THE JOBS FUND

South Africa Siyasebenza

Reflections from the Head of the Fund

About the Jobs Fund

The National Treasury established the Jobs Fund in June 2011 to support innovative job creation initiatives and approaches. The R9 billion fund operates on challenge fund principles, and all funds are allocated on a competitive basis in a transparent and open manner. The assessment of applications follows a set of criteria outlined in a published term sheet and approved by an independent investment committee. Once-off grants are awarded to projects that have the potential to create sustainable jobs, and project partners are required to match the grant fund allocations at a ratio of 1:1 or higher.

The Jobs Fund is not a mass employment programme, nor is it intended to tackle long-term structural causes of low growth and unemployment. Rather, it seeks to support job creation in the short to medium term, and identify scalable, replicable and sustainable job creation models that lay the foundations for longer-term employment that will progressively alleviate pressure on the fiscus.

About Siyasebenza

Siyasebenza is the Jobs Fund's quarterly newsletter. *Siyasebenza* is an isiZulu word meaning "we are working".

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August 2024

Siyasebenza

Welcome to another edition of the Jobs Fund newsletter!

South Africa's thirty years of democratic rule reflects a journey of growth and transformation. It is a testament to the resilience and determination of its people in building a more inclusive society.

It is inspiring to see the progress and achievements highlighted in this Jobs Fund newsletter, especially against the backdrop of South Africa's 30 years of democracy. The commitment to job creation and social transformation reflects a deep-rooted dedication to advancing equity and justice in our country.

In the 2023/24 financial year, together with our investment partners, we exceeded disbursement expectations by 40% and achieved high rates of job creation. With a focus on sustainable and permanent employment, these efforts contribute to our economic recovery.

The rise in donor flight, particularly post-COVID-19, is a critical issue affecting development projects and communities. Addressing its causes and encouraging donors to persevere through challenges, underscores the resilience needed in development efforts. Prioritizing development and positive social impact remain crucial as South Africa navigates a changed political landscape post-election.

In this spirit of hopeful determination, let us rededicate ourselves to the unifying goals of social equity and justice. We encourage funders/donors to demonstrate more grit and resilience and, as development activists and practitioners to take a longer-term view when co-investing with us to achieve sustainability, scale and systems change in the job creation ecosystem.

Najwah

Najwah Allie-Edries
Head of the Jobs Fund

Staying the Course: The Importance of Donor Resilience Post-COVID-19

In 2024 at least 64 countries including the European Union will head to the polls; this represents a combined global population of about 49%.

Internationally, we are witnessing extraordinary levels of conflict as well as experiencing the devastating impact of climate change. These combined factors have resulted in unprecedented levels of poverty and deprivation.

The rise in donor flight, or the withdrawal of financing partners from development projects, in the post-COVID-19 era has had a devastating impact on country programmes and individual projects. Development Finance is at a crossroads, torn between prioritising support for in-country interventions and providing cross-border support. The impact of early withdrawal of funding or diverting funding to other priorities must not be underestimated and the plea is for a managed exit that takes place over a reasonable timeframe, and which ensures that recipients are able to continue the work/implementation of the intervention/programme albeit on a smaller scale. Managing the psychosocial impact of early withdrawal of support must also be attended to.

The Jobs Fund uses an innovative challenge fund instrument to co-finance ground-breaking job creation interventions across South Africa. Central to this approach is a commitment to risk sharing, exemplified by a 1:1 cash-matched funding contribution between the Fund and its partners. The intent is to de-risk investments that seek innovative solutions for job creation, create space for developing proof of concept and thereafter support wider adoption. Jobs Fund Partners provide match funding either from their own funds or by collaborating with financing partners. These partners include traditional funding sources as well as local and international donors.

Historically, Jobs Fund Partners have faced varying challenges in securing and matching funding over the typical three-to-four-year project implementation period. The pandemic has made these challenges even more pronounced. Increasingly we have seen funding partners reprioritise and prematurely withdraw funding due to perceived risk or change in funding mandates. We have also seen a change in the period for which funding is available. This places strain on recipients' limited resources and requires them to focus on fundraising activities rather than implementation of their programmes. At this point we cannot overemphasize the importance of adopting a long-term view on how development programmes are financed: building implementation capability and sustainable solutions, as well as achieving scale and systemic change, require certainty about the availability of financial, technical, and other resources.

Government has an important role to play in attracting alternative funding sources, creating policy certainty, providing enabling infrastructure and demonstrating a willingness to share risk through co-financing. This will play a crucial role in attracting partners who are willing to invest to achieve social impact.

The increase in the withdrawal of financing partners from development projects, especially post-pandemic, can be attributed to several factors:

ECONOMIC STRAIN

The economic impact of the COVID-19 pandemic has forced many financiers and donor organisations to reallocate funds to address crises within their organisations and own countries, reducing their capacity to fund development projects elsewhere.

SHIFTING PRIORITIES AND REALIGNMENT

Financing partners and donors have redirected resources to handle immediate health and economic challenges posed by the pandemic, prioritising short-term emergency responses over longer-term development projects. Some donors might take the opportunity to realign their strategies, often pivoting to focus on future pandemic preparedness and health infrastructure.

UNCERTAINTY AND RISK

Economic uncertainty and even crime, especially in recipient countries, may deter financing partners, as the prospects of meaningful social impact and the successful repayment of loans diminish in the context of these issues.

Staying the Course: The Importance of Donor Resilience Post-COVID-19 *cont.*

BUDGET CUTS

Governments facing reduced revenues and increased expenditures due to the pandemic have cut aid budgets, directly impacting the funds available for international development. Some of these cuts are also influenced by rising nationalism and the prioritisation of national economic recovery.

At the coalface we have observed the devastating impact of a funder prematurely withdrawing its support from a Jobs Fund project aimed at enhancing the distribution of quality goods and services to peri-urban and rural areas through existing spaza shops in local communities. An international financing partner withdrew over $2 million in investment, citing economic uncertainty and diminished prospects for significant social impact. This matched funding was intended to accelerate technology platforms, expand geographical reach, diversify product lines and cover operational expenses, including staff salaries for the project's implementation team. The withdrawal derailed the implementation of the project for nearly a year, forcing the Jobs Fund Partner to deplete its own resources, limiting the access of much needed goods to communities and small business owners, raising the spectre of staff retrenchments while diverting energy and limited resources to fundraising activities. If the Jobs Fund Partner is unsuccessful in raising alternative funding it could mean that the project is aborted, and the initial investment lost.

When donors abandon development projects midstream, it triggers a range of negative impacts, including:

1 Incomplete Projects and a Waste of Resources:

Infrastructure and service delivery projects may remain unfinished, wasting resources already invested.

2 Loss of Trust:

Recipient communities and local stakeholders, who would have been engaged well before the start of the project, may lose trust in future development efforts and become sceptical of the benefits of development support. This scepticism demoralises communities and other development partners and has a disengaging effect, further reducing their meaningful participation in future projects.

3 Economic Impact:

Unfinished projects can lead to economic setbacks, especially if the projects were critical for local economic development, such as roads, schools or health clinics and even small business ownership.

4 Operational Challenges:

Local staff and organisations involved in the projects may face sudden job losses or operational disruptions, affecting their livelihoods and capabilities. This may limit capacity and result in increased costs should these projects be resumed.

5 Increased Costs for Restarting:

If projects are restarted or taken over by new funders, costs may increase due to the need for reassessment, replanning and reintegration into the local context.

6 Reputational Damage:

The reputation of the donor, implementing agencies and other associated partners may be damaged, affecting future collaborations and fiscal support.

7 Loss of Data and Knowledge:

Abandoned projects may result in the loss of valuable data, research findings or institutional knowledge that could have informed future projects and interventions.

The negative impacts of donor flight

"Donor support needs to be long term, flexible and responsive to country situations."

(OECD, ROLE OF DONORS IN PRO-POOR AGENDA)

In a post-COVID-19 environment, the urgency and importance of development projects have increased significantly. Donors and financing partners have a unique opportunity to drive change and make a lasting impact. Financing partners and donors need to adopt new behaviours in this context:

Commit to Long-term Partnerships: By ensuring long-term commitment, donors can mitigate risks and ensure that projects reach their full potential, positively impacting communities in sustainable ways.

Adapt to New Realities: Encourage innovative and flexible project design that can quickly adapt to changing circumstances, keeping the focus on achieving meaningful outcomes.

Strengthen Local Capacity: Invest in building local capacities, ensuring that communities are not only recipients of financial resources but active participants in their own development. This empowerment leads to sustainable and self-reliant growth.

Enhance Transparency and Accountability: Maintain open lines of communication and establish clear accountability mechanisms to build trust with local stakeholders and beneficiaries. Transparency ensures that resources are used efficiently and effectively.

Focus on Inclusive Development: Ensure that marginalised and vulnerable communities, who often bear the brunt of crises, are prioritised. Inclusive development ensures everyone benefits from progress.

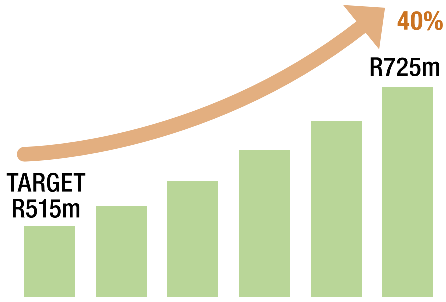
Leverage Technology and Innovation: Use digital technologies and innovative methods to overcome logistical challenges and enhance project implementation and monitoring.

Promote Collaborative Efforts: Work collaboratively with governments, local NGOs, communities and other donors to achieve synchronised efforts and solutions.

Foster Economic Recovery: Prioritise support for projects that create jobs, stimulate local economies and build economic resilience, which are crucial for recovery in a post-pandemic world.

Jobs Fund Disbursement Performance Sets Strong Foundation for Job Creation

The tough operating context over the past decade which included external factors such as slow economic growth, drought, institutional challenges including Transnet strikes, Eskom power disruptions, liquidity issues at the Land Bank, the effects of Covid-19 lockdowns, 2021's civil unrest and the significant impact of the war in Ukraine on agricultural input costs have all impacted on the Fund's portfolio of projects. Despite these challenges, the Jobs Fund and its Partners have successfully navigated this period and in the 2023/24 financial year the Fund surpassed its annual disbursement target by 40%, disbursing R725 million against an annual target of R515 million. Importantly, this disbursement was linked with our partners achieving their job creation targets.



This performance is the result of the Fund's resilience, its adaptation to changing circumstances, its close collaboration with project partners to overcome barriers in the labour market, and its innovative responses to our partners' needs. The Fund's approach has laid a solid foundation for growing the demand for new jobs in our economy. Key building blocks in the Fund's approach include:

1 Hands-On, High-Touch Project Management

- The Jobs Fund team and its partners have laid the foundation for successful project implementation and achievement by solving problems proactively, refining internal systems and enhancing monitoring and measurement.

2 Capable Project Partners

- The Fund's partners have demonstrated their ability to accelerate project activities, representing South Africa's commitment to swift post-Covid recovery and creating sustainable employment.

3 Mature Projects

- The Fund supported projects that tested new approaches to inclusion and job creation. Despite the risks, these projects exceeded their disbursement and often job targets.

By 31 March 2024, the Jobs Fund achieved an overall job creation performance of 92% against its annual target. This performance includes shorter-term and part-time jobs. When considering new permanent jobs, the Fund achieved 85% of its annual target, while registering a 93% performance against its permanent placements target. Sustainable, permanent employment continues to be the larger proportion of jobs created by the Fund and its partners.

The Jobs Fund has been resolute in funding interventions that are sustainable and disbursing funds only when partners have met targets. Sometimes this has resulted in slower disbursement. However, the Fund's performance in 2023/24 emphasizes the importance of supporting partners through the challenging times while upholding its mandate and duty of care.

The Fund's performance demonstrates its dedication to tackling South Africa's employment challenges and signals the country's resilience in the face of adversity. Through persistence, innovation and collaboration, we can overcome obstacles, drive economic growth and lay a strong foundation for a prosperous and inclusive future for all South Africans.

The Jobs Fund wishes to acknowledge the efforts of its Project Partners. These partnerships are crucial for achieving success and prove that shared vision and commitment can yield significant social impact.

Early Childhood Development Interventions Contributing to the Jobs Agenda

Early Childhood Development (ECD) is critical in shaping a child's future and, by extension, influencing the socio-economic progress of the nation. Investing in ECD not only yields considerable benefits, from academic readiness to the development of invaluable social and emotional competencies but is also essential for future workforce integration and civic engagement.

Despite its importance, substantial challenges hinder the realisation of equitable ECD access. Currently, over a million young children, particularly from low-income backgrounds, are deprived of ECD programmes because of affordability concerns, lack of qualified personnel, inadequate facilities and stringent qualifying criteria for government subsidies. This situation amplifies social inequalities and perpetuates poverty, contradicting the national commitment under the National Development Plan and the National ECD policy to universally extend ECD services by 2030. Addressing these barriers is crucial for fostering inclusive growth and ensuring that all children have the opportunity to reach their full potential.

The key constraints that hinder the realisation of equitable ECD access in South Africa include:

1. **The decentralisation of ECD management**, which challenges enforcement due to non-mandatory legislation, at both provincial and national levels
2. **Funding and infrastructure issues** stemming from inadequate support for ECD centres, particularly in impoverished regions, compounded by stringent conditions for government funding access and a lack of mandated infrastructure funding
3. **Supply-side challenges** related to a shortfall of skilled ECD personnel, affecting service quality, whereas on the **demand-side**, high fees at ECD centres preclude access for many low-income families, impeding the country's aim for widespread ECD access.

As an impact-driven source, the Jobs Fund has enhanced the ECD sector by partnering with knowledgeable intermediaries in the sector and employing innovative delivery models, such as social franchises, to drive significant change. With an initial seed investment exceeding R68 million that was matched by over R89 million in additional funding, the initiative has facilitated the training of more than **7,600 ECD practitioners** and created **over 3,200 jobs**. This investment has expanded ECD **access to over 24,000 children** from underserved communities, who otherwise might not have had the opportunity to benefit from ECD services.

Through tangible research, successful interventions within ECD were found to hinge on the following key strategies:

1. **Customising efforts to meet local needs** ensures that solutions resonate well with the specific socio-economic conditions and the psychological wellbeing of children in those communities. Employing practitioners from within these communities enhances the effectiveness and relevance of the interventions.

2. **Innovative approaches to addressing infrastructure challenges** are crucial for ensuring that children have access to quality educational settings. Improved infrastructure not only boosts the learning environment but also positions ECD centres to secure essential government funding.

Cont...

Early Childhood Development Interventions Contributing to the Jobs Agenda *cont.*

3. **Delivering a comprehensive support package** that encompasses both advanced training for educators, in cutting-edge educational practices, and the provision of suitable learning materials for children remains essential. Through this holistic approach, one not only elevates the quality of education but also seamlessly integrates these centres into the broader education system, laying a stronger foundation for children's future learning journeys.

4. Implementing strategies that include **sustainable fundraising** for continuous operation and expansion to support the sustainability of ECD centres is another critical area that has not been adequately planned for.

5. It is imperative that interventions in the ECD sector are also able to **support these centres to understand, navigate, and fulfil the myriad regulatory and compliance requirements** that govern this space. This will ensure that they secure necessary funding from both government and the private sector. **Post-intervention support** is integral in maintaining high levels of quality education.

The ECD sector continues to be heavily dependent on support from both the government and private entities. Both research and experience supporting the sector suggests that there is still significant room for policy improvements that could enhance outcomes in this sector.

Jobs Fund Performance Update: 31 March 2024

FUNDING

OVERVIEW

R21.3 billion
total portfolio size

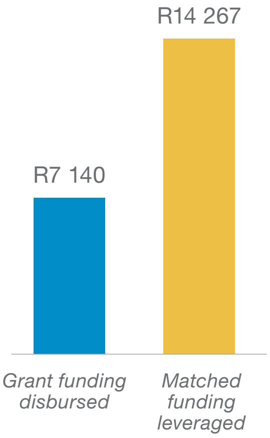
R7.1 billion
grant funding disbursed

R14.3 billion
matched funding leveraged from partners

1 : 2,00
matched funding ratio

R44 million
average grant disbursed per project

Total Funding for Job Creation (R millions)

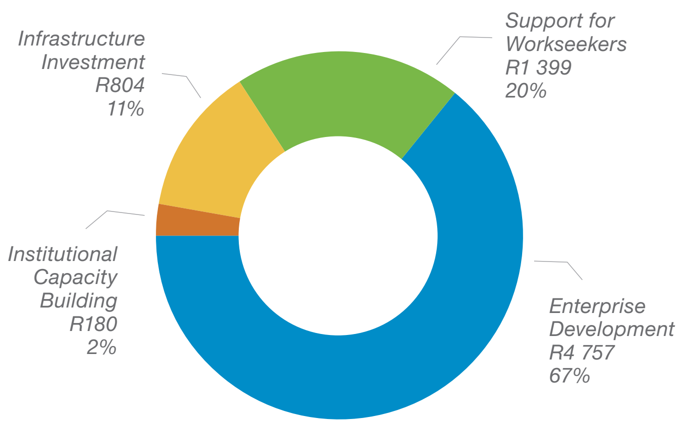


COST PER JOB

R23 356
grant cost per job
(includes the grant disbursed + Jobs Fund operating costs – training costs)

R24 955
grant cost per job
(includes the grant disbursed + Jobs Fund operating costs)

Grant Disbursed by Funding Window (R millions)

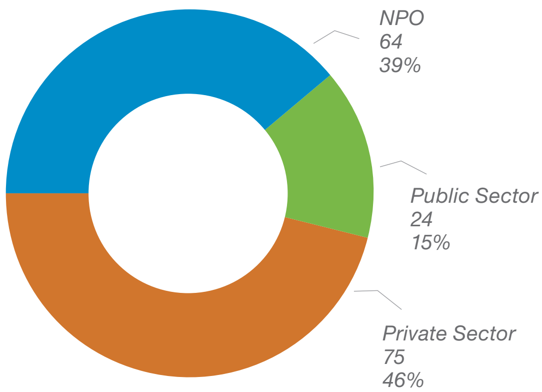


JOBS FUND PARTNERS

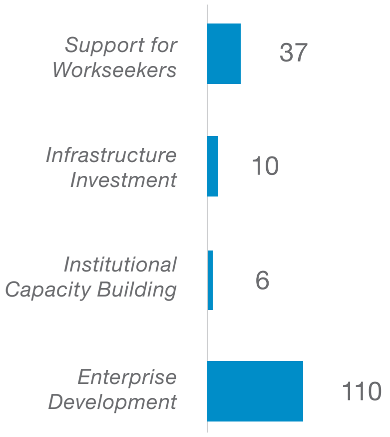
OVERVIEW

163
contracted projects

Projects by Implementer Type

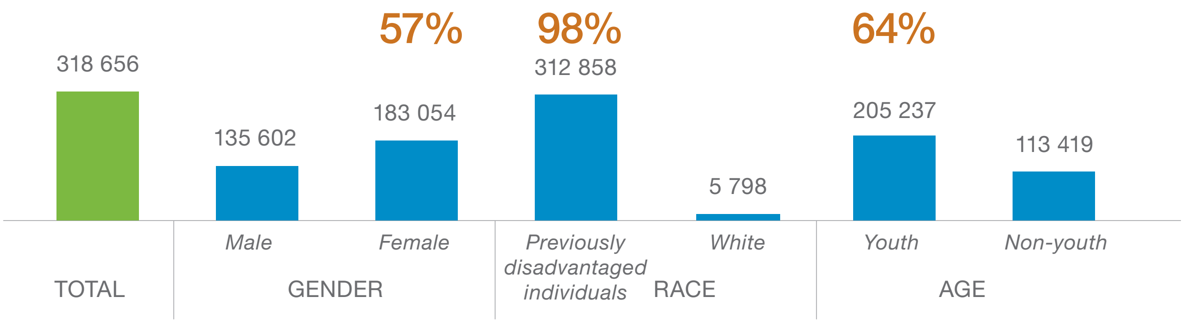


Projects by Funding Window



JOB CREATION

Total Jobs, Placements & Internships Facilitated



Source: Jobs Fund database (showing actual figures reported by projects as at 31 March 2024)