

A NOTE FROM NAJWAH

This year we saw economies across the globe working tirelessly to recover from the harsh impact of the COVID-19 pandemic. South Africa's economic growth prospects are subdued, with the South African Reserve Bank expecting annual GDP growth of 5.2% in 2021 and 1.7% in 2022, revised slightly downwards primarily due to the July civil unrest and the adverse effects of the pandemic. Slow growth has also contributed to the continued rise in the country's unemployment rate. Despite these challenges, significant efforts are being made by the public, private and non-state sectors to tackle the prevailing economic and social challenges.

The Jobs Fund has also had a very productive 2021. Over and above the continued Covid 19 support to its project partners, the Jobs Fund (through GTAC) was appointed in September 2021 as the Fund Manager for the Presidential Youth Employment Intervention (PYEI), the latter forms part of the Presidential Employment Stimulus Programme. In support of the PYEI programme of interventions, the Jobs Fund is working with the Department of Employment and Labour and the Department of Women, Youth and Persons with Disabilities through its National Youth Development Agency (NYDA) to implement key interventions such as establishing the Presidential Youth Employment Fund (PYEF). The PYEF is already operational and on the 29th of

October 2021 it launched two funding rounds, viz. the National Pathway Management Network Innovation Fund (NPMN-IF) and the National Youth Service (NYS).

The NPMN-IF is a matching grant initiative seeking to identify and support innovative solutions to address the barriers young people face in meaningfully participating in the labour market and the broader economy whilst the NYS programme aims to mobilise young people to become active citizens of the country's democracy and at the same time earning an income and increasing their employability. In addition, the purpose of the Community Service activities is to enhance service delivery efforts and improve the lives of marginalised communities.

During November, the Jobs Fund together with the NYDA and DEL, hosted a series of information and training sessions for potential applicants on the two funding rounds. The level of interest received from the market was encouraging. It has demonstrated that many South African organisations want to contribute toward solving the youth unemployment crisis.

The two funding rounds closed on the 25th of November 2021 and the Jobs Fund team is currently appraising the applications.

As we prepare to wrap up 2021, I would like to express my appreciation



to all our Technical Evaluation and Investment Committee members who continue to hold us to account and ensure that we remain a competitive, transparent and well-managed fund. A special thank you to our outgoing Investment Committee Chairman, Mr Brian Whittaker; his leadership, guidance and commitment to excellence have been instrumental in the success of the Fund. We also bid farewell to another Investment Committee member, Ms Mabatho Seeiso, whose guidance through the years has been invaluable. I would also like to thank our Jobs Fund Partners, who tirelessly work to raise the level of employment in South Africa. To my Jobs Fund team, thank you for your dedication in striving to realise our vision of inclusive economic growth and sustainable job creation.

I wish you all a joyful and safe holiday season. Let us come back in 2022 with renewed energy and commitment to making a positive difference to the employment landscape of our country.

Najwah

Najwah Allie-Edries
Head of the Jobs Fund

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THE IMPORTANCE OF ENTREPRENEURSHIP & SMME DEVELOPMENT IN ECONOMIC RECOVERY

Towards the end of each year, Global Entrepreneurship Week is held to celebrate and encourage entrepreneurial spirit around the globe. In particular, Global Entrepreneurship Week aims to promote solutions to systemic and structural barriers that entrepreneurs face, both at start-up and during their growth phase. With the added complexity of the COVID-19 pandemic and its negative effect on economies globally, the themes covered during the 2021 event revolved around the rebooting and rebuilding of economies post-COVID. Although Global Entrepreneurship Week is one week out of the year, the focus on SMME development should not wane, SMMEs are a crucial driver of economic growth and has potential to be a significant creator of new jobs.

Despite the hardships brought on by the pandemic there are still significant opportunities to be harnessed. For example, the shift to digitisation in response to worldwide lockdowns has caused a resurgence in new ideas, innovation and entrepreneurship. According to the [Online Retail in South Africa 2021](#) study, online retail grew by 66% in 2020, reaching over R30 billion in sales. The emergence of online marketplaces and micro sales platforms and the evolution in consumer buying

behaviour have assisted SMMEs to access new markets and establish a new client base.

New interventions have been launched by government to support SMME development however government alone cannot adequately respond to all the social and developmental challenges that South Africa faces. The private and non-state sectors are vital stakeholders in co-creating and implementing solutions to these challenges, a principle that the Jobs Fund was founded upon. By leveraging on its established partnerships with private and non-state sector intermediaries, the Jobs Fund has offered additional support to SMMEs and other beneficiaries during the pandemic. Through the Jobs Fund's C19 relief fund to date, 10,000 jobs have been saved and 650,000 beneficiaries supported (includes SMMEs, smallholder farmers, workseekers, and community members).

As the country recovers and rebuilds, a prerequisite for success is the strengthening of collaboration and partnerships between the private, public and non-state sectors. In this edition of the Jobs Fund Newsletter we reflect on some of the Jobs Fund partnerships established to support SMMEs across economic sectors and how these partnerships continue to scale impact.

ABOUT THE JOBS FUND

THE NATIONAL TREASURY ESTABLISHED THE JOBS FUND IN JUNE 2011 TO SUPPORT INNOVATIVE INITIATIVES AND APPROACHES TO JOB CREATION. THE R9 BILLION FUND OPERATES ON CHALLENGE FUND PRINCIPLES, AND ALL FUNDING ALLOCATIONS ARE MADE ON A COMPETITIVE BASIS IN A TRANSPARENT AND OPEN MANNER.

ONCE-OFF GRANTS ARE AWARDED TO PROJECTS THAT DEMONSTRATE SUSTAINABLE JOB CREATION POTENTIAL, AND PROJECT PARTNERS ARE REQUIRED TO MATCH THE GRANT FUND ALLOCATIONS ON A 1:1 RATIO OR HIGHER.

THE JOBS FUND IS NOT A MASS EMPLOYMENT PROGRAMME NEITHER IS IT INTENDED TO TACKLE LONG-TERM, STRUCTURAL CAUSES OF LOW GROWTH AND UNEMPLOYMENT BUT RATHER COMPLEMENTS THESE EFFORTS WITH A TARGETED PROGRAMME OF SUPPORT FOR EFFECTIVE LABOUR MARKET INTERVENTIONS THAT RESULT IN SUSTAINABLE EMPLOYMENT CREATION.

IN SEPTEMBER 2021, THE JOBS FUND WAS APPOINTED THE FUND MANAGER FOR THE PRESIDENTIAL YOUTH EMPLOYMENT INTERVENTION.



UPLIFTING COMMUNITIES THROUGH LOCAL TOURISM LINKAGES IN BUSHBUCKRIDGE

According to an impact study conducted by the World Travel and Tourism Council, the South African tourism industry's contribution to gross domestic product (GDP) dropped from 6.9% in 2019 to 3.7% in 2020, demonstrating the significant effect of the Covid-19 pandemic on the sector. Despite this setback it is anticipated that there will be a recovery by 2023 and that the sector will continue to present opportunities for rural economic development.

The successful implementation of the Pfunanani Enterprise Development Project (PEDP), in partnership with the Sabi Sand Pfunanani Trust provides an example of what can be achieved at local level. The project aimed to stimulate job creation and environmental sustainability within the rural communities of Bushbuckridge.

Bushbuckridge is located in the South-Eastern part of Mpumalanga and borders on the iconic Kruger National Park and Sabi Sand Game Reserve (SSGR). Like other former Bantustan areas, the municipality is characterised by high poverty levels, poor access to water, sanitation, education and employment opportunities.

The proximity of game reserves to Bushbuckridge reflects a dichotomous existence of a thriving luxury tourism industry in the game reserves, alongside a largely poverty-stricken local municipality, riddled with service delivery problems and accompanying social ills.

Over the long term, this dichotomy has led to animosity and strained power relations between those “inside” and “outside” the reserves.

Despite the many examples across Africa of how wildlife reserves have been used to create employment and eradicate social ills, problems still exist in Bushbuckridge that impede the

advancement of progress this, includes:

- Lack of access to viable markets
- Lack of access to finance
- Lack of managerial and technical skills among entrepreneurs
- Lack of access to information and communication technology
- Poor quality products from local manufacturers
- Lack of compliance with government regulations and registration requirements

The Sabi Sand Pfunanani Trust (SSPT) and its partners responded to these challenges by getting involved in local enterprise development activities in Bushbuckridge.

The Pfunanani Enterprise Development Project aimed to empower communities living in and around the protected area by linking them with income-generating opportunities in the nearby game reserves and surrounding tourism establishments. This was done by identifying and capacitating local small, medium and micro enterprises (SMMEs) that were given off-take agreements with the Sabi Sand Game Reserve and nearby tourism establishments. SMMEs underwent a thirty-day business start-up and technical skills training programme, a monthly three-hour one-on-one mentorship programme, and a five-day end-user computer training programme. Each of the supported businesses also received a R13,000 stipend as working capital to assist their business growth.

The intervention was designed to address structural challenges such as the lack of institutional capacity amongst SMMEs and barriers to market entry. The poor awareness of supply-side opportunities also exacerbated the limited access to markets as the lodges and other establishments in the area were also not fully aware of the services and goods available from SMMEs in the neighbourhood.

The Pfunanani Enterprise Development Project brought together a highly skilled implementation partnership that included the Sabi Sand Wildtuin, the Buffelshoek Trust and the University of Johannesburg's Centre for Small Business Development, all under the oversight of the Sabi Sand Pfunanani Trust.

It's important to note that the project was implemented during a challenging political and social period in Bushbuckridge when rhino poaching was reaching record levels around the game reserve, with many local community members implicated and charged as a result. The community also went through a local government election and intensified service delivery and other civil society protests. Despite these challenges, project partners managed to develop a model for entrepreneurship development in Bushbuckridge, combining expertise from various sectors and learning institutions while producing tangible results with SMME beneficiaries.

The most significant change brought about by the project has been its ability to enhance the capacity of business owners to market, manage and grow their SMMEs. The project has improved livelihoods and has developed SMME owners who have never had the opportunity to access university-level education. Many SMME owners can now access further institutional funding as their businesses are registered, have a bank account and produce regular financial records.

Over the two-year implementation period, the Pfunanani Enterprise Development Project trained 142 beneficiaries and 71 village-based SMMEs that were able to establish themselves as suppliers and service providers to the lodge and other local markets. This innovative model has exceeded its mandate by creating 182

new permanent jobs (152% of target) and 266 new short-term jobs (111% of target). Sixty-three trade contracts were also secured and completed, and more than R2 million of direct investment in two SMMEs was secured through the Old Mutual Foundation.

Building trust and improving working relationships between the wildlife-tourism sector and neighbouring communities have been enhanced by this initiative. Many beneficiaries expressed the hope that the project would continue and expand to the rest of South Africa, given the positive experience they had.

With the lockdown easing, the tourism industry is showing signs of recovery. This represents new hope for initiatives such as the Pfunanani Enterprise Development Project in particular, community-based tourism, game park tourism, ecotourism, cultural tourism, adventure tourism, and agri-tourism, can support South Africa in reaching its priority node and rural development goals. Stimulating demand and aligning supply at local economy level has laid a foundation for sustainable development and job creation.

Although economic growth forecasts remain subdued there are pockets of opportunity for growth that benefit the poor and marginalised.

Visit <http://www.sspt.sabisand.co.za/about-us/> for more information on the Sabi Sand Pfunanani Trust.



TAILORED FOR SUCCESS

Considering its labour intensity and potential for developing small, micro and medium (SMME) sized businesses and exports, the South African Furniture Industry is an important sector in the South African economy. The government has recognised it as a high-growth area, with the Furniture Industry Master Plan (FIMP) being developed to stimulate and support growth in the industry. Although the contribution to GDP has been less than 1%, when it comes to job creation potential, there is generally a low subsidy required, making it an attractive industry for mass job creation.

Although cheap imports from Asian countries flood the market, the Department of Trade, Industry & Competition (dtic) has recognised the potential for the South Africa furniture sector to position itself as a producer of high-end furniture products that compete on quality and novel design. To realise this intent public-private partnerships are required to address current local industry constraints and encourage growth and competitiveness. As per the Furniture Industry Master Plan, SMMEs need to play a more significant part in this expansion but will need support to breach the entry barriers. This support will focus on 3 pillars viz; Market Access, Transformation and Improvement of Competitiveness.

The Jobs Fund supports several projects that focus on addressing barriers to entry for manufacturing activities. One such intervention has been the establishment of the Riversands Incubation Hub located in the Diepsloot Industrial Development Zone. The hub's incubation programme nurtures SMMEs by mentoring and supporting them to become fully-fledged, growth-orientated businesses. In addition to the business support provided, office space and factory space is available to SMMEs to set up their operations within a vibrant hub environment. Several manufacturing enterprises have been set up in the hub, one of which is Timeless Opulence.

Established in 2014 by qualified Chemical Engineer Cindy Malaza, Timeless Opulence makes bespoke furniture and quality custom fittings. Malaza joined the Jobs Fund funded Riversands Incubation Hub in 2019 and graduated to the Riversands Outlet Park at the beginning of 2020.

Originally from Ermelo, 35-year-old Malaza was diagnosed with a very rare disorder called Guillain-Barre Syndrome shortly after starting high school. The immune system attacks the network of nerves located outside the brain and spinal cord, causing weakness and possible paralysis. Determined not to let her paralysis and missed school days get in her way, she took her studies into her own hands and began homeschooling. The whole experience unleashed her thirst for knowledge and a desire to live life to the fullest.

Malaza's path to entrepreneurship has been somewhat unexpected. She studied Chemical Engineering, a field that helped her to toughen up (a welcome trait in her entrepreneurial journey), but it ultimately wasn't the career for her. On a whim, Malaza decided to upholster a chair and had a specific design in mind but had no idea how to do it. YouTube videos came to the rescue, and she discovered a love for the entire creative process, capitalising on an inherent knack for design.

This upholstered chair led to her new path, setting up Timeless Opulence. She started small, working from her garage, making tailored furniture items for friends and offering an interior decorating service, but her business grew with demand.

Timeless Opulence offers various services in addition to manufacturing; these include consultancy, décor, and interior design. The company supplies those looking for unique pieces for their

homes, office, hotels and restaurants.

Malaza's business showed significant success in the industry, and most of her orders come from recommendations and word of mouth from her customers. She is grateful that she has the gift of being talkative (she happily admits she's a talker who could sell anything for anyone), as this made her business flourish: "I have a strong personality, and I like to do things in my own time".

When her flourishing business outgrew a third venue, she knew it was time to formalise her offerings. She heard about Riversands Incubation Hub from a friend and soon realised that the location was perfect for Timeless Opulence. She received the business mentoring she needed to take her business to the next level and was even commissioned to manufacture furniture for The Canvas Riversands. Through business incubation, Malaza also learned crucial skills such as accounting, management and business banking.

Fully committed to her business venture, she kept pushing, and it paid off. She was approached by a



business acquaintance about a possible collaboration in the event planning space, offering furniture for hire at events. Malaza was making furniture already, so it wasn't a stretch to start renting out pieces of furniture. It all came together very well.

Malaza indicated that her time at the Riversands Incubation Hub had boosted the business, and she is still on a growth trajectory.

Currently, Timeless Opulence employs eight full-time staff members and three short term interns. Malaza intends to hire two of the three interns permanently since they have flourished in her factory.

Although Malaza has had success in her business, the National COVID-19 lockdown affected her operation, and she had to close the rental furniture for the events side of the company. During this time, her turnover was considerably reduced, and she survived by drawing on personal savings. Not being disheartened by the challenges, Malaza established a ready-to-go range of furniture which can be bought off the showroom floor.

When she was asked about future business expansion, she said, "Oh yes, I do plan to establish an online store

with my ready-to-go range of furniture. I also have other ideas as well, which I'm not ready to share as yet". Timeless Opulence and Malaza have embraced a strategy that sees it focus on quality, reliability, and differentiated designs.

To achieve success in the sector appropriately designed on-going support should be made available to SMMEs as well as addressing the regulatory barriers that continue to stifle SMME development. The Riversands Incubation Hub is an example of one such

supportive environment, made possible through an investment from the Jobs Fund. As a result of this public-private partnership, 1,154 new permanent jobs and 1,967 new short-term jobs have been created. Appropriate SMME support builds resilience, ensuring that enterprises can better withstand economic and environmental shocks, such as COVID-19. Adapting is one of the foundational elements required to thrive, and interventions such as the Jobs Fund Riversands project provide SMMEs with these skills.



LONG WALK TO EMPLOYMENT RECOVERY

Rapid and sustained economic growth are prerequisites for building a prosperous and equitable society. South Africa is a middle-income, emerging market economy characterised by an abundant supply of natural resources, well-developed financial, legal, communications, energy, and transport sectors; and, by size (measured by market capitalisation), a stock exchange that is Africa's largest and among the top 20 in the world.

Despite this, and even before the COVID-19 pandemic, the country was experiencing chronically slow real (i.e. adjusted for inflation) economic growth measured by gross domestic product (GDP), with recent growth rates being as low as 1.2%, 1.5% and 0.1% in 2017, 2018 and 2019 respectively. Before the COVID-19 shock, National Treasury projected that real economic growth would be at a paltry 0.9% in 2020. This low growth forecast resulted from electricity supply failures and was a consequence of long-standing structural constraints. However, due to some of the most stringent lockdown regulations globally, the domestic economy shrank by 6.4% in 2020. The aforementioned structural constraints include a low rate of private investment, network industry failures, relatively high cost of doing business, rigid labour market regulations and high barriers to entry in key sectors.

Before the COVID-19 shock, the government had embarked on structural reforms to support competitiveness, investment, and employment. Furthermore, government had also begun to explore ways to maximise the long-term growth impact of the fiscal framework by rebalancing spending towards capital expenditure rather than compensation. This initiated a review of departmental expenditure to maximise

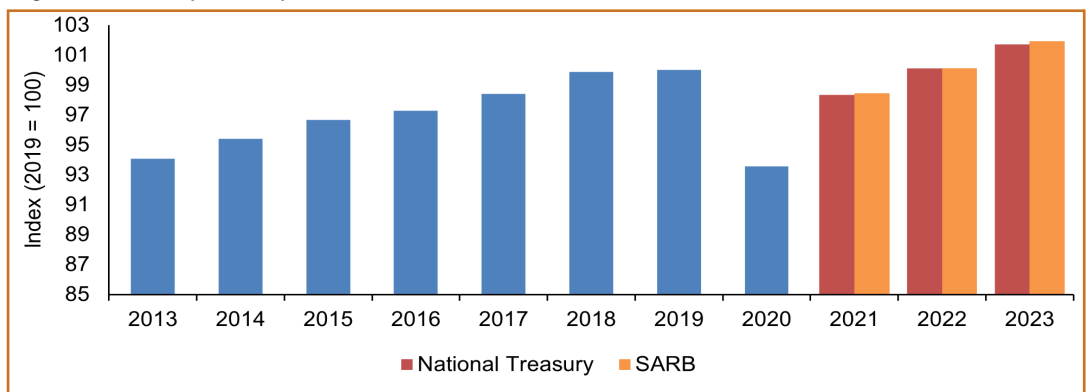
existing programmes' impact and remove unnecessary complexity that delays infrastructure spending and discourages small firms from doing business with government.

However, beyond the devastating health impacts, the COVID-19 pandemic has had a profound and sustained economic impact both domestically and abroad. Due to the hard lockdown to curb the spread of COVID-19, output levels for 2020 dropped to those last seen in 2013, as shown in the above figure. Furthermore, both the National Treasury and South African Reserve Bank (SARB) forecasts indicated that the economy will only recover to pre-pandemic levels by next year, illustrating the impact the pandemic has wreaked on the economy. While the economy may recover to pre-pandemic levels in the next year, the same is unlikely for the domestic labour market. According to the Q3 2021 Stats SA Quarterly Labour Force report, the labour market has 2.1 million less jobs than pre-pandemic levels. To put this into context, there are now the same number of people employed in South Africa as there were in 2011, effectively wiping out 10 years of employment gains.

With an unemployment rate of 34.9% in the third quarter of 2021,

South Africa faces a long road ahead. Vulnerable socio-economic groups such as youth, women, and previously disadvantaged individuals (PDIs) continue to be disproportionately affected by unemployment. Since 2009, more people directly receive social grants than have jobs, and the share of people receiving social grants relative to the population has increased from 7% in 1996 to 31% in 2021. This means that almost one in three South Africans receive a social grant as a sole source of income. Mass public employment programmes are short to medium term interventions and these, together with social grant interventions, cannot be supported indefinitely. Government, the private and the non-state sectors must prioritise, amongst others, development interventions that will stimulate demand

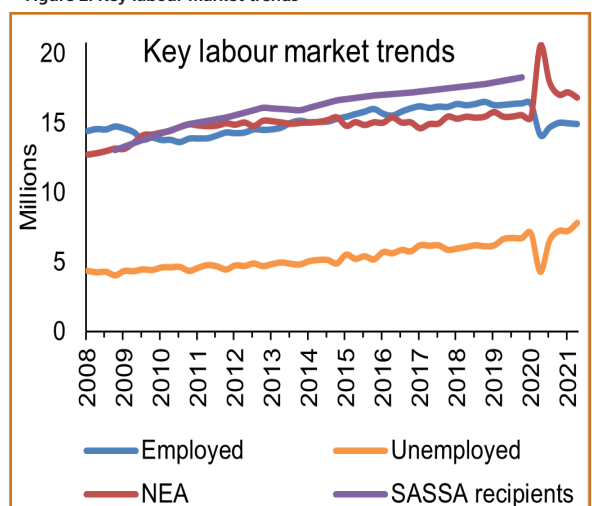
Figure 1: Economic impact of the pandemic and outlook



Source: Stats SA National Treasury, SARB, Jobs Fund calculations

Note: Annual 2021-2023 forecasts from National Treasury November 2021 MTBPS and SARB November 2021 MPC.

Figure 2: Key labour market trends



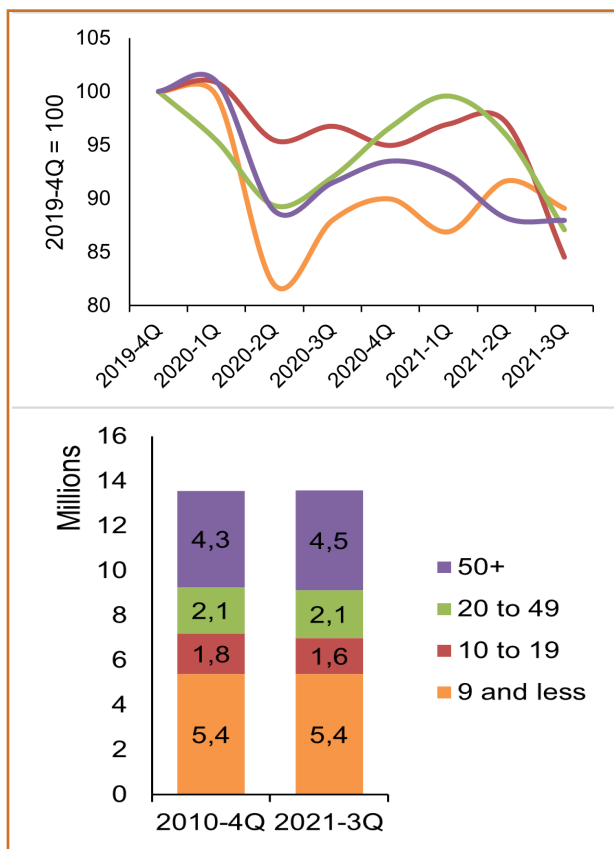
Source: Stats SA, SASSA

for labour, address the key regulatory barriers to sectors that have a high labour absorptive capacity, and that will leverage what is currently working in the economy. Furthermore, as large firms cannot deliver on the job creation agenda alone, we must create a more conducive context for self-employment and the development of SMMEs.

Regardless of company size, employment levels are still well below the pre-pandemic levels (as shown in the figure below). In the third quarter of this year, companies that employ 10-19 and 20-49 persons are 15% and 13%, respectively, below the employment levels of the last quarter of 2019. Medium to large companies (more than 50 employees) are 12% below pre-pandemic levels. Micro enterprises (i.e. 9 or less employees) have shown some resilience, relative to larger companies, during the pandemic period but employment levels in these firms is still 11% below that of the Q4 2019. Of particular concern is that micro enterprises are the backbone of the South African labour force and employ 40% of the domestic labour force. These companies also tend to have less buffers to weather prolonged disruption to business activities than larger companies.

The current statistics point to a challenging future for South Africa, and moving forward requires, amongst other interventions, sustainable and empowering initiatives that graduate citizens from grant dependence to productive earning. The Jobs Fund has been working in this space for the last decade and has tested various initiatives that aim to create productive linkages that empower beneficiaries to become self-sustainable. In recognition of the Jobs Fund's work in this regard, the Presidency appointed the Jobs Fund as the Fund Manager for the Presidential Youth Employment Intervention (PYEI) earlier this year. The PYEI will link young people to labour market and entrepreneurial opportunities with the long-term aim of ensuring their retention in the labour market and their continued employment/self-employment (click [here](#) for further information). The PYEI recognises the need to leverage expertise from across sectors to develop and implement employment creation initiatives. Given the lacklustre GDP growth rate projections for 2022 and 2023, these youth support interventions become even more essential to promote social stability and employment creation in the country.

Figure 3: Employment by company size in terms of number of employees



Source: Stats SA, Jobs Fund calculations

THE JOBS FUND CONTRACTED PORTFOLIO

(AS AT 30 SEPTEMBER 2021)

- **146 CONTRACTED PROJECTS**
- **R9 BILLION IN GRANT FUNDING ALLOCATED**
- **R5.79 BILLION GRANT FUNDING DISBURSED**
- **R11.64 BILLION LEVERAGED IN MATCHED FUNDING FROM PROJECT PARTNERS**
- **122,273 NEW PERMANENT JOBS FACILITATED**
- **16,624 NEW PERMANENT SEASONAL JOBS FACILITATED**
- **59,374 PERMANENT PLACEMENTS FACILITATED**
- **63,840 SHORT TERM JOBS FACILITATED**
- **22,935 INTERNSHIPS COMPLETED**
- **276,027 BENEFICIARIES TRAINED**



12 JANUARY 2022

**JOBS FUND PARTNER QUARTERLY
REPORT SUBMISSION (Q3)**