



Running a business is a lot like learning how to swim. When you first jump in the water you have trouble staying afloat, you swallow some water and cough a lot before you really get the hang of it. But you need to be persistent to succeed. This sort of persistence also characterizes our work at ESM Development. Over the past 10 years we have financially assisted over 200 entrepreneurs – very few of which were “natural born business people.” ESM provided a positive and encouraging environment; many are still trying to stay afloat and some drowned. But being persistent, we’ve learned too! Our clients work in a fragile environment and rely on ESM for support when things don’t work out as planned.

Peter Car Wash & persistence

Peter de Bruyn’s story begins uneventfully. A carpenter by trade, he left Cape Town in the early 1980s to work in the construction industry near Johannesburg. He gained valuable knowledge and soon was responsible for a team of 35 people. In 1984, he came back to Cape Town to look after his sick mother and shortly thereafter married Maria. They had two sons but 10 years later Peter’s life derails; he lost interest in everything except drinking. For three years, he lived on the streets and survived through odd jobs and handouts. In 1999, after he turned 40, he began to turn things around. Peter reconnected with his family and ventured into the car wash business – and soon



Peter Car Wash in action in 2002

became known as “Peter Car Wash” all over Cape Town. He applied for a loan to buy a bakkie (small van) and a vacuum cleaner and for the next 10 years, whenever Peter faced a crisis, he approached ESM and we assisted whenever possible.

A lot of things went wrong: his van got stolen, the staff cheated, landlords and business partners took advantage of Peter’s friendliness. But he also won awards for his entrepreneurial talent and the fact that he provided jobs for up to 12 unskilled people. Peter brings joy to many people and never blames others for his shortcomings. Despite our best efforts, we never convinced Peter to formalize his business and implement sound accounting practices. His character did not make it easy for his family and, unfortunately, he broke off the relationship again. He left his family and started a new life in 2009 – back to square one!



Peter Car Wash and his son Justin

Peter was our first client and over the years he received loans totaling R 93’220 and repaid R 43’950. We trust Peter that he will repay the balance, but this, too, will take patience and persistence.

Rodney and Zukie Ndyalvan: B&B plus

In 2002 we met Rodney, a teacher, and his wife Zukie, when they just opened their B & B in Masiphumelele, a large township on the way to the Cape Peninsula. They invested all their savings and hoped to get clients for their new business. Besides teaching, Rodney was very active in the community of Masiphumelele and tried hard improving the living conditions for the people. Back in 2002 we did not want to financially support Rodney and Zukie but we donated a Personal Computer as a token of appreciation and encouragement of their work in the community. Zukie was mainly in charge of the B & B but after four years, they had to take the decision to close it down. Apart from a few international guests there were no visitors.

on the following pages	
Fazeelah Ibrahim: Speed and flexibility	p. 2
Agriette Madala: Power and strength	p. 3
Fighting Poverty: A demanding task	p. 3
The next 10 years	p. 4



Rodney and Zukie with their two children in front of their B & B

In 2008 they started a new business: “alien clearing”. The colonists brought many species to South Africa and some plants are very bad as they use too much water. The National Parks organisation invests a lot of money to clear nature from these “alien vegetation”. Rodney and Zukie



Zukie and her “alien clearing” team.

won a tender to do this work. One of the reasons they were awarded the tender was the fact that they owned an old Minibus which could transport the staff to the fields. In 2009 Rodney and Zukie approached ESM for a loan to fix the Minibus as it broke down too often. We agreed but, a year later, the Minibus was beyond repair and Rodney and Zukie inquired whether ESM would be willing to fund a new vehicle. They were afraid to lose the contract with the Park authorities if they could not move quickly. They already had identified a used Minibus for R 140'000. While they had R 40'000 savings, the seller was willing to give them credit for R 50'000 but they lacked the remaining R 50'000. Based on the fact that they had repaid the earlier loan of R 7'000 we agreed. Rodney is still a teacher and continues his work in the community. The latest project he got involved is a food garden on the grounds of the local hospital. People from the community learn how to grow vegetable and what they do not need for themselves is sold. Rodney recently confirmed:

Without the Minibus it would have been impossible to accomplish the various tasks!



Food garden project at the False Bay Hospital.

Fazeelah Ibrahim: Speed and flexibility

Fazeelah had reached the end of the rope when she contacted ESM on June 30, 2010 for a loan of R 45'000 to save a textile business with 18 employees. She sent us the following Email: *Two years ago I went into partnership with Geoff Schreiner to form a manufacturing company Kwazulu Quilts (KZQ). At the time I was employed by PSA (Performance Solutions Africa – a consulting company) as a trainer. G is the managing director of PSA. Since then our business relationship became somewhat strained and G. decided to terminate our relationship rather abruptly. I was retrenched at PSA and he decided to liquidate KZQ.*

I was now economically at a great disadvantage as both streams of income were unceremoniously removed. Furthermore the staff of 18 people we employed was now out of work. 95% of the staff are single mothers and sole bread winners. The liquidation process then followed and the non-movable assets were valued at R 40'000 plus VAT which totaled R 45'000. The staff and I rallied around to protect our economic well-being and we managed to raise R 10'000. We also managed to retain the customer – “Towel & Linen”. We are their primary supplier in Cape Town.

We do however have a huge challenge in that we have not been able to raise the balance of the money in the time frame demanded, to secure the assets and the liquidator is threatening their removal.

The challenge we face is thus fairly daunting and we would welcome any suggestion or advice that you might be able to offer. The R 45'000 have to be paid by July 2nd – in three days!”

Within two days we agreed on a one page contract and transferred the funds. The company now belongs to Fazeelah and end of October her loan was



Fazeelah Ibrahim on July 2nd 2010, just after the deal.

already down to R 31'755. Fazeelah is a single parent with two children, she has the business experience required to run the company and by doing so, provide the so much needed jobs.



Fazeelah's production facilities

Agriette Madala: Power and strength

This woman lives in a small rural village 1'000 km north/east from Cape Town. Agriette is a mother of four daughters (one of them an ESM client in Cape Town). In 2008, she requested a loan of R 5'000 to buy second hand cloths which she would sell in her village. We agreed and the loan was repaid "like a clock". Agriette is already 60 years old, quite senior, considering average life expectancy of 52.5 years. Her husband passed away recently and when we visited her this year she said, she wanted to retire but before she could do so, she needed to go once more to Durban (500 km north) and buy second hand cloths - for R 10'000 this time and in addition she wanted a loan

of R 5'000 for her daughter Nokubonga, a teacher. Since we had a good experience with Agriette we proposed that she takes responsibility for the full loan to which she agreed. By end of October Agriette has already repaid R 8'000.



Agriette (left) with her daughter Nokubonga and grandchildren.

Agriette is a very strong, determined and kind woman. She insisted in showing us the grave of her husband and parents. Once more we were touched to see how in their culture loved ones are cared for.



Agriette – happy to show us how she cares for those who passed away.

Fighting poverty: A demanding task

Although we have come to the conclusion that the "group-lending model", as pioneered by other organizations, does not seem to work in urban communities, Christina Kuhn is still committed to support women projects. To fight poverty effectively is a very demanding task in the township and has to be reviewed over and over again. We are still learning and trying to do better. Besides the lacking skills how to run a business there is a "cultural induced poverty". Spending money on funerals, initiations etc which are mostly taking place in the Eastern Cape with lots of costs involved, is often the reason that families stay where they are. Just giving money

doesn't help, but can even worsen women's life because after a short period of relieve, if nothing changes, the women are left with more debt. That's why consulting has become more important. Consulting means to find out why the business doesn't flourish and what can be done to change it for the better. For example: goods are sold "on credit" (and the customers have all sorts of excuses not to pay) or too cheap (women cannot calculate prices), there is no marketing or inferior quality. Without skills and persistence, women often jump from one business to the next, hoping to be more successful (lucky). In the past year, Christina performed over 60 individual consultations - either in our office or in the townships - and the women appreciate this very much.

Only 6 new loans were granted in 2010 and there are now 69 women in the project. 10 women have repaid the loan 100%. But we also had to write off 3 loans (one client passed away, one disappeared and in one situation we realized that there is no chance to recover the loan).

Year	No Loans	Total Loan Amount ZAR	Repaid by 10/2010	in %	Beneficiaries
2007	12	84'468	36'210	43%	50
2008	34	220'453	92'609	42%	135
2009	17	115'900	39'319	34%	58
2010	6	6'050	3'810	63%	23
Total	69	426'871	171'948	40%	266

Since October 2009, the 69 women in total have repaid R 34'559. This brings the repayment rate to 40% and is amazing. Just think about the situation of Faith Ngoma who is in catering. Back in 2008 she received a loan of R 2'820 which she repaid as promised. The money was used to buy stock for a catering job. Then Faith received another loan of R 5'000 to buy additional cooking equipment which would allow her to start a small restaurant and take-way. Her whole family was supporting her in the business but she failed. Faith just did not have the required skills. As a result, she was depressed and for over a year nothing went right. About two months ago Faith got the offer to run a school kitchen. She was very excited about this opportunity, but did not think that the school closes beginning of December and starts end of January only. In the meantime she is cooking for groups again. Will she succeed? We hope for the best.



Faith is back!

Florence moves on – Nomfzeko on board

Good news for Florence who has been working with ESM for over a year! She secured herself a full time job at a Yoga Studio where she is not only cleaning but also assists with the reception and administration – skills she learned while working with Christina Kuhn. This is a huge step for her: good salary and pension – less worries!



Florence (right) with one of the new clients in the women group project.



Nomfzeko Yalezo, one of the TSiBA students who has assisted ESM in the past is taking over some of Florence's work.

The next 10 years

In addition to the 6 loans in the women project, during 2010 ESM made 23 new loans for the total amount of R 466'191. Combined, the over 200 clients repaid R 425'374. Most clients are still years away from becoming solid and profitable. Some will not make it and give up but many will surprise us with their achievements. The original plan was to assist creating 1'000 jobs by 2005. It took 10 years to reach 400 – so we should get to 1'000 by 2020! A good and realistic objective as we have learned that it takes very little water to teach swimming but a lot of persistence.

Sincerely,

Eric Meier-Ruegg
Founder/CEO

A Japanese proverb says:
"Money grows on the tree of persistence"