

For Patricia Mahota, her two children and the grandson 2007 has been a good year. A small loan of R 4'300 allowed her to revitalize a trade buying and selling curtains. She is generating a regular income, has fixed the roof of her shack and her son is currently applying a new coat of paint. She is upbeat, life is improving and she has already repaid R 1'250 of her loan.



Patricia and her grandson have a better home

Besides Patricia, 47 other individuals have qualified for a loan this year. The total amount of new loans ESM provided in 2007 was R 1'834'948 (the smallest R 250 - the largest R 300'000 - average R 38'228). Combined, the loans help 52 people to generate a regular income and together they support 243 dependants (mostly children and unemployed youths).

"Helping the poor in Africa" has been a hot topic in the media all year round and, as a result, some are getting tired of the message. In addition, there are fraud, mismanagement and failures, but for once we would like to focus on the positive energy individuals develop to improve their livelihood. People like **Lourens and Alicia Hoboshe**. Lourens, a car mechanic, got a loan in 2005 of R 10'000 which he fully repaid. Some years ago he started a small "farm" with cows and a few pigs. Since we met Lourens the first time, his life has improved considerably. His income from fixing cars and selling pigs is complemented by the salary of his wife Alicia, a school teacher. Today Lourens's commercial activity already provides about 10 people with a more or less regular income. He has become so busy that he employed a domestic helper who makes about R 600 a month (plus room and

food). R 600 seems very little but one has to consider that the alternative is often nothing. In spring 2007 ESM supported his plan to expand "farming" and to start selling sheeps and goats with a new loan R 20'000 (he has already repaid R 7'500).



Lourens Hoboshe and his wife Alicia



Lourens's small "farm"

Nondumiso Mahanjana in King Williams Town. In the last update we reported that she started a small microfinance and consulting business with R 80'000 capital. We reviewed her operation twice this year and were impressed by her achievements and, as a result, provided additional capital. End of October 2007 she had 30 loans outstanding with a total amount of R 213'000. The bank balance stood at

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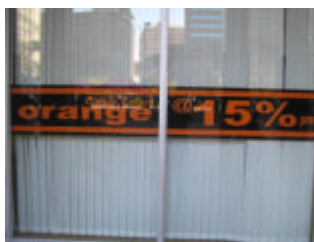
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R 40'000 and she managed to generate R 35'713 Gross Profit in 18 months. Nondumiso's customers are mostly women in very poor communities.



Nodumiso (left) with her customers

In the last update we stated that Nondumiso was charging 6.7% interest per month, this was a mistake. Her rate is actually 2% per month or 24% annually. This compares very favourably to the 15% per month (or 180% annually) that other micro finance organizations charge.



Loan advertisement in the center of Cape Town!

From Wire-Crafter to Taxi-Owner in 5 years and ... African lives can be very complicated

We know Themba Makubela since 2002 when he worked in his deceased fathers Wire Craft Business in Cape Town. In order to build himself a better future he relocated to Johannesburg in 2005. There he started "Themba's Tuck Shop" selling daily necessities and cold beer. Building up his business in Johannesburg, Themba got a first loan of R 2'800 which he repaid and a second one of R 19'000 which he repaid too. In December 2006 he called us with the request to support him for "the big thing". He was planning to buy a taxi to transport people from Johannesburg to Zimbabwe and back. We met in March in Johannesburg and Themba was well prepared. After looking at all options we decided that the best would be to buy a brand new 13 seat transporter from Toyota for R 190'000 (including trailer) to which Themba contributed R 10'000. End of July Toyota delivered the Taxi and Themba is now trying to make his new business



The new taxi and Themba

work, which is not as easy as it seemed! When we met, he thought that he had made a profit of R 3'500 for August and September. However, once we looked at all cost (incl. repayment of the loan and depreciation) we discovered that he made a loss of R 21'000 for the period. Themba was quite shocked! Nevertheless, despite tough circumstances he managed to repay R 11'000 so far.

African lives can be very complicated! Themba wanted to marry Tsintsi, his long time girl-friend. However, Tsintsi's father did not approve of Themba as a son-in-law. During a visit to Zimbabwe earlier this year, he fell in love with Tendai and since Tendai's father approved, "Labola" (the bride's price) was fixed and they married. In the meantime Tsintsi was pregnant and in June gave birth to a baby boy. In August Tendai "border jumped" into South Africa and now the young family is living happily together in Johannesburg in a "ménage à trois". Themba has set up a business for the mother of his child and Tendai and Tsintsi go on well together. The whole arrangement is quite demanding for Themba, who, by the way, is only 25 years old.



Themba's wives Tsintsi (left) and Tendai with the boy

Mlondi Kosi, Computer Training in Idutywa

Mlondi Kosi is a social entrepreneur who founded an NGO and equipped 4 rural schools with used PCs. The parents of the students pay the school a small amount every month. In return, Mlondi provides the computers and trainers. Mlondi Kosi has been introduced to us via Rommel Roberts (an important partner of ESM) and Linuxola (a small Swiss based NGO, which promotes Linux as the preferred software platform). Linuxola has close links to www.fepafrika.ch (another small Swiss NGO which supports projects in South Africa and Zimbabwe). Thanks to the cooperation between Rommel Roberts, Linuxola, FEPA and ESM it was possible to transport 4 complete Linux class-room systems (each system 10 PCs, server, cables etc.) to Mlondi in Idutywa in May 2006. Only since February 2007, once all 4 schools got operational, Mlondi can pay himself a salary.



Roughly 35 students are working with the 10 PCs in the class room

Mlondi Kosi informed us that if he could increase the number of participating schools from 4 to 10 the operation would develop into a financially viable business. Apparently demand from schools is very high. Unfortunately his finances were not in great shape; in fact he was burdened with debts to the amount of R 43'425. Thanks to a donation of 9 used PCs from Swiss Re, a grant of R 55'000 from SDC/DEZA, a bridging loan of R 5'000 from ESM and the support from Linuxola it was possible to ship another two class-room Linux Systems to Mlondi in September 2007. Increasing the number of schools to six. From the SDC/DEZA grant, R 21'048 is still available and they will be used to purchase another 4 Linux class-rooms in 2008. Special thanks to Rommel Roberts who made the import of used PCs possible.



Mlondi (without notebook) and on his right the principals of two Schools, which soon will receive a Linuxola computer room for their students.

Siyanda Mrhawu, King Williams Town

Siyanda (born 1986) was without hope to get a job, when, thanks to a grant secured by ESM from the Roger Haus Foundation, she was offered the opportunity to participate in a 9 months computer training course at the Hilltop Computer Center. Equipped with a training certificate and thanks to the mentoring by Robin Minney, Siyanda is now employed as a computer literacy trainer in Mandatsane and gets a regular salary. Mandatsane is a large and ugly township near East London.



Siyanda Mrhawu - all smiles!

There, Rommel Roberts started a peace and mediation project in 2005. The project's objectives are to solve small crime cases out of court, to prevent jail sentences and to improve life in the communities. This project was in danger of falling apart due to lack of funding. Thanks to another grant secured by ESM from the Werner Preuschhof Foundation, the project which is run by local volunteers (mostly elderly woman) has been re-energized.

Uxolo Network, Rolf Moser, Delft

Rolf Moser, a former Swiss fashion photographer, founded his community development network 10 years ago. He wanted to contribute to better lives in the township by working with young people. He established a music recording studio, started with township tours and plans to offer computer training. Initially Rolf lived in a "white suburb" but three years ago decided to buy a government built RDP-House (RDP stands for Redistribution, Development and Progress) in Delft. Over the last 10 years Rolf has suffered many set-backs. Just to name one: of the six tour-

guides he got trained and accredited by South African Tourism, three died of HIV/AIDS.



Construction started around Rolf's home

Rolf feels that his work is often one step forward followed by two steps backwards. ESM has been in touch with Rolf for five years but started to support him two years ago only, when we came to realize that he is really a grassroots operation that deserves support. Rolf is well integrated into the community and there are always a lot of children around his humble home. Rolf plans to build a "Business Center". He had a two story structure in mind which would house the recording studio, a computer school, offices and potentially small workshops as well as his own living quarters. Thanks to an anonymous donor, Rolf received R 50'000 which allowed him to start with construction. ESM also provides R 50'000 but not as a gift, Rolf has agreed to repay his loan by provision of services that ESM needs in the townships. There are close to 20 ESM entrepreneurs living in the vicinity of Rolf's new Business Center. **Vuyokazi Magodlela** is one of the ESM clients Rolf is mentoring for free. She is



Vuyokazi Magodlela

selling Alcare products (this are aloé based beauty and health products) Vuyokazi started selling two months ago. Average sales per month were R 1'500 with 53% gross profit. ESM has supported Vuyokazi with a loan of R 3'000.

When volunteers make a difference

Often entrepreneurs are in need of tailor-made training and support. This was the case with Nondumiso Mahanjana (page 1). Fortunately,

Ashwin Chandra, a 20 year old American from San Francisco offered his services and came to South Africa for five weeks. He spent hours and days teaching Nondumiso how to use Excel in order to manage her loans. Ashwin gave his time and brain and his father paid for the expenses! His base was the Hill Top Empowerment Centre in King Williams Town where Rommel and his wife Robin were looking after Ashwin and ensured his productivity. For Ashwin, the experience in South Africa was extremely valuable - the same applies to the entrepreneurs whom he coached. Often volunteers are rather a "nuisance" than help but, in the case of Ashwin, his work was really appreciated by the entrepreneurs and Rommel. There is space for volunteers within ESM projects but they need to commit themselves for at least 5 weeks and have to carry their own expenses.



Rommel Roberts thanking Ashwin Chandra

We are on track

At the end of the year we were surprised that we could fund 47 new projects in 2007. How was this possible? Firstly, the AMEROPA Foundation decided to extend the partnership with ESM and contributed a much loan capital than the previous year. Secondly, close to R 300'000 became available for reinvestment by clients who repaid their loans. Thirdly, we further simplified the loan making process and reduced our cost of managing the business by R 50'000.

We look forward to seeing many of you at the Cape of Good Hope in 2008

Sincerely,

Eric Meier-Ruegg
 Founder/CEO
eric.meier@esmdevelopment.ch