61 000 Members

SAVEact

Financial Services & Sustainable Livelihoods for the Poor
Yakha impilo engcono ngokulondoloza imali!



Annual Report 2016-2017

Message from the chairperson of SaveAct Trust

Ilan Lax



At a time when South Africa's economy is officially in recession, SaveAct's vigorous growth must be applauded.

A flourishing membership, now over 61 000 strong, is a sign that we are on the right track, and others can see this too. They want to be a part of what SaveAct is doing, because it's providing vital financial education and a vehicle for growing money in communities that don't have access to these services.

We are blazing trails in other areas too. Plans to expand into the digital realm, with innovations such as catalogues on smartphones for small farmers and micro-entrepreneurs, are ground breaking, and it will be exciting to see where these initiatives take us.

We're also greatly encouraged by the progress of Zis'Ukhanyo and what this could mean for the development of a new form of social enterprise, in areas that are often neglected by the formal retail sector. Similarly, what we are seeing with small farmers expanding and diversifying their enterprises is evidence of the power of savings groups, when complemented with enterprise development.

Tackling poverty is a complex exercise, and developing financial capability and confidence to try new ventures takes time, but it looks like the momentum of what SaveAct started all those years ago in 2005 is gathering speed. Our approach of careful consolidation of success appears to be reaping rewards.

None of this would be possible without the pro bono support of our board, as well as the enormous efforts and dedication of the entire SaveAct team. Special acknowledgement is also due to Genesis Analytics for its technical support to SaveAct over the years.

Soon we'll be flying.

2016/17 Overview by Executive Director

Anton Krone



SaveAct has been breaking a lot of new ground this year. We've seen an encouraging convergence of our work with the "unbanked" and forays by mainstream financial institutions into this sector. We're expanding our reach and new partnerships have been discussed or established with bankers, software developers, corporates and social enterprise experts.

Making friends with bankers

Banks are increasingly open to working with the lower end of the market, the segment that is currently beyond their realm. A few are even moving towards trying to meet people where they're at, rather than coaxing them into adopting systems they're not comfortable with. Banks have also become more receptive to working with organisations like SaveAct, and this year we've been in discussions with both ABSA Bank and Alexander Forbes about working together.

We've been encouraged by the fact that the formal sector is looking at stokvels and trying to understand their culture and practices. There have been efforts to develop mobile phone applications specifically for stokvels, and we see plenty of scope to partner with organisations that are working on ventures like this, and to co-design with users services that will meet their needs.

This new focus by banks represents an excellent opportunity for SaveAct, because savings groups (SGs) are probably one of the healthiest ways to participate in the personal finance sector. The model is very accessible for ordinary people, speaking to their culture and context and helping to build assets, relationships and support systems that help in times of crisis. SGs also provide examples of how people can work their way out of poverty, through smallholder farming or enterprise activity.

However, there is a need to tread carefully in this new era of personal banking. We're approaching partnerships with the view that they should not just be about getting people banked. Financial services should be embraced in a healthy way, and we need to prepare our SG members so that they can make informed choices that improve their lives and don't end up pushing them into debt.

That's a big challenge because it's well documented that South Africa has the highest level of household indebtedness in the world.

Cover photo: Dusk in Hebron, Matatiele. Courtesy of Reciprocity.



Photo: Reciprocity

Members of the Masivuke savings and credit group in Ambrose, Mount Frere, leave a meeting laden with goods they have bought through Zis'Ukhanyo after receiving their share-out.

Going digital

We're starting to work with app builders and savings groups on designing digital applications that will best meet members' needs. This is a work in progress. Working with flexible and responsive app builders could be very useful in helping people who are excluded from conventional banking to participate and take control of their money.

However, while there's appetite at the lower end of the market for digital platforms there's also a lot of anxiety about adoption, so it must be done in an incremental way, where we maintain strong relationships and offer training to help people overcome barriers.

Going digital sounds cool and appealing, but it's not always a positive experience. If we don't get the foundations right, digitisation has the potential to amplify problems. It has to be done well with a lot of careful monitoring and evaluation, and there must be a readiness to go back to the drawing board.

Last mile distribution

Another development is our increasing potential to build economic ecosystems that will boost members' entrepreneurial activities. "Last mile distribution" is a concept that refers to taking goods and services to people who live in remote places and are excluded spatially from the formal economy.

We've been testing the viability of helping members to do this while improving their own circumstances, by selling various products in their communities. This is most developed in Matatiele, where Zis'Ukhanyo has been running as a pilot project for a year. The project was inspired by a trip to India three years ago, when SaveAct visited Dharma Life, a social enterprise that tackles poverty through rural enterprise.

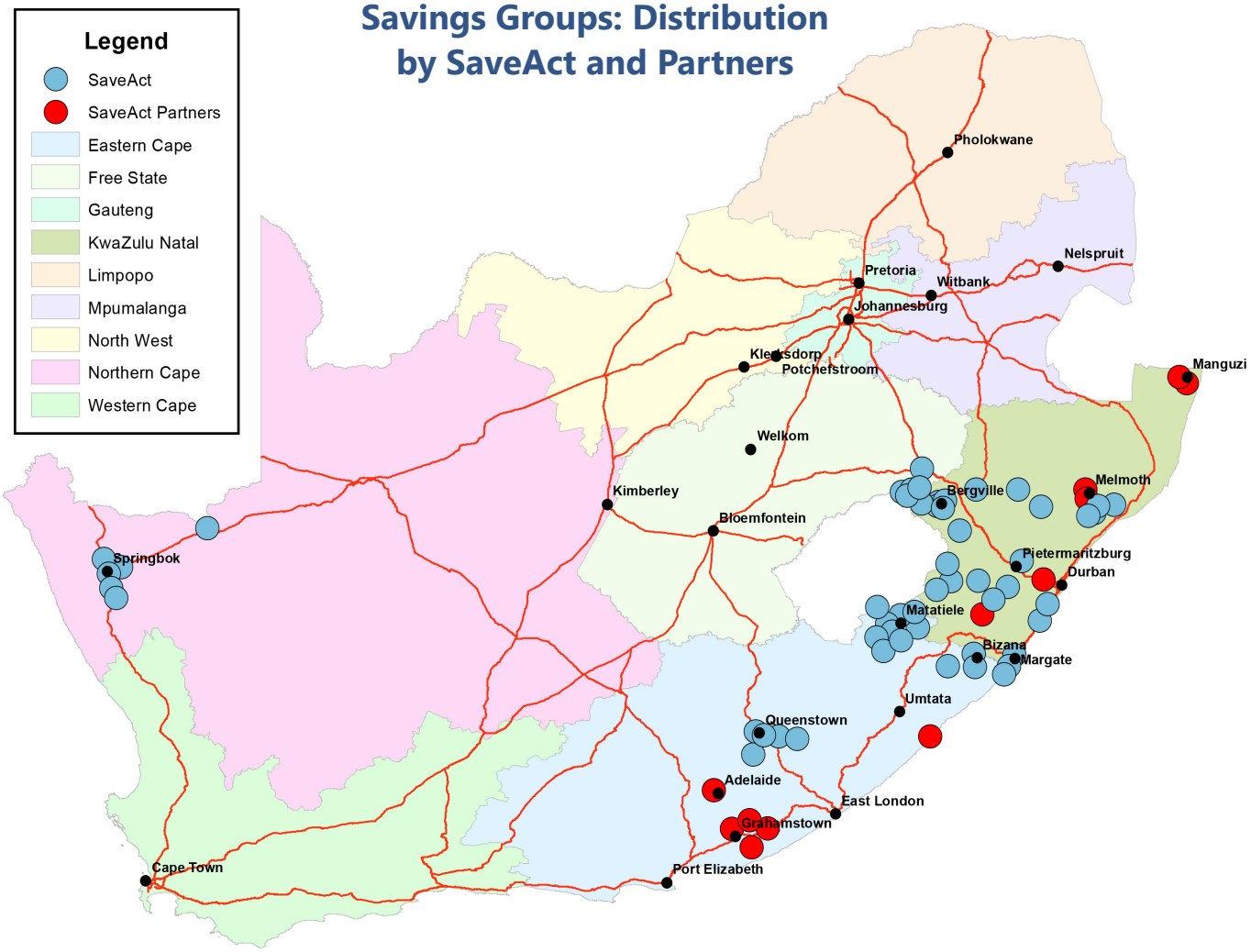
Working with Reciprocity, a Cape Town-based consultancy that specialises in social business among the very poor, we've developed a catalogue of products identified by communities as useful, such as solar lanterns and over-the-counter remedies. The project is also supported by the SAB Foundation.

Zis'Ukhanyo is progressing well and we want to increase the number of resellers from 15 to 45. What we've noticed is that sales are higher in savings groups than door to door because members can afford more expensive products, and we're seeing directly the benefits of these groups in making it possible for members to acquire assets that improve their lives, such as higher-end solar lamps and stoves.

The project must be driven by communities' needs, and we're doing a lot of research that creates space for SG members to articulate what they want. We're also investigating how they would like to engage with digital services to meet those needs, and what their relationship is to smart phones.

There are digital opportunities for both Zis'Ukhanyo entrepreneurs and smallholder farmers, because the intention is to build digital catalogues that are accessible by smartphone for both these groups. The catalogue for farmers will list a range of agricultural products that they currently source from elsewhere.

Building this economic ecosystem is a complex process that requires a lot of input from different sectors, and we've been forging bonds with multiple partners, including the banks mentioned.



A banker's view of SaveAct



Daphne Motsepe has had an illustrious career in the upper echelons of the financial sector, yet she chose to get involved with SaveAct three years ago, by joining the board.

Motsepe has worked in banking for decades, and in the 1990s was appointed deputy chair of the Presidential Commission of Inquiry into Rural Finance. Since 2014 she's been part of the executive committee of the Consultative Group to Assist the Poor (CGAP), a global partnership that seeks to make financial services more accessible to the poor.

Asked why she decided to join the board, she says SaveAct is "an important actor in the financial inclusion space. It works mainly with savings groups, that are regarded as the first step for the financially excluded to eventually become part of the formal financial sector. Although most savings groups start saving informally, many of them end up opening an account with a formal financial institution."

She says savings groups provide the financially excluded with an easy way to participate in the economy, build their assets and change their lives. When she first joined SaveAct she was particularly impressed by the ability of the groups to govern their own affairs. "Each group has its own constitution which governs the management of the group. There is a management committee that is elected by the members. And meetings are run quite professionally."

She describes the focus on savings as a major strength, along with the fact that these savings are invested in a loan fund, from which members can borrow and repay with interest. "The return on investment for members is good. It is much better than the return they would receive if they invested their savings at a bank."

Motsepe sees SaveAct's dependence on donations and its growth as challenges. "Managing a growing organisation and client base is always challenging. It requires more resources in the form of management, technology, funding etc. There is also the possibility of losing touch with the client base. SaveAct needs to ensure the foundation is solid, i.e. that processes, systems, etc are working well and are able to support further growth."

Saving puts an end to family's worry

In 2013 Lindiwe Khusi was putting in hard hours to grow fruit and vegetables, and still struggling to stay on top of her finances. "We had no extra money, we spent it all," says Khusi, who lives in a rural area near Margate, KwaZulu-Natal.



Lindiwe (55) and her husband Jackson (68) are small-scale organic farmers trained and mentored by Siyavuna, an NGO operating in their area. The Khusis earn money selling their produce to Siyavuna and the community. Jackson also receives a state pension and Lindiwe collects a child grant for her grandson.

While their farming sustained them, they were treading water and money was tight; the family had monthly loan repayments of about R300, as well as occasional debts to repay to mashonisas. In 2013 this all changed when they got involved with SaveAct.

"I got out of debt," said Lindiwe. "Secondly, I learned how to save money. I learned about financial management, for example how to budget, and now I save instead of taking out a loan."

The couple's son, Siyabonga (19), also joined a savings group, and the net effect of having three solvent family members has been life changing. "It's made a huge difference," said Lindiwe. "Everyone has money and my husband and son help to take care of the finances."

An added benefit is that the money saved has made it possible for her to invest in her farming venture. In 2015 her combined share-out from two SCGs was R10 000, part of which she used to buy a pair of pigs, at a price of R800, and a pregnant goat, costing R1 200.

She now has 11 pigs (after selling some) and a pair of goats.

Money saved through the groups has also enabled the family to become more resilient. With her business taken care of and some home renovations paid for, Lindiwe banked the remainder of 2015's lump sum. Last year her share-out was about R12 000, which was used to buy a fridge, costing R2 950, and some money will go towards tertiary education for Siyabonga. The rest will probably also be banked.

Both Siyabonga, who received a total of nearly R17 000 in share-outs in the last two years, and his father Jackson, have also put most of their money into bank accounts.

"Thanks to SaveAct, we no longer have to worry, especially financially," said Lindiwe.

Annual Financial Statements

As at 28 February 2017

	2017 R	2016 R
ASSETS		
Property, plant and equipment	942 797	291 307
Inventory	18 778	12 774
Cash and cash equivalents	950 031	4 561 473
Trade and other receivables	2 783 363	249 541
TOTAL ASSETS	**4 694 969**	**5 115 095**
TRUST FUNDS AND LIABILITIES		
LIABILITIES		
Trade and other payables	1 597 816	1 964 539
TOTAL LIABILITIES	**1 597 816**	**1 964 539**
FUNDS		
Trust capital	100	100
Maintenance reserve	332 294	175 174
Accumulated surplus	2 764 759	2 975 282
	3 097 153	3 150 556
TOTAL FUNDS AND LIABILITIES	**4 694 969**	**5 115 095**

Detailed statement of comprehensive income

01 March 2016 to 28 February 2017	2017 R	2016 R
SUPPORT AND REVENUE		
Grant income	8 697 909	8 223 438
Interest and dividends	231 677	327 339
Donations	10 000	7 000
Sales of kits and Zis'ukhanyo	150 553	99 053
Sundry Income	368 079	198 888
TOTAL SUPPORT AND REVENUE	**9 458 218**	**8 855 718**
Less: Cost of sales	**– 47 917**	**– 38 438**
EXPENSES		
Programme and operational costs	3 356 646	2 567 533
Programme management and administration	2 825 153	2 382 676
Equipment and supplies	275 495	197 624
Travel and accommodation	667 343	890 335
Project staff	2 339 067	2 662 336
TOTAL EXPENSES	**9 463 704**	**8 700 504**
(Deficit)/Surplus for the year	**– 53 403**	**116 776**

Board of Trustees



Chairperson, Ilan Lax is an attorney, legal consultant, facilitator and strategic planning advisor. Admitted to practice since 1985, he served in the Human Rights Violations and Amnesty Committees of the SA Truth and Reconciliation Commission. He has worked with many statutory bodies, NGOs and CBOs focusing on governance, land and development.



Timothy Hobden is an economist and public policy professional with over ten years of experience in the design, management and evaluation of donor and philanthropic programmes. Currently an independent consultant, he is also a principal associate at IPE Triple Line and was formerly a manager at Genesis Analytics, a leading consulting firm.



Kajal Singh is a chartered accountant, with 10 years' experience in a management role at Umgeni Water, specialising in treasury management and financial planning. Kajal was previously a senior audit clerk at Deloitte where she completed her articles in 2005.



Marcel Jakubec is a strategy consultant at Accenture with experience in the retail banking landscape across sub-Saharan Africa. He has expertise in strategy development, business model development and alignment and value proposition design. He is also familiar with the payments landscape and alternative distribution channels.



Daphne Motsepe was the chief executive for the unsecured lending cluster at Absa until her retirement in June 2012. Prior to joining Absa, Daphne was managing director of PostBank. In 2007, Daphne was named the most influential woman in finance and banking in South Africa by *CEO* magazine.

Photographs: Supplied

KEY INDICATORS
2016-2017

Members	61k
Amount saved	R249 421 419
Amount shared	R272 870 497
Return on savings	15.07%
Provinces	4

SaveAct gratefully acknowledges the support of the following donor partners:

AngloAmerican

IDC Industrial Development Corporation

MISEREOR IHR HILFSWERK

SAB Foundation

SMALL GRANTS FACILITY Responding to climate change

ACTSA Action for Southern Africa

SAVEact Financial Services & Sustainable Livelihoods for the Poor
Yakha impilo engcono ngokulondoloza imali!

SaveAct1 | SaveactPMB
saveact.org.za | +27 (0)33 3451222 | info@saveact.org.za