

# South Africa SA Taxi

Supporting the drive for a safer, more efficient minibus taxi service



PIDG PROJECT FACT SHEET CURRENCY GUARANTEES   



SA Taxi | South Africa | With SA Taxi Development Finance Pty Ltd

## Transforming minibus taxi finance

**ZAR150m**

South African Rand guarantee

**350,000 people**  
with improved access to transport

### Developing South Africa's minibus taxi sector

GuarantCo's local currency guarantee attracted domestic commercial finance for the first time



### Delivering a guarantee to support public transport financing

A local currency guarantee enabled SA Taxi to secure finance to offer more affordable loans to small, medium and micro enterprise minibus taxi owner-operators in South Africa.



### Unlocking finance for better quality, safer minibus taxis

Minibus taxis form a vital part of South Africa's public transport network but many minibus owners cannot meet the lending requirements of the commercial banks and are forced to use either the unregulated sector or rely on expensive microfinance to procure vehicles. SA Taxi seeks to bridge this gap by providing regulated finance at more affordable rates. The initiative will improve the quality of South Africa's minibus taxi fleet, delivering improved access to safer transport for around 350,000 people and securing livelihoods.



### Using local currency guarantees to attract commercial finance

Through the provision of a ZAR150m (US\$15m)<sup>1</sup> partial credit guarantee, SA Taxi was able to raise ZAR235m (US\$23.5m) of domestic commercial finance from South Africa's Absa Bank, which had not previously supported the company.



GuarantCo provides local currency guarantees in Africa, south and south-east Asia and other emerging economies

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This case study is also included in the Africa and Transport project fact sheet series.

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**GuarantCo's guarantee means access to affordable loans for minibus taxi operators**



**Technology**  
transport



**Total investment**  
ZAR235m  
(US\$23.5m)



**Value of PIDG investment**  
ZAR150m  
(US\$15m)



**Number of people benefiting**  
350,000

## Context

Minibus taxis service around 67% of all travel in South Africa.<sup>2</sup> The minibus taxi industry is dominated by small, medium and micro enterprise owner-operators with limited access to formal bank lending. Many rely upon unregulated, high cost borrowing to maintain their livelihoods. The Government of South Africa has launched a taxi recapitalisation programme aimed at improving the operation and regulation of the previously chaotic industry. If the government is to achieve its ambition to improve the quality and safety of the country's minibus taxi fleet, securing appropriate finance for owner-operators is crucial.

## Project

GuarantCo's donors supported this investment in SA Taxi as it has a significant impact on some of the poorest people in the country. The majority of minibus taxi passengers and owner-operators are from low income groups and often have a chequered credit history. Having supported an earlier DFI-led

programme for SA Taxi, GuarantCo was then able to crowd-in one of the main commercial banks in South Africa, Absa Bank. Absa invested ZAR235m (US\$23.5m), the first time it had invested in the company, enabling SA Taxi to continue delivering affordable loans to minibus taxi operators.

## Impact

Loans provided by SA Taxi will improve access to safer, more environmentally efficient transport for around 350,000 passengers. By providing affordable, dedicated finance for minibus taxi drivers, the project will reduce dependency on unregulated, high cost lending. The initiative will improve the quality of South Africa's minibus taxi fleet and secure stable livelihoods for around 1,165 operators. SA Taxi will contribute to the new asset finance requirements of the government's taxi recapitalisation programme. GuarantCo's involvement has established an important precedent for the involvement of commercial banks in similar deals.

1 Applicable exchange rate when closed  
2 [sataxi.co.za/About-Us](http://sataxi.co.za/About-Us)

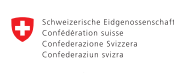


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