

Martha Deacon's Commentary on Some 11 year Statistics

For the past 11 years, **The Townships Project** has had a significant effect on people's lives in the townships of South Africa in a cost-effective manner and we have steadily learned each year how to be more effective.

All statistics are for \$ Cdn. and a calendar year except as otherwise noted

| | <u>11 years</u> <u>1999 -</u> <u>2009</u> | <u>Audited</u> <u>2009</u> | <u>Audited</u> <u>2008</u> | <u>Audited</u> <u>2007</u> | <u>CRA</u> <u>Records</u> <u>2005/2006</u> | <u>1999 to</u> <u>2004</u> <u>incl</u> |
|--------------------------------------------|-------------------------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------------------------|----------------------------------------------|
| Balance January 1 | | 72,020 | 116,668 | 130,485 | 33,440 | - |
| Total income | 1,283,976 | 254,139 | 262,873 | 271,784 | 267,654 | 227,526 |
| No tax receipts issued for this income (1) | 240,552 | 36,639 | 68,443 | 75,598 | 37,781 | 22,091 |
| Direct transfers to MFIs (2) | 556,188 | 69,020 | 132,077 | 96,599 | 103,080 | 155,412 |
| Expenditures in support of MFIs | 417,544 | 100,963 | 83,999 | 120,849 | 75,996 | 35,737 |
| Administrative costs | 30,174 | 6,757 | 11,593 | 4,098 | 4,789 | 2,937 |
| Cost of Fundraisers (1) | 199,456 | 51,283 | 79,852 | 64,506 | 3,815 | - |
| Disbursements (net of fundraising costs) | 1,000,091 | 176,740 | 227,669 | 221,546 | 180,050 | 194,086 |
| Balance December 31 | | 98,136 | 72,020 | 116,668 | 130,485 | 33,440 |

Performance of South African MFIs (unaudited)(3)

| | | | | | | |
|------------------------------------------------|------------|-----------|-----------|---------|---------|---------|
| Number of loans disbursed | 10,744 | 5,116 | 3,742 | 350 | 502 | 1,034 |
| Value of loans disbursed in Rand (4) | 12,746,150 | 6,681,400 | 4,515,800 | 400,000 | 462,650 | 686,300 |
| Lives changed (assuming 5 per loan) | 53,720 | 25,580 | 18,710 | 1,750 | 2,510 | 5,170 |
| Cost per life changed (Disbursements/Lives) | \$18.62 | | | | | |
| Tetla's Portfolio at Risk Dec 09 | 3.0% | | | | | |

(1) This is largely the cost of the goods and services provided at fundraisers, which donors pay for themselves. The Townships Project has not employed professional fundraisers. All its fundraisers are volunteers.

(2) An additional \$62,000 was transferred directly from donors to MFIs during 2009; during 2007 and 2008, an additional \$12,000 per year was transferred directly

(3) Funding of ECMFE 1999-2007; Tetla Financial Solutions Dec 2007 to date; Tsoga Financial Services Dec 2008 - Sept 2009

(4) Rand exchange rate varies significantly: e.g. 4.24 ZAR = \$1 CAD at year end 1999; 7.07 ZAR = \$1 CAD at year end 2009
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- In 11 years (1999 – 2009 inclusive)** the Microfinance Institutions (MFIs) supported by **The Townships Project** have disbursed about 10,745 loans. By doing so they have affected about 53,725 lives. This is calculated according to the conventional wisdom in the microfinance world that the average loan recipient supports four others. This is well under the \$50 for each life changed that is our operating target, when divided by the amount (approx. \$1 million) we have spent during those 11 years.
- In our first eight years (1999 – 2006 inclusive)** we focused on launching an MFI in the Township of Mdantsane outside East London in South Africa, providing money for loans as well as for operating costs. We were able to make 1536 loans during this period. However,

there was not enough money available to make headway in training and systems development. During this time a number of sources for loan capital opened up for South African MFIs, but there were virtually no sources for operating funds. Always looking for a way to use our funds as effectively as possible, we focused on this gap.

3. **During the past three years (2007 – 2009 inclusive)**, we have shifted our focus to supporting MFIs able to find loan funds provided they can secure the operating funds to train and support loan officers in the field and to support essential back office operations. So we now provide operating funds, as well as technical support and training to MFIs. They have used our money, in effect, to qualify for loan capital. You can see the success of this strategic shift in the dramatic increase of loans made by the MFIs we support in 2008 and 2009. This success is also due in large part to the dedication and skills of **Ms. Yvonne Radinku**, Founder and CEO of Tetla Financial Solutions, an MFI we began supporting in late 2007.
4. **Technical support:** Starting in 2007, we have also recruited and supported technical personnel for MFIs including:
 - (i) Dr. Don Wagner, C.A., a UPEI business professor who spent his sabbatical year in South Africa and has been back during each of the past 3 summers;
 - (ii) Vuyiswa Keyi, a South African citizen who returned to South Africa after 25 years doing community work in Canada, and who is working with an MFI in Mdantsane today;
 - (iii) Olive Busingye, a Ugandan expert in microfinance who works with Vuyiswa Keyi; and
 - (iv) Lana Lovasic, an MBA graduate who spent an internship with an MFI in the summer of 2009, and who continues her enterprise development work in South Africa with the Greater Rustenburg Community Foundation.
5. **Four Wheel Drive Mobile** – We have learned so much by doing. I have come to realize that microfinance can be a lot more effective working within a supportive communal/commercial ecosystem. I have called this approach “Four Wheel Drive Mobile” and you can read more about it on our website. In the past year, I have drawn together a coalition of community and business leaders to focus on creating jobs and businesses by using their different skills in a coordinated fashion. This approach has the potential to dramatically ratchet up the creation of businesses and jobs, which are at the foundation of any escape from poverty. **The Townships Project** continues to support MFIs directly and indirectly, as microfinance is the “wheel” that we started with, and which is fundamental. However, by spending time promoting **Four Wheel Drive Mobile**, I believe our efforts at poverty alleviation through microfinance will become much more effective, creating many more businesses and jobs than if MFIs continued to act alone.

September, 2010