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Creating jobs in partnership with government



Core business



Strategic social investment



Public policy

Partnership context

Currently, one in four South Africans of working age are unemployed (25%). Youth unemployment is particularly acute with an estimated 50% of young people out of work.

Anglo American established a dedicated commercially operated business unit in South Africa in 1989, called Zimele, to support economic growth, empowerment and job creation in local communities by addressing key barriers to enterprise development, including access to finance, business skills, mentoring and markets.

By focusing on enterprise development through Zimele, Anglo American also meets government requirements for community investment and targets set out by the South African Mining Charter and BEE legislation, which include progressively sourcing from previously disadvantaged businesses, increasing women's participation in mining operations, and investing in the sustainability of local communities, especially those in more remote rural areas.

Partnership development process

Zimele interacts with many levels of the South African Government, from national level policy engagement to close collaboration with regional and local government entities and municipalities, to ensure enterprise development activities are fully aligned with local priorities, and where possible, build off existing foundations.

Zimele has also engaged with Business Call to Action (BCtA), a donor supported initiative hosted by UNDP, which aims to accelerate progress towards the MDGs through inclusive business models. Anglo American's commitment to BCtA was to create 25,000 new and sustained jobs through up to 1,500 new businesses by 2015, a target that has already been achieved on the jobs side.

Project scope

Zimele takes a holistic approach to enterprise development. It combines access to loans at favourable rates (and in some cases minority equity investments) with business mentoring support, often delivered through a national network of 31 enterprise development hubs. The initiative also enables small businesses to access commercial opportunities in Anglo American's value chain.

Zimele applies strict investment criteria to fledgling entrepreneurs and businesses, focusing on economic viability and development impact. Each business application needs to be underpinned by a robust and realistic business plan. As many entrepreneurs have no credit history and may not have formal banking experience, Zimele undertakes detailed due diligence, with a strong emphasis on face to face meetings and business familiarisation to minimise the risk of loan defaults.



Anglo Zimele operates five enterprise development funds:

1. The Community Fund provides loans to entrepreneurs around Anglo American's mines, labour sending and poverty areas to support local economic diversification and sustainability post mine closure.
2. The Supply Chain Fund provides loans and takes minority equity stakes in companies looking to supply goods or services to Anglo American's supply chain.
3. The Anglo American Khula Mining Fund provides loans and takes minority equity stakes in small scale companies in the mining sector to support early stage commercial development, including proof of concept studies and technical due diligence required to secure a mining license.
4. The Green Fund invests in businesses developing environmental projects.
5. The Sebenza Fund has recently been established as a public private partnership between Zimele and Development Bank of S.A. (DBSA) to create 8,000 jobs over the next three years. The partnership is directly aligned with the South Africa Government's National Development Plan's 2030 Vision, which sets out detailed plans to drive sustainable and inclusive economic growth.

The Sebenza Fund is a matched funding concept, with both funders co-investing in enterprise development projects. The partnership aims to build off Zimele's tried and tested model and existing networks and infrastructure. The initiative will also see the establishment of a further 30 small business hubs in non-mining areas.

The Sebenza Fund will also scale its potential impact by engaging and leveraging additional business investment, creating opportunities for small businesses to access value chains not directly linked with mining, in sectors such as agriculture.

Key challenges and solutions

- Lack of track record amongst entrepreneurs means that Zimele invests significant time and resources in building familiarity with the business plan and management team, and undertaking due diligence to ensure credit-worthiness and compliance with legal requirements and Anglo American's values.
- Typically Zimele will aim to exit the business within three to five years and will look for other anchor funders to take the business forward.

Results

Over the past 24 years, Anglo Zimele's fund size has grown to R1.5b, and has since 2008 invested in 1,393 companies with a combined annual turnover of over R3.465b, and generated/sustained over 25,000 jobs. 49% of recipients are female entrepreneurs and 35% are young people. Repayments on loans granted averages 75% across range of funds.

Scope for project scale and replication

Zimele's enterprise development model has been successfully scaled through a range of funding mechanisms, and has been adopted by other companies, including the IFC, which uses it as a best practice model.

Key success factors

Anglo Zimele's success is built on the following key success factors:

- A clear focus on commercial viability of recipient entrepreneurs and businesses. Funding and support go hand-in-hand.
- Close alignment with Anglo American's core business and value chain has created sustainable opportunities and business benefits.
- Investment in enterprise development support is strongly aligned with both national and local government economic development priorities and programmes.



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