

ANNUAL REPORT 2021-22



A MESSAGE FROM OUR FOUNDERS

Even though we now live many thousands of kilometers away from South Africa, there is never a day that we don't wake up and think about our colleagues and clients in Phakamani Foundation. When speaking to others about what is happening in Phakamani, the most common expression we hear is WOW. When watching people take in the introductory video or visit our clients, the most common response is quiet, for many it is tears as each one grapples with the enormity of the problem and our team's response

We are very grateful for Eric Crawford and the team at Phakamani and how they have managed their way through the Covid challenges and are now full steam ahead growing and improving the organisation. They don't just do the work, they do it with heart demonstrating that poor people really do matter.

Living in Canada it has been possible to connect with many of who are Phakamani supporters. Its humbling to hear them speak about Phakamani through their own eyes. Many of these people have been to South Africa and visited our clients.

Importantly we want to acknowledge that through it all, God has been with us from the start.

Sincerely,
Mark and Shirley Tucker

A PHAKAMANI OVERVIEW FROM THE CEO

The past two years have been a challenging time for growth and have required significant adaptation in all that we do. Normal business cycles were disrupted, and plans were placed on hold as we worked to do what was right for our clients, funders, and employees. Immediate needs often took precedence over longer-term plans... yet we never lost sight of our long-term goals. It was a continual conundrum!

Phakamani's sustainability is a key priority as we keep working towards ***a country in which even the poorest entrepreneur has the opportunity to create a business, uplift a family, and build a dream.*** After the hard lockdown of April 2020, Phakamani staff checked in with our clients. A comment from one entrepreneur

was profound: "When Phakamani contacted me I had hope again". This puts into perspective what we aim to achieve as an organisation, one client at a time. Our work is about opportunity because opportunity inspires hope.

In February 2022 we reached R1bn (US\$66m) in capital disbursements. More than half of this has been disbursed in the past three years, which is indicative of the rate of growth we have experienced. This milestone is a phenomenal achievement that could not have been reached without our founders' vision and action, the support of our donors and funders, and our staff. We are blessed and truly grateful.

UPCOMING INITIATIVES



Digitisation of the loan application process

This is the most significant change for the organisation as it impacts several of our business processes. Once fully implemented, we expect to benefit from material savings in operational costs while also improving service to our clients and providing access to "real time" data for decision making.



6 new branches in the Eastern Cape in 2022

The Eastern Cape province is the poorest province in South Africa and Phakamani has a project with the Jobs Fund to expand into this region. To date we have opened 11 branches and plan to open 13 more branches in the Eastern Cape by 2025.



Project Paperless

In addition to the digitisation project, we are reviewing all paper-based reporting and developing apps to replace these manual processes. In 2021 we moved to digital payslips and started development on apps for weekly branch ops reporting and monthly ops expense claims.



Values & Culture

As the organisation continues to grow, we will be implementing initiatives to revisit the behaviours required to support our values and culture.



Productivity Improvement

This is a perennial goal which has become even more important following the impact of covid on our clients and the organisation.



Social & Ethics Responsibility

We have initiated a project to review and establish structures and reporting in support of our social and ethics responsibilities as an organisation.

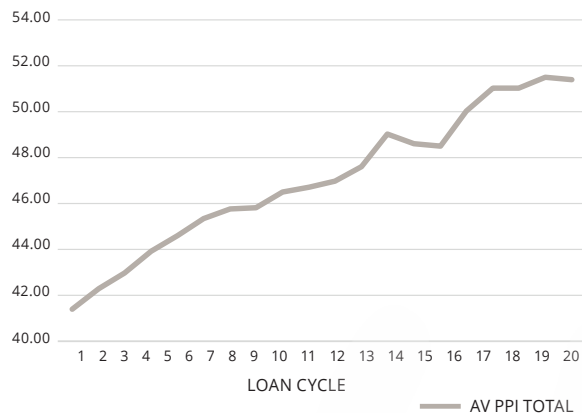
IMPACT MONITORING

Phakamani uses the internationally recognised Poverty Probability Index (PPI®), customised for South Africa, to monitor whether the services we offer our clients is positively impacting their lives. Measurements are collected at the start of each loan cycle.

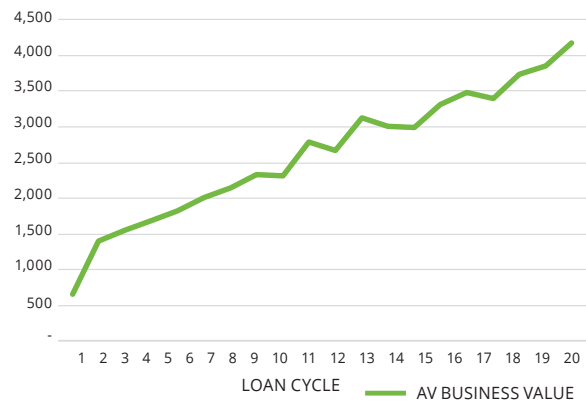
At loan cycle 1, there is a 74% probability that our client is below the national poverty line. This probability reduces to 28% by the 16th loan cycle and continues to improve. The graph indicates a steady upward trend in the client's living standards as measured by the PPI®.

This is also evidenced in the steady growth in business value from an average of R650 on the first loan cycle to an average of more than R4 000.

AV PPI TOTAL



AV BUSINESS VALUE



NAME: NESTER MARTHA NDOLVU

BUSINESS: CAULDRON POT MANUFACTURE AND RENTAL

Nester is on her 17th loan with Phakamani, a loan of R6 000. She manufactures cauldron pots, using aluminum she purchases from a scrap yard. She melts down the scrap metal and uses various molds to produce different sized pots and lids. On request, she includes her customer's name on the pot and the lid. Customers can hire her pots for special occasions and large functions. Nester acknowledges that credit transactions often create challenges for her.

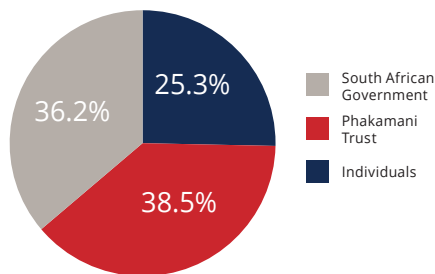
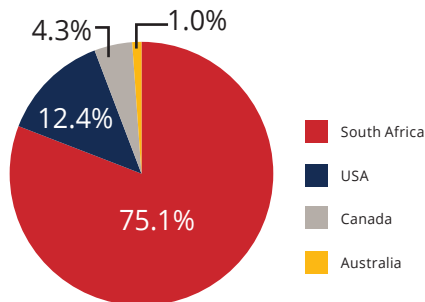
Nester says her business makes her happy because it has enabled her to build a workshop and employ two women whose lives are also now improving. She has been able to build a lovely home for her family and provide her children with an education. Phakamani has supported Nester as she has worked to build a brighter future for herself, her family and her community.

More client stories at www.phakamanifoundation.org

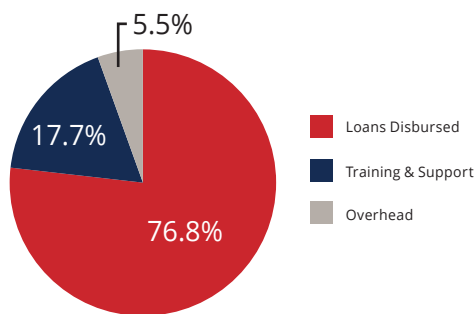
THE NUMBERS

The impact of the COVID pandemic and related restrictions is evident in the 2020 and 2021 numbers. The significant reduction in active clients and repayment rates in 2020 showed some recovery in 2021. Income and operational sustainability were negatively impacted in both 2020 and 2021 and these will take longer to fully recover. Plans are being made to expedite this process.

Forms of Support

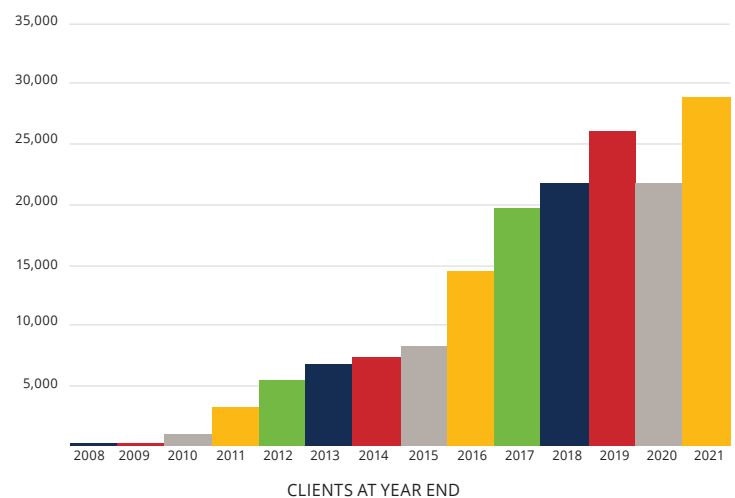


Capital Deployed



	2019	2020	2021
Assets			
Non Current Assets	1,123,801	1,369,781	1,471,984
Trade and other receivables	44,806,248	44,306,513	58,880,964
Cash & Cash equivalents	21,769,362	32,120,469	37,293,368
Total Assets	67,699,411	77,796,763	97,646,316
Equit & Liabilities			
Retained Surplus + Capital Reserve	31,802,777	42,120,763	47,155,391
Loans from Institutions	31,439,516	30,071,803	42,908,214
Trade and other Payables	4,457,038	5,604,197	7,582,711
Total Equity & Liabilities	67,699,331	77,796,763	97,646,316
Income			
Income	31,312,617	36,615,074	34,559,588
Operating expenses	42,626,125	52,019,240	61,560,970
Gross Operating deficit	(11,313,508)	(15,404,166)	(27,001,382)
Donations & Grant to cover the deficit	8,089,011	8,329,063	11,009,604
Deficit/Surplus	(3,224,498)	(7,075,104)	(15,991,778)
Jobs Fund Grant	-	8,182,438	12,589,854
Phakamani Trust Distribution	7,240,000	8,800,000	8,591,795

CLIENTS AT YEAR END



RANDS LOANED SINCE INCEPTION

