Shared Interest’s “unflagging partnership — as necessary now as it was in 1994 — has helped us develop new strategies and tools to give substance and shape to the vision and energies of our people. We look forward to continuing that work, which is based on a shared interest.”

Nelson Mandela

June 4, 2013
Apartheid’s Legacy Continues to Restrict Black South Africans

Nineteen years after the end of apartheid, the majority of black South Africans are still excluded from the mainstream economy

- 80% of the land is owned by whites
- 45% of the black population is unemployed
- 1.3 million families are homeless
- 84% of the financial wealth is held in the four major banks
Shared Interest’s Fund Alleviates Economic Inequity by:

- Moving international supporters from disinvestment to reinvestment
- Building sustainable communities capable of directing their own development
- Promoting women’s empowerment
- Boosting the scale and self-sufficiency of South Africa’s community development institutions
- Moving South African banks to lend to low-income communities
Guaranteeing Bank Loans: The Model

Investors provide capital

Shared Interest backs guarantees

Banks/Other Financial Institutions lend to

- Microfinance Institutions lend to
- Low-Cost Housing Organizations lend to
- Agricultural Enterprises & Co-ops benefit
- Other Small & Growing Businesses build wealth of

Entrepreneurs, Employees and Homeowners

Thembani performs due diligence, places and monitors guarantees, provides TA

donates to

reports to
Shared Interest has a Track Record of Success

Deployed more than $14 MM in guarantees, catalyzing loans from each of South Africa’s major banks to economically marginalized communities

Helped low-income black South Africans:

- Launch **165,000** small & micro-enterprises
- Build and improve **122,000** safe and affordable homes
- Create and fill **1,880,000** jobs
Leverage and Repayment

- For every $1 used to back guarantees, $6 has been issued in loans to black South Africans.
- No investor has lost interest or principal as a result of participating in Shared Interest.
Managing Risk

Shared Interest manages risk by:

- Working through Thembani in South Africa to assist beneficiaries, report and mitigate risk;
- **Sharing risk** with beneficiaries and banks in South Africa;
- Maintaining a **guarantee loss reserve fund** that absorbs losses before lenders, should a borrower default;
- **Adjusting loss reserves** quarterly to reflect portfolio risk;
- Maintaining a $3M **subordinated facility from OPIC** to absorb any losses greater than the reserve fund
- Conducting a **capital campaign** to raise grants to build the reserve fund
Rosina Mabeba is treasurer of the Matseke Village Center in Limpopo Province. One reason she was chosen is her experience handling money in her small convenience (“spaza”) shop, thanks to loans from SEF over four years. First borrowing R500 ($52), she graduated to her most recent loan of R2,600 ($268). She works hard from 8 a.m. to 5 p.m. selling candy, boiled eggs, biscuits, fish for barbequing and traditional beer. She prices her goods by studying wholesale and competitors costs and her own expenses.
Kuyasa client **Ma May** took out two R5,000 ($515) loans to fix up her Khayelitsha home. She has lost her three children to AIDS and cancer, and is raising her six grandchildren herself.

Having worked in a brick yard, she was knew about construction, and organized her neighbors to save and borrow, and build brick houses on their sites.

Ma May works with a small group of women out of their expanded homes to make dolls from discarded beverage bottles. They are opening a store in the municipal offices to market their creations more widely, and train other women.
Sibongele is a member of the Siboshwa cooperative located just west of the Mozambican border. More than 50 years ago, apartheid authorities rounded up residents of the community in trucks -- with no notice and nothing more than what they could carry -- and dumped them in inhospitable land. Then they shot their cattle.

Today, the Siboshwa community has organized a cooperative on that land. With the help of a Shared Interest guarantee, a contract from one of the country's sugar refineries, and technical assistance, they have already completed their first successful harvest.

Siboshwa received its second commercial loan without a guarantee.
By 2017, Shared Interest seeks to scale its impact to benefit an additional 500,000 low-income black South Africans by bridging the gap between formal financial institutions and communities of color.
Over the Next Five Years, Shared Interest Will Expand its Reach by:

1. Quintupling the Number of Guarantees Outstanding to benefit the next 500,000 low-income black South Africans

2. Strengthening and Scaling Community Borrowers and their enterprises

3. Advocating for Wide-Spread Social Change and moving banks to begin to lend to low-income black borrowers as their “ordinary business”

4. Building a Sustainable and Replicable Model and beginning to work in neighboring countries
Outcome Goals and Results

- **Five-Year Goal**
  - Benefit an additional 500,000 low-income black South Africans
  - Raise $27 M in loan capital
  - Partner with 8 new financial institutions and 7 new community borrowers
  - Target an average 50% of risk assumed by mainstream banks
  - Raise additional $4M for reserves
  - Replicate model in neighboring countries

- **First Year Results**
  - 102,000 benefited
  - $6.4 M raised
  - Partnered with 2 new financial institutions, 2 new borrowers
  - Most recent two guarantees increased bank’s risk share to 47%
  - $1.75 M raised for reserves
  - Work begun in Mozambique

**Composition of 2016 Guarantee Portfolio**

- Housing: 10%
- Primary Ag.: 30%
- MFI's: 30%
- Other SGB's: 30%
New Directions for 2013

- Establish new links in value chains that connect local companies to emerging suppliers and distributors
- Forge relationships with additional commercial lenders
- Develop a team of financial service mentors
- Facilitate first guarantees and technical support in Mozambique
The end of apartheid was Part 1 of the struggle. Part 2 is more difficult: To make the miracle endure.

We asked you to disinvest.

Now we say to you “invest!”

Make South Africa succeed…

for the sake of the world.