10th Anniversary Edition

SAVEact

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

Annual Report 2014-2015



The SaveAct Model

SaveAct implements a hybrid model of community-based savings activities, which incorporates three complementary elements:

- The formation and mentoring of savings and credit groups (SCGs) *Financial services controlled and managed by the poor;*
- Life Skills Training (LST) including Financial Education *Improving people's capacity to plan and act;*
- Enterprise or *Isiqalo* training *Developing capacity to engage in enterprise activity or follow more sustainable livelihood strategies.*

In a relatively short period, SaveAct has been able to show in South Africa that people organised in literacy groups, HIV/AIDS support groups, or farmer learner groups enthusiastically embrace savings as a powerful activity that runs alongside and complements their survival and livelihood endeavours. This integration is largely seamless and has profound implications for how stakeholders with an interest in tackling poverty and vulnerability conceive of their approach. It brings to the fore a new menu of possibilities and potential.

More information on the model is available at www.saveact.org.za.



Message from the Chairperson of SaveAct Trust

Fluctuations in both local and international funding available to the South African non-profit sector in South Africa over the recent past have created extremely challenging conditions for the sustainability and longevity of such organisations.

In this context, SaveAct's 10th anniversary, which it celebrates this year (2015), marks a remarkable and, for all those involved in SaveAct, an extremely rewarding achievement. Since its inception in 2005, the organisation has grown into a significant national player, enabling access to financial services for the country's rural poor in areas where alternative sources of financial services – mashonisas (loan sharks) – tend to create more financial problems than they relieve.

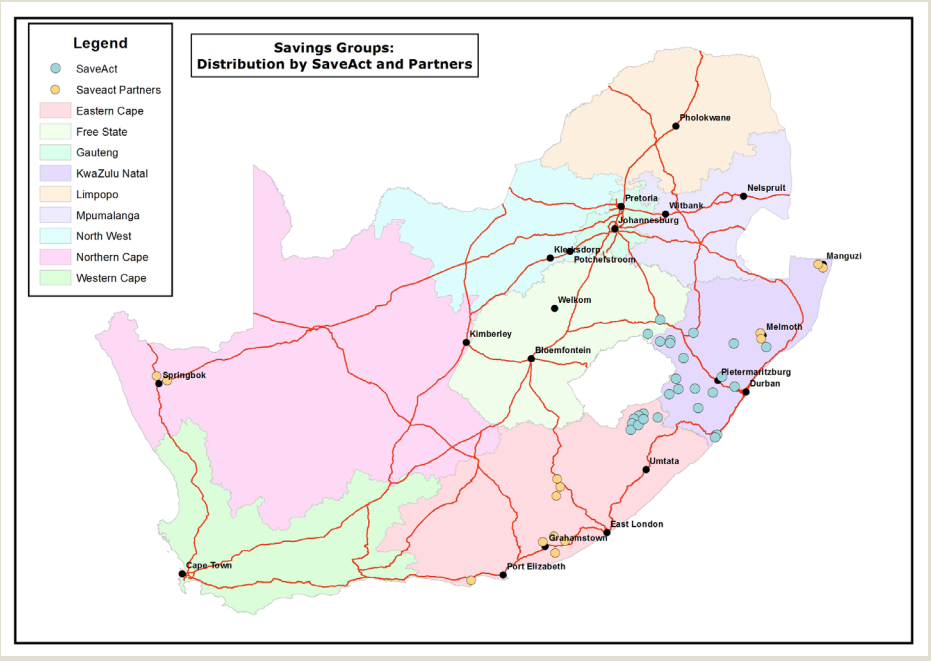
The work of SaveAct is also starting to be noticed in neighbouring African countries and we are excited to be part of efforts to expand our regional footprint, forge African partnerships and to offer support to those countries seeking to implement the savings group methodology.

Looking back, it is important to acknowledge the foresight and commitment of the Ford Foundation which provided the capital needed to give birth to the organisation. Since then, the organisation has weathered some tough times, but the integrity and efficacy of its model has continued to attract sufficient interest to ensure both stability and growth.

We are at an exciting juncture in the development of SaveAct.



Milton Ncolosi, Chairperson



Over the past year, the organisation has introduced its model into new sites in the Eastern Cape and KwaZulu-Natal, and has made significant progress in the Free State and Northern Cape. Options in the Western Cape and Mpumalanga are being explored.



Overview by Executive Director Anton Krone: 2014/15

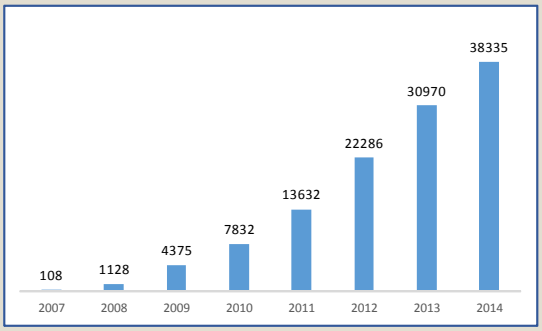
Expansion: SaveAct goes national

Strong demand for SaveAct's model – offering savings, credit and insurance facilities to the rural poor – has supported a national expansion of the SaveAct programme.

Over the past year, the organisation has introduced its model into new sites in the Eastern Cape and KwaZulu-Natal, and has made significant progress in the Free State and Northern Cape. Options for groups in the Western Cape and Mpumalanga are currently being explored.

SaveAct has developed satellite offices in Bergville and Underberg while supporting start-up activity in Margate, Melmoth, Eshowe and Manguzi (KwaZulu-Natal), Queenstown (Eastern Cape) and Springbok (Northern Cape). SaveAct wishes to thank ABSA/Barclays for its support, without which these steps would not have been possible. We are pleased to announce that the European Union will also be supporting expansion into new parts of the Eastern Cape, KZN and Free State.

Membership growth



Smallholder farmer benefits

The National Development Plan 2011 (NDP) proposes a range of initiatives to deal with rural poverty, and places a strong emphasis on agricultural activities. Indeed, the NDP claims that 'agriculture has the potential to create close to 1 million jobs by 2030'. However, according to the latest research from the National Income Dynamics Study, there is a process of de-agrarianisation underway in South Africa. This implies that the rural poor are moving out of agricultural enterprises and becoming more dependent on government welfare programmes (Daniels, 2014).

For smallholder farmers, SaveAct's model is increasingly recognised as an accessible and attractive option, enabling them to transform their enterprises into more dependable income sources. Many farmers are also able to diversify production and in so doing reduce their economic risk profile.

SaveAct's model provides for short-term loans during an annual cycle, as well as the prospect of a large annual lump sum upon share-out. Many farmers plan for the share-out to take place at a time of the year when they need their largest capital injection – to plough, secure farming inputs and plant.

Financial education

The 'embedding' of financial education in SaveAct's model has been a big step forward. As a result of a Financial Education national award in 2013, SaveAct has worked intensively with PlaNet Finance to develop revised training materials designed to respond to the specific needs of savings group members. Four modules were developed covering debt, budgeting, planning for life cycle events and cash flow management. All modules revolve around the use of a 'learning map' — an effective visual aid which captures village life. To date 38 338 members have been trained.

This was followed by the training of trainers, starting with field staff and, later, community-based promoters. The promoters are SaveAct's partners in communities and assist in spreading its model, offering services to savings groups on a fee-for-service basis. Partners have now also been trained to use the material.

Testing the model with disabled people

SaveAct is working with CREATE, an NGO concerned with developing effective strategies for disabled people to reduce their vulnerability. During 2015 groups of disabled people will be trained in the savings methodology, and provided with financial education. The pilot will be carefully monitored to assess its usefulness amongst disabled people, especially in rural communities.

Research

Influencing policymakers

Research continues to point to the transformative power of savings groups. Regional reports covering agricultural finance across Southern Africa have indicated the value of savings groups to farmers and there is growing interest amongst a spectrum of stakeholders in their success and potential. Eastern Cape farmer, Tsoloane Mapheele, who is a member of two SaveAct trained savings groups, was invited to share his experiences at a 2015 SADC regional stakeholder workshop on accelerating inclusive rural and agricultural financing. The multi-country workshop was arranged by FinMark Trust (see feature article).

Changing behaviours

According to research from PlaNet Finance and FinMark Trust, SaveAct's savings groups and financial education have been changing behaviours towards better financial management and improved enterprise development. This has the potential to reverse the ongoing de-agrarianisation and build communities' self-efficacy and financial capability. Indeed, as the research shows, members of SaveAct's savings groups are 80% likely to modify or change their behaviours as a result of financial education. Research conducted in 2012 by FinMark Trust shows that 78% of SaveAct members used at least one SCG loan to support enterprise activities, and 12% mentioned they had started an enterprise with the loans from their savings group (FinMark, 2012).

Technological innovations

In order to build on and improve SaveAct's current operational performance, a study by PlaNet Finance was also conducted on the potential of mobile phones for facilitating cash transactions in savings groups, and subsequently minimising the risk associated with excess liquidity in the cash box. The study is being used in regular discussions with ABSA/ Barclays in order to better understand ways in which financial institutions can alleviate rural poverty.

The bottom line: financial inclusion of the poor

Economic growth in South Africa continues to be sluggish and unevenly distributed. It is concentrated in the larger urban centres and tends to benefit the skilled and wealthy. The poor continue to be supported by social grants, and have few opportunities to become economically independent. SaveAct's model complements the social grant distributions, enabling the poor to save and develop ways of managing their money in a debt-free way, build their assets and invest in income generation.

More conventional financial services offered by banks continue to have difficulty in reaching the rural poor. The client population is wary of the institutional ethos and complex account structures, which often result in unanticipated bank charges. The costs of servicing this segment of our society through formal services remains prohibitive. Mobile banking is some way off, as the 'eco-system' of banking agents needed to accept and distribute cash is not in place. Security issues are also an inhibiting factor. In this space, SaveAct and partners, fulfil a significant need. The poor, more than any other group in society, have to save in order to meet their day-to-day needs.

Savings groups provide that opportunity.



Key indicators 2014

- The total membership of SaveAct savings groups is **38 355** members in four provinces.
- The number of savings groups stands at **1 916**, with an average membership retention rate of **98.3%**
- Members are mobilising in excess of **R100 million** per year.
- Based on randomised research, approximately:
  - **5 753** members have started an enterprise using monies from their savings group (based on 15% of total output).
  - **15 342** members have supported an existing enterprise using monies from their savings group (based on 40%).

" There is a good deal of evidence to show that savings and credit groups that operate on this basis can help bring about self-sustaining rural development ...

This is one of the most exciting bits of news I've heard about in rural development in 40 years on the job ...

These groups have got extraordinary promise and one of the main things one should be looking at is what government can do to help the emergence and spread of this particular model. "

Economist Mike de Klerk, in a presentation at the 2015 SADC regional stakeholder workshop on accelerating inclusive rural and agricultural financing.

Taking farming to another level

Smallholder farmers in South Africa are able to take their farming to another level through membership of SaveAct-trained savings groups. This is further enhanced through access to training and cooperation to buy inputs collectively and in bulk.

For years, Tsoloane Mapheele dreamt of becoming a successful commercial farmer. In 1998, while still employed as a mineworker in Carltenville, he bought a small plot of land in his home village of Khutsong near Matatiele in the rural areas of the Eastern Cape.

When he lost his job on the mines, Mr Mapheele returned to Khutsong, determined to make a success of farming. But despite his resolve and a strong enterprising spirt, which saw him set up a spaza shop to sell his produce, he was constrained by circumstances.

Now, those limitations are starting to lift, – and his work is atarting to yield increasingly positive results. The most recent is his purchase of a small electric hammer mill with which to grind maize into mealie meal and animal feed for sale to members of the local community.

In 2009 Mr Mapheele and his wife Makatleho became members of the SaveAct-led Masibambane savings and credit group and each started saving an average of R200 a month. In June 2014, Mr Mapheele's share-out amounted to R10,000. By combining the money from two share-outs, he was recently able to purchase the mill.

Over time, carefully-timed share-outs have also enabled Mr Mapheele to boost the family's standard of living through the purchase of furniture, a four-plate stove, fridge and fencing material for the family's vegetable garden. He has been able to pay for annual school-related costs, and also achieved general consumption smoothing – the ability to meet critical household needs in the face of a limited and fluctuating income.

Mr Mapheele is part of a SaveAct-supported commodity interest group (CIG), focused on agricultural enterprise. Members of these groups are able to learn from each other and pool their money to buy agricultural inputs in bulk – with substantial savings.

By combining access to finance, training and group innovation, Mr Mapheele has been able to take his farming interests to another level through bulk buying. He has introduced new technologies, diversified his farming, reduced his exposure to risk, and increased his production in maize, potatoes and vegetables.

"People have seen the benefit of buying in bulk; now we don't all travel to town for the same item ... we have saved a lot since we started using this method," he says.



" In all honesty, I am a very passionate and dedicated entrepreneur, but I did not have enough money and knowledge."

The gains from SaveAct membership do not only relate to savings: Mr Mapheele has also benefited from SaveAct's financial education programme and its business start-up training which he is applying to sheep production. Mrs Mapheele, who teaches adult basic education in her home village of Khauoe, has also taken advantage of agricultural training programmes offered by SaveAct and contributes not only financially to the purchase of agricultural inputs, but plays a direct role in most of the farming activities.

SaveAct membership has also given him access to a much broader network of agricultural expertise and support. For example, he is now a participant in an agricultural conservation project and is starting to implement innovative farming techniques such as minimum tillage.

"Now, I can learn from other people's experiences when they are in group meetings ... I gain a lot of information."

Mr Mapheele is a prime example of an innovative asset-poor farmer who can benefit from joint learning and research processes, as well as informal and formal financial inclusion.

It is in these ways that his dream to be a commercial farmer may one day be realised.

" SaveAct equipped me with the skills and now that I have a way of managing my savings and my loan at the Savings Group, I think I can be able to manage as a commercial farmer, especially if I can have access to more land. "

Mr Tsoloane Mapheele

Annual Financial Statements

As at 28 February 2014

	2014 R	2013 R
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	291 741	-
CURRENT ASSETS		
Cash and cash equivalents	106 900	4 335 588
Trade and other receivables	4 918 421	156 642
TOTAL ASSETS	**5 317 062**	**4 492 230**
FUNDS AND LIABILITIES		
LIABILITIES		
Accounts Payable	171 982	30 576
Grant income rec in advance	2 472 602	3 064 621
TOTAL LIABILITIES	**2 644 584**	**3 095 197**
FUNDS		
Trust Capital	100	100
Vehicle replacement fund	35 028	0
Accumulated Surplus	2 637 350	1 396 933
	2 672 478	1 397 033
TOTAL EQUITY AND LIABILITIES	**5 317 062**	**4 492 230**

1 March 2013 to 28 February 2014

	2014 R	2013 R
SUPPORT AND REVENUE		
Grant income	5 901 172	2 462 620
Interest and dividends	136 616	91 261
Training Fees	-	11 100
Sundry Income	23 354	-
Insurance Refunds	-	4 744
TOTAL SUPPORT & REVENUE	**6 061 142**	**2 569 725**
EXPENSES		
Consulting and professional fees	1 406 356	927 341
Employee Costs	1 279 324	972 756
Enterprise Training	18 214	1 784
Depreciation	39 019	-
Non-recurrent capital expenditure	31 384	9 350
Recurrent programme costs	1 196 769	515 263
Recurrent costs - local office	374 161	195 980
Research and development	-	62 341
Travel	475 298	269 381
TOTAL EXPENSES	**4 820 525**	**2 954 199**
SURPLUS/(DEFICIT) FOR YEAR	**1 240 617**	**-384 474**

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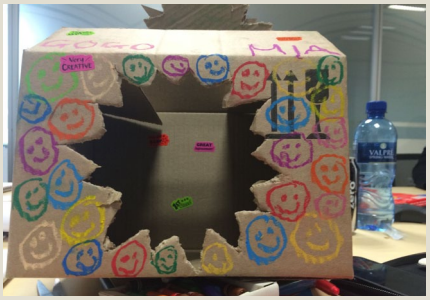

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