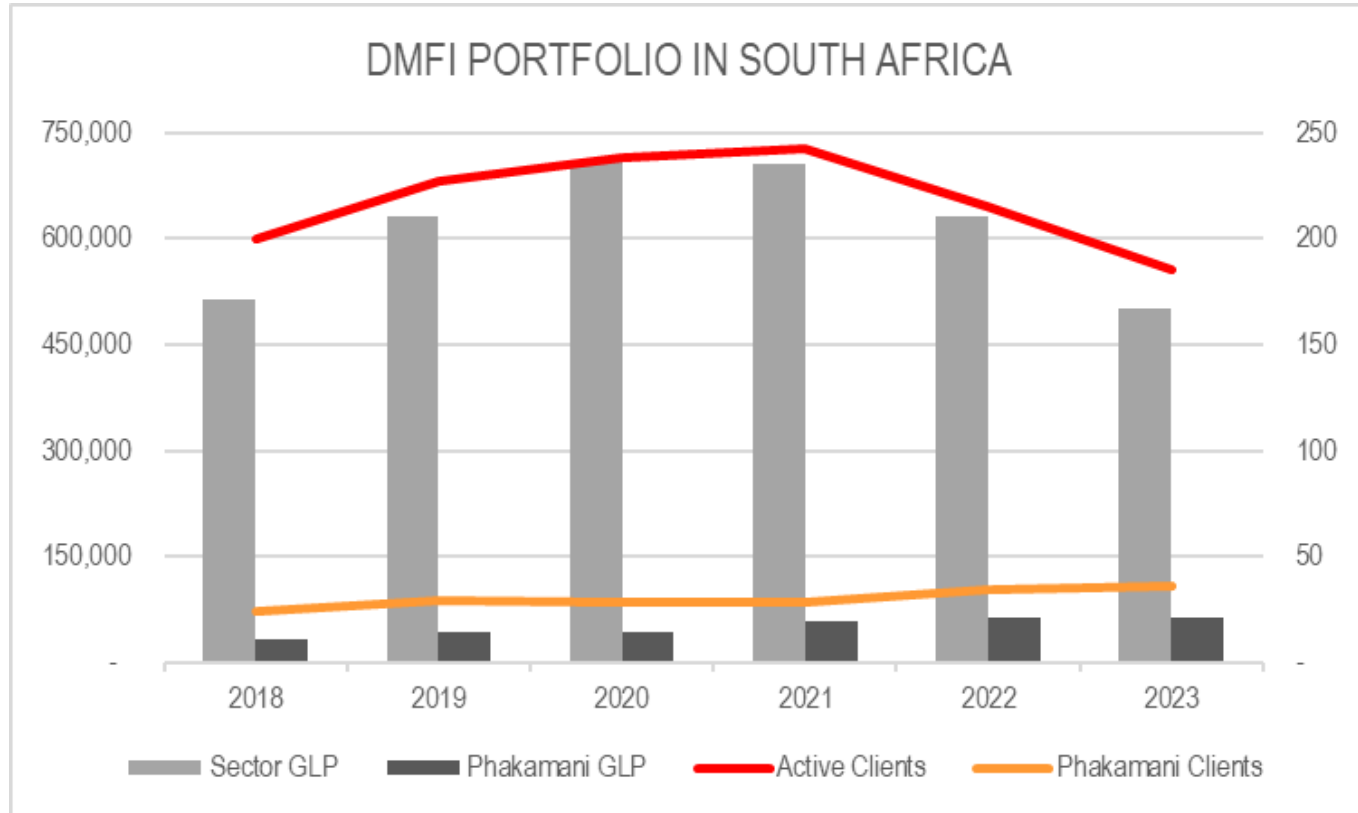
- The Grameen model was established by Professor Muhammed Yunus in Bangladesh in 1976 in response to extreme levels of poverty, financial exclusion, and inequality.
- Key components of the methodology:
  - **Capital:** for startup microenterprises, or existing microenterprises looking to grow
  - **Savings:** group members are encouraged to save in the group savings bank account
  - **Credit:** small business loans provided to unbanked, impoverished individuals
  - **Financial Education:** initial business and system training and ongoing support
- Short-term loans are provided to individuals in groups of 5.
- Social collateral holds group members accountable to each other.
- Bi-monthly or monthly Centre Meetings chaired by clients:
  - Centre leadership training
  - Financial literacy, business skills, and basic health training
  - Second level of client solidarity and support
- Predominantly women clients.



- The first microcredit organisation in South Africa started disbursing loans in 1987.
- There is a distinct difference between Developmental MFIs (DMFIs) and MFIs in South Africa:
  - Development microfinance: focus is on supporting income-generating activity, financial inclusion and poverty alleviation.
  - Microfinance: driven by profit motive.
- More than 45 DMFIs have opened and subsequently closed in South Africa between 1990 and today:
  - Issues relate to the high cost to serve in SA, financial discipline, and poor governance
- There are three current DMFIs: Small Enterprise Foundation (148.5k clients), Phakamani Foundation (36.4k clients) and Sunrise Women's Development (~2k clients).
  - Most have applied a derivative of the Grameen Bank Group Lending methodology.
  - Operations in seven provinces in South Africa.
  - Key Statistics:
 

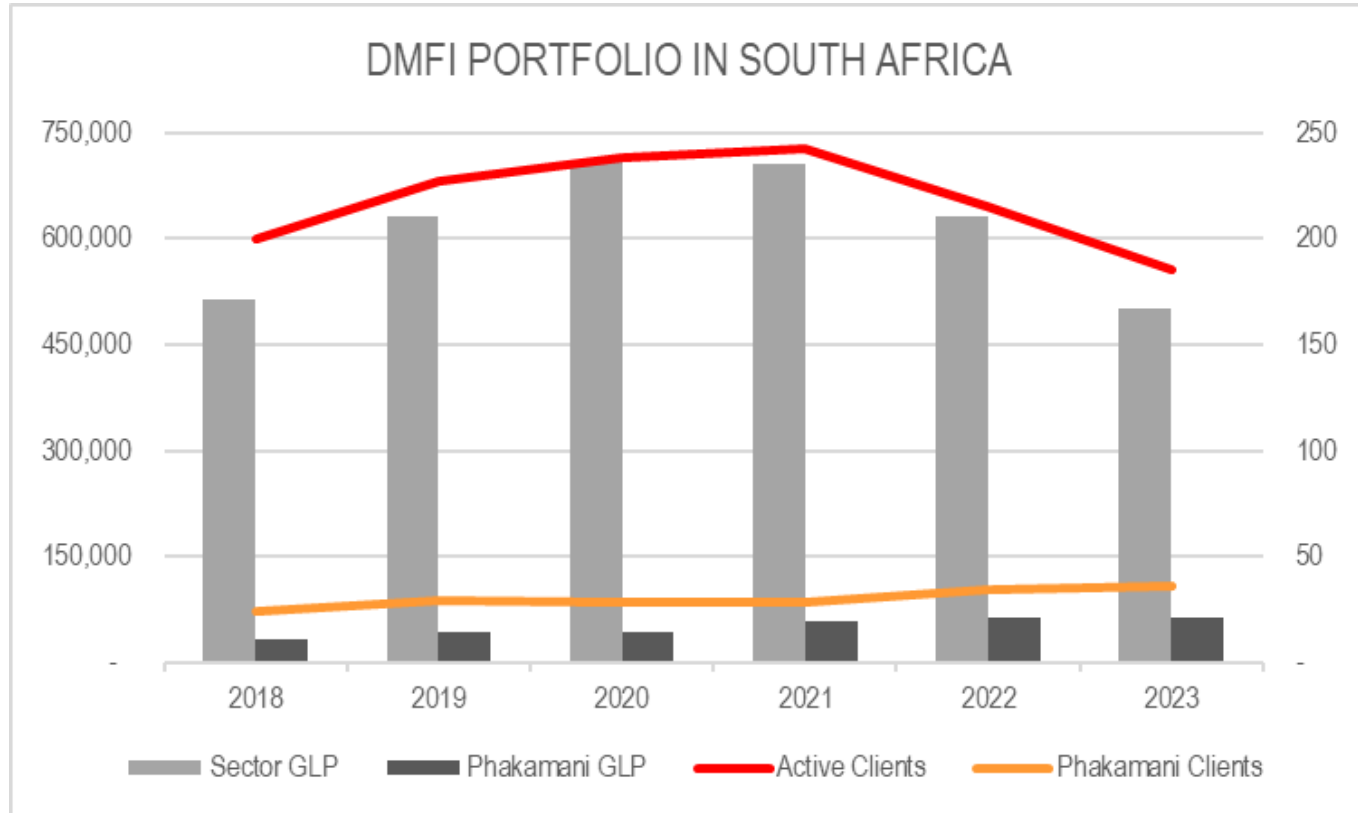
▪ 221k clients	▪ R76.5m client savings
▪ R1.3bn disbursed annually	▪ R17.3bn disbursed since inception
▪ R500m gross loan portfolio	▪ 1,271 people employed
  - Only credit products for business purposes are offered by South African DMFIs.
  - Primary objectives are financial inclusion and poverty reduction.





As at June of each year

- Impact of COVID (2020/21)
  - Reduced areas to operate businesses
    - School closures
    - Tertiary institutions moving to online / remote learning
    - Prohibition of gatherings (e.g. church meetings)
    - House-to-house sales impacted
  - Inability to purchase stock
    - Inter-provincial travel restrictions
  - Increase in defaults on credit purchases
  - Uncertain and volatile conditions
  - Lower levels of confidence in starting a business
  - Lower operating volumes
- Current issues impacting the sector (2022/23)
  - Load shedding
  - Low levels of disposable income in the rural communities

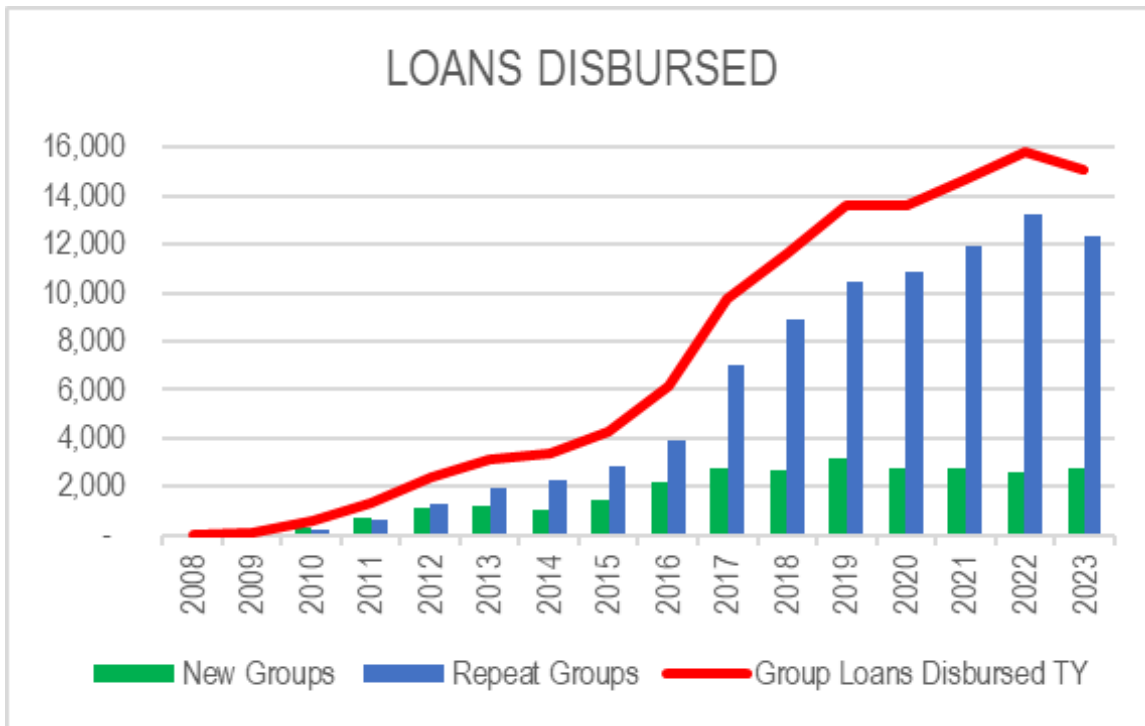


As at June of each year

- Current issues impacting the sector (2022/23)
  - Load shedding
  - Low levels of disposable income in the rural communities
  - Increased cost of living
    - Cost of fuel / transport / materials
    - Unable to increase prices at the same rate
    - Purchase of essential items only
    - Significant increase in fees at Postbank (2021)
  - Challenges in opening & operating bank accounts
  - Increased levels of crime
  - Increased service delivery action
  - Proliferation of strip malls



- **Phakamani Foundation** disbursed its first loans disbursed in 2008.
- Operational in Mpumalanga, Limpopo, KwaZulu-Natal and Eastern Cape.
- Phakamani has 55 branches and 385 employees



- Sharp growth in 2016 – 2019
  - Jobs Fund KwaZulu-Natal project
  - Additional branches opened in Limpopo
- Negative growth in 2020 related to COVID
- Growth achieved in 2021 and 2022 albeit at a slower rate
- Around 36 000 active clients
- Over 185 000 women served
- +R1.3bn in disbursements from inception
- R240m disbursed per annum
- 115 000 group loans disbursed (~575k individual loans)
- Negative growth experienced again in 2023

# Group Lending Process

## RECRUIT

- Door-to-door
- Motivations at churches, social gatherings
- Distribution of pamphlets
- Word of mouth
- Existing clients
- Local authorities
- Basic overview of the system
- Introduce at the Centre

## GROUP FORMATION

- All members attend
- Branch Manager
  - Visits houses
  - Confirms understanding
  - Family members are aware of the loan
  - Loan amounts and repayment
- Approval for training

## TRAINING

- All members attend
- Phakamani System
  - You can do it
  - Loan
  - It's all about the group
  - Follow the system
- Business System
  - Buy the right stock
  - Sell at the right price
  - The right product
  - The right profit
- Group savings account opened

## INITIAL APPROVAL

- All members attend
- Verification of training
- Understanding of key principles
- Confirm loan sizes
- Confirm instalment amounts

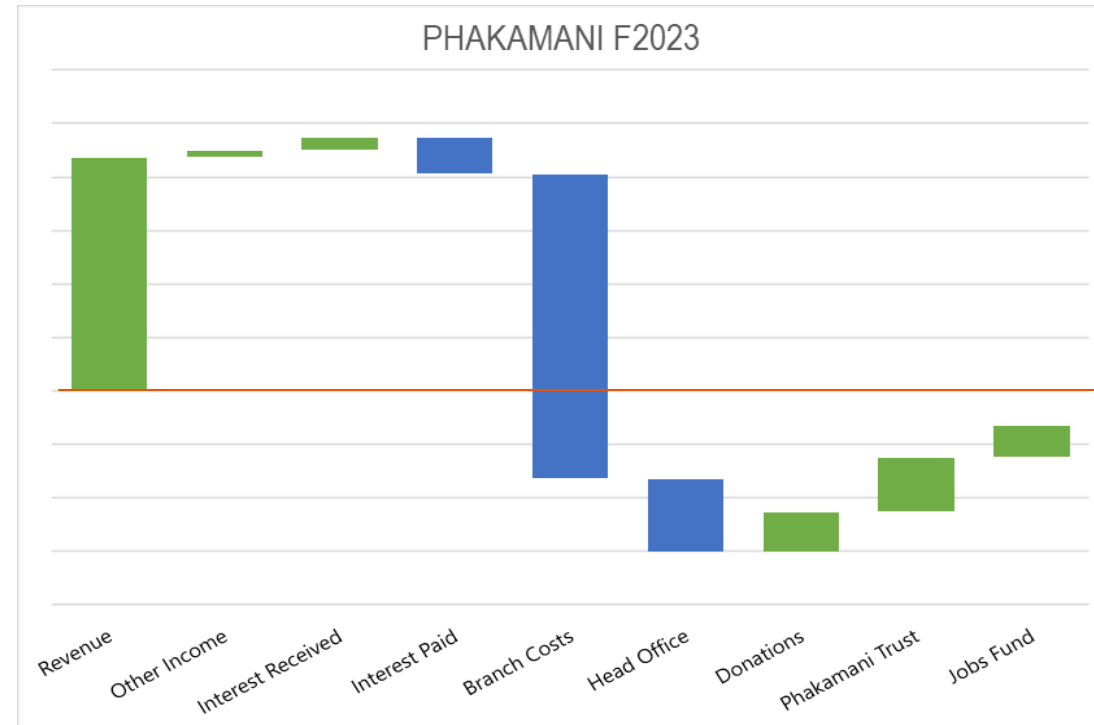
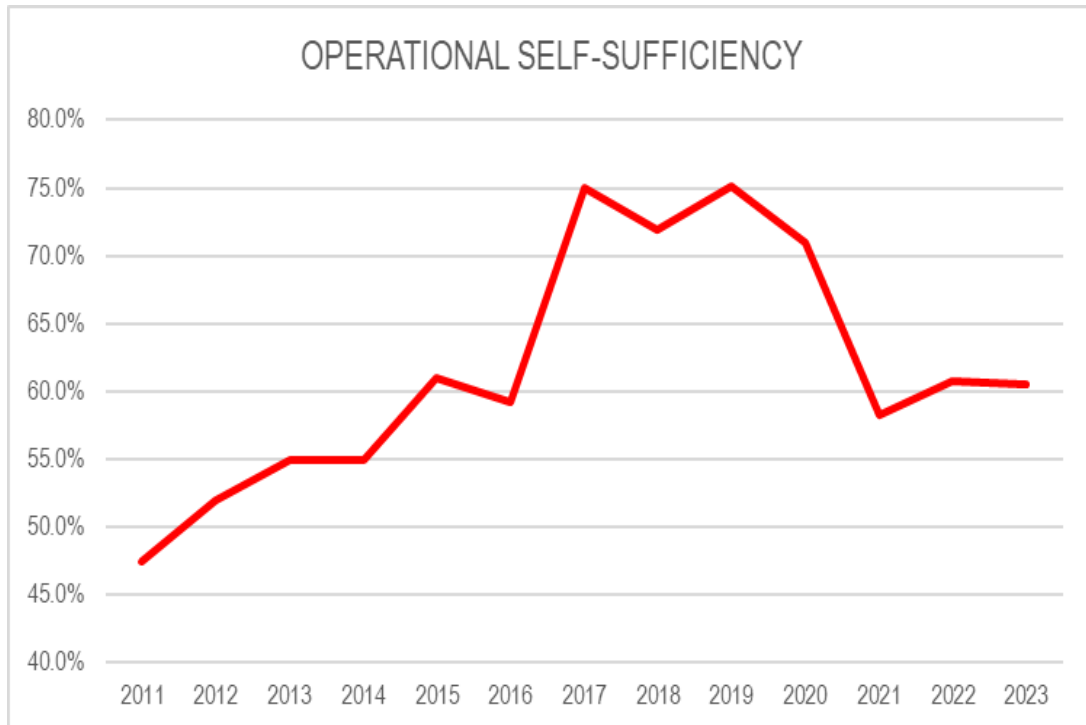


	Agriculture	Multiple	Production	Services	Retail	TOTAL
<R2.8k	6.8%	16.4%	1.7%	4.5%	34.0%	<b>63.4%</b>
R2.8k – R7.5k	3.7%	8.2%	1.3%	1.9%	17.5%	<b>32.6%</b>
R7.5k – R15.0k	0.4%	0.8%	0.2%	0.2%	1.7%	<b>3.3%</b>
R15.0k – R30k	0.1%	0.2%	0.0%	0.0%	0.4%	<b>0.7%</b>
<b>TOTAL</b>	<b>11.0%</b>	<b>25.7%</b>	<b>3.3%</b>	<b>6.5%</b>	<b>53.5%</b>	<b>100.0%</b>

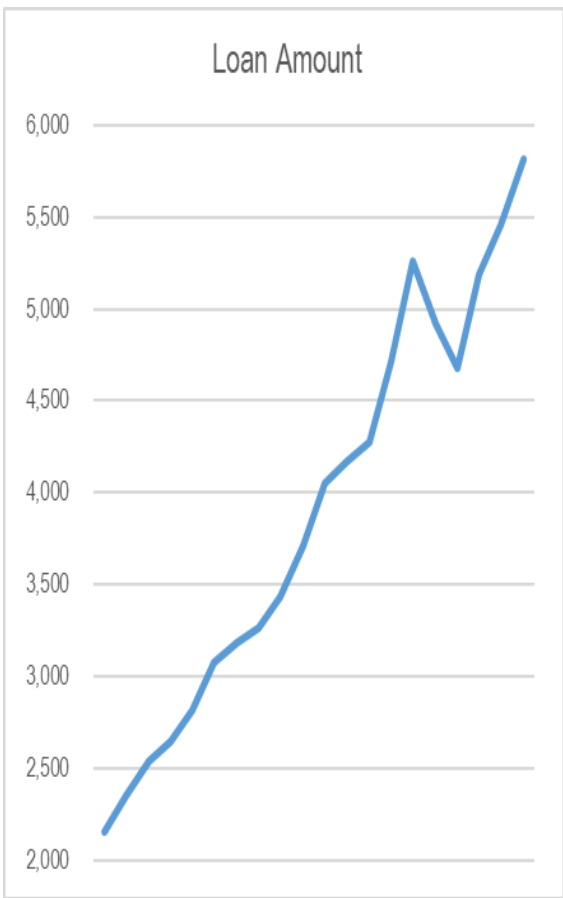
- Focus on “Bottom of the Pyramid” means smaller loans which are expensive to serve
  - Recruit, train and disburse a new client costs around R500
  - Breakeven at branch-level on loans of R2 800 and greater
- Rural areas are typically less dense increasing travel expenses and time.
- Longer term loans (1, 2 or 3 years) are cheaper to administer
  - Phakamani provides 4-month and 6-month loans which are preferred by clients
  - Business verification and social data gathering at each loan cycle
- The cost of labour in South Africa is relatively higher than in other developing economies.
- Higher loans, at volume, improve self-sufficiency ratios.

- Growth strategy implemented in 2015, partnering with the Jobs Fund.
- Operational self-sufficiency (OSS) impacted by early growth in KZN in 2016.
- Successful implementation with Jobs Fund positively impacts OSS in 2017.
- OSS Impacted in 2018 due to continued growth in KZN & Limpopo post the Jobs Fund Project.
- Recovery starts in 2019 prior to the impact of COVID felt predominantly in the 2021 financial year (July '20 – Jun '21).

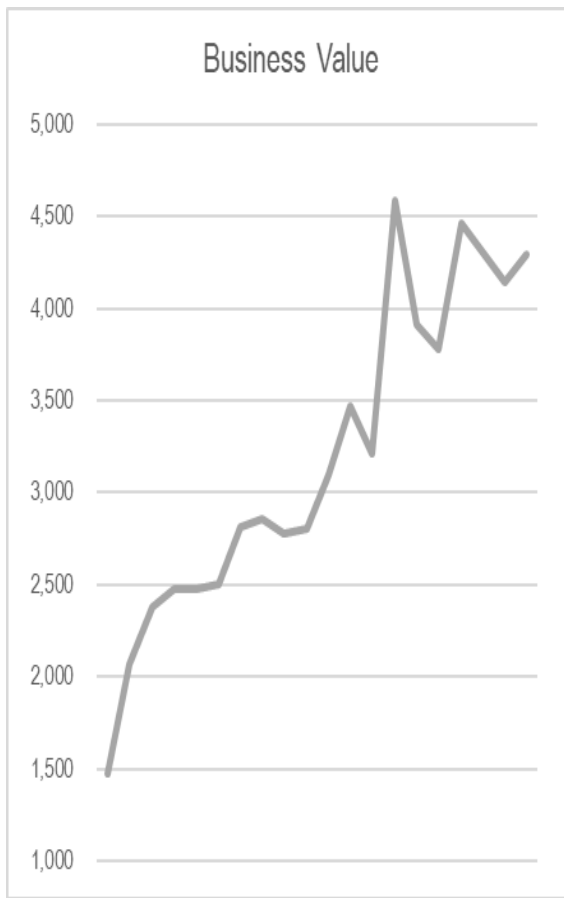
- Revenue generated from Interest & Fees provides around 60% of operating costs.
- Nearly 75% of the costs related to branch operations - high contact model.
- Donations, distributions and grants contribute 31% to operating costs.



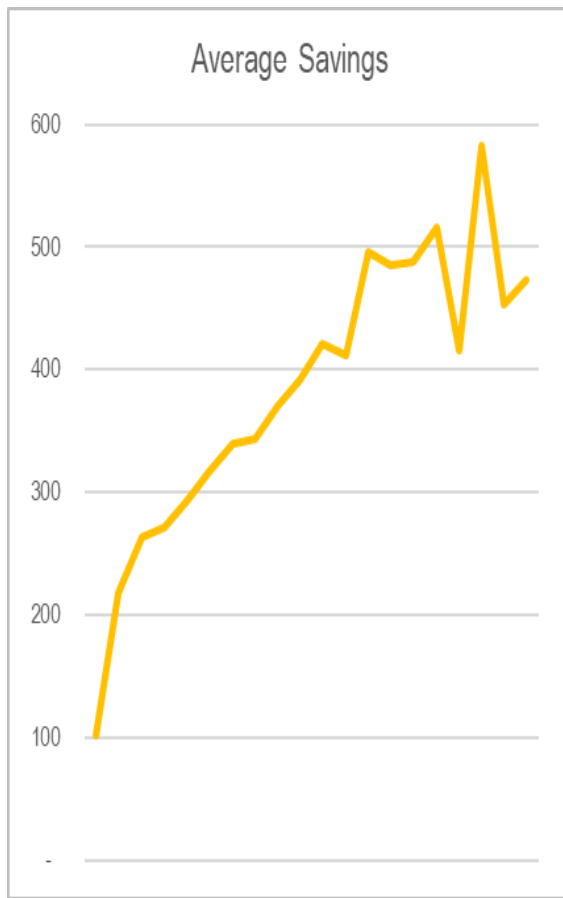




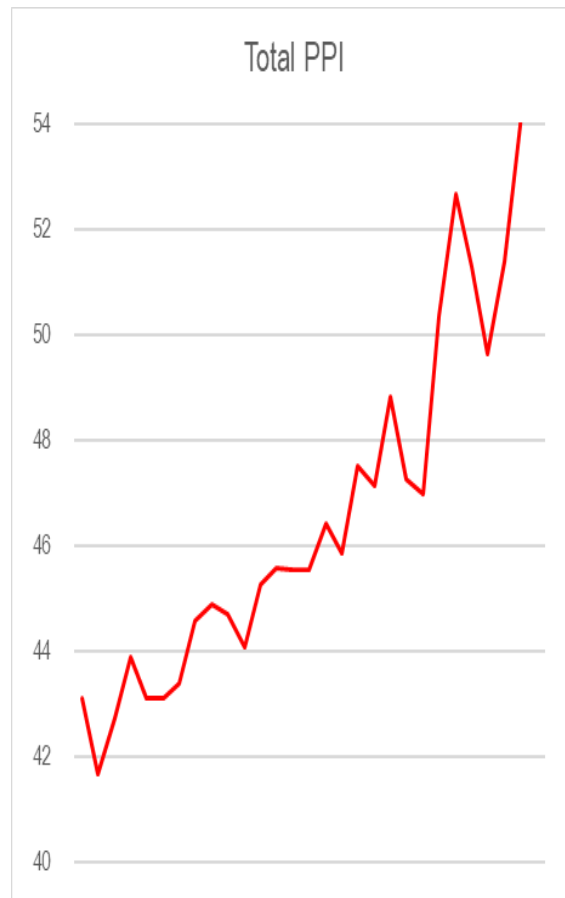
Growing loans



Growing businesses



Additional savings



Reduced poverty



## NESTER NDLOVU

- First loan of R1 000 in 2011
- Purchases scrap metals, melts it down to make cauldron pots
- Custom made sizes and can be personalised
- She also hires out pots for special occasions
- Built a workshop and employs two women
- She has built a home and put her child through school



## JANE MNISI

- Seeing high demand in her community for good quality meat, Jane joined Phakamani and took a loan to purchase bulk meat and pay for transport for collection.
- This business has done well, and she has built onto her two-room house which now accommodates her whole family
- Jane supports a family of 7 and has paid for 3 of her children to complete tertiary education



## MARIA NYUNDU

- First loan in 2014, and 26 loans since
- Grown her seamstress business with access to capital for fabric, bedding rolls & taffeta
- Built a garage to work from
- Bought two new sewing machines
- Improved her family's lives through healthier food choices

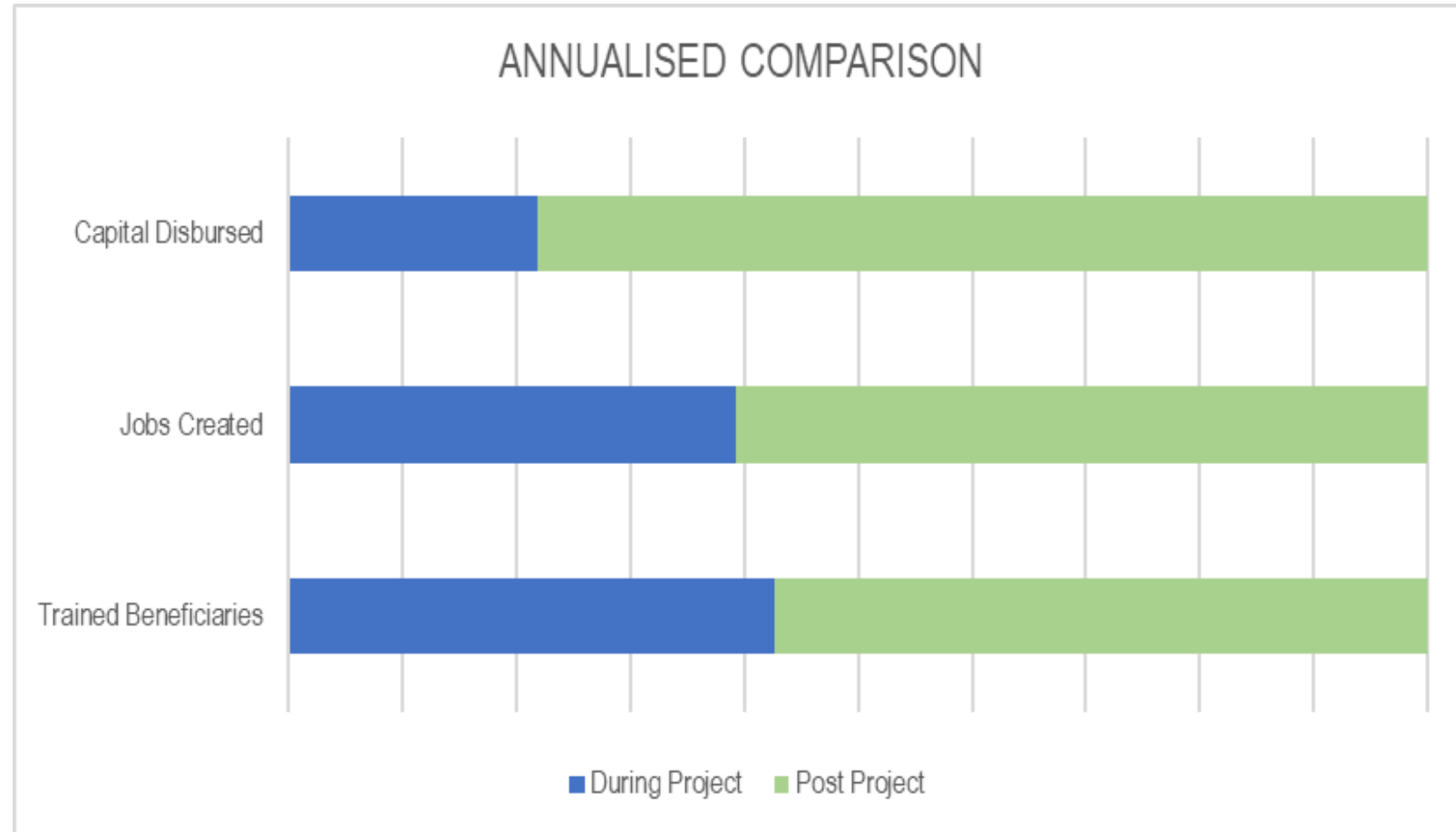


## SIBONGILE THOLE

- Took a loan of R1 200 in 2018
- Started selling cosmetics and then diversified into clothing, bags, shoes, blankets
- Battled through COVID but has recovered well
- She has been able to move to her own home and pay for her daughter's tertiary studies
- Her excellent repayment rate meant she has recently secured a loan from Phakamani for R25,000

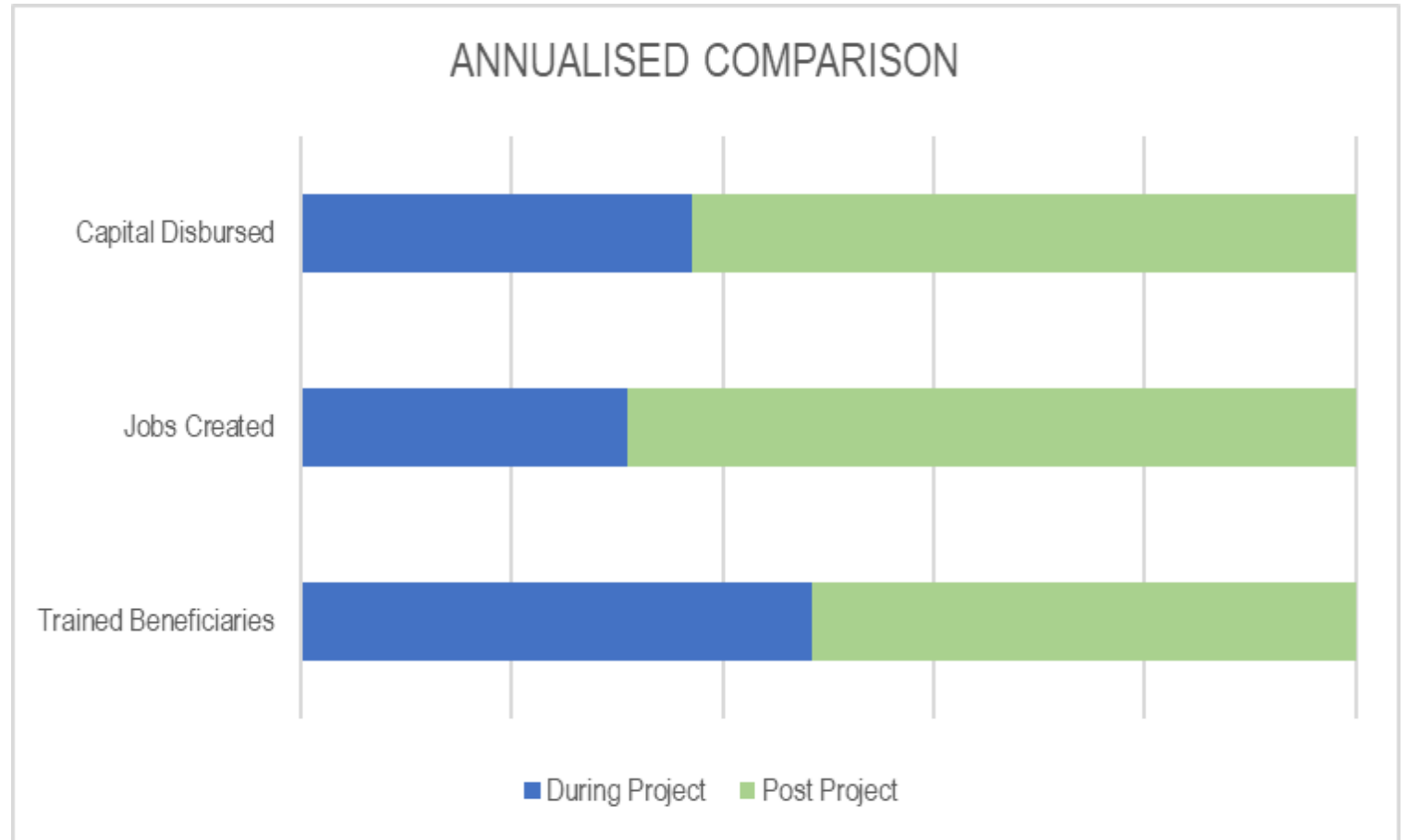
## KWAZULU-NATAL PROJECT

- Mar 2015 – Feb 2018
- Trained Beneficiaries: 17,551
- Beneficiary Jobs: 4,133
- Capital Disbursed: R59.7m
  
- Mar 2018 – Jun 2023
- Trained Beneficiaries: 42,069
- Beneficiary Jobs: 11,381
- Capital Disbursed: R380.5m



## EASTERN CAPE PROJECT: Phase 1

- Jul 2019 – Jun 2022
- Trained Beneficiaries: 11,565
- Jobs Created: 2,316
- Capital Disbursed: R49.7m
  
- Jul 2022 – Jun 2023
- Trained Beneficiaries: 4,106
- Jobs Created: 1,165
- Capital Disbursed: R28.1m



## Key Learnings



- Developmental Microfinance, using the Group Lending Methodology, is a highly effective means of reaching **rural**, **unbanked**, and **unemployed** women
- It has a **high rate of success** in assisting to start or grow microenterprises that provide an income for a household
- The impact provides leverage for the **success of future generations**
- Developmental Microfinance in rural areas **is expensive** and requires subsidy for 10+ years under normal conditions
- **Subsidy** should come in the form of:
  - Government grants
  - Government loans at preferential rates
  - Reduced bank charges for DMFI clients operating group savings accounts
  - Reduced bank charges to DMFIs
- Opportunities to **reduce operating** costs
  - Digitisation of loan processes
  - Mobile banking
- Strong **donor** base and **grants** from the onset



# Pause for Questions



# Closing Address

**Vuyo Tetyana**

Head of Monitoring & Evaluation (Jobs Fund)



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**GTAC** Analyse  
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Assess  
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# Thank you



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