

Message from the Chairperson of SaveAct Trust



South Africa remains a country in deep distress. Despite many attempts to rise above our oppressive past, our society is afflicted with inequality; a culture of materialism, the reality of unemployment, the lack of financial literacy and unscrupulous loan sharks keep poor people poor and locked into a vicious cycle of debt and vulnerability.

Something that sparks a desire to save, to take control, and offers a responsible path out of poverty is a breath of fresh air. It is freedom. SaveAct gives people the tools to realise this freedom and some 25 000 people have grasped it in a short space of time. My congratulations go out to SaveAct staff. What you do is create hope in a context in which possibilities and alternatives are in short supply.

Alternative approaches to job creation are essential for our society. All the elements of SaveAct's programme combine to create a favourable environment for members of savings groups to reduce debt, become financially literate and make use of accessible and affordable financial services to invest in enterprise. The added training that SaveAct offers towards enterprise design and implementation is a boost to this all important endeavour.

This alternative approach builds confidence and releases people's latent abilities and energy. Members of savings groups work together to build their respective enterprises. They pool their finances and buy agricultural inputs in bulk. They learn from each other, and use the financial services of their savings groups to invest and expand the scope of their enterprises. Research commissioned by FinMark Trust found that 20% of members of SaveAct savings groups started new enterprises, while about 40% supported their enterprises through their financial services. This indicates that approximately 5 000 members will have started new enterprises while 10 000 routinely finance their enterprises from their participation in savings groups.

I am delighted that SaveAct's work has now achieved widespread recognition. There are requests for expansion into new provinces and for greater scale. This is an exciting and challenging place to be. Many an NGO has come apart trying to scale up its work. Testing times lie ahead, but I have every confidence that the staff and board will navigate these difficulties successfully.

I want to thank fellow board members for their commitment. In particular we thank Krish Govender, who has resigned following his relocation to Johannesburg.

Hats off to SaveAct. May this great work continue.

Milton Ncolosi, Chairperson

Annual Financial Statements

As at 28 February 2013		1 March 2012 to 28 February 2013			
	2013 R	2012 R		2013 R	2012 R
ASSETS				SUPPORT AND REVENUE	
Cash and cash equivalents	4 335 588	1 999 292	Grant income	2 462 620	3 531 698
Property and Equipment	156 642	77 979	Interest and dividends	91 261	27 745
TOTAL ASSETS	4 492 230	2 077 271	Insurance Refunds	4 744	-
			Training Fees	11 100	-
FUNDS AND LIABILITIES				VAT recovery - prior years	- 456 360
LIABILITIES				TOTAL SUPPORT & REVENUE	2 569 725 4 015 803
Accounts Payable	30 576	295 764	EXPENSES		
Grant income rec in adv	3 064 621	-	Consulting and professional fees	927 341	807 428
TOTAL LIABILITIES	3 95 197	295 764	Employee Costs	972 759	1 013 005
			Enterprise Training	1 784	13 154
FUNDS			Non-recurrent capital expenditure	9 350	3 547
Trust Capital	100	100	Recurrent programme costs	515 263	381 304
Accumulated Surplus	1 396 933	1 781 507	Recurrent costs - local office	195 980	212 538
	1 397 033	595 081	Research and development	62 341	50 272
			Savings and lending course	-	182 130
			Travel	269 381	165 999
TOTAL EQUITY AND LIABILITIES	4 492 230	2 077 271	TOTAL EXPENSES	2 954 199	2 829 377
			(DEFICIT)/SURPLUS FOR YEAR	- 384 474	1 186 426



Annual Report 2012-2013

SaveAct gratefully acknowledges the support of the following donors and partners:

Angela Mai



Cover photo: SaveAct and visitors (Absa, Barclays, the Centre for Inclusive Banking in Africa, of the University of Pretoria, and Savings Revolution) observing savings practices on a study visit to Maqonqo, KwaZulu-Natal.



Overview by Executive Director Anton Krone: 2012/13



The money counter counts the amount of savings that each member is contributing during the savings meeting by placing the money into a bowl or plate and counting note by note. This happens in front of everyone so that each member can also count the money. The record keeper records the amount saved in each record book.



Savings groups' members pay a fee for the services that they receive from the local Community Based Promoters. Each member contributes R2 at the beginning of the meeting by placing R2 on each record book.

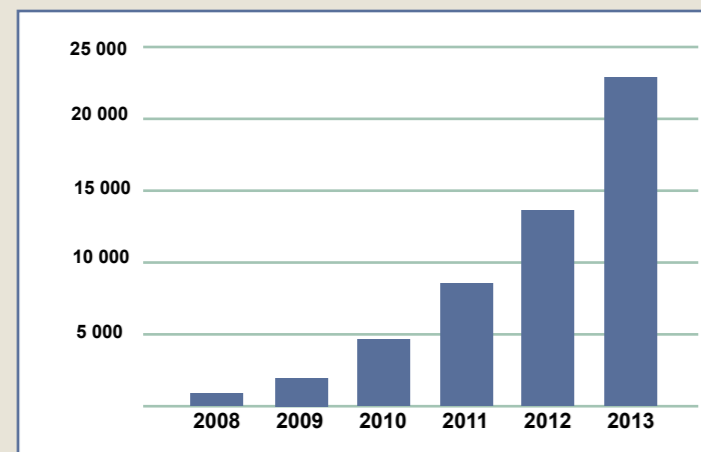


SaveAct is developing a partnership-based scaling up model, where partners are carefully selected, trained and mentored to implement the model in the communities that they serve. A 'Training of Trainers' week-long workshop was held for NGOs in September 2013.

SaveAct looks towards expansion

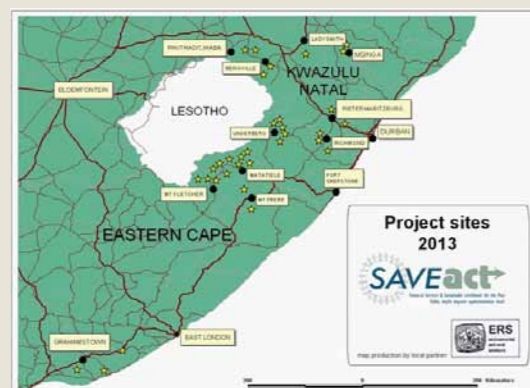
SaveAct is pleased to report dramatic results in the growth and impact of our programme. Our model provides one of the most effective forms of social investment available for the upliftment of the poor; it provides a concrete platform from which people can begin to climb out of poverty and releases an empowering sense of agency amongst members. Its effectiveness can be measured by the fact that in the last year the number of members in Savings and Credit Groups (SCGs) has risen from 15 024 to 22 188. The need for capable partnerships, flexible funding and skilled trainers and mentors are key to taking these numbers even higher.

Growth of membership of savings groups from 2008



Recent developments

We have consolidated our work in KwaZulu-Natal and in the northern parts of the Eastern Cape (around Matatiele and Mount Fletcher) and with support from the Absa Foundation we have begun expanding into the southern parts of the Eastern Cape (in partnership with the Angus Gillis Foundation) and the Free State (with assistance from the Catholic Community Service). Sites where SaveAct has worked during the period are indicated below:



Rapid expansion in some areas meant that SaveAct needed to assess groups for additional training. Specific training to redress gaps was implemented.

The distribution of members by province and area as of June 2013 is as follows:

Province	Members
Eastern Cape	11 110 members from 581 groups
Matatiele environs	7658 members from 386 groups
Mount Fletcher environs	3107 members from 172 groups
Mount Frere environs	125 members from 9 groups
Peddie	220 members from 14 groups
Free State	30 members from 3 groups
Kwazulu-Natal	13 628 members from 621 groups
Bergville environs	6677 members in 304 groups
Bulwer/Underberg	1668 members in 76 groups
Msinga	605 members in 28 groups
Table Mountain/Maqonqo	3272 members in 149 groups
Richmond environs	1286 members in 59 groups
Limehill	120 members in 5 groups
Total	22 751 members

MIS, 2013.

Between March 2012 and February 2013, 7 164 people joined a savings group and were trained in the methodology.

A total of 18 community-based promoters (CBPs) were contracted to train and mentor SCGs (Feb 2013).

Financial education

SaveAct was fortunate to have an independent evaluation of its financial education (FE) done by a team of specialists assembled by FinMark Trust. This has assisted SaveAct in devising a more focused approach, where content is introduced to savings group members at moments when they face critical financial decisions. With this approach it is anticipated that the knowledge will be absorbed and applied in ways that have greater impact. This work laid the ground for a submission to the PlaNet Finance/ CitiBank Foundation financial education innovation awards. SaveAct was one of two winners of this national award.

FinMark Trust have endorsed the value of financial education within savings group development. Their evaluation has recommended that:

- the FE message be aligned with a group's savings cycle and financial decision 'touch points';

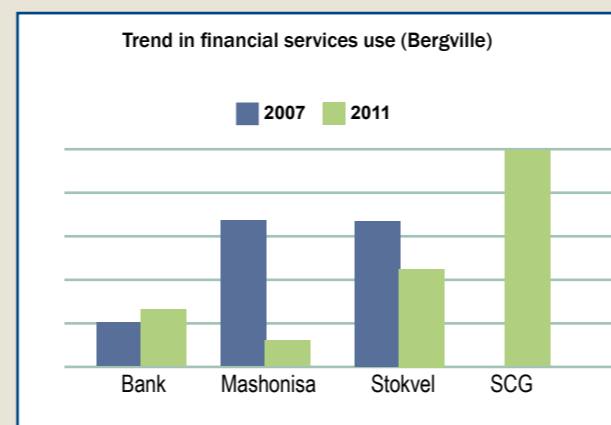
- there be ongoing training of facilitators (CBPs) on their own financial wellbeing;
- facilitators be incentivised and remunerated to secure the attention that FE needs;
- a single facilitators guide for the savings model and FE be introduced;
- stories and pictures be used to stimulate FE conversations within SCGs;
- the monitoring of the FE be embedded as far as possible;
- and that the possibility of an additional education/advice portfolio within a SCG be explored.

A team of FE specialists is now developing material according to these parameters. This is being done in close collaboration with SaveAct. It will be piloted in 2014.

Saving is a necessity, not a luxury

SaveAct's work is informed by groundbreaking research from the book Portfolios of the Poor which has re-shaped how we look at and think about financial services. We can no longer talk of simply 'banking the poor'; such efforts have had little positive benefit. Instead we need to provide support for the poor to develop and exercise their own financial service strategies. Two important strands of thinking have emerged: poor people have to save in order to survive and they are capable of managing multiple financial services. SaveAct helps to shift member's portfolios away from credit and debt towards savings and asset building. Recent research shows how members stopped using loan sharks (mashonis) and increasingly made use of their savings groups to meet their needs.

Uptake of participation in Savings and Credit Groups (SCGs) versus other financial services



Source: Delany & Storch (2012).

Partnerships

Our valuable partnerships have helped us in numerous ways:

- Funders (in particular Absa) have allowed us to start scaling up in a systematic way;
- The sponsoring of research by FinMark Trust produced evidence of the impact of our work on people's lives.

This has helped to give credibility to a new model in South Africa. It has helped to influence the policy environment in financial services and financial education, while promoting the importance of 'financial capability' ahead of products.

What makes SaveAct's model unique?

- Savings Groups members 'capture' and harness their social grants through commitment savings within 48 hours of receiving these grants each month.
- They secure an annual return of 30-40% on their investment.
- Groups pool funds to provide a loan service to members on mutually agreed terms.
- The repayment of these loans is at a strikingly high rate of 99%.
- Our model encourages initiative and offers flexibility: savings groups set their share-out dates to coincide with important annual life cycle moments, for example, when school fees are due, or when farmers need to buy agricultural inputs.

Challenges for the future

South African savings groups save significant amounts of money. It is estimated at current levels they mobilise close to R70m pa. This is positive but presents a security risk for a short period of time each year. Innovative ways need to be found to support savings groups to move their cash into secure storage. Fortunately there are people in the banking sector who are supportive of savings groups and who are working with us to solve this problem.

The commitment of staff has been extraordinary. They have walked that extra mile to reach the financially excluded. The board has given freely of its time to ensure SaveAct is well managed, while funders have allowed SaveAct to build on pioneering work to start taking the model to scale.

A sincere thank you to all of you.

FinMark Trust research into SaveAct SCGs and effects on enterprise

SaveAct SCGs save large amounts and operate financial services that bring a range of benefits to members. These include:

- Consumption smoothing – the capacity to meet the ups and downs of essential household expenditures over a cycle.
- Changes in the type of financial services used by savings group members. Over a four-year period there was a shift away from the use of loan sharks and debt inducing facilities towards the use of savings and asset-based facilities.
- Changes in behaviour amongst members. There was increased awareness of the importance of budgeting and avoiding high risk behaviour.
- Members saved increasing amounts over time. There was an overall upward trend in the purchase of shares.
- Members were investing large amounts of their capital in:
 - Housing and home improvements (48%)
 - Education (19%)
 - Enterprise and agriculture (17%).
- Many members cited improvements in their overall outlook. They had purpose and hope. With few exceptions, relations with spouses had improved and members were regarded with greater respect. Some cases of increases in remittances by the husband (to capitalise on investment opportunities in SCGs) were observed.

- SCGs showed a strong trend towards long-term sustainability. Retention rates in groups were very high, while the average size of groups was going up over time.

- There was a strong link between social grants and SCG member behaviour, with members using their grants to buy shares in their SCG.



- There was evidence of a virtuous circle, involving the use of income (including grants), investment in savings, use of financial services to invest in business, and using the returns from business to reinvest or diversify assets and income streams.