

Is Africa, or in our case South Africa, suffering from too much help? “Experts” of all sorts in the developed world are questioning the effectiveness of development aid that has been granted over the last 40 - 50 years to Africa. The more challenging question is, whether the right aid has been offered or as one person on the “receiving end” states: “Many development programs are based on the false assumptions that we, the poor, do not know how to overcome our poverty and improve our own condition and that we are lethargic and accept our poverty as our fate. For us all this is quite hilarious. Those who plan their “empowerment” interventions clearly do not understand our reality, our priorities, our wishes, our thought process, our constraints and our needs. If you want to empower the poor, please first trust the poor, have confidence in the people’s knowledge and wisdom. The people can teach you, not the other way around. Don’t insult the poor, let them seek solutions to their own problems. I do not say we do not need or want the help or your co-operation but let **us decide and **you** support.”**

We went through a similar learning curve at ESM. However, with the accumulated experience of over 70 projects, we make fewer mistakes today. But, as you will read in this update, each new business comes with its own specific set of challenges!

Nondumiso Mahanjana’s Microfinance and Consulting in King William’s Town

Nondumiso, a single mother in her early forties, has been working with an NGO (www.hilltop-centre.org) as a field worker for a number of years. In 2005 she was asked to implement a pilot microfinance project for the Hilltop-Centre. Nondumiso’s work was reviewed early 2006 and one could see that she was very entrepreneurial and connected with her rural customers and their small businesses. It was discussed whether she could set-up her own small business around microfinance and consulting. While she has a driver’s license, the first obstacle was to provide her with a mode of transport. In the rural areas a 4 x 4 is a must, preferably a car, which allows for transport of people and cargo. Luckily, there was an opportunity to buy a second-hand Isuzu 4 x 4 for R 61’800 in excellent condition. Nondumiso bought the car with an ESM loan and since May has already repaid R 12’000. In her business, she generates income from

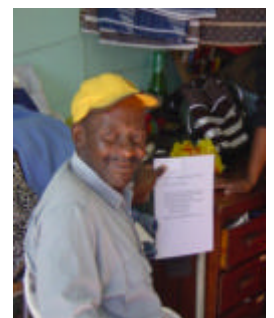
consulting assignments, sales commissions and the microfinance operation. For the microfinance operation Nondumiso received a loan of R 80’000 which will be paid out as she achieves discussed milestones. She will charge 6.67 % monthly (80% annually) to her clients. This is in line with the APEX fund managed by the South African Department of Trade and Industry <http://www.dti.gov.za/samaf/samaf.htm>. Assuming that she will always have 50% of her capital on loan, this will create a gross income of R 32’000 (assuming no losses!).



Nondumiso (right) with two of her microfinance customers with a farming business

Tshisa Mpama Clothing - Joseph Selela

ESM “inherited” this client who makes money from sewing and trading from the Springboard Fund which merged with ESM during 2006. Joseph’s business is located in Kaya Mandi, a large Township near Stellenbosch. His original loan was R 5’500 as working capital to increase his stock items. However, Joseph has been struck twice within a year with bad luck. First the shack which served as his business location burnt down and then his family home went up in smoke. Despite this, Joseph managed to repay his monthly R 200 and the loan is down to R 867. Joseph’s plan is to



Joseph Selela

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apply for a larger loan to expand the business but he will wait until he has a brick house to avoid any more fires. Joseph and wife, Agnes, have 11 children between 2-26-years old; six children still live in their small home.



Agnes and one of the twins in front of their home

Mhlanga Cash Store

David Ndlowu and his wife Faustina are from Mozambique and run a little shop in one of the townships near Cape Town. David was looking for a loan



Joseph with his baby son in front of the shop

of R 2'800 with the idea to offer "fish and chips" to his customers. We organised a short training with an associated "Fish & Chips" business and paid out the loan. The good news is that David has already repaid the loan and his business improved. However, David did not buy the "fish & chip" equipment as discussed but instead increased the stock and product range of his shop.

Dumani Locksmith

Back in 2001, Themba Dumani got a loan for R 27'000 to buy a car and two machines. Since then he has repaid R 13'600. During the same time his car and tools have been stolen twice. For the last 18 months he made no repayments toward the loan but have a look at his house! As you can see, he does not waste money!



Entrance 2001



Entrance 2006



Themba in May 2006 in front of his "villa" - even the street is paved.

It's clear that Themba's and ESM's priorities are not in synch. But from a development point of view, Themba has the right to be proud about his achievements and he promised that he will resume payments, once the house is finished.

Mandisa Matshoba - Cell Phone Container

Early 2004 Mandisa received R 27'000 for a Cell phone Container Business of which she has repaid 80%. Mandisa has been an ANC member for a long time and decided to run as a counselor during the



March 2006 local elections ... and she won. The reputation as successful business women definitely helped. Mandisa's life has changed considerably over the last three years. Her family moved into a new house, she got her driver's license and bought herself a car.



Mandisa with her new car in 2006

When it does not go the way as planned

Moses Mazibuko is a kind and fine gentleman, whom we happen to know since 2003. Originally from Zimbabwe, he has always been working, albeit



Moses Mazibuko

in very different functions, be it as a delivery man, glass cutter, welder or wire craft producer. 10 years ago he bought himself a small house in Dunoon, a fairly new township near Millnerton/Cape Town. Every March, the Cape Argus Cycle Tour takes place and attracts amateur cycling enthusiasts from around the world. Every year, the Holiday Inn asks Moses to supply 300 wire bicycles which they give away to the hotel guests booking the Cape Argus Special. Moses gets R 35 per wire bike or R 10'500 in total. With the first check from Holiday Inn, Moses bought the house in Dunoon, then a car, etc. Last year he added two rooms to his house which he is now renting out for R 800 per month. His dream however was to own a "station wagon" which he could use for people transport and generate some additional income. He contacted ESM in March 2006 and said he was looking for a loan of R 25'000

to buy a 13-year old Toyota Venture (seating 10 people) in "mint condition". Apparently, Moses had already secured transport agreements to shuttle workers from a nearby Woolworth shop and a restaurant back to their home after work. In addition he was the "Minister of Transport" for his Church and he would get paid a small compensation because the church would not have to hire a taxi anymore. After discussing the economics of his idea and the rules of the loan, ESM checked the trustworthiness of the seller (a well established South African professional) and paid him directly. You should have seen the happiness in Moses eyes on the day he chauffeured his fellow church members for the first time.



wire bikes



Moses (right) with his first transport of church-fellows

Unfortunately, things don't always work out as planned. First the Dunoon Taxi(Mafia)-Organisation requested a R 10'000 member fee or suggested to give up his idea of transporting people. Then the shuttle-agreement for the Woolworth workers never materialized. At this point Moses decided to cancel the agreement with the restaurant and sold the station wagon for R 28'000 to the Dunoon Taxi-Organisation, thus making a profit of R 3'000. This would have been a good end to the story but it continues. The new owners used the car to transport passengers long distances when, in August 2006, they were stopped by a police checkpoint in Beaufort West (500 km north of Cape Town). The police checked the key parts of the car and claimed that the motor was from a stolen vehicle. The station wagon was immediately detained for further examination. The Dunoon Taxi-Organisation was not happy at all and went back to Moses. They pressured him with all sorts of threats (incl. arms) to return the purchase price of R 28'000. Moses did not have the money anymore.

He could only give them R 15'000. The remaining R 10'000 he had invested in building materials as he planned to add a few more rooms to his house, with the objective to rent them at R 500 per month. While all this is happening, the station wagon is still in Beaufort West and the police are not releasing the car. When we noticed, that Moses stopped making repayments in September, he told us, that he had some minor problems but that everything would come right: "Don't worry Eric". We finally learned about the story end of November. Moses is now working as a driver for a Hotel in Camps Bay. There are a number of possibilities:

- a) Moses is not telling the full story
- b) The seller did trick us
- c) The Police in Beaufort West are crooks
- d) The Dunoon Taxi-Organisation and the Police in Beaufort West have a joint-venture

We have the details of the Police station and started investigating. However, little will happen until we have an opportunity to see the police personally in March 2007. At this point we believe Moses.

Impact & Outlook

No doubt, 2006 was an exciting year. 10 new entrepreneurs have received a total of R 216'950 funding or approx R 22'000 in average. Despite what Afro-Pessimists believe, we are optimistic that with our interventions we can make a difference to lives of the people we work with. Their livelihood has improved. For 2007 our goal is to once more assist a handful of entrepreneurs with the start or development of their business. At the same time we want to spend time with those that have received funds already but struggle to make their businesses work. Our thanks reach out to the individuals who, in one way or another, have supported "our customers". Should you be in South Africa, please let us know, there is always space for synergies.

Sincerely,



Eric Meier-Ruegg
Founder/CEO

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PS. Happiness does not require a large budget, as you can see on the picture below. It was taken during a very hot day March 2006 in Delft South, a township near Cape Town. These youngsters are very happy with their improvised "swimming pool". An empty garbage collector and water is all they need.

