

Masakheni - Let us build

When looking for financial support to expand their little brick-making operation, word of mouth directed Anita and Wiseman to the African Art Factory in Cape Town, where they were introduced to Christina Kuhn. After an initial meeting, Christina visited the home of Anita and Wiseman in Delft, one of the more dangerous townships, where they and two children (3 and 5 years) live in a small house (1 bedroom, 1 kitchen and a toilet). Anita is employed by Yabonga, an NGO offering better learning environments to less fortunate children and empowering HIV positive mothers to be agents of change in the communities wherein they live and work. Anita, who receives a salary of R 1'500 per month, apparently is one of the few women, in the neighborhood where mainly women are working while unemployed men sit around, who is not beaten up regularly by her husband.



Anita & Wiseman with house & children

Behind the house is the work-space where Wiseman has his brick operation. He is unemployed since 2002 and produces 53 blocks per day in a manual process. His profit from working 11 hours is R 64 (\$ 10). If he had a concrete mixer and a brick



mixing concrete



pressing the brick

machine, he could make 320 bricks in less than 10 hours. There is plenty demand for Wiseman's bricks as construction is the big "industry" in the townships. After reviewing Wiseman's business model ESM approved a loan of R 23'000 for the purchase of a professional brick-making machine. The also needed mixer will be secured at a later stage. Anita & Wiseman's company is called Masakheni Block Busters and the meaning of Masakheni is: let us build! If all works well, Wiseman and Anita will generate a nice monthly income and create a number of new jobs.



Anita and Wiseman with the new machine

PS: Just after editing this report, Anita lost her job at Yabonga. The NGO has not been able to secure funding for 2006 and closed down.

Start, Work + Stay Together

One could assume that a bakery operating in a township would be a success. For this reason in 2001, ESM funded three entrepreneurs with R 50'000 each to buy the necessary equipment and start a bakery. One guy, Russel Ximba, loaded the equipment on his delivery van and moved it to Mozambique without ever repaying one Rand! The second bakery, owned by Cyril Johannes, has been operating successfully for two years. Then an industrial producer moved into his area and sold the bread cheaper than it cost Cyril to bake. By that time, Cyril had already repaid R 30'000 and ESM agreed to release Cyril from the loan agreement in return for the bakery equipment

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(today Cyril is working as a builder and gets a regular income). The whole machinery went back to the manufacturer for a thorough revision and the objective to



find a new entrepreneur in a better suited location. **Daniel Nomkala**, was introduced to ESM early 2004 by another entrepreneur we are in business with. He brings with him a long experience and used to work for one of the large bakeries. While already in his late 50ties,

Daniel was determined to run his own bakery and generate an income. ESM suggested an interest free loan for the bakery equipment and R 3'000 working capital bearing an interest of 12.5% annually. The bakery was supposed to operate from a friend's garage. Initially everything looked easy but, shortly after delivering the bakery, the troubles started. The electrical power available was insufficient and Daniel had to

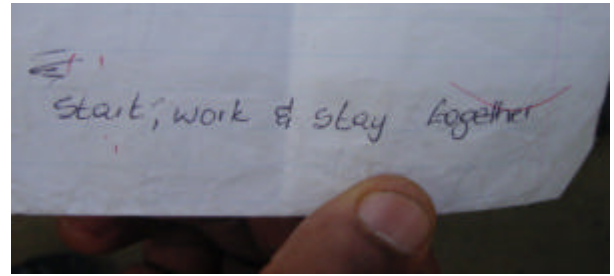


pay for the required high voltage line from his own funds. Then, the owner of the garage, who supposedly was a friend, got greedy and unexpectedly increased the rent for the garage threefold. Daniel had to look for alternatives and finally bought a container. Once more he had to pay for a power line, to get access to fresh water and to secure the container against robberies and burglaries. When everything was ready, Daniel discovered that the forms for bread baking had become rusty and needed professional cleaning. Another unnecessary expense! Christina Kuhn, who was assisting Daniel during these issues, grew



rusty backing forms

fond of him, observing his determination to make the business work. He showed her a piece of paper with the name of his bakery:



Daniel's bakery: start, work & stay together

By the time Daniel was finally ready to bake the first loaf of bread, his working capital loan with ESM had increased to R 13'000. Daniel should be in a position to make first repayments towards his loan early 2006.



Daniels Business finally operational

What happened to the third bakery? The initial owner could not make it work. A new entrepreneur was identified and trained but he too gave up after two months. The bakery went back to the manufacturer for a total overhaul. Then, before a new, more suitable entrepreneur was found, the manufacturer went into bankruptcy and the equipment got lost!

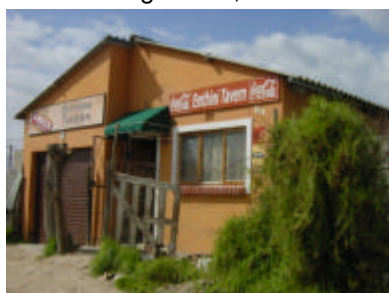
Khangelani Mqungwana

Peter Car Wash, with whom ESM is in business since 2000 introduced Khangelani, a young man, aged 26. Khangelani has been selected to participate in a one year long program for entrepreneurs to be. During this training he receives a small salary of R 1'000 per month in order to pay for his food, shelter and transport and to ensure that he attends the classes. However, Khangelani



Peter Car Wash (left) and Khangelani in front of the Shebeen

is already quite entrepreneurial. After school and on weekends he runs a Shebeen (illegal pub) in a rough area, where he still lives in the house of his



mother. When an opportunity aroused, to manage a legal Tavern for two months, Khangelani needed R 9000 to buy stock (beer, liquor, snacks, etc). After discussing the financials in detail and a visit to the Tavern, the bridging loan was advanced.

Within three months Khangelani repaid the loan with R 1'000 interest (33%). When asked, how much interest he would have to pay, if he had secured the loan in the township from a money lender, he responded: "I would have had to pay R 18'000. You have to double what you borrow". In real terms this means the applied interest rate would be 400%. From the profits made at the Tavern, Khangelani paid himself a salary and invested in a pool table for his Shebeen. Early 2006, the owner of the Tavern will go on vacation again and Khangelani takes over the management. He has secured himself another loan from ESM and plans to buy a car with the profits. In March 2006, Khangelani will finish his training



new entertainment opportunity in the Shebeen

and likes to start a Car Wash Business like Peter. PS: Khangelani met Peter at the entrepreneur program where Peter is a regular guest speaker

Lawrence Hoboshe

Repairing cars is what Lawrence is good at and he has been doing it for over 10 years. His idea of expanding the business was to move the activities also into buying used cars, repair and subsequently sell them with good profit. When Lawrence approached ESM, he just bought a good car at an auction for R 14'500. However, he had only R 8'000 for the down payment and urgently needed R 9'000 to pay off the previous owner and to buy the needed spare parts. He assumed that he could turn around the whole affair within three months. As always, business takes longer but Lawrence has already repaid 50% of his loan.



Lawrence and cars that need fixing

Noxolo Bill

It takes entrepreneurs to start a business - but where do you find them? Noxolo or Noxie how she is called by her friends is a young, single mother of 25 years. She has been working with a group of rural women in a catering business but the job did not provide for a regular income. Most of Noxie's colleagues were elderly, illiterate women and, despite the fact that Noxie was the most educated, would not take any advice from her since she was the youngest. Noxie's dream is to have her own catering business or even run a café. Engaging with "I would like to be an entrepreneur" type of individuals over the last five years has shown that many of them do not have the skills required to become successful. In order to prevent a mistake in funding Noxie's idea, ESM - with the support of Ameropa Foundation - have agreed to pay Noxie a one year learnership in a Café. During the learnership, Noxie will have to perform all relevant tasks to enable her running a café or catering service on her own. At the end of the learnership Noxie will have to present a business plan for her future venture and, if feasible, it will be funded.



Noxie Bill with the red blouse and the staff of "La Vonne" café

What happened to the 10 first loans?

Since late 2000 ESM provided funding to 50 entrepreneurs or individuals. To keep track on them is not an easy task. In some cases, the entrepreneurs stop repaying for a year or more until they finally overcome their business issues and resume payment. The following businesses are a fair representation of loans approved in 2000 and 2001:



Joseph Diliza

Thando Papers

Loan 15'000; 50% repaid
Status end 2005: Joseph's business is always in survival mode. He can make a living for himself and his family. Joseph has stopped repaying two years ago. Since then he gets only paid cash 50% for ESM's order of Christmas cards, the rest is applied towards his loan.

Jobs: 1 full time, two part time

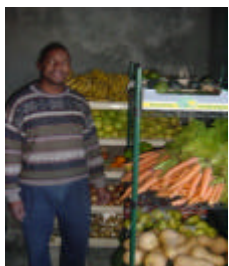


Peter De Bruyn called "Peter Car Wash"

Peter Car Wash

Loan R 26'000; 50% repaid
Status end 2005: Peter is a wonderful person but chaotic business man. He is always full of ideas and has become a social worker and business coach himself. Over the years ESM had to "bail out" Peter a number of times and his loan has, despite repayments, grown to R 40'000! Peter will require mentoring for many more years.

Jobs: 3 and up to 10 part time



Sebastien Chambe

Tip Top Cash Store

Loan of R 50'000; fully repaid
Status end 2005: Sebastian was very successful and planned to open his second shop. Unfortunately he got murdered in 2003, a few days before marrying his fiancé. His father took over the shop and sold it later.

Jobs: 3



Zarina Sawant

Zarina's Biscuits

Loan & equity: R150'000, 100% repaid and equity bought back

Status end 2005: Zarina's business has been a success from start. Her operation is expanding fast and today she supplies companies like Pick & Pay

Jobs: 10 and up to 10 part time

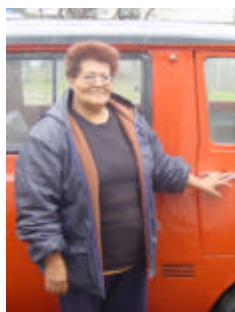


Mayford Dunywa

Uncedo Pottery

Loan of R 45'000; fully repaid
Status end 2005: Mayford discovered his African roots in 2003 and started an education to become Sangoma (natural healer). Just after completion of the training he got murdered. His wife Nontsinti has been managing the business for the last two years.

Jobs: 4 and up to 10 part time



Dale Isaacs

Dales Community Cleaners

Loan of R 20'000; fully repaid
Status end 2005: After initial success with the cleaning business, Dale started new ventures and received additional loans to the combined amount of R 180'000. Unfortunately the situation has become out of control and Dale made only few repayments on the new loans since 18 months. To solve the matter will take intensive work

Jobs: approx. 5 people

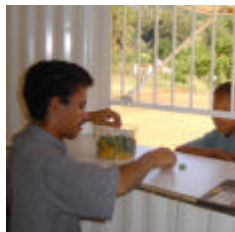


Patience Sono

Outpost

Loan 80'000; 80% repaid
Status end 2005: After a great start, Patience and her husband Victor got blinded by making fast money. They engaged with bad people and are now subject to a fraud case with the City of Cape Town. It will take more than a year to sort out the relationship with ESM and most likely will result writing off the outstanding balance.

Jobs: non anymore



Gus Pichardi

Blue Moon Spaza

Loan of R 46'000, 50% repaid
Status end 2005: Gus has a permanent job as mediator in land disputes. He wanted to give something back to the poor farming community he was coming from. Thus his shop has very low prices and it takes him a long time to repay the loan.

Jobs: 1



Theo Ntuntwana

Ncedisizwe Ceramics

Loan of R 40'000; 50% repaid
Status end of 2005: Theo is a gifted artist. However, the relationship between him and ESM did not work out well. While he initially agreed to a loan, he later felt that there was no need for repayment. ESM ultimately had to involve lawyers and write off half of the loan. Theo is still in business but moved his studio out of the African Art Factory.
Jobs: 5



Thope Lekau

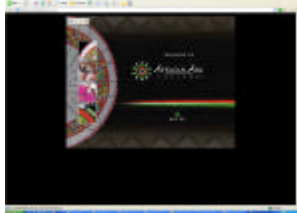
Kopanong Bed & Breakfast

Loan 84'000; fully repaid
Status end 2005: Thope Lekau is a big success. She is expanding her B&B fast. Catering for lunch to tourist groups (sometimes up to 70 people) is the main source of income. Thope is considering adding a first floor to her B&B.
Jobs: 4 and up to 5 casual

FreeCom Group & African Art Factory

"We have to continually be jumping off cliffs and developing our wings on the way down" goes the quote by Kurt Vonnegut. FreeCom Group and the African Art Factory are now flying on their own! Have a look at their interesting website or download a comprehensive report about each of the two businesses from www.esmdevelopment.ch

www.africanartfactory.co.za



www.freecomgroup.com



Impact & Outlook

"**Create 1'000 jobs by 2005**" was the objective for ESM back in 2000. After five years and about 300 jobs ESM is nowhere near the original plan. It most likely will take another 10 years to achieve that number. As long as people's lives change in a positive way, it is worth the effort. One of the lessons learned: **less money - more time!** With a few exceptions business and personal finance get mixed-up. There is always a personal crisis in the extended family and one has to get involved. Since early 2005, Christina Kuhn has been engaging with

the entrepreneurs and has helped solving many personal and business issues. She can write a book about her experience!

The picture shows Christina Kuhn and Thulisile Mrali's baby born July 2005. Thulisi-le is one of the entrepreneurs that had to solve a number of issues this year! In some cases advice is not enough and one actually has to provide some money to solve the problem. I would like to thank all the individuals and organisations who have shown their interest in improving the lives of people in South Africa.



For 2006 the plan is to fund a few opportunities in Johannesburg, Pietermaritzburg and the Eastern Cape (Grahamstown and King Williams Town) if they are in some way connected to the existing activities in the Western Cape. Also in 2006, the Springboard Fund will merge with ESM. The fund has a similar activity to ESM but was founded by South Africans.



Samela Titus

The reason for the integrations is, that Samela Titus, Manager of the Fund, has accepted a new position and the founders do not want to hire a replacement and invest in new businesses anymore. They are happy to have identified with ESM a partner, which will continue the work they started.

2006 will be an exciting year!

Sincerely,

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

Background information about ESM Development:

Creating jobs is the single most important task to improve living conditions for the many historically disadvantaged individuals (HDI) in South Africa. Poverty and crime will significantly be reduced once people can take care of their basic needs. Supporting entrepreneurs to start a business or to help them grow an existing operation is the most promising route to create new jobs.

ESM has implemented a structure in South Africa for the sole purpose of investing in businesses of Historically Disadvantaged People and to provide them with the necessary business services and skills.

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Partners & Friends of African Art Factory, FreeCom Group and ESM are:

- *African Equation, Cape Town, South Africa*
- *Ameropa Foundation, Basle, Switzerland*
- *Andromeda Fund, The Netherlands*
- *CCDI (Cape Craft & Design Institute), Cape Town, South Africa*
- *Cogitare Foundation, New York, USA*
- *CSIR, Cape Town, South Africa*
- *DTI (Department of Trade and Industry), Pretoria, South Africa Trade and Investment South Africa*
- *Erik Soerensen Family, Zurich, Switzerland*
- *Foursome Investments, United Kingdom*
- *Graduate School of Business of the University of Cape Town, South Africa*
- *Greg James, c/o Glencore, Switzerland*
- *Hans Kuhn Family, Cape Town, South Africa*
- *IFC International Finance Corporation, USA*
- *Jacobs Foundation, Zurich, Switzerland*
- *Mallinicks Attorneys, Cape Town, South Africa*
- *PAWC (Provincial Administration of the Western Cape), Cape Town, South Africa*
- *ResponsAbility AG, Zurich, Switzerland*
- *Richard Sieber Family, Zurich Switzerland*
- *Springboard Fund, Cape Town, South Africa*
- *Swisscontact, South Africa & Switzerland*
- *Swiss South African Co-operation Initiative (SSACI), Pretoria, South Africa*
- *SIPPO (Swiss Import Promotion Programme), Switzerland*
- *WESGRO (Official Trade & Investment Organisation for the Western Cape) South Africa*