



NATIONAL DEVELOPMENT AGENCY

Annual Performance Plan

for

2024/2025

Executive Authority Statement

Our resolve and determination, as the social development sector, towards poverty eradication in all its forms and its associated causes is unyielding. The National Development Agency (NDA) shall, in particular, assume a position of leadership as we wage this unrelenting war to implement developmental interventions and bring about meaningful changes in the impoverished and hard-hit communities we exist to serve. We recognize the extent of poverty and the impact it has on our people and we further recognize the exacerbation of poverty by our struggling economy which has shed jobs and has struggled to make significant strides in reducing unemployment and inequality. We are nonetheless undeterred; having put in place a five-year strategy whose intention is to accelerate the economic inclusion of the marginalised communities.

The Strategic Plan (SP) and by extension the Annual Performance Plan (APP) of the NDA is directly derived from the Turnaround Strategy which was finally approved by the NDA Board. The Turnaround Strategy essentially charts the path to poverty eradication and makes bold proposals that will redefine the country's approach to unlocking the potential of communities and setting them on the straight, narrow and more focused developmental path. No success will be attained in relation to poverty eradication, without the involvement of communities in such community development efforts and interventions.

Economic deprivation and suppression of impoverished communities thrives in the presumptuous misnomer and regrettable misunderstanding that some tailor-made solutions can be parachuted in communities without their active participation in the same development processes that seek to salvage them from economic abyss. It is the communities themselves that must shape the development programmes that will be implemented and thrive in their localities. They must furthermore define the most appropriate vehicles that can deliver such interventions earmarked for their socio-economic development.

The District Development Model (DDM) remains the structured government vehicle through which the NDA will engage development partners within and outside government towards a commonly agreed approach and plan to economic advancement of communities. Central to this approach is the insurmountable work of harnessing the financial and non-financial resources from various public and private stakeholders for investment in the communities through Civil Society Organisations. This triumvirate of public, private and CSO partnership must be exploited at all significant times for the development benefit of the communities.

The work of poverty eradication can never be accomplished by NDA alone. It is, in fact, the work of public institutions across the three spheres of government. It is the work of private businesses in their multiplicity. It is for that reason that the NDA will, of necessity, forge close working formal relations with various development partners across all sectors of the economy in pursuit of community development. The work of collaboration towards poverty eradication efforts and integration of operations begins within the social development portfolio. I will therefore ensure that the sector exploits opportunities for shared services across a range of common operational areas, particularly the Information, Communication and Technology (ICT) space. I will leverage digital advancements within the sector with the view of advancing service delivery, broadening our footprint and increasing our reach and coverage of our people whom we exist to serve.

I am eternally thankful to the NDA Board who proverbially hit the ground running. In less than seven months of their appointment, they set their minds to interrogate and enhance the Turnaround Strategy which they subsequently approved in July of 2023. It is the same Turnaround Strategy which is the bedrock of the 2024-2029 Strategic Plan and the 2024-25 Annual Performance Plan which I have the pleasure to present to beloved South Africans.

I pledge my unwavering support to the NDA Board and Management in the execution of the mammoth task of poverty eradication. Motswana a re, tiro e tshaba diatla!!! I therefore call on all of us; public sector, private business, Civil Society Organisations and community stakeholders to put our hands together on the deck in pursuit of shared socio-economic development goals.




Ms Lindiwe Zulu (MP)

Minister of Social Development

Official Sign-Off

It is hereby certified that this Annual Performance Plan:

- Was developed by the management of the National Development Agency under the guidance of Honourable Minister Lindiwe Zulu.
- Takes into account all the relevant policies, legislation and other mandates for which the National Development Agency is responsible.
- Accurately reflects the Impact, Outcomes and Outputs which the NDA will endeavour to achieve over the period 2024/25 financial year.



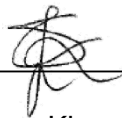
Ben Morule

Strategic Management



Solomon Shingange

Acting Chief Financial Officer



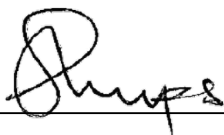
Susan Khumalo

Chief Operations Officer



Bongani Magongo

Research



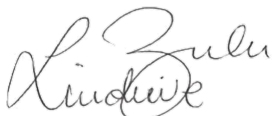
Reekeletseng Hlapolosa

Acting Chief Executive Officer



Nozabelo Ruth Bhengu

NDA Board Chairperson



Hon. Ms Lindiwe Zulu, MP

Minister of Social Development

Date: 27 March 2024

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PART A: OUR MANDATE

1. Institutional Policies and Strategies over the five-year planning period

The National Development Agency (NDA) is an agency of government that reports to Parliament through the Department of Social Development. The NDA is classified as a public entity under schedule 3A of the Public Finance Management Act, 1999 (Act No. 1 of 1999), and was established in November 1998 by the National Development Act, 1998 (Act No. 108 of 1998) (NDA Act) as government’s response to the challenge of poverty and its causes in South Africa. The NDA plays a critical role in contributing towards shifting the country from the scourge of poverty towards total eradication of poverty.

Through the Act and various policies, the NDA contributes to – but is not limited to – the advancement of economic development and in particular community economic development, social cohesion, access to basic human rights and skills development. This contribution of the NDA supports the National Development Plan (NDP) 2030 outcomes for a greater and better South Africa. The diagram below presents a non-exhaustive list of the legislative and policy mandates of the NDA that will be discussed further:

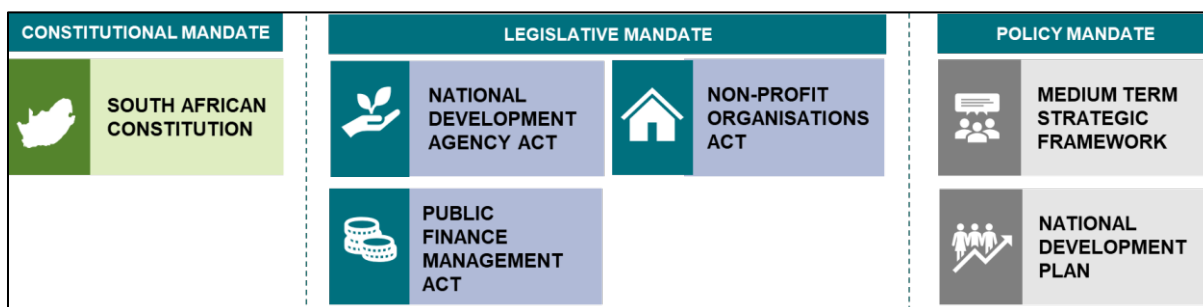


Figure 1: NDA's Legislative and Policy Mandates

1.1 Constitutional mandates

The NDA strategic intentions and objectives are guided by the requirements of Chapter 2 of the Constitution of the Republic of South Africa. Chapter 2 of the Constitution outlines the Bill of Rights which sets out the fundamental rights of all South Africans, including the right to dignity and the right to equality. The Bill of Rights also states when rights may be limited. The NDA-legislated mandate requires the NDA to contribute towards poverty eradication and its causes, thus responding to the Bill of Rights to affirm the rights to health care, food, water, social security, children and education rights.

1.2 Legislative mandate

The NDA’s mandate is derived from the National Development Agency Act, 1988 (Act No. 108 of 1998). In terms of the Act, the primary objective of the NDA is to contribute towards the eradication of poverty and its causes by granting funds to CSOs for the purposes of:

- (a) carrying out projects or programmes aimed at meeting the development needs of poor communities; and
- (b) strengthening the institutional capacity of other CSOs involved in direct service provision to poor communities.

The secondary objects of the NDA in terms of the Act are-

- (a) to promote-
 - (i) consultation, dialogue and sharing of development experience between CSOs and relevant organs of State; and
 - (ii) debate on policy development
- (b) to undertake research and publication aimed at providing the basis for development policy.

Further, the agency is required to implement programmes that respond to the following areas of responsibilities:

- (1) The NDA must -
 - (a) Act as a key conduit for funding from the Government of the Republic, foreign governments, and other national and international donors for development work to be carried out by civil society organisations.
 - (b) Develop, conduct and co-ordinate policy relevant to its objects referred to in section 3;
 - (c) Contribute towards building the capacity of CSOs to enable them to carry out development work effectively; and
 - (d) Create and maintain a database on CSOs, including, but not limited to, the scope and subject matter of their work and their geographical distribution, and share the information in that database with relevant organs of State and other stakeholders.
- (2) The NDA may –
 - (a) Grant money from its funds –
 - (i) in accordance with such criteria and procedures as the NDA determines; and
 - (ii) with due regard to the NDA's primary object referred to in the NDA Act to any CSO for any project or programme that an organisation intends to undertake or is undertaking;
 - (b) Make recommendations regarding legislation and policies directly or indirectly constraining effective development in the Republic;
 - (c) Exercise and power conferred by any other provision of this Act; and
 - (d) generally, do everything which is necessary to achieve its objects referred to in Section 3
- (3) Any grant in terms of subsection (2)(a) to any civil society organisation may not be distributed to its members or office bearers except as reasonable compensation for services rendered.
- (4) Any civil society organisation to which a grant is made in terms of subsection (2)(a) must submit to the NDA-
 - (a) audited financial statements regarding the use of that grant at the intervals and in the form prescribed by regulation in terms of section 13; and
 - (b) in respect of each financial year of the organisation, a comprehensive, narrative report containing-
 - (i) an analysis of every project or programme in respect of which that grant is made and a description of all other activities of the organisation; and

(ii) an audited financial report not later than the date prescribed by regulation in terms of section 13.

(5) Any grant in terms of subsection (2)(n) must be sufficient to defray the expenses which the civil society organisation in question will have to incur in order to comply with subsection (4).

1.3 Policy Mandate

The NDA’s functions are guided by the National Development Plan (NDP), the Medium-Term Strategic Framework (MTSF), Sector Plans and the United Nations Sustainable Development Goals (SDGs).

NDP 2030

The aim of the NDP is in line with the NDA’s mandate. The NDP aims to reduce inequality and eliminate poverty by 2030. The NDP is grounded on six (6) pillars, which outlines objectives to be achieved by 2030 and the intended outcomes. From the 13 outcomes, the NDA contributes towards seven (7):

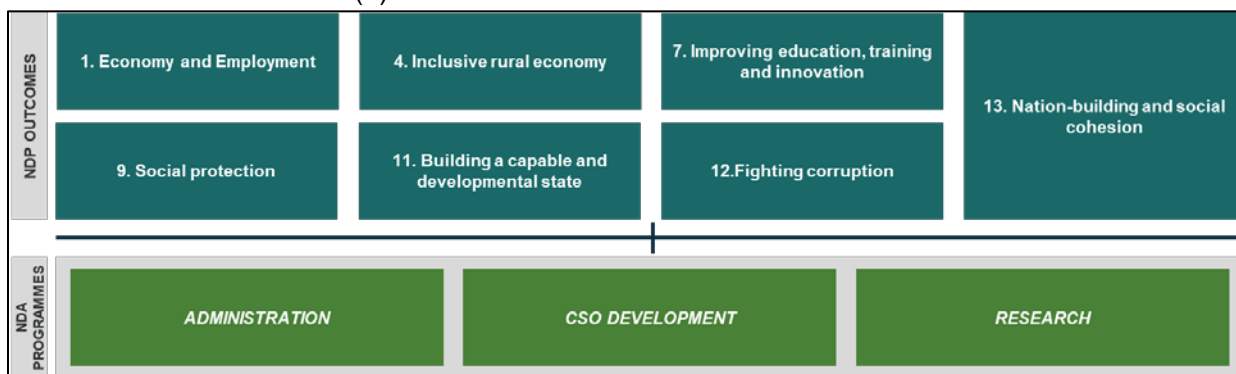


Figure 2: NDP Outcomes and NDA Programmes

The NDA aims to contribute towards social protection and nation-building and social cohesion through using Civil Society Organisations (CSO’s) as a mechanism to access and develop communities. The NDA uses its presence in civil society to facilitate dialogue regarding community targeted issues as well as raise awareness regarding other social ills such as Gender-Based Violence (GBV). As per the District Development Model, the NDA will use targeted interventions in rural and remote areas – in the language of the people – and in the identification of vulnerable groups, as well as the support provided to optimize the accessibility of services, resource allocation and ensure intended outcomes are reached.

The NDA also contributes towards, economy and employment and inclusive rural economy which are addressed through CSOs as well as through the development of strategic partnerships with other organisations. Through engaging various stakeholders, – state organs, civil society organisations, research institutions, higher education and training institutions and business – developing research publications that contribute to development policy and practice and capacitation of CSOs operating in various sectors, the NDA will contribute towards education through training and innovation of CSOs by imparting upon them skills and capacity. The NDA will also contribute towards building a capable and developmental state. This will be achieved through the optimization of the organisation’s processes which includes the implementation of the ICT strategy. Through running a clean administration and developing

internal frameworks that ensure good governance the NDA will enable the fight against corruption.

Medium Term Strategic Framework (MTSF)

The NDP has been divided into 5-year components with the MTSF as an implementation and monitoring tool. In the attainment of the 2030 goals, the MTSF identifies the priorities to be undertaken during the five (5) year strategic period. The NDA’s strategy is also informed by the MTSF and contributes towards the 7 priorities through its service delivery programmes:

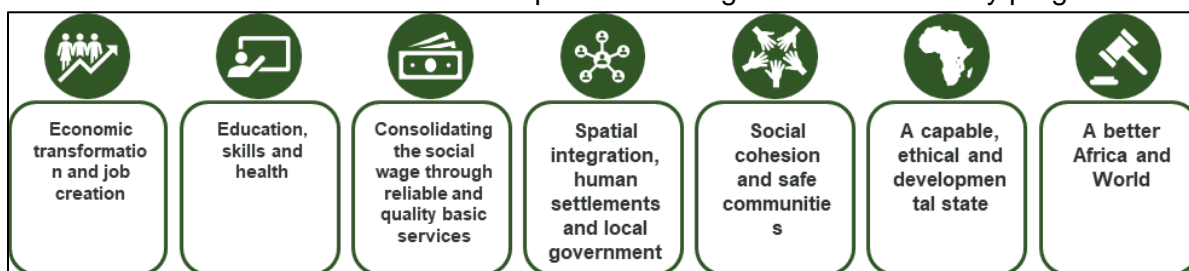


Figure 3: MTSF 7 Priorities

Sector Plans

The Department of Social Development focuses on the need to “put people first” in development processes, hence the Social Development Sector promotes social inclusion of the poor and vulnerable by empowering people, building cohesive and resilient societies, and making institutions accessible and accountable to citizens. The Social Development Sector Strategic Plan is the plan for which the National Minister of Social Development (a concurrent function department) in consultation with Provincial MECs (of Social Development) as well as other DSD entities agree on the impacts, a set of outcomes and outputs, which must be achieved by the Social Development sector. This guides the Strategic Plans, Annual Performance Plans, and Operational Plans of the entire portfolio and sector. The sector plans to guide the strategic direction of the entire sector. The following outcomes are outlined in the sector plans:

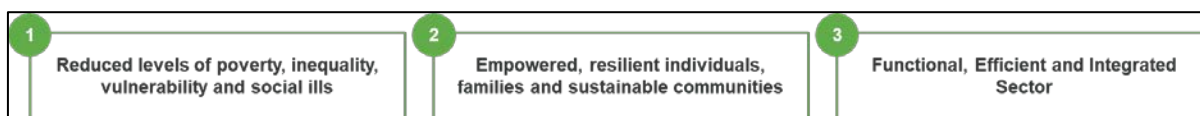


Figure 4: Sector Outcomes for 2020 – 2025

The NDA’s role in the sector is to enable the achievement of the sector outcomes through its strategic direction. In order to achieve outcome 1 (reduced levels of poverty, inequality, vulnerability and social ills) and outcome 2 (empowered, resilient individuals, families and sustainable communities) the NDA will utilise CSOs as a vehicle to implement programmes aimed at meeting the most critical development needs of poor communities. By capacitation, empowerment and engagements with CSOs the NDA will enhance the ability of CSO’s to serve the communities they are located in, in meaningful ways that contribute towards the reduction of poverty levels and create sustainable communities. A functional, efficient, and integrated sector (outcome 3) will be achieved through the NDA’s cooperation with the sector and strategic partnerships within the sector aimed at benefitting CSO’s, with the ultimate beneficiaries being individuals served by the CSO. The NDA has designed its strategic plan to enable the organisation to collaborate and coordinate its development with the Department

of Social Development and the South African Social Security Agency to contribute effectively towards poverty eradication in poor communities.

Social Development Portfolio Approach

The social development portfolio (DSD, SASSA & NDA) has adopted a sectorial approach towards planning, programming, and implementation of the sector interventions. The portfolio approach effectiveness is grounded on having a shared and common purpose and goal in planning and implementing their programmes and interventions. The strategic intent of the portfolio approach is to also create the linkages and integration requirements with other government departments and agencies, the private sector, and civil society sector to harness resources and focus on improving the quality of life of a South African citizen at community level. It starts with a common and shared strategy development and shared outcomes and impact measures. This allows the sector to identify how they each contribute, shape, and build a better South African.

The approach will ensure that the social development portfolio builds strong, reliable, and efficient partnerships with the civil society sector and empower this sector to contribute effectively in building a better South Africa. The social development sector will also learn how to effectively work with the civil society organisations at local level on how to respond to poverty experiences by most South Africans. The portfolio approach allows the department and its agencies to have combined strategic interventions that provide an overarching direction on bridging the gap between welfare and developmental services to the public.

The outcome for both functions is creating a South Africa we all want to live in. The social development portfolio aims to create an effective ecosystem in the sector to improve coordination, integration, maximising quality of outcomes and impacts to ensure that potential in people to live a better and sustainable livelihood is achieved. We note that social development cannot occur without economic development. It is this economic development aspect that NDAs new turnaround strategy recognises and intends to contribute towards.

District Development Model

In the State of the Nation address (2019), the President, indicated that Government will have to undertake improved coordination and cooperation in planning and implementation to ensure the effective implementation of the seven priorities. Consequently, the District Development Model was adopted in 2019 by government. The District Development Model was endorsed by the President's Coordinating Council in November 2019, and requires planning and implementation that is spatially focused at a district level.

The model is geared towards improving integration between national, provincial, local government, other organs of state and CSOs in their different formations. in the implementation of government budget and programmes. Focusing on implementation at a district level will ensure Integrated Project Planning approach, alignment of budget and programmes to deliver a successful project efficiently and effectively in a short period. The DDM mechanism would enable a better monitoring and evaluation process to effect timely delivery of remedies to reduce project failures to ensure that development is carried out collectively with affected communities and civil society organisations at the grassroots level.

The aim is to benefit poor families and underprivileged communities who are reliant on social protection from government and public employment programmes and can thus not afford to pay for government services. In the absence of this community focused approach by the NDA, these underprivileged communities would continue to wallow in never ending government

dependency characterised by inability to participate in the mainstream economy. Additionally these communities to be defined by ever increasing crime, high teenage pregnancy, substance abuse and all manner of social ills.

The NDA position as a development agency in the Social Development Portfolio, is the critical arm to drive development so as to ease the fiscal burden imposed by spiking social security interventions such as the Social Relief of Distress grant which is provided to close to 17 million unemployed South Africans. Development is a gateway for poverty eradication, this means NDA is the only viable agency to access those that are trapped into social security systems due to poverty. For the NDA to show impact, it needs to design and implement programmes with an aim of targeting those that are dependent on social security. For the Agency to fulfil its mandate it therefore will shift from focusing on the vehicles it uses to achieve its mandate and be seen to be making impact on the poor.

The means required to eradicate poverty and to re-ignite the sluggish South African economy are to creating sustainable livelihood pathways for the poor, these pathways must results in gainful economic activities at community level; creation of reliable and sustainable employment for local poor population; building capacities and skills appropriate for gainful and income generation for poor people living in depressed communities; creating and re-building local economies using local resources and human capital; using the local capacity to respond to local service delivery in depressed communities. These are fundamental agents for change and they can be harnessed through the DDM with all stakeholders at local level focusing on development targeting those trapped in poverty and underdevelopment.

The NDA in the 2024/25 financial year and the MSTF will be focusing on using the DDM as a framework to eradicate poverty and developing sustainable mechanisms of working with all stakeholders at district level (government, civil society organisation and the private sector) to shift the DDM from a framework to operational mechanisms and plans for community development approaches to eradicate poverty and its causes.

Sustainable Development Goals



The Sustainable Development Goal 1 its outcome is *“End poverty in all its forms everywhere”*. This goal is the same goal for the NDA primary mandate of *“eradication of poverty and its causes”*. This is significant for the NDA and South Africa. This goal can be met when the other 16 goals are used effectively as means to achieve this goal. The NDA will focus on the same goal, however, on its trajectory to achieve this goal, it will use other goals in the SDGs as

means of achieving poverty eradication with an impact on goal 10 of reduced inequalities. The NDA goal of contributing to eradication of poverty must be measured by reduction in inequalities. In the South African context, any poverty reduction interventions that do not translate to reduction in inequalities would have not dealt with the legacy of apartheid.

Therefore, the NDA would use interventions that have outputs from all the other goals as these outputs have direct contribution and means to eradicate of poverty and its causes. Theoretically, any of the other 16 goals achieved independently cannot, by their own, result in eradication of poverty and reduction of inequalities in the South African context. It is for this reason that the NDA, in its strategic shift will define and use mechanisms that integrate development in all its aspects of community development, through sustainable partnerships with civil society organisations as a vehicle for improved targeting of the poor at the same time collaborating and coordinating developmental efforts with government, private sector and the donor community.

2. Updates to Institutional Policies and Strategies

The NDA through the Turnaround Strategy will, amongst others, focus on the following priorities over the next five (5) years:

- Create a conducive policy environment for economic development and sustainability of communities
- Create sustainable communities through resource mobilisation from strategic partners and collaborative engagement with other stakeholders within the DDM mechanism.
- Review and alignment of IT architecture to the NDA model
- Strengthening NDA institutional capacity, capabilities and skills required to deliver on the mandate of poverty eradication
- Diversify NDA development funding sources

Repositioning NDA to assist government to deliver on its poverty alleviation mandate

The National Development Agency is the entity of the State (not of the Social Development Portfolio) and therefore it should be positioned to coordinate all government efforts towards poverty alleviation. With this Strategic Plan a process is being initiated to position the entity to assist the State to deliver on the following outcomes:

- Resilient and self-sustainable communities who are not reliant on social grants, housing, etc.
- Increased revenue for municipalities as more people will be able to afford to pay for municipal services
- Reduced urban migration as more opportunities will be created through exploitation of local economic opportunities thus reducing overpopulation in urban areas, and thereby addressing all the accompanying challenges which include deterioration of basic infrastructure in urban areas, crime, etc
- Addressing the imbalances of the past by bringing the marginalized communities into the mainstream economy

Redirection of funds from social grants will result in an increase in resources available for infrastructure investments which will in turn create a conducive business environment driving economic growth and more job opportunities as well as poverty alleviation

PART B: OUR STRATEGIC FOCUS

3. Vision

A society free of poverty, unemployment, and social ills.

4. Mission

Facilitate development of poor and underdeveloped communities in a coordinated and integrated manner through DDM to make them self-reliant and self-sufficient.

5. Values

As a development agency, we subscribe and promote the following values:

- *Humanity*
- *Integrity*
- *Accountability and responsibility*
- *Transparency*
- *Respect*
- *Ubuntu*
- *Innovation*
- *Excellence*

6. Situational Analysis

The National Development Agency (NDA) was established and mandated in 1998 to contribute towards the eradication of poverty by providing grant funding to civil society organisations (CSOs) whose responsibility is to provide services that are designed to eradicate poverty and build sustainable communities. These CSOs are to implement development projects and strengthen institutional capacity of other CSOs in poverty stricken communities. The NDA was also mandated to conduct research and evaluation studies to inform development policy aimed at optimising collaboration between government, CSOs and the private sector, and to address causes of poverty and reverse policies which created poverty. The research and evaluation studies have also been leveraged to shape and implement specific CSOs' development projects. The NDA is not only mandated to eradicate poverty, but also to create a conducive environment for poverty not to exist, therefore through the research mandate the NDA will propose the necessary policy changes emanating from researches undertaken.

CSOs are traditionally non-state and non-commercial entities organised around serving the collective interests of marginalised communities who usually lack the ability to effectively represent themselves in the political and commercial domains. CSOs played a central role in ending the Apartheid political system. In the 1980s, civil society organisations CSOs were mobilised and effectively challenged the discrimination, repression and anti-democratic policies and practices of the state. The United Democratic Front (UDF), the umbrella organisation for anti-Apartheid CSOs was led by President Cyril Ramaphosa at the time. In recognition of this contribution to democratic freedom, South Africa's constitution specifically provides for civil society to play an oversight role over democratic institutions, monitor human rights and to give citizens, especially the poor, vulnerable and excluded, the tools to know and assert their rights. Beyond 1994, CSOs operating in South Africa generally shifted their focus from securing political rights for the entire citizenry to addressing the scourge of poverty, especially where that poverty was deemed to have emanated from the Apartheid era policies and discriminatory laws.

Some CSOs retained their focus on keeping government accountable to the citizenry by drawing attention to poor service delivery and corruption, applying pressure on government to provide better service to vulnerable and marginalised communities. CSOs have as such played a significant role in exposing State Capture. Other CSOs focussed their efforts on socio-economic development, providing an array of social and economic services to alleviate poverty in marginalised and distressed communities. It is this collection of CSOs, namely those focussed on providing socio economic services to marginalised communities, that the NDA has been mandated to fund and capacitate.

While the NDA mandate is clear, it is unfortunately not specific enough to be mutually exclusive from the mandates of other government departments, state owned enterprises or agencies. The main reason for this is that the causes of poverty are numerous, complex and interdependent. Lack of access to land (1913 Land Act was designed to create poverty for non-white citizens, 1950 Group Areas Act was designed to prevent non-white from economic ownership, 1953 Bantu Education was designed to produce providers of labour) Inadequate electricity, water, sanitation, education, healthcare, safety, housing and social services are all major causes of poverty and evidently the responsibility of specific functional departments, state owned enterprises, government agencies and local governments.

Subsequently, many government departments and agencies provide grants to CSO-type organisations, e.g. NYDA, DALRRD, SEFA, SEDA, DTIC, Jobs Fund etc. These departments differentiate themselves in terms of the ultimate beneficiary classification as well as exact enablement provided, for example through loans, grants, and connections. In contrast, at

present, NDA's ultimate beneficiary group is not sufficiently defined (in terms of the actual beneficiaries behind the CSOs), the types of CSOs supported are too diverse, and the classification of exact services provided to CSOs is not sufficient. Further complicating the matter is differing ideological perspectives on the exact meaning of development as well as what government's role should be in social and economic development respectively. These apparent functional overlaps with other government departments, state owned enterprises, agencies, and local government, as well as the lack of consensus over development definition and responsibilities has consistently left the NDA at a disadvantage to more focussed organs of state when competing for the government spending purse.

Compounding the NDA's funding challenges are the shrinking allocations available to organs of state in general. Since 2008, the government has not been able to collect sufficient revenues on an annual basis to fund all its expenses and have been taking on debt to fund the resulting deficits. As the debts have grown the funding available for service delivery has also steadily diminished, with debt service cost growing at 13% per annum, leaving the NDA increasingly vulnerable to being defunded by National Treasury.

To avoid being defunded, or at the very least reduce its probability of being defunded, it's critical that the NDA sharply refine its focus and role in the poverty alleviation domain. Despite the National Treasury funding challenges, the need for economic development has actually never been greater, with the combination of low GDP growth and high population growth thrusting the country into record levels of unemployment.

Addressing the unemployment crises is the largest collective poverty alleviation priority facing the country at present. Failure by government to address the unemployment crises will lead to increasing economic despair, more social unrest and increasing political instability. As such every government department, state owned enterprise, agency and local government will increasingly be judged by their contribution to combatting unemployment.

National Treasury's Economic Policy is aggressively focussed on promoting productivity and economic growth, as this is the most pressing matter to address to reduce unemployment. Given that productivity and economic growth is National Treasury's main priority it is also likely that they will be more positively inclined to direct funding to those organs of state who best support productivity and economic growth. Achieving this productivity and economic growth and ensuring that it is inclusive will require a team effort from government, private sector, and civil society. It is in this multi-party environment that the NDA need to clearly redefine its role.

6.1 Overview of Poverty in South Africa

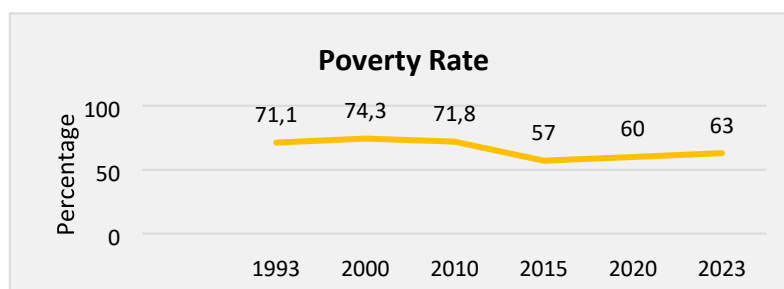
South Africa has pursued many initiatives to reduce poverty since 1994, but has remained high.¹ As of 2023, around 18.2 million people in South Africa are living in extreme poverty, with the poverty threshold at 1.90 U.S. dollars daily. It means that 162,859 more people were pushed into poverty compared to 2022. Moreover, the headcount was forecast to increase in the coming years. By 2030, over 19.1 million South Africans will live on a maximum of 1.90 U.S. dollars daily.² Based on the outlook, the poverty rate will remain high, close to 63%, from 2023 to 2025².

¹ Gumede, V. (2021). *Revisiting poverty, human development and inequality in democratic*, South Africa, University of Mpumalanga, 2021 ² Cowling, N. (2023). *Number of people living in extreme poverty in South Africa 2016-*

2030, Statista, 2023

² <https://thedocs.worldbank.org/en/doc/>.

Figure 5: Poverty rate in South Africa (1993-2023)



Sources: World Bank Poverty Rate in South Africa (1993-2023)

Fifty-five percent live below the upper bound of the poverty line (hunger and malnutrition), especially among children; 25.2% of the population were food poor, and 40% below the lowerbound poverty line. The government provides a Social Relief of Distress Grant to counter this trend, reaching around 7.8 million people.³

Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life. While poverty persists, there is no true freedom.

Nelson Mandela

The proposals of the inter-departmental national working group on poverty alleviation in the Acceleration Plan to achieve NDP targets by 2030 identified the following problems:

- **R1,3 trillion** has not adequately resulted in poverty outcomes, i.e. eradicating poverty and breaking the cycle of generational poverty.
- **Small-scale interventions** that do not match the scale of need are implemented by Departments, thus benefiting a small number of people or households.
- **Extreme fragmentation results in duplication with varying degrees of focus, scale, budget and impact.** Interventions benefit the same individuals in some instances. The result is weak impact and resource wastage in MSME interventions, livelihood programmes, and, to a lesser extent, public employment interventions.
- **The need for vision and a scalable strategy for the MSME sector, the informal sector and livelihoods are glaring,** as these sectors are critical for poverty alleviation, income generation & employment creation.
- **Departments focus on inputs and not results in their M&E frameworks** without considering impact as a critical measure of success. **Impact = how many people exited poverty permanently.**
- **Need to maximise the results of the social wage** by strengthening the delivery system for social services at the household level to leverage the multiplier effect of various elements of the social wage.
- **Layered interventions per household,** prioritising those below the poverty line, should be designed so that their combined impact helps households graduate out of poverty.
- **Inequality:** SA's Gini coefficient is 0.63, demonstrating that it is the most unequal society in the world.

³ SONA (2023). *Cost of SA living is leading to a deepening of poverty*, State of National Address 2023

Inequality

South Africa is the world's most unequal, ranking first among 164 countries in the World Bank's global poverty database⁴. Countries aim for a Gini Coefficient of 0.2, a negligible level of income inequality among citizens. The South African Gini coefficient is 0.63. China's is 0.38, and India's is 0.35. Russia's is similarly relatively low at 0.37. Brazil, like South Africa, has a much higher level of inequality at 0.53. In South Africa, the evidence suggests that income inequality has risen in the post-apartheid period, though it has fluctuated. What is clear is that levels of inequality are not decreasing.⁵ There are several drivers:

- Large numbers of South Africans are unemployed and report no or very low incomes.
- From the employed, many earn very low wages. Of those who do have work, about 3 million people exist in the informal economy, where incomes are very low. Another 900 000 people work in agriculture, and about 1 million as domestic workers with very low incomes. Even in the formal sector, wages are extremely low, especially for non-unionised workers.
- The incomes at the top end of the income distribution are very high. The richest 10% of South African households are responsible for 52% of all expenditures. The poorest 10% of households contribute only 0.8% of all expenditure.⁶

COVID-19

The pandemic had devastating impacts, causing more than 102 000 official deaths between 20 January 2020 and 24 October 2022. The country suffered a very large output contraction – 6.3% in 2020. Consequences have included a sharp rise in poverty, with a higher proportion of female-headed than male-headed households falling into poverty, households experiencing less secure employment and a greater likelihood of poverty, and unskilled workers being hit the hardest with job losses. Health sector services were stretched, the education system suffered, and gender-based violence (GBV) surged, as did xenophobia.

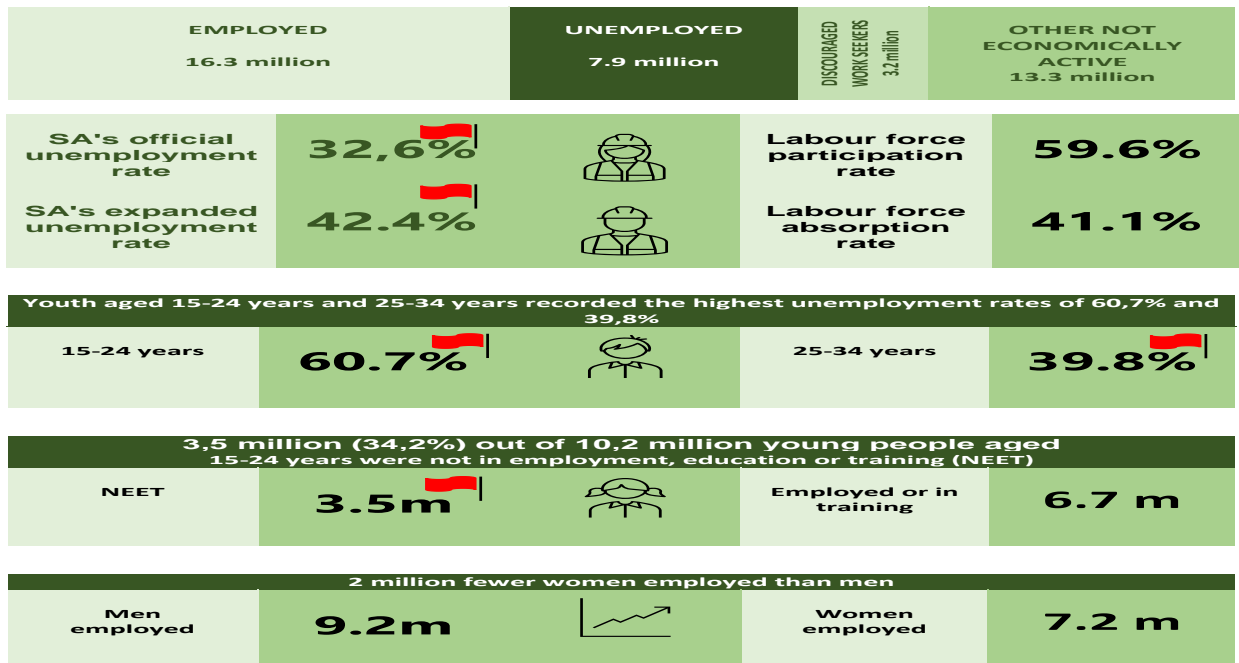
⁴ The World Bank (2022), *Inequality in Southern Africa: An Assessment of the Southern African Customs Union*, 2022

⁵ Valodia, I. (2023). *South Africa can't crack the inequality curse. Why, and what can be done?* The Conversation. September 2023

⁶ Ibid

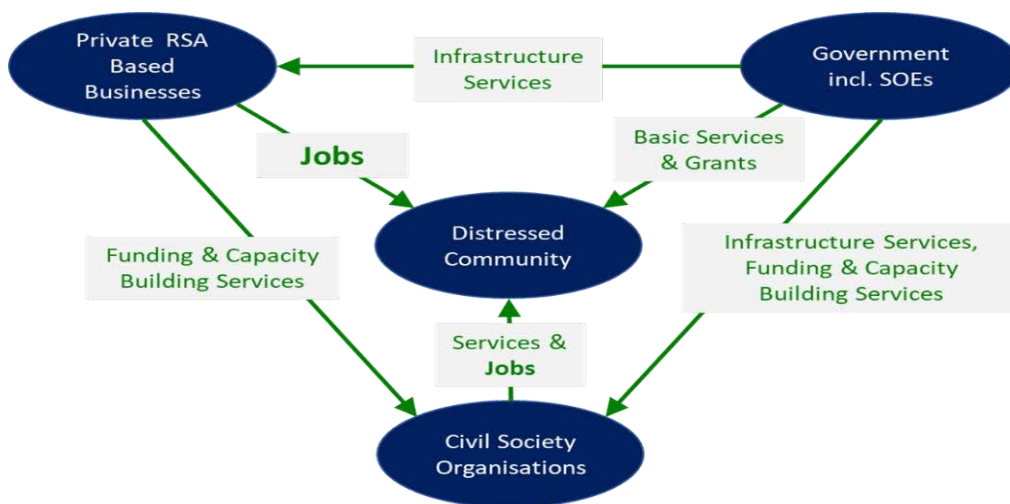
Unemployment

Figure 6: South Africa labour market profile in Q2:2023⁷:



6.2 Role Players in Addressing Poverty

The theoretical framework below came out from the situation analysis and reviews we conducted for informing framing approaches used by governments internationally that have reduced poverty levels through implanting developmental interventions that created jobs and gainful economic activities.



⁷ Statistics South Africa (2023) Quarterly Labour Force Survey. StatsSA. Pretoria.

Figure 7: Configuration of key Role-players in Addressing Poverty

At the design level, the approaches adopted by these initiatives shared four key drivers. These drivers were central to the design process, and they revolved around distressed communities as the primary target focus. The ultimate objective was to create economic activities that could lead to sustainable livelihoods within these local communities. Here's an overview of the key elements:

Community-Centric Focus: The core of the design centred on addressing the needs of distressed communities as the primary focus. This recognition of the community's challenges and potential formed the foundation for the initiatives.

Partnership Building: To achieve their goals, these initiatives established mechanisms to build partnerships. These partnerships involved collaboration between the private sector, government agencies, and civil society organizations. Importantly, these collaborations were developed through consultation with the affected community.

Needs Assessment and Resource Identification: A critical step was the assessment of community needs, local resources (both human and financial), and identifying the pressure points and priorities of the community. This thorough assessment helped inform the strategies and interventions.

Shared Vision and Planning: An essential element was the creation of a mechanism that ensured all stakeholders, including the private sector, government, civil society, and the community, shared a common vision, plan, and desired outcome. This alignment facilitated a unified approach to poverty eradication.

The framework employed by these initiatives encouraged all sectors and stakeholders to identify a common need, address the challenges and find shared solutions to combat poverty. However, the chosen mechanism had to be acceptable and relevant to all community-level stakeholders, emphasizing the importance of inclusivity and local buy-in. This approach aimed to create a holistic, community-driven strategy for poverty alleviation.

As illustrated in the figure above, it is in the best interest of the South African private sector to invest in communities for several compelling reasons. This investment not only benefits the members of these communities but also contributes to an increase in the demand for their products and services. Simultaneously, the government's principal focus, across all its administrative levels, is the provision of a diverse range of services aimed at ensuring the wellbeing of the population.

The civil society sector possesses a deeper understanding of the needs, priorities, capacities, and capabilities of communities. Most importantly, it understands what approaches can effectively work within those specific communities. When social and development projects and programs align with the interests of all partners involved, they have a greater likelihood of achieving success and making a meaningful impact. The battle against poverty, unemployment, and inequality in South Africa demands a collective effort from all sectors of the economy, including active engagement with the communities themselves. This collaborative approach is key to addressing complex social challenges effectively.

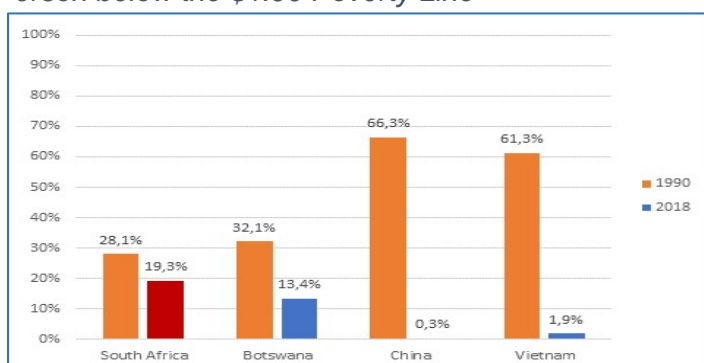
The government has adopted the District Development Model as the suitable platform for implementing this framework. The NDA is currently in discussions with to investigate potential partnerships for testing the practicality of this framework. This testing will utilize the mechanisms proposed in the draft Turnaround Strategy, particularly focusing on the most underserved local municipalities and districts.

6.3 Lessons from selected countries who reduced poverty

A study we conducted, through literature review, from China, Botswana, Vietnam and South Africa used household population data income of persons whose income or consumption was below the poverty line of \$1.90 per day. The reduction of persons living below the poverty line is a useful proxy indicator for poverty eradication. In the figure below, shows China and Vietnam, over the same period, significantly reduced the levels of people living below the poverty from more that 60% to less than 2%. Whilst Botswana shows significant decrease, with more than half reduction in people living below the poverty line. South Africa, although there was decline, but very marginal compared to the other 3 countries, people living below poverty line is relatively very high.

The decline in the South African context, over the period, can be attributed to the robust and aggressive social security systems that was expended after the democratic independence after 1994. The caution in this approach is the risk of economic stability due to national or global economic shocks such as Covid-19 which can easily negate the effect of social security interventions and result in a fall below the poverty line thus reversing the social protection gains made by the country. It is for this reason that heavy reliance on social grants for economic active population alone cannot sustain reduction in poverty, but it is an important element for poverty alleviation as it provides a safety net for those vulnerable households and members of the households.

Figure 8: Percentage of Population Living in Households with Consumption or Income per Person below the \$1.90 Poverty Line



The lessons that are useful for South Africa and NDA in particular as a development agency for the social development portfolio from China, Vietnam and Botswana are that, these countries designed and developed mechanisms to address poverty eradication.

China lessons

In the case of China, who have eradicated poverty, and became the second largest economy in the world used the following approaches: According to Ziaoyun (2014), China has undergone three stages of industrialisation. The first phase began in 1953. It involved the central government planning the economy and promoting heavy industry. The second phase began in

1979 and saw the promotion of light industries. The third phase, which started in 2000, involved more intensive sectors and the market's role industrialisation.⁸

From the 1950s to the 1960s, China's development was influenced by its nationalist political agenda. Its de-development was interrupted by the end of the 1960s, which prompted the country to move toward a more industrialised economy. Through the political reforms initiated by the CPC, China has become a leading player in the global economy. The rapid growth of China's agricultural industry has raised the country's capital and labour for industrialisation surpluses. This is because the reforms encouraged more rural workers to enter the labour market. From 1985 to 1994, over 70 billion USD was taken from agriculture through taxes and fees.

Rural areas became the driving force of China's industrialisation since it promoted light and labour-intensive industries. From 1978 to 2006, the contribution of rural enterprises to the country's total industrial growth increased from 9.9% to 42.9%. China's strategy to improve its industrial structure and promote technology transfer has been widely implemented. It has also developed a long-term plan to promote scientific and technology development. China's industrialisation has many lessons to share. Some of these include how to grasp the opportunities presented by globalisation, how to improve the efficiency of the industrialisation process, how to develop the necessary infrastructure, etc. Although Africa cannot follow the same path as China, it can certainly learn from its industrialisation experience. One key component of China's industrialisation is its state-led industry policy, which has helped overcome various barriers at various stages of development.

Vietnam Lessons

To date, Vietnam has made substantial progress in its efforts to recover from the war and eradicate poverty. Between 1990 and 2018, the percentage of the population living in households with consumption or income per person below the \$1.90 poverty line decreased from 61.3% to 1.9%, as can be seen in the figure presented above. The literature on Vietnam journey to reduction of poverty identified three key areas of focus for improving living conditions in Vietnam.⁹ These areas are:

Boost labour productivity and invest in infrastructure to sustain job creation and wage growth without losing competitiveness. Since wage growth has outpaced labour productivity growth, Vietnam needs to move production up the value chain and attract more foreign direct investment (FDI) to sustain higher wages and drive labour inflows into higher productivity sectors such as agriculture and manufacturing. To this end, the FDI may be used in conjunction with the linking of domestic SMMEs to multi-national corporations (MNCs) through information exchanges, skills upgrades, and technology transfer. Additionally, securing a steady flow of investment in infrastructure will ensure that the demand from the growing export sector is met by a sufficient supply of transport, electricity, logistics, and telecommunications.

Implement education reforms designed to equalise opportunities and develop workforce skills. The reforms aimed at developing workforce skills are designed to level the playing field and allow firms to compete with a limited pool of competent workers. Investing in skills development would help boost the pool of competent workers and allow new sectors to

⁸ Ziaoyun, L. (2014). *China's Industrialization: Overview - Implications for Africa's Industrialisation*.

⁹ Miguel, E., & Roland, G. (2009). *The Long Run Impact of Bombing Vietnam*.

thrive. Establishing high quality education across various groups will help improve the skills of all and reduce inequality. The quality of education in poor communities will also affect the academic achievement of children. Improvement of the teaching profession will also help close the achievement gap.

Spur agriculture structural transformation through changing farmland use patterns, strengthening land user rights, and improving skills of poor farmers. Changing farmland use patterns can help unlock the potential of the poor through structural transformation. This shift is necessary to achieve the goal of increasing the profitability of agricultural ventures by pursuing higher value perennial and annual crops. Doing so requires strengthening the rights of land users and ensuring that they have access to credit. Improvement of farm management and business skills may also assist to boost the productivity of poor farmers. It also notes that, preceding this economic development, Vietnam implemented certain policies to create an enabling environment for businesses¹⁰

Vietnam has embraced trade liberalisation. Vietnam is a signatory to 16 bilateral and multilateral free trade agreements, is a member of the World Trade Organization, ASEAN, and has concluded bilateral agreements with the U.S., Japan, South Korea, the EU, and the Eurasian Customs Union.

- **Vietnam has complemented external liberalisation with domestic reforms through deregulation and lowering the cost of doing business.** The liberal trade agreements have dramatically reduced tariffs, anchored difficult domestic reforms, and have increased foreign investment. It is estimated that more than 10,000 foreign companies—including major global players such as Samsung, Intel, and LG—operate in Vietnam today, mostly in export-oriented, labour-intensive manufacturing. Vietnam also reduced the corporate income tax rate to 20 percent from 32 percent in 2003.
- **Vietnam has invested heavily in human and physical capital, predominantly through public investments.** Vietnam has made efforts to promote access to primary education and to ensure its quality through minimum quality standards. With respect to infrastructure, power generation, transmission, and distribution capacity have been scaled up to meet rapidly rising demand.

Botswana Lessons

Botswana has made notable progress in its efforts to eradicate poverty. Between 1990 and 2018, the percentage of the population living in households with consumption or income per person below the \$1.90 poverty line decreased from 32.1% to 13.4%, as can be seen in the figure presented above. The government approach to poverty alleviation has been three pronged. First, there are policies that target increasing disposal income of the poor and economic empowerment, for example, agricultural support programmes. Second, are policies that focus on infrastructure development in basic service provision. Third, are policies that give

¹⁰ Eckardt, S., Mishra, D., & Dinh, V. T. (2018). *Vietnam's manufacturing miracle: Lessons for developing countries*. Retrieved September 30, 2021, from The Brookings Institution: <https://www.brookings.edu/blog/future-development/2018/04/17/vietnams-manufacturingmiracle-lessons-for-developing-countries/>

immediate relief to the poor through the social safety net programmes.¹¹ (Magombeyi, Odhiambo, & Halsall, 2017). According to the World Bank (2015), Botswana's rapid poverty reduction can be attributed mainly to a combination of increasing agricultural incomes, including subsidies, and demographic changes. Several factors were important sources of poverty reduction and welfare improvements:¹²

- Wages and all sorts of formal and informal labour-related incomes increased substantially, especially in rural areas.
- Other improvements in rural areas' labour market outcomes included reductions in unemployment and growth in labour market participation.
- Agricultural incomes and employment were supported in large part by government subsidies.
- Substantial changes in the demographic structure included reductions in household sizes and dependency ratios.
- Access to education improved progressively from primary through secondary to university education.
- The amount of household loans increased, helping raise households' net incomes.

The lessons from Botswana can be summarised into 3 approaches adopted by the government in poverty reduction, these are:

- Implementing policies that target increasing disposal income of the poor and economic empowerment, e.g. agricultural support programmes.
- Implement policies that focus on infrastructure development in basic service provision.
- Implement policies that give immediate relief to the poor through the social safety net programmes.

The lessons from these countries who managed to significantly reduce the levels of poverty provide the social development portfolio and the NDA in particular, examples of areas and targets of focus in the 2023/24 annual performance plan. It also provides mechanisms that needs to be developed and implemented to start arresting the ever increasing poverty levels. The strategies cannot be achieved by the NDA or Social Development alone, but it needs the entire government machinery to be at the centre of these approaches in the implementation of the district development model.

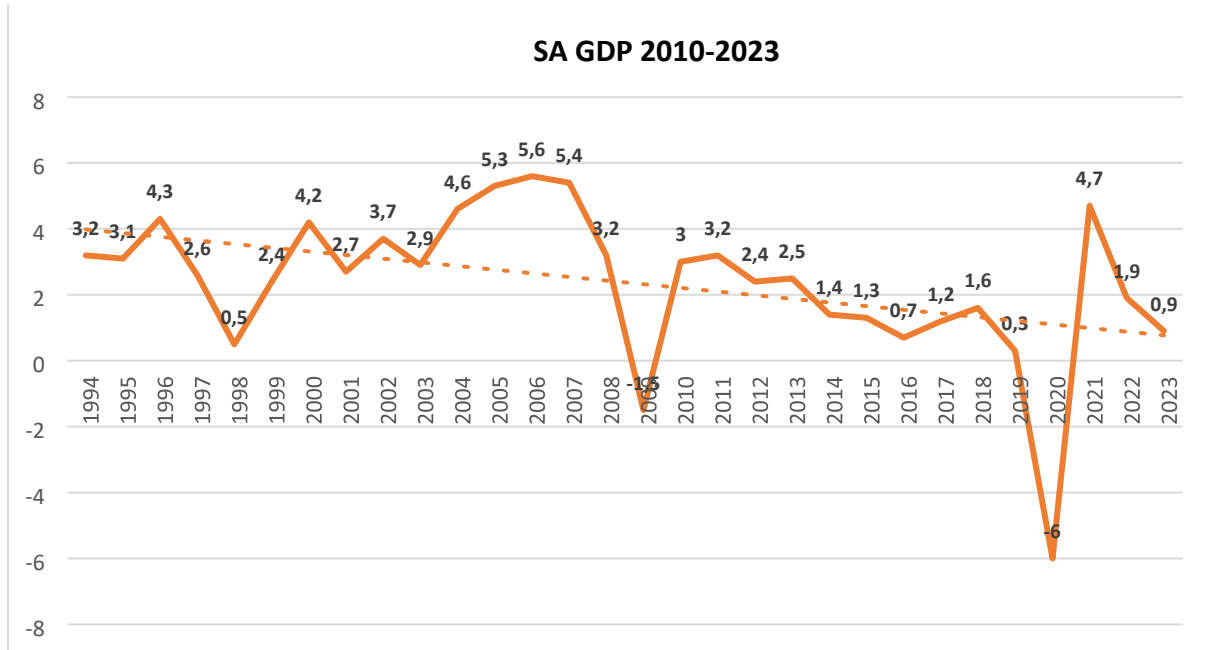
6.4 Key Economic Indicators

After three decades of neoliberal macroeconomic policies, the South African economy performed badly long before the COVID-19 pandemic.

¹¹ Magombeyi, M., Odhiambo, N., & Halsall, J. (2017). Poverty dynamics in Botswana: Policies, trends and challenges. *Cogent Social Sciences*, 3(1). doi:10.1080/23311886.2017.1329246

¹² World Bank. (2015). *Botswana Poverty Assessment*.

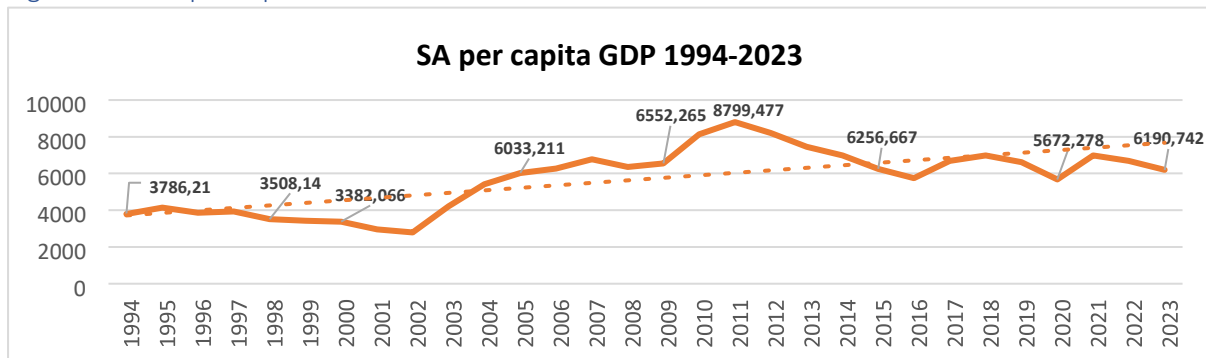
Figure9: GDP growth



Source: Trading economics

SA's GDP since 1994 is unimpressive. Except for 2004-2007, growth was mostly below 3%. The NDP target of 6% growth per annum has not been achieved. Currently, growth is under 1%. Without growth, there is no possibility of reducing unemployment, especially youth unemployment, which is an outlier.

Figure 10: GDP per capita

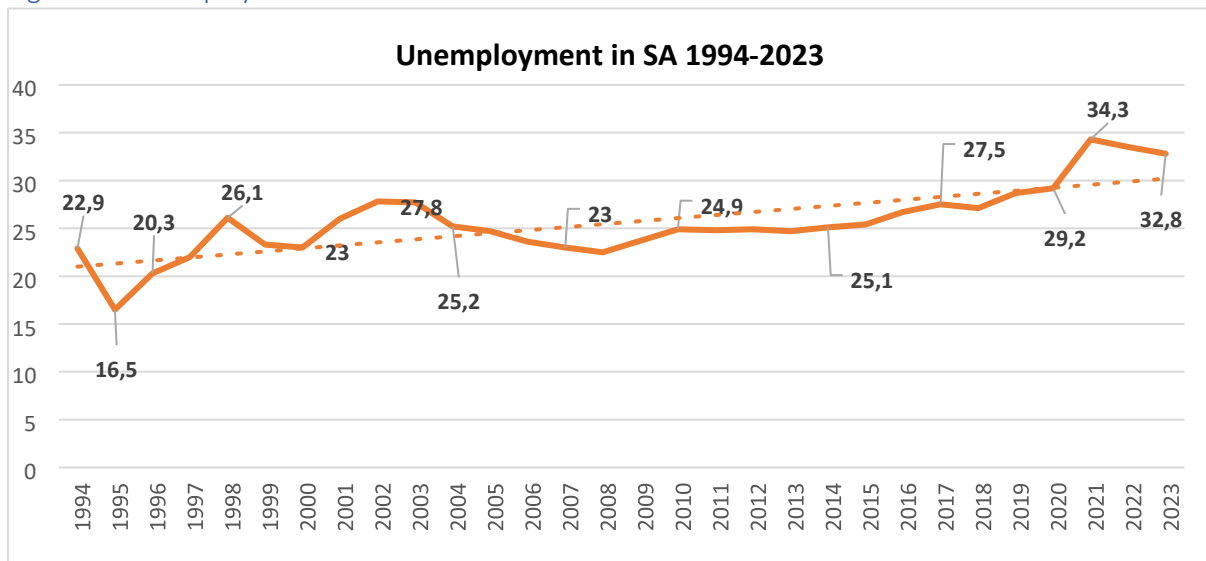


Source: Trading economics

- SA's GDP per capita grew from USD 3786 to USD 8799 between 1994 and 2010. It represents a growth of 132%. However, from 2010 to 2023, per capita GDP has declined by 30%, translating into South Africans getting poorer.
- Wages have fallen as a share of national income, and there has been a steep rise in income inequality, fuelling consumer debt. The financialisation of the economy has channelled money towards short-term speculation and lending to households and away from long-term productive investment.¹³

¹³ Ashman, S (2023) Beyond the MEC? Limits and prospects in the development of South African capitalism. In: The evolving structure of South Africa's economy. MISR: Johannesburg.

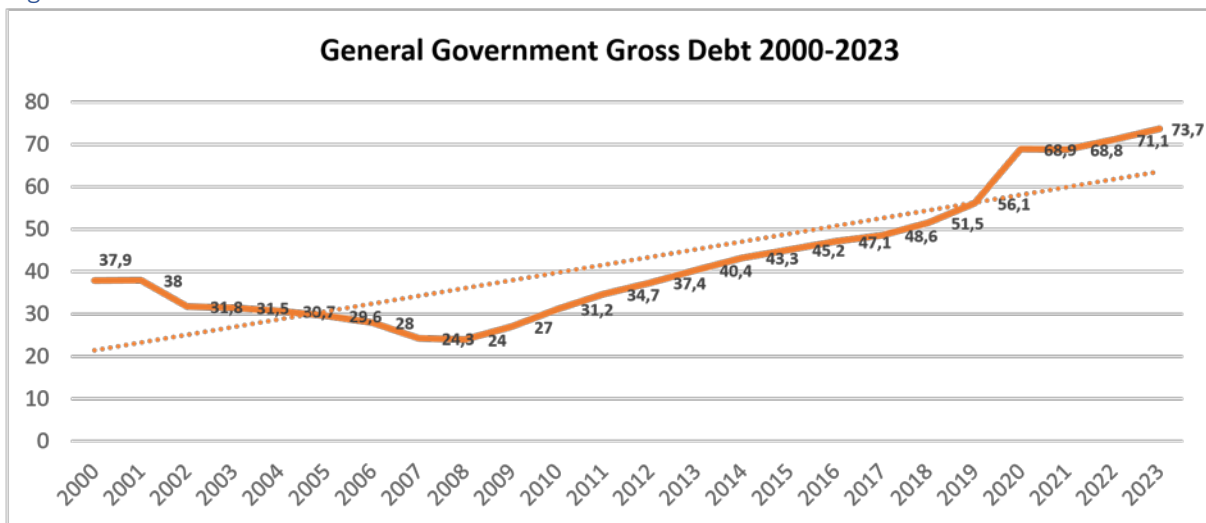
Figure 11: Unemployment in SA



Source: Trading economics

- Unemployment has reached unprecedented levels with distinctive racial and spatial dimensions. Between 1994 and 2023, unemployment has progressively worsened and reached an all-time high of 34.3 in 2021.

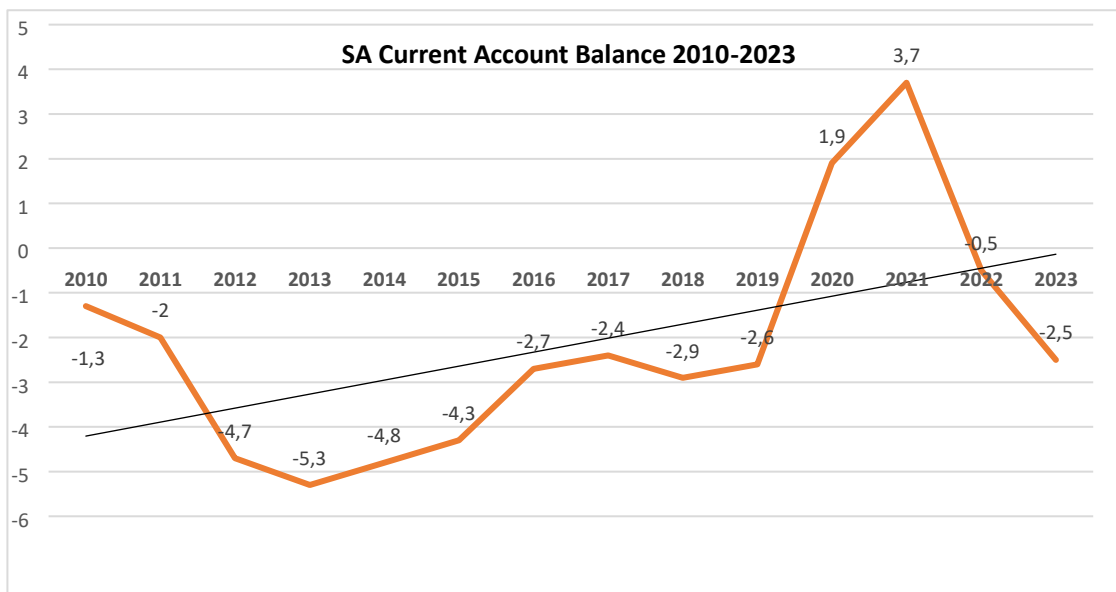
Figure 12: Gross debt



Source: Trading economics

- The country is saddled with high public debt and interest payments, weak currency, inflation and a negative business cycle.
- Gross government debt as a percentage of GDP has grown from 24.3% in 2008 to 73.3% in 2023.
- As capital has shifted away from productive activities, the result is declining levels of fixed capital investment, particularly in sectors outside the core of the MEC, and increased capital intensity in manufacturing. The mineral-energy-finance complex is responsible for 50% of GDP but only 25% of employment. Consequently, the economy has been unable to absorb the working-age population and has seen rising unemployment.

Figure 13: SA current account balance



Source: Trading economics

- The current account balance (CAB) is part of a country's financial inflow and outflow record. It is part of the balance of payments, the statement of all transactions between one country and another.
- SA's current account balance is mostly negative, except for 2020 to 2021. A deficit reflects a government and an economy that is a net debtor to the rest of the world.

State Capture

The country's fiscal position coincides with acute kleptocracy or state capture. State capture enabled unbridled corruption and fiscal profligacy to flourish while the state institutions were left in a state of collapse.¹⁴ Corruption tilts the scale towards macroeconomic instability by engaging in rent-seeking, discouraging investments, and redirecting expenditure towards non-productive activities. Fiscal profligacy cannot be solely ascribed to state capture because debt-financed spending decisions, such as bailing out SoEs and providing guarantees, were approved via the normal budgetary processes.

The link between state capture and fiscal deterioration can be deduced from the loss of investor confidence, channelled into higher bond yield, interest rates, the current account, and debt service costs. Numerous structural reform measures are yet to yield desirable results because of policy design weaknesses, implementation inertia, ingrained structural complexities, and the lack of bold policymaking.¹⁵

Economic Assessment

The Growth Lab at Harvard University has completed a deep diagnostic of potential causes of South Africa's prolonged underperformance over a two-year research project in a report titled

¹⁴ Zondo, R (2022) Report of the commission of inquiry into allegations of state capture.

¹⁵ Rakabe, E (2022) Vulnerability in the spotlight: reflections on macroeconomic management in a polycrisis. In: The evolving structure of South Africa's economy. MISR: Johannesburg.

*Growth through Inclusion in South Africa.*¹⁶ The report asks the question of why. Why is the economy growing far slower than any reasonable comparator countries? Why is exclusion so extraordinarily high, even after decades of various policies that have aimed to support socioeconomic transformation? What would it take for South Africa to include more of its people, capabilities, assets, and ideas in the functioning of the economy, and why are not such actions being undertaken already? Bluntly speaking, the report finds that South Africa is not accomplishing its goals of inclusion, empowerment and transformation, and new strategies and instruments will be needed to do so.

The report states that it is painfully clear that South Africa is performing poorly, exacerbating problems such as inequality and exclusion. The economy's ability to create jobs is slowing, worsening South Africa's extreme levels of unemployment and inequality. South Africans are deeply disappointed with social progress and dislike the direction the country is heading. Despite its enviable productive capabilities, the national economy is losing international competitiveness. As the economy staggers, South Africa faces deteriorating social indicators and declining levels of public satisfaction with the *status quo*.

After 15 years, attempts to stimulate the economy through fiscal policy and to address exclusion through social grants have failed to achieve their goals. Instead, they have sacrificed the country's investment grade, increasing the cost of capital to the whole economy, with little social progress to show for it. The underlying capabilities to achieve sustained growth by leveraging the full capability of its people, companies, assets, and know-how remain underutilised. Three decades after the end of apartheid, the economy is defined by stagnation and exclusion, and current strategies are not achieving inclusion and empowerment in practice.

Social Grant System

A fifth of the people in developing countries receive at least one form of social assistance. South Africa has one of the largest cash transfer programmes in Africa. Roughly one-third of the population benefits from social grants for older persons, people with disabilities and children. The temporary Social Relief of Distress (SRD) grant introduced for unemployed adults in 2020 in response to the COVID-19 pandemic means that just under half of the population now receive social assistance through an unconditional cash transfer. Social grants are associated with positive effects on poverty, inequality, and key social development outcomes. Today, the South African Social Security Agency (SASSA) pays 26 million social grants monthly.¹⁷ The Social protection system is made of three main components:

- i. Social assistance includes social grants, public works programmes, and other interventions such as the National School Nutrition Programme.
- ii. The statutory funds include the Unemployment Insurance Fund and the Compensation Fund.

¹⁶ Ricardo Hausmann, Tim O'Brien, Andrés Fortunato, Alexia Lochmann, Kishan Shah, Lucila Venturi, Sheyla Enciso-Valdivia, Ekaterina Vashkinskaya, Ketan Ahuja, Bailey Klinger, Federico Sturzenegger, and Marcelo Tokman (2023) Growth through Inclusion in South Africa. CID Faculty Working Paper No. 434. November 2023.

¹⁷ Steyn D. (2023). Here's how South Africa's social grant system has changed since 1994. GroundUP. 2023

- iii. The voluntary funds, such as medical schemes and retirement funds. While the employment-linked statutory and voluntary funds are financed through contributions by employers and workers, social assistance is financed from general tax revenues¹⁸.

South Africa's social assistance system is an effective intervention for supporting the poorest segments of the population. The system provides resources to poor households, which, at the very least, significantly reduces the depth of poverty and inequality. Further, by providing regular and dependable income, they ameliorate vulnerability. It is particularly true if the effects of social grants on other outcomes, such as health, education, and labour supply, are considered. The system is extensive regarding the number of people it covers, directly and indirectly, and the amount of scarce resources it consumes.

Approximately one in three South Africans directly benefit from a social grant, while nearly two-thirds of the population (64%) are directly or indirectly beneficiaries of the system. Evidence shows that social assistance transfers have significant positive impacts on reducing poverty and inequality in South Africa and boosting development outcomes¹⁹. Transfers are equivalent to 7.3% of household expenditure, 60% in quintile 1 (the poorest 20 percent of the population). It is a way in which the government supports the poorest and most vulnerable. High coverage rates are primarily due to the size of the programme of child support grants and the Social Relief of Distress programme²⁰. In 2022, 29 million South Africans receive monthly grants, with 18 million receiving state grants and 11 million receiving the R350. The country's small tax base (7.4 million taxpayers) is an unsustainable economic scenario. South Africa is the only country in Africa giving almost half of its population grants. There are not enough taxpayers or economic growth to fund the growing welfare bill.²² Instead of lowering the number of grant recipients, the government wants to give more people larger grants²¹.

Social grants remain a crucial safety net for many, especially in the poorer provinces. Nationally, grants are the second most important source of income for households (50.2%) after salaries (59.7%). Grants were the primary source of income for one quarter (23.5%) of all households in South Africa²².

The number of households and persons who benefitted from social grants has also increased substantially from 30.9% in 2019 to 37% in 2022 following the introduction of the COVID-19 Social Relief of Distress (SRD) grant. Moreover, the number of households that received grants concurrently jumped from 30.8% to 49.5% over the same period.²³

Figure 1: Social grant expenditure from (1994-2022)

¹⁸ Ibid

¹⁹ Ibid

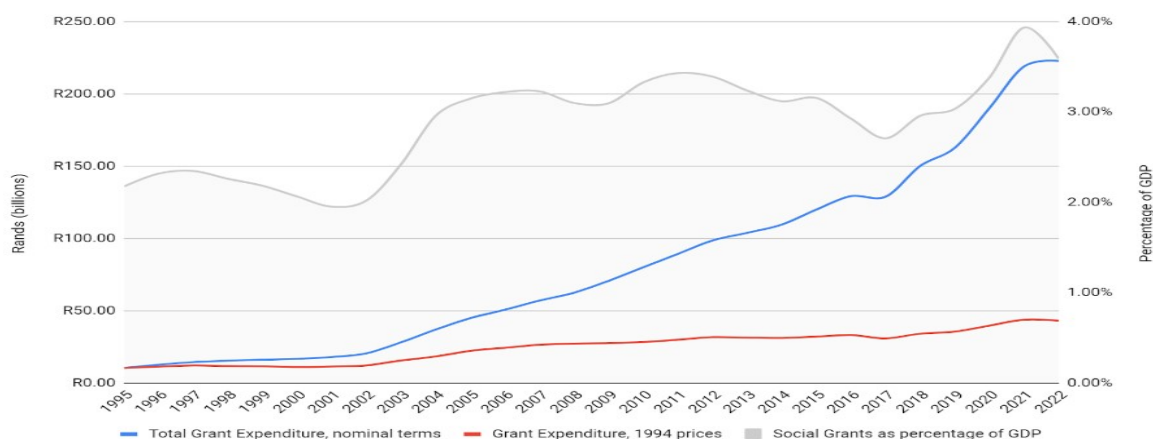
²⁰ Roodt, D. (2023). *South Africa, 29 million South Africans receive grants with only 7.4 million taxpayers*.

Daily Investor. 2023 ²² Ibid

²¹ SASSA (2023). *Third Statistical Report 2023/4: Social Assistance*. 2023

²² Fraser, L. (2023). *South Africa's Shocking Dependence on Grants*, BusinessTech. 2023

²³ Ibid



Source: National Treasury, Stats SA, and UCT's Centre for Social Science Research, 2023

- South Africa's expenditure on social grants has risen exponentially between 1995 to 2022.
- Social grant expenditure rose from almost zero to about 3.5% of GDP in 2022.
- Total grant expenditure is currently around R250 billion annually.
- However, grant expenditure has not kept pace with inflationary increases at 1994 prices.

Although grant monies are spent largely on food, there is growing evidence that social grants are also used to make productive investments in livelihood activities. According to the research conducted by the Centre for Social Development in Africa (CSDA) (Social Grants, Livelihoods and Poverty Responses of Social Grant Beneficiaries in South Africa), the SRD increased the probability of job search among beneficiaries by 25%. Despite these findings, there is still limited evidence of the nature and scope of informal livelihood activities of grant beneficiaries and how government and other social partners may be able to support people's agency and strengthen their livelihood strategies in a context of extraordinarily high rates of unemployment.²⁴

Unsustainable Social Grants System

According to the National Treasury, the current social security protection system is unsustainable. In a presentation to parliament, the Treasury noted that 46% of the population currently receives social grants, representing an unusually high coverage for a developing country. It was before SASSA gave the total number of SASSA grant recipients on 31 March 2023, which was 18 829 716. The Treasury indicated that if job creation continues to be poor, the sustainability of the system and the overall fiscal position will become a serious concern.²⁵ There are 27.8 million people in the system receiving grants and 9.4 million receiving the Social Relief of Distress grant. Increasing grants beyond current levels would require tough decisions at the political level on how priorities should be readjusted in government.

The population is projected to increase from 60 million in 2021 to 71 million by 2040, resulting in more children and older people depending on child social grants, old age pension grants,

²⁴ Patel, L. Dikoko, V. and Archer, J. (2023). Social Grants, Livelihoods and Poverty Responses of Social Grant Beneficiaries in South Africa. 2023.

²⁵ <https://businesstech.co.za/news/finance/543560/the-areas-in-south-africa-where-more-people-rely-on-grants-that-salaries/#:~:text=The%20National%20Treasury%20has%20previously%20warned%20that%20the,an%20unusually%20high%20coverage%20for%20a%20developing%20country.>

basic education and health. The increased spending required from the government will place pressure on fiscal sustainability.

The National Treasury warned that additional spending of a permanent nature would require additional funding sources, either through reprioritisation of existing expenditure allocations or increased taxes that would hurt the working class. Treasury's data shows that the social wage represents 59.5% of total non-interest expenditure, mainly driven by basic education, health and social protection known as 'social grants'.

The budget provides R37.9 billion in direct in-year relief from the Covid-19 pandemic. It included the special COVID-19 social relief of distress grant, whose 9.5 million beneficiaries bring the number of social grant recipients to 27.8 million.²⁶ South Africa is performing poorly, exacerbating problems such as inequality and exclusion. The economy's ability to create jobs is slowing, worsening South Africa's extreme levels of unemployment and inequality. South Africans are deeply disappointed with social progress and dislike the direction the country is heading. Despite its enviable productive capabilities, the national economy is losing international competitiveness. As the economy staggers, South Africa faces deteriorating social indicators and declining levels of public satisfaction with the *status quo*.

After 15 years, attempts to stimulate the economy through fiscal policy and to address exclusion through social grants have not yielded the desired goals. Instead, the country's investment grade took a nosedive, increasing the cost of capital to the whole economy, with little social progress. The underlying capabilities to achieve sustained growth by leveraging the full capability of its people, companies, assets, and know-how remain underutilised. Three decades after the end of apartheid, the economy is defined by stagnation and exclusion, and current strategies are not achieving inclusion and empowerment in practice.²⁷

6.5 New NDA Operating Model

The new NDA Operating Model industrialises the process of mobilising resources for social enterprises. The NDA understands that it takes more than a government grant and training to establish a social enterprise. It requires a market, a supply chain, water, electricity, roads, communications, management skills, productive labour, regulatory approvals, security, information systems as well as money to establish a social enterprise. By holistically framing all of the above as resources that must be mobilised on behalf of social entrepreneurs the NDA Operating Model address the holistic reality of social entrepreneurs in welfare dependent communities.

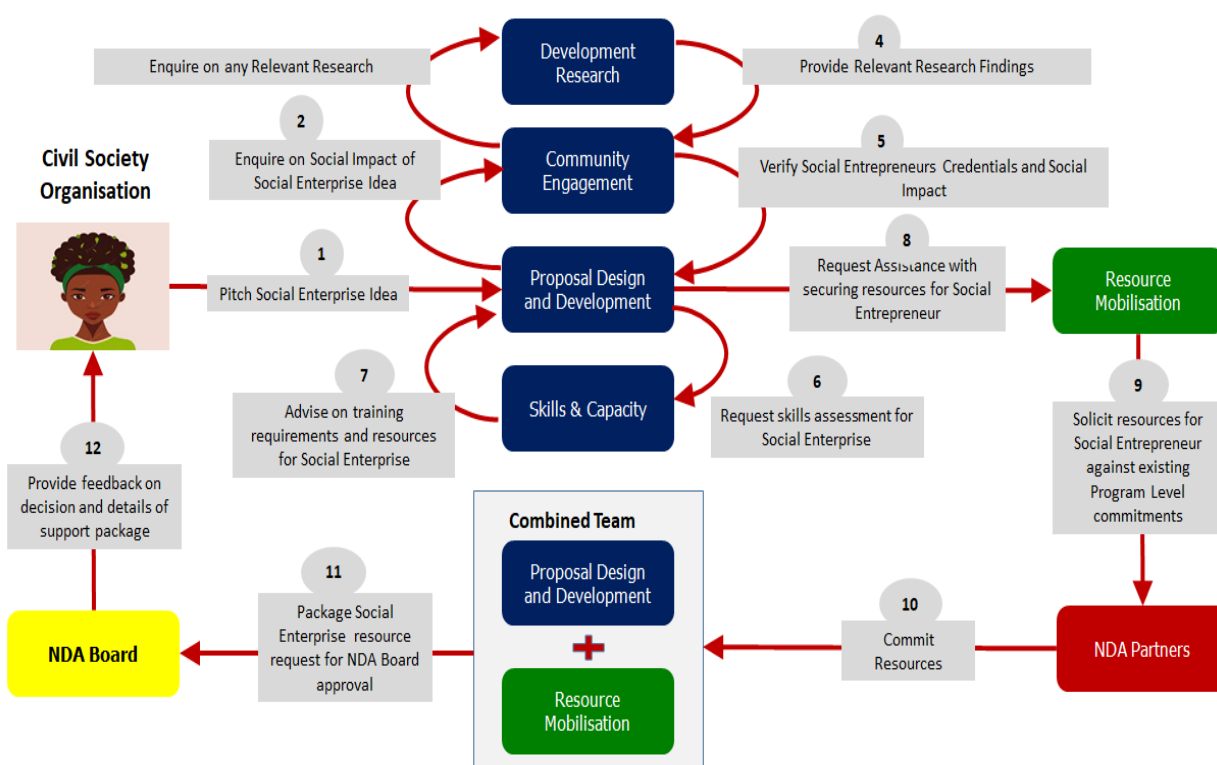
Instead of expecting the entrepreneur to engage in an expensive and time-consuming process to individually pursue government departments, agencies, state owned enterprises, private investors, private delivery partners, CSO delivery partners and other community members for resources, the NDA will use the mandate bestowed by Section 3.1(a) of NDA Act to bring the potential resource providers to the social entrepreneur. The core of the new NDA operating model is a process that starts and ends in the community, builds a pipeline of projects to create social enterprises and which promote these projects with potential resource providers in government, the private sector, development funding community, CSO community and the rest of the welfare dependent community itself.

²⁶ Ibid

²⁷ Hausmann, R et al (2023) Growth through Inclusion in South Africa. CID Faculty Working Paper No. 434. November 2023.

In order to enable rapid and efficient resource mobilisation NDA partners in government and private sector will be requested to pledge resources against different program objectives for the following financial year. Private sector partners can also pledge for current financial year. All resource commitments will be made against very specific **NDA partner terms and conditions** that individual projects need to comply with to qualify for resources. Should projects qualify they will automatically be entitled to such resources upon request. The process components of the New NDA Operating Model is summarised below:

Figure: NDA Operating Model



1 Pitch Social Enterprise Idea

- a) A Social Entrepreneur approach the local representative of the **Proposal Design and Development** team and present their idea for a Social Enterprise.
 - The Social Entrepreneur can do so on their own, or with the assistance of community members or non-profit organisations with an interest in the community.
- b) The **Proposal Design and Development** team will ask the relevant questions to understand the structure of the business and confirm that it is a Social Enterprise that will provide significant social benefit to the community.
 - This assessment will be made using the information provided by the Social Entrepreneur.
- c) The **Proposal Design and Development** team will also ask all the relevant questions to allow them to determine the funding, goods, services and training necessary for the Social Entrepreneur to establish their Social Enterprise.

- The Social Entrepreneur might have this information at hand but in the event they don't the duty will fall upon the Proposal Design and Development Team to flesh this out.
- d) Finally the **Proposal Design and Development** team documents the proposed Social Enterprise in a prescribed format on [the new digital Social Enterprise Resource Mobilisation Platform](#).
- This will make all the information pertaining to the proposed available to all the contributors.
 - This will also prevent projects and project information being stolen.

2 Enquire of Social Impact of Social Enterprise Idea

- a) The **Proposal Design and Development** team formally request the **Community Engagement** team to investigate and confirm if the idea proposed by the Social Entrepreneur will make a sufficiently large impact on the community to justify the effort to develop the proposal and deploy the mobilised resources.
- This investigation will consider many factors, specifically the amount of material livelihoods that will be created in the community to the extent that people can be considered for removal from SASSA grants and municipal indigent registers.
- b) The Community Engagement team will also liaise with traditional leaders, community leaders, non-profits operating in the community, local religious groups and formal churches to verify that the social entrepreneur will be able to mobilise the broader support of the community.
- c) The finding of the engagements is captured on the [Social Enterprise Resource Mobilisation Platform](#).

3 Enquire on any Relevant Research

- a) The **Community Engagement** team request the **Development Research** team to research and advise on business models, operating models, infrastructure requirements, technologies, suppliers, institutions and support organisations that can assist the Community Engagement assess the social impact as well as the resource requirements of the proposed Social Enterprise.
- b) The request is structured in a prescribed format and captured on the [Social Enterprise Resource Mobilisation Platform](#).

4 Provide Relevant Research Findings

- a) The **Development Research** team provides the **Community Engagement** team with responses to their request.
- b) The research must enable the **Community Engagement** team to make a scientific and defensible assessment on the social impact of the proposed Social Enterprise.
- c) The research must also as a matter of course allow the **Proposal Design and Development** to specify the resources that are needed to establish and operate the Social Enterprise.
- This include operating models that gives a broad outline of the types of equipment and jobs
- d) The responses are captured on the [Social Enterprise Resource Mobilisation Platform](#).

- The information is captured as it is obtained by the **Development Research** team, allowing work to continue before all the research findings are complete.

5 Verify Social Entrepreneurs Credentials and Social Impact

- a) The **Community Engagement** team inform the **Proposal Design and Development** team whether the applicant Social Entrepreneur has the support of the community and that the proposed Social Enterprise will make a meaningful impact.
- b) The meaningful impact is quantified in terms of a number of metrics, most importantly being the impact on SASSA grant recipient lists and indigent registers.
- c) The **Community Engagement** team recommendation to proceed or decline, as well as the supporting arguments, is captured on the *Social Enterprise Resource Mobilisation Platform*.

6 Request Skills Assessment for Social Enterprise

- a) The Proposal Design and Development team decide if they want to continue with the proposal.
- b) If the Social Entrepreneur lacks credibility and the social impact is marginal the option exist at this stage to terminate the process using the **Community Engagement** team's recommendation as reason.
- c) The decision to terminate is captured on the *Social Enterprise Resource Mobilisation Platform*.
- d) Should they wish to continue the **Proposal Design and Development** team request the **Skills and Capacity** team to perform a skills assessment of the entrepreneur and the community to ascertain the training requirements and advise on the training resources that need to be mobilised to establish the Social Enterprise.
- e) The request is captured on the *Social Enterprise Resource Mobilisation Platform* and automatically forwarded to the **Skills and Capacity** team.

7 Advise on Training Requirements and Resources for Social Enterprise

- a) The **Skills and Capacity** team assesses the skills level of the Social Entrepreneur and the broader community that will work at the Social Enterprise.
- b) The **Skills and Capacity** team will also review the research performed by the **Development Research** team around the types of skills required by the proposed Social Enterprise.
- c) After establishing the skills gaps the **Skills and Capacity** team will identify which training interventions are available to assist and what training resources will be required to mobilise those training interventions.
- d) The **Skills and Capacity** team's primary focus will be on the SETA community offerings and resources, ensuring that the Government's skills development budgets are also deployed to communities that are highly dependent on SASSA grants and indigent registers.
- e) The **Skills and Capacity** team's findings and recommendations is also captured on the *Social Enterprise Resource Mobilisation Platform* and automatically forwarded to the **Proposal Design and Development** team.

8 Request Assistance with securing resources for Social Entrepreneur

- a) The Proposal Design and Development team evaluates”
 - the **Community Engagement** team’s recommendations, ○ the **Skills and Capacity** team’s findings and recommendations and ○ the **Development Research** team’s work to determine the overall resource requirements and
 - compare it to social benefits that will be achieved.
- b) At this point the **Proposal Design and Development** team makes a formal decision to proceed or abandon the proposal.
 - Their decision, as well as the motivation, is captured on the *Social Enterprise Resource Mobilisation Platform*.
- c) Should the **Proposal Design and Development** team decide to proceed they will formally register and define the proposal for a new Social Enterprise for eventual presentation to the **NDA Board**.
 - This definition will be very specific about the resources the **Social Entrepreneur** will require to establish their Social Enterprise.
- d) After registration and definition of the proposal the **Proposal Design and Development** team request the Resource Mobilisation team to secure specific resources for the project to establish the proposed Social Enterprise.

9 Solicit resources for Social Entrepreneur against existing Program Level commitments

- a) The **Resource Mobilisation** team assesses the resource requirements presented for the Social Enterprise and determines the appropriate NDA Strategic Partners to approach for resource commitments for individual Social Enterprise establishment or growth projects.
- b) The NDA Resource Partners will continuously solicit overall strategic program level commitments from other organs of state, private sector institutions, foreign donors and development funding institution. These will typically be collected during a financial year for use on specific projects in the following financial year.
- c) An example of such a Strategic Program Level Commitment, as illustrated below, could be Vodacom offering 1000 smartphones and a 100,000G of data to support digital solutions to Social Entrepreneurs.
- d) When the **Proposal Design and Development** team then present the **Resource Mobilisation** team with a requirement for 250 smartphones the **Resource Mobilisation** team then knows that it can go to a NDA Strategic Partner, in this example Vodacom, to secure the phones.
- e) Following identification of the appropriate NDA Strategic Partner the Resource Mobilisation Team will engage the partner and make a very specific request for resources.
- f) The contact history of the engagement will be captured on the *Social Enterprise Resource Mobilisation Platform*.

10 Commit Resources

- a) The NDA Strategic Partners, in response to the Resource Mobilisation team's specific requests, will contract on the exact resources, be it funding, in-kind goods, in-kind services or skills development training, that they will commit to the proposed Social Enterprise project.
- b) These commitments will be drawn down from the Strategic Program Level Commitments.
- c) This contract will be provisional pending final approval by the NDA Board.
- d) The terms and conditions of the contract is contained in a physical document with wet signatures as well as captured on the [Social Enterprise Resource Mobilisation Platform](#).

11 Present Social Enterprise resource request for NDA Board approval

- a) A combined team from Proposal Design and Development and Resource **Mobilisation** finalise the Social Enterprise proposal for NDA Board approval.
- b) All the information necessary to finalise the proposal will already be available on the [Social Enterprise Resource Mobilisation Platform](#).
- c) What will remain for the combined team to do is an executive summary highlighting the strategic benefits for the NDA Board, specifically in terms of the SASSA grant and indigent register, given the resources consumed.
- d) Ultimately, they need to package the costs, benefits and risks for the NDA Board to consider, and then make their case to the NDA Board for approval.

12 Provide feedback on decision and details of support package

- a) The NDA Board approve or decline the proposal. The decision, as well as any conditions are captured on the [Social Enterprise Resource Mobilisation Platform](#).
- b) The **Proposal Design and Development** team provide feedback of the approval or declination to the Social Entrepreneur that presented the idea.
- c) Details of the support package is provided together with the decision.

6.6 Definition of Social Enterprises

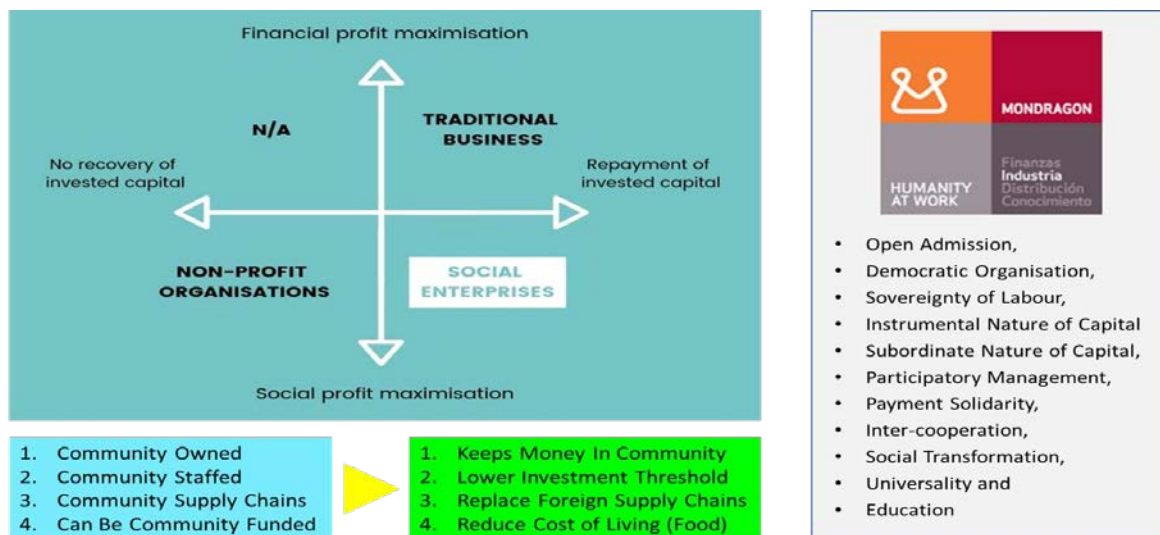
Social enterprises are profitable businesses whose objective is to benefit the broader community instead of only the capital investors in the businesses. This broader community benefit is also referred to as social profits. Social profit can also be in the form of in-kind value exchanges that don't involve financial transactions.

In order to be considered a Social Enterprise for the purposes of the NDA they need to have the following a majority of the features:

- Community owned
- Community staffed
- Community supply chains
- Community funded

- a) Examples of Social Enterprises include the **John Lewis Partnership** in the UK
- b) Examples of Community Owned Enterprises include **Mondragon Cooperatives Corporation (MCC)** in Spain, as illustrated below:
- c) Examples of Civil Society Organisations driven community development include Silk Road Network of NGOs which has 305 NGOs Network in 82 countries. The advantage of SIRONET is that the Chairperson of the NDA Board was elected in October to serve in the International Steering Committee on SIRONET for a period of 5 years.

Figure 16: Definition of Social Enterprise and Community Owned Enterprise



Social and Solidarity Enterprises are a type of CSO. The NDA Act mandates the NDA to fund and capacitate CSOs that are implementing programs to address poverty and its causes. The NDA is not stepping away from the mandate but will be more focussed in the types of CSOs they support.

Profitability of Social and Solidarity Enterprises

A social and solidarity enterprise although it generates financial profit, its profitability is measured by the ability to apply the “**Concerned for Community Principle of Cooperatives**”. Social enterprises need to be profitable in order to build sustainable communities. A large percentage of the social enterprises will conduct financial transactions and apply commercial strategies to maximise social improvements and they must do so in a financially sustainable way. Social enterprises need to be commercially competitive and provide a clear community benefit.

Investment Thresholds

Where social enterprises are fundamentally different from conventional businesses is that their investment threshold rates can be lower. Capital markets have internal rate of return thresholds below which they won't invest. By blending open market capital with other sources, such as government grants or community contributions, enterprises can start that would not otherwise have done so. This means social enterprises are potential sources of employment for people who cannot break into the formal labour market. As such they do not depend on

philanthropy and can sustain themselves over the long term. Their models can be expanded or replicated to other communities to generate more impact.

6.7 History of Cooperatives at international level

A cooperative is defined as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Cooperatives are **people-centred enterprises** owned, controlled and run by and for their members to realise their common economic, social, and cultural needs and aspirations.

Cooperatives bring people together in a democratic and equal way. Whether the members are the customers, employees, users or residents, cooperatives are democratically managed by the 'one member, one vote' rule. Members share equal voting rights regardless of the amount of capital they put into the enterprise.

As businesses **driven by values**, not just profit, cooperatives share internationally agreed principles and act together to build a better world through cooperation. Putting fairness, equality and social justice at the heart of the enterprise, cooperatives around the world are allowing people to work together to create **sustainable enterprises** that generate long-term jobs and prosperity.

Cooperatives allow people to take control of their economic future and, because **they are not owned by shareholders**, the economic and social benefits of their activity stay in the communities where they are established. Profits generated are either reinvested in the enterprise or returned to the members. The cooperative movement is far from being a marginal phenomenon, **at least 12% of humanity** is a cooperator of any of the 3 million cooperatives on earth.

Cooperative values and Principles

Cooperatives are based on the values of **self-help, democracy, equality, equity, and solidarity**. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. The cooperative principles are guidelines by which cooperatives put their values into practice.

1. Voluntary and Open Membership

Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have

equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. Education, Training, and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

Types of Cooperatives

Cooperative businesses exist to meet their members' needs and they are focused more on service than investment. Cooperatives are owned and controlled by their members. Increased local control keeps the co-operative in the community. In this business structure, profits return to members, thus money is kept within a community. Consumers believe co-ops have better products and services at a lower cost. The most common types of cooperatives are:

Consumer Cooperative: A consumer cooperative is a purchasing organization, usually retail in nature, that is formed by and for the benefit of the consumer. Consumer cooperatives are guided

by the principle that the process of producing and distributing goods and services shouldn't be controlled by major corporations with the goal of maximizing profit. Instead, they should be owned, controlled and directed by the consumer to supply his or her economic needs. Members benefit by gaining access to quality goods and services, many otherwise unavailable, based on their level of involvement with the cooperative. By acting together, members have an economy of size and increase their bargaining power. Members also share the earnings. When the organization generates profits, members receive earnings based on their level of involvement with the cooperative. Some examples of consumer cooperatives are credit unions, natural food co-ops, rural electric co-ops, housing co-ops, energy co-ops, and other co-ops

Worker Cooperative: A worker-owned cooperative is just that — an organization owned and operated by the workers or staff of the business. Although one of the smallest segments of the cooperative community in the U.S., it's also one of the fastest-growing, as people realize that the surest way to love and keep your job is to own it. Worker co-ops may be formed by freelancers joining forces, entrepreneurs eager to share the ups and downs of founding a business, or conversion of existing businesses to worker ownership as a retirement strategy for owners.

Producer Cooperative: Owned and operated by producers working either separately or as a group, a producer cooperative is an organization formed to offer its members expanded marketing capabilities and production efficacy. After allowing for the expenses of operation and funds allocated for expansion or reserves, it operates on a cost basis for the mutual benefit of its members and stockholders, as producer or patrons.

Business or Organization-Owned Cooperative: A business or organization-owned cooperative is an organization owned by a group of businesses or organizations, such as municipalities, for their mutual benefit. These businesses cooperate with each other, forming an alliance to purchase goods and services at a total cost that is substantially less than the costs that would be incurred by individual businesses acting alone. By purchasing cooperatively, their buying activity becomes more efficient. They also save through lower administrative costs and guaranteed levels of business with vendors and suppliers. The member businesses that belong to the co-op agree to pay set fees, participate in governing the co-op and use its services. A business-owned co-op has a democratically-elected Board of Directors to oversee policies and operations and hire management personnel, who in turn hire staff and implement the Board's policies.

6.8 Mondragon Cooperatives Corporation

The Mondragon Cooperatives Corporation (MCC) is celebrating 70 years old in 2024. It was formed in 1954 by a Jesuit priest named Don Jose Maria Arizmendarreta. Upon his ordination, he was sent to the Mondragon region to minister to the people. When he arrived in 1941, he found high unemployment, poor education, and no positive vision for the future. The Basque region was one of the poorest in Spain. The assets of the region were few but important: industrious people who knew how to work hard, solidarity based on being treated badly by the Spanish government for hundreds of years, and a strong social structure. Don Jose began the construction of his paradigm shift by starting an industrial apprentice school in the late 1940s.

In 1955, he began to take action to change the future of Mondragon. He invited five young men who had been in his business classes to go with him to raise money, in order to buy a business and bring it to Mondragon. They raised \$361,604. This is a community with high unemployment. In 1990 dollars, that would be about two million dollars. With the money in hand, the five went shopping and purchased a small manufacturing company that made Aladdin kerosene heaters. One year after they purchased it, they moved it to Mondragon and the cooperative was born. They named it ULGOR after the first initials of the five principals' names.

In 1956, the company had 24 employees. In 1958, it had 149 employees. In 1990, the Mondragon Cooperative Complex, of which ULGOR was the first of many connected cooperatives, had 21,241 member employees. It consisted of a complex of more than one hundred enterprises and was worth more than \$2.6 billion. In 2019, the group had posted just over €13 billion in revenues, a staff complement of 80 800 and 266 companies and cooperatives in the Mondragon Group. Globally, Mondragon has more than 12,000 people working abroad in seven (7) countries and more than 140 production subsidiaries.

The Mondragon Corporation will be the international benchmark upon which to model COEs that the NDA wish to support. It is a voluntary association of ninety-five autonomous co-operatives that differs radically from conventional enterprises. Notable exceptions include:

- Each co-op's highest-paid executive makes at most six times the salary of its lowest-paid employee.
- There are no outside shareholders; instead, after a temporary contract, new workers who have proved themselves may become member-owners of their coops.
- A managing director acts as a C.E.O. within each co-op, but the members themselves vote on many vital decisions about strategy, salaries, and policy
- The votes of all members, whether they are senior management or blue-collar, count equally.
- When individual co-operatives perform well, their members share in the profits.
- During times of economic hardship the co-operatives collectively support one another, sharing funds and reallocating workers among themselves to preserve jobs.

The Mondragon Corporation employ more than 80,000 people in Spain, making it one of the nation's largest employers. The group includes one of the country's largest grocery chains, Eroski, along with a credit union and manufacturers that export their wares around the planet. The Mondragon philosophy is embedded in five design principles which have defined its success over the years as well as its incredible record of job creation and community continuity.

Democracy

The first principle of Mondragon is that of democracy. It is a cooperative; therefore, every worker has a vote. The workers elect the board of directors and the board of directors hires the managers. This has a positive effect on the workers because the people they elect are the people who hire their supervisors. If they do not like what the management is doing, they can always vote out the board. Part of the democratic structure is a worker's congress where everyone has a vote. There is also a "watchdog" council of workers that watches upper

management and a social council made up of representatives of teams of twenty to fifty workers. In short, everyone has a voice and a representative with a voice.

Although unions also exist within the cooperative, they play a very different role than in most corporations because of the high quality of communication between management and the workers and the power balance that is already in place. In Short, the principle of democracy allows the workers to know that, if they wish, they can fundamentally restructure any or all of the Mondragon Cooperative Complex. They are the final decision-makers.

Self Finance

Worker democracies are unusual, but they are not unique. The financial structure of the Mondragon Cooperative Complex has no parallel in the world. First, all workers must put some of their own money into the cooperative they are part of. The money accumulates interest but can only be removed upon retirement. It guarantees that everyone has something to lose if the enterprise fails; it also carries with it a reward at retirement if the enterprise is successful. Second, a bank was created within the cooperative structure that serves the cooperative and is itself a cooperative. It has a very clear mission, which is to fund new jobs so that all people who wish to work in the Mondragon area can do so.

This mission is even more important than making the best return on investment, thus violating the prevailing paradigm of banking. Simply put, the Mondragon Cooperative Bank risks its capital to protect the job base of the community. All workers and the Mondragon cooperatives must use this bank. It holds the savings and retirement funds of the workers and processes all the funds flowing through all the Mondragon enterprises. The Mondragon bank perceives itself not just as a guardian of the money it uses, but as a catalyst for creating new business within the Mondragon Cooperative Complex structure.

Education

The third principle is linked to education. Remember that Don Jose had started a technical school back in the 1940s to serve the young people in the Mondragon region. That school evolved along with the cooperatives. The needs of the growing cooperatives were always connected to the curriculum of the school. Many of the students also worked at the co-ops, so they could see the direct connection between their preparation and their job.

The school added students and increased the range of its curriculum. It added management and marketing departments and now is considered one of the best business schools in all of Europe. As of 1990, more than 6,500 students were enrolled in degree programs and 3,500 in other types of training courses.

This direct connection to specific enterprises and jobs is rarely emulated anywhere in the world. But here we are describing a complete community, with a commitment to sustain an educational system that reinforces the ability to keep jobs within the region. By the way, those marketing studies the bank maintained for would-be co-op entrepreneurs - Were done, for the most part, as coursework for the marketing program at the school. What more powerful incentive could you give students than to know that their work might very well be the basis of a vigorous new enterprise just down the street?

Fair Remuneration

The fourth principle focuses on the concept of fair pay. This issue, symbolizing who is and who is not important in society is becoming a trigger in many countries where CEOs take larger and larger pieces of the pay pie. The Mondragon Cooperative Complex had three things going for

it: fairness as part of the culture, a distinctly Christian slant to its enterprise ethics, and the Basque hallmark of moderation.

As a result, the cooperative could create an extraordinary set of payment relationships and make them work. Specific pay ratios were set in 1955 and held until the 1980s. The person at the top could earn no more than six times the salary of the person at the bottom of the cooperative. If the boss wanted a raise, everyone got a raise. In the United States, in 2021, the ratio is about 150 to 1 in major corporations. Recently, the ratios at Mondragon have increased to 15 to 1, because the rest of Spain has recognized how good Mondragon's managers are and lured them away with higher salaries.

Equitable Retirement

The fifth and last principle centers on all equitable retirement plans. The Mondragon Cooperative Complex self-funds and fully funds its retirement package. Workers contribute 32 percent of their earnings and receive 60 percent of their final salary. The cooperative also paid for all workers' health care until the late 1980s, when the Basque government assumed most of the financing. One nice touch is that as part of the retirement package, the worker is given a vegetable garden plot if he or she does not already have one.

Mondragon Cooperative Corporation was founded on the following 10 founding principles of co-operation:

- Open Admission
- Democratic Organization
- Sovereignty of Labor
- Instrumental and Subordinate Nature of Capital
- Participatory Management
- Wage Solidarity
- Inter Co-operation
- Social Transformation
- Universality
- Education

The MCC consists of four groups, each of which incorporates similar business activities, and the Group operates all over the world through what it calls, 'business delegations':

- **Finance** – Mondragon established a cooperative focusing on banking, insurance and social welfare. The cooperative bank has 1.2 million customers, and more than 300 solvent branches across Spain.
- **Industry** - The industrial area covers a broad range of activities, including goods and services in the sectors of consumer goods, capital goods, industrial components, construction and services to business.
- **Distribution** – The EROSKI GROUP is one of Spain's leading retail chains, with a network of more than 1,600 shops. It operates mainly in the food sector, although it also has dedicated stores in such sectors as cosmetics, sports shops, petrol stations, opticians and travel agencies. The company's parent company is the Eroski Cooperative, owned by both its workforce and customers, who make up its governing bodies. The

store sizes are equivalents of Makro or Game in South Africa. All worker-operated and owned shops.

- **Knowledge** - the Group has its own University and 14 Research and Development centres. The university now has more than 5,000 students, with campuses in various areas of Spain. The university provides training and skills development to all employees of MCC.

6.9 Social and Solidarity Economy

Social and Solidarity Economy (SSE) refers to forms of economic activities and relations that prioritize social and often environmental objectives over profit motives. It involves citizens acting collectively and in solidarity for democratization of economy and society, including producers, workers, and consumers. It is often used as an umbrella term to encompass "social economy", "solidarity economy", or third sector organizations and enterprises. SSE is fundamentally about reasserting social control over economy and relinking economy with society and nature. While many SSE organizations and enterprises (SSEOs) are established to respond to specific needs of people and communities, some also aim to transform the economic operating system into the ones based on such values as participatory democracy, solidarity, equity, human and Earth rights, self-determination, mutuality and cooperation. All SSEOs emphasize human social values and ethics in economic activity and relations, and economic practices built upon democratic governance and self-management, reciprocity, solidarity, and active citizenship.

The SSEOs have rapidly grown in numbers in both developed and developing countries. Organized at the grassroots level, they have contributed to mitigating long-run damaging trends such as a rise in poverty and inequality especially in the developed world, environmental degradation and de-industrialization placing skilled workers into unemployment. Furthermore, SSEOs play a pivotal role to offer social services across communities especially in a time where government budgets are stressed and subject to cutbacks. In addition to providing fair services SSEOs have by and large demonstrated a remarkable capacity as employers to maintain and create jobs in times of crises where the government and the market failed.

Solidarity economy was used as an economic organizing concept as early as 1937, when Felipe Alaiz advocated for the construction of an *economía solidaria* between worker collectives in urban and rural areas during the Spanish Civil War.¹ Contemporary uses of the term appear to have emerged in both France and South America--specifically Colombia and Chile--in the early 1980s. European concepts of *économie solidaire* emerged from a long tradition of "social economy" activism and policy oriented toward addressing social and economic exclusion through "third sector" alternatives to conventional market and state-centered institutions.

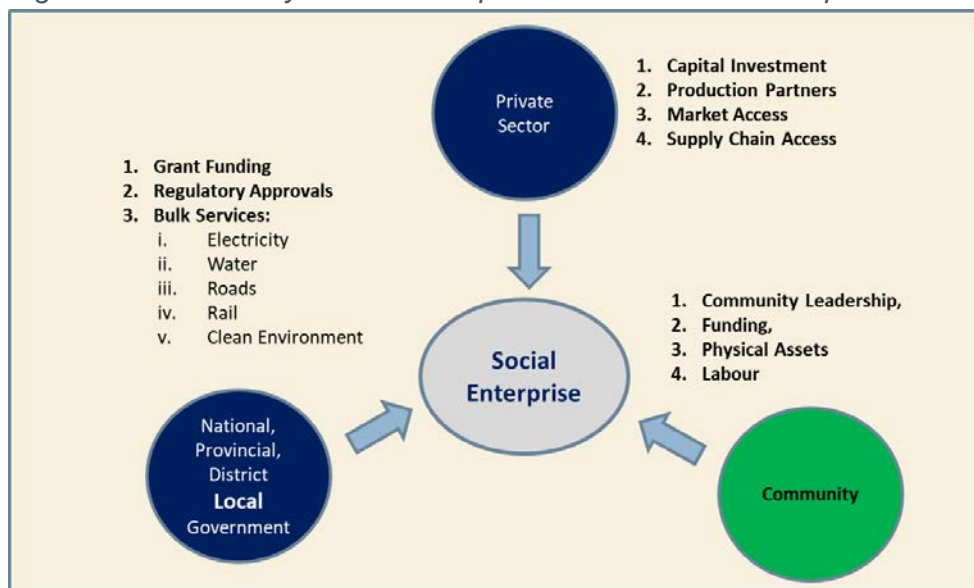
While the social economy often sought to supplement or compliment the existing social order, solidarity economy advocated a more transformative approach to economic activism. In Colombia, *economía solidaria* emerged out of the country's cooperative movement and understood as a concept that could place *cooperativismo* (cooperativism) into a broader, and more political, context of a vision for building a different economy. In Chile, the concept was developed more broadly and theoretically by economist Luis Razeto as a cross-cutting "sector" of the economy consisting of diverse enterprises that share a common "economic rationality" of cooperation and solidarity

A solidarity economy approach takes a very different path. Beginning from a core belief that people are deeply creative and capable of developing their own solutions to economic problems, and that these solutions will look different in different places and contexts, a solidarity economy approach seeks to make existing and emerging alternatives visible and to link them in mutually-supportive ways. The core idea is simple: alternatives are everywhere and our task is to identify them and connect them in ways that build a coherent and powerful social movement for another economy.

Resources Required to Grow Community Owned Enterprises

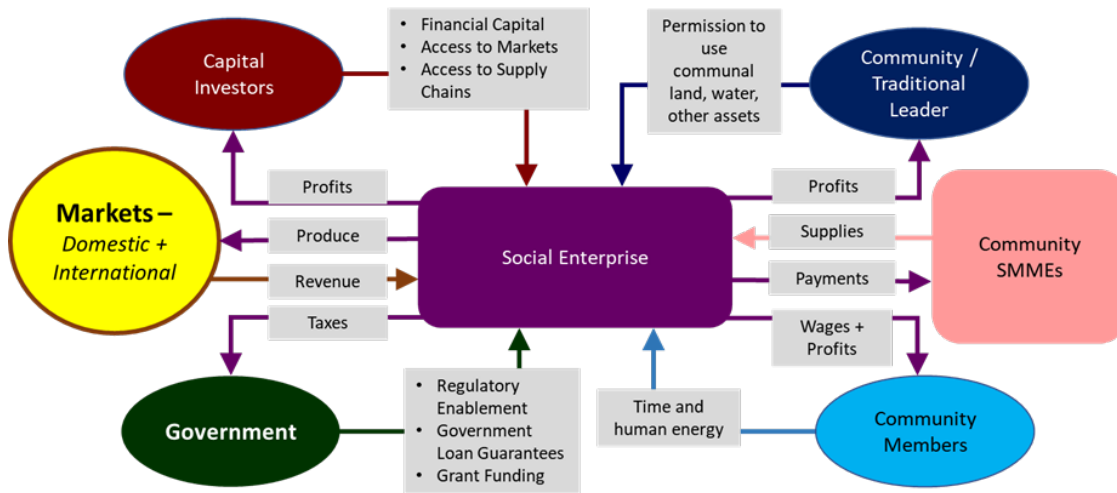
Community Owned Enterprises are typically innovative and enterprising and they manage to start socially beneficial businesses with very few resources at their disposal. In order to grow the number and size of COEs in welfare dependent townships and rural communities the NDA need to break down the barriers that prevent them from acquiring more and better resources for their good social enterprise ideas. The new NDA Operation Model breaks down this barrier by industrialising resource mobilisation for COEs in the welfare dependent community. More specifically it fully exploits the District Development Model to bring the full might of the state’s resources to bear.

Figure 18: Community Owned Enterprise Sector Resource Requirement



There is a value exchange for all the providers of resources to social enterprises. The various value exchanges is depicted below:

Figure 19: Social Enterprise Resource Allocation Value Exchange



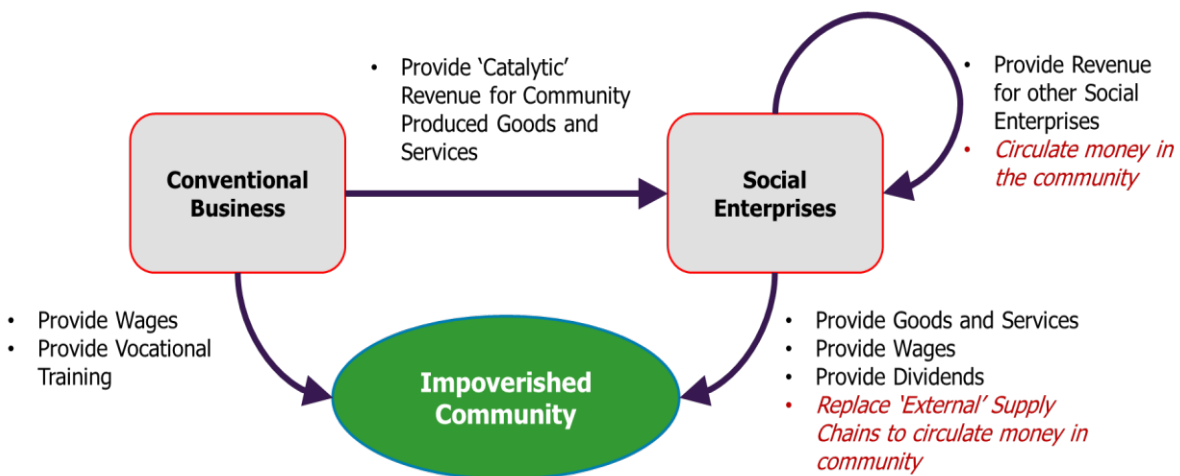
CSOs, Community Leadership and Trust

The trusted leaders of communities are typically found amongst the ranks of community-based organisations, NGOs and other types of civil society organisations. Finding and working through these trusted community leaders also secures the support and sponsorship of the community members. The participation of the broader CSO community will bestow the necessary legitimacy and community support upon the social entrepreneurs wishing to secure government resources to the benefit of the community.

Synergy of Traditional Businesses and Community Owned Enterprises

The Mondragon model also illustrates the synergy between traditional businesses and Cooperatives. Mondragon sold its goods and services to traditional businesses to grow and capitalise its Cooperatives. The NDA should focus on the same when enabling the start of COEs, as illustrated below:

Figure 20: Synergy of Traditional Businesses and Community Owned Enterprises



PART C: MEASURING OUR PERFORMANCE

1. Institutional Programme Performance Information

PROGRAMME 1: GOVERNANCE AND ADMINISTRATION

Purpose: This programme promotes and maintains organisational excellence and sustainability through effective and efficient administration. The programme is made up of a number of support functions and is responsible for development of strategy, organisational planning and reporting, compliance to legislation, prescripts and policies, sound financial management systems and human resource management and organisational development, safe operational environment including infrastructure required for staff, creating enabling operational environment through agile ICT systems and promoting and protecting the NDA brand.

Outcomes, Outputs, Performance Indicators and Targets

Outcome	Output	Output indicator	Audited/actual performance			Estimated performance (2023/24)	Medium-term targets		
			2020/21	2021/22	2022/23		2024/25	2025/26	2026/27
Institutional capacity to deliver on the NDA mandate	New Organisational Structure	Approved Organisational Structure	New Indicator	New Indicator	New Indicator	New Indicator	Organisational Structure approved	Organisational Structure implemented	Organisational Structure implemented
	Capacity Enhancement Plan	Number of Staff capacitated in the implementation of the new service delivery model	New Indicator	New Indicator	New Indicator	New Indicator	100	150	200
	New Branding and Marketing Strategy	Approved Branding and	New Indicator	New Indicator	New Indicator	New Indicator	Branding and Marketing	Branding and Marketing	Branding and Marketing

Outcome	Output	Output indicator	Audited/actual performance			Estimated performance (2023/24)	Medium-term targets		
			2020/21	2021/22	2022/23		2024/25	2025/26	2026/27
		Marketing Strategy					Strategy implemented	Strategy implemented	Strategy implemented
	IT System	Developed Digital platform	New indicator	New indicator	New indicator	New Indicator	Digital platform developed	Digital platform implemented	Digital platform implemented
	Evaluation Reports	Number of evaluation reports on poverty eradication programmes	New indicator	New indicator	New indicator	New Indicator	3 evaluation reports on poverty eradication programmes	3 evaluation reports on poverty eradication programmes	3 evaluation reports on poverty eradication programmes
	Internal Audit Turnaround plan progress Report	Percentage of prior year audit findings resolved	New Indicator	New Indicator	New Indicator	80% of prior year audit findings of resolved	80% of prior year audit findings of resolved	90% of prior year audit findings of resolved	100% of prior year audit findings of resolved

Indicators, Annual and Quarterly Targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Approved Organisational Structure	Organisational Structure approved	Organisational Structure developed	Organisational Structure consulted	Organisational Structure finalised	Organisational Structure approved
Number of Staff capacitated in the implementation of the	100	25	50	75	100

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
new service delivery model					
Approved Branding and Marketing Strategy	Branding and Marketing Strategy implemented	Branding and Marketing Strategy developed	Branding and Marketing Strategy consulted	Branding and Marketing Strategy approved	Branding and Marketing Strategy implemented
Developed Digital platform for the new operating model	Digital platform developed	Assessment Report and Business case	Business Requirements Specification and TOR	Service Level Agreement with the implementation partner	Developed and tested Digital Platform
Number of evaluation reports on poverty eradication programmes	3 evaluation reports on poverty eradication programmes	Project Plan for evaluation studies	1 Evaluation conducted on poverty eradication programmes	2 Evaluations conducted on poverty eradication programmes	3 Evaluations conducted on poverty eradication programmes
Percentage of prior year audit findings resolved	80% of prior year audit findings of resolved	NDA prior year audit turnaround plan developed	30% of prior year audit findings resolved	50% of prior year audit findings resolved	80% of prior year audit findings resolved

Explanation of planned performance over the medium-term period

The programme's primary emphasis will be on advancing and upholding organizational excellence and sustainability. This will be accomplished through the implementation of efficient and effective administrative practices, encompassing performance management, employee well-being, expenditure management, cost control, as well as brand enhancement and recognition. All these objectives will be realized within a robust accountability framework of governance and administration.



To ensure operational excellence and sustainability, the NDA will implement good governance practices, which include a well-defined organisational structure, policies and business processes, and staff capacity building to effect improved service delivery.

Furthermore, the needs and expectations of both the communities served and relevant stakeholders are to be met, with the provision of regular feedback to improve service delivery and community support. For the NDA to succeed in the achievement of governance and implementation support, the comparison against best practices of industry peers will enable the organisation to learn from their success and challenges and thus improve. Adaptability remains the gold standard for operational excellence such that an organisation's ability to be proactive in change management and succeed thereof will yield the resilience required to be effective in adapting to new scenarios.

The budget cuts are proof that NDA cannot depend solely on the allocation from the fiscus. Section 4 of the NDA Act does empower the NDA to raise funds for the furtherance of development work in communities. The NDA will therefore earnestly focus its efforts on the development of a Revenue Generation Model which will encapsulate and detail the alternative funding sources and the various plausible strategies to be employed to raise funds from the identified sources in order to lessen dependency on the National Treasury allocation.

Updated key Risks

Outcome	Key Risks	Risk Mitigation
Institutional capacity to deliver on the NDA mandate	Limited resources (people, systems, processes and finance) to deliver on the mandate	1. Develop Organisational Structure 2. Capacitation of internal staff 3. Develop and implement IT systems and business processes
	Poor organisational culture	1. Leadership development interventions 2. Implement Change Management Strategy 3. Enforcement of disciplinary policy and code of conduct
	Poor Reputation	1. Develop and implement branding and marketing strategy 2. Put in place a Stakeholder Management Plan with PR exercise on the Turnaround Strategy

PROGRAMME 2: CIVIL SOCIETY ORGANISATION DEVELOPMENT

Purpose: This programme designs and implements programmes and projects that respond to poverty eradications through sustainable livelihood. The programme uses a combination of interventions to support efforts to eradicate poverty in in poor communities. The key interventions target is those people that have no means of creating gainful income from economic activities to support their own sustainable livelihood to escape poverty. The programme will use the DDM model architecture and mechanisms to deploy its development interventions to poor people using CSOs as a vehicle for delivering developmental projects to poor communities.

Outcomes, Outputs, Performance Indicators and Targets

Outcome	Output	Output indicator	Audited/actual performance			Estimated performance (2023/24)	Medium-Term Targets		
			2020/21	2021/22	2022/23		2024/25	2025/26	2026/27
Increased access to resources for target Community Owned Enterprises	Resource Mobilisation Report	Rand value of financial resources raised	R15,7m	R54,5m	R35m	R50 million	R100 million	R250 million	R450 million
	Resource Distribution Report	Number of Community Owned Enterprises who have accessed resources from strategic partners	New Indicator	New Indicator	New Indicator	New Indicator	22 Community Owned Enterprises	44 Community Owned Enterprises	66 Community Owned Enterprises
Community driven projects to build self-	COE Sustainability Report	Number of self-reliant Community	New Indicator	New Indicator	New Indicator	New Indicator	22 Community Owned Enterprises supported	44 Community Owned Enterprises supported	66 Community Owned Enterprises supported



Outcome	Output	Output indicator	Audited/actual performance			Estimated performance (2023/24)	Medium-Term Targets		
			2020/21	2021/22	2022/23		2024/25	2025/26	2026/27
sustainable communities		Owned Enterprises					towards self-reliance	towards self-reliance	towards self-reliance
	COE Financial Report	Percentage of COE members earning above the Upper Bound Poverty Line	New Indicator	New Indicator	New Indicator	New Indicator	10% of COE members	20% of COE members	30% of COE members
	Capacity Building Report	Number of COEs capacitated with skills to implement development interventions	New Indicator	New Indicator	New Indicator	New Indicator	22 Community Owned Enterprises	44 Community Owned Enterprises	66 Community Owned Enterprises

Indicators, Annual and Quarterly Targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Rand value of financial resources raised	R100 million	R10 million	R35 million	R 70 million	R100 million

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Number of Community Owned Enterprises who have accessed resources from strategic partners	22 Community Owned Enterprises	8 Community Owned Enterprises	12 Community Owned Enterprises	18 Community Owned Enterprises	22 Community Owned Enterprises
Number of self-reliant Community Owned Enterprises	22 Community Owned Enterprises supported towards self-reliance	8 Community Owned Enterprises	12 Community Owned Enterprises	18 Community Owned Enterprises	22 Community Owned Enterprises
Percentage of COE members earning above the Upper Bound Poverty Line	10% of COE members	10% of COE members	10% of COE members	10% of COE members	10% of COE members
Number of COEs capacitated with skills to implement development interventions	22 Community Owned Enterprises	8 Community Owned Enterprises	12 Community Owned Enterprises	18 Community Owned Enterprises	22 Community Owned Enterprises

Explanation of planned performance over the medium-term period

Programme 2 is the core programme of the NDA's operations. It is the programme that implements the organisations' development activities. Programme 2 has the key outcome of creating sustainable COEs that provide development services to deprived communities and demographics. In order to do this, the NDA through its outputs will strive towards increasing job creation, increasing COE income and empowering COEs through focused development interventions in the areas of capacity building and access to resources. The outcome of building sustainable communities will be achieved over time as these COEs implement economically uplifting programmes, which will in turn contribute to achieving the desired impact of reduced levels of poverty in South Africa.

The NDA will conclude the development of the Resource Mobilisation Strategy whose objective is to position the National Development Agency as an investment destination to business sector, philanthropists; international donor community for advancement of community development and eradication of poverty. To ensure sustainability of the entity, the strategy will be used as a strategic tool to pull resource to real needs of COEs on the ground to enable them to carry out developmental projects isolated or distressed communities. The Strategy will seek to improve delivery of aid and corporate social investment, concentrating on delivering greater volumes in a better targeted, more predictable and coordinated fashion and in close partnership with recipients.

The programme will emphasize the NDA's role as the primary coordinator of development initiatives as it strives to establish itself as the leading development agency in the nation. Additionally, the program will prioritize generating a substantial impact in eradicating poverty by leveraging various essential methods and avenues for poverty reduction, which include, but are not restricted to, supporting social enterprises (SEs).

In emphasizing its role as the primary coordinator of development initiatives, the NDA can ensure clear communication of its vision, mission, and goals to key stakeholders. By building capacity internally, the NDA can in turn strengthen its capabilities and expertise in project management and socio-economic development in communities, to demonstrate competence in coordinating development efforts. Another key role the NDA will play is that of advocating for policies and reforms that promote the NDA's central role in coordinating development efforts at a national, provincial and municipal level.

Updated key Risks

Outcome	Key Risks	Risk Mitigation
Increased access to resources for target Community Owned Enterprises	Insufficient resources to support community development interventions	<ol style="list-style-type: none"> 1. Implement the Resource mobilisation Strategy 2. Strengthening of Inter-governmental Relations 3. Strengthening financial management processes
Community driven projects to build self-sustainable communities	High failure rate of CSOs	<ol style="list-style-type: none"> 1. Access to resources to support CSOs 2. Build technical and non-technical skills to manage enterprises 3. Engagement and education of the CSOs

PROGRAMME 3: RESEARCH

Purpose: This programme is responsible for conducting evidence-based research and evaluations to inform debates and engagement on development policy and generating information on best practices for improving the NDA development programme interventions. The outcome is to inform national development policy debates and engagements on issues relating to development and poverty eradication in general.

Outcomes, Outputs, Performance Indicators and Targets

Outcome	Output	Output indicator	Audited/actual performance			Estimated performance (2023/24)	Medium-Term Targets		
			2020/21	2021/22	2022/23		2024/25	2025/26	2026/27
An enabled environment for sustainable development created through research, lobbying and advocacy	Scanned Policy environment	Policy environment scanned report	New Indicator	New Indicator	New Indicator	New Indicator	Research report on policy landscape	Review of policy landscape	Review of policy landscape
	Lobby and advocacy framework developed	Approved Lobby and advocacy framework	New Indicator	New Indicator	New Indicator	New Indicator	Lobby and advocacy framework implemented	Lobby and advocacy framework implemented	Lobby and advocacy framework implemented
	Research Publications	Research publications produced on identified priority areas	New Indicator	New Indicator	New Indicator	New Indicator	Research publications on development, social and economic policy Impediments	Research publications on development, social and economic policy Impediments	Research publications on development, social and economic policy Impediments

Outcome	Output	Output indicator	Audited/actual performance			Estimated performance (2023/24)	Medium-Term Targets		
			2020/21	2021/22	2022/23		2024/25	2025/26	2026/27
	Policy enhancement proposal	Policy proposal produced for lobbying and advocacy	New Indicator	New Indicator	New Indicator	New Indicator	Proposed policy enhancements on identified sectors	Proposed policy enhancements on identified sectors	Proposed policy enhancements on identified sectors
	Dialogues for policy change	Dialogues held to lobby for policy changes on development, social and economic policy Impediments	New Indicator	New Indicator	New Indicator	New Indicator	Dialogues in development, social and economic sectors	Dialogues in development, social and economic sectors	Dialogues in development, social and economic sectors

Indicators, Annual and Quarterly Targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Policy environment scanned report	Research report on policy landscape	Development, social and economic policies literature review drafted	Draft research report on development, social and economic policy landscape produced	Final research report on development, social and economic policies produced	–

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Approved Lobby and advocacy framework	Lobby and advocacy framework implemented	Draft framework for lobby and advocacy developed	Draft lobby and advocacy framework consulted	Lobby and advocacy framework approved	–
Research publications produced on identified priority areas	Research publications on development, social and economic policy Impediments	Research protocol for research on policy impediments for community owned enterprises produced	Literature review, interviews with key informants and analysis conducted	Draft research report produced	Final research report produced
Policy proposals produced for lobbying and advocacy	Proposals for policy enhancements on identified sectors	Consultation report with key internal stakeholders (DSD portfolio) on policy enhancement proposals	Consultation report with key external stakeholders (public, private and civil society sectors) on policy enhancement proposals	Draft proposals on policy enhancements in priority area	Policy enhancement proposals for lobby and advocacy produced
Dialogues held to lobby for policy changes on development, social and economic policy Impediments	Dialogues in development, social and economic sectors	Concept paper on development, social and economic policies impediments in South Africa produced	Dialogue report on development policies impediments with stakeholders	Dialogue report on economic policies impediments with stakeholders	Dialogue report on social policies impediments with stakeholders



Explanation of planned performance over the medium-term period

Programme 3 will contribute to reducing the levels of poverty in South Africa, by focusing on influencing development policy through thought leadership. The outcome of the programme is to produce research and thought leadership that solely aims to influence development policy. There are 2 distinct outputs that directly contribute to the outcome. The first is to produce research outputs that shape policy development processes and outcomes, and the second one is to organise and conduct dialogue engagements to influence social, economic and development policies in South Africa. The influence on policy development and aligning industry practices to best practices will both directly impact the development of strategies and programmes aimed at reduction of poverty in South Africa.

The Research Unit has a responsibility of conducting research work in response to the Secondary Mandate of the NDA. In 2023-24 the Unit has planned to conduct research studies as guided by the Research Agenda of the NDA. The research studies will focus on identifying socio-economic impediments to the success of the COEs so as to create an enabling environment for the CSOs. As part of influencing development policy the Research Unit will strongly lobby for policy changes as identified and recommended by research outcomes.

Updated key Risks

Outcome	Key Risks	Risk Mitigation
An enabled environment for sustainable development	Inability to influence our development stakeholders	1. Proposals for policy enhancements on identified sectors 2. Research report on policy landscape

CONSOLIDATED BUDGET BY PROGRAMME FOR MTEF PERIOD (2024 - 2027)

EXPENDITURE BY PROGRAMME	2023/2024 FINAL BGT	YEAR 1 2024/2025	ITEM % OF TOTAL BUDGET	YEAR 2 2025/2026	ITEM % OF TOTAL BUDGET	YEAR 3 2026/2027	ITEM % OF TOTAL BUDGET
REVENUE							
Transfer allocation	220 116 000	211 701 000	98,7%	216 275 000	98,7%	226 223 000	98,8%
Interest income	2 082 626	2 700 000	1,3%	2 850 000	1,3%	2 850 000	1,2%
TOTAL REVENUE	222 198 626	214 401 000	100,0%	219 125 000	100,0%	229 073 000	100,0%
Programme 2 - CSOs Development	18 030 896	11 928 513	5,6%	12 070 038	5,5%	12 314 263	5,4%
Compensation of employees	81 289 306	82 978 881	38,7%	85 468 248	39,0%	89 468 849	39,1%
Total : Programme 2	99 320 202	94 907 394	44,3%	97 538 285	44,5%	101 783 112	44,4%
Programme 3 - Research	4 018 157	3 504 956	1,6%	3 705 754	1,7%	3 441 597	1,5%
Compensation of employees	6 587 218	6 248 671	2,9%	6 480 978	3,0%	6 738 064	2,9%
Total Programme 3	10 605 376	9 753 626	4,5%	10 186 732	4,6%	10 179 661	4,4%
Mandate expenses	109 925 578	104 661 021	48,8%	107 725 017	49,2%	111 962 773	48,9%
Programme 1 - Administration	48 695 940	45 781 821	21,4%	45 065 793	20,6%	48 146 562	21,0%
Compensation of employees	63 577 109	63 958 158	29,8%	66 334 190	30,3%	68 963 665	30,1%
Total Programme 1	112 273 048	109 739 980	51,2%	111 399 984	50,8%	117 110 227	51,1%
TOTAL EXPENDITURE	222 198 626	214 401 000	100,0%	219 125 000	100,0%	229 073 000	100,0%
NET SURPLUS/DEFICIT	(0)	0		0		0	

PROGRAMME 1: GOVERNANCE & ADMINISTRATION	2023/2024 FINAL BGT	YEAR 1 2024/2025	BUDGET ITEM % OF TOTAL	YEAR 2 2025/2026	BUDGET ITEM % OF TOTAL	YEAR 3 2026/2027	BUDGET ITEM % OF TOTAL
ICT costs	8 444 008	8 021 002	7,3%	8 397 989	7,5%	8 784 296	7,9%
Operating leases	11 832 455	13 016 814	11,9%	10 140 571	9,1%	10 936 414	9,8%
Municipal rates and taxes	2 579 959	2 696 058	2,5%	2 822 772	2,5%	2 992 139	2,7%
Audit fees	4 947 705	5 244 567	4,8%	5 491 062	4,9%	5 743 651	5,2%
Fixed costs	27 804 128	28 978 441	26,4%	26 852 393	24,5%	28 456 500	25,0%
Marketing & communications	889 800	1 244 507	1,1%	1 294 507	1,2%	1 320 397	1,2%
Consulting & professional fees	4 566 316	2 770 000	2,5%	3 810 240	3,4%	3 928 630	3,5%
Printing & stationery	1 138 920	837 941	0,8%	877 324	0,8%	917 681	0,8%
Telephone	185 026	180 000	0,2%	180 000	0,2%	166 632	0,1%
Repairs & maintenance	743 160	557 370	0,5%	568 517	0,5%	594 669	0,5%
Seminars, workshops, conferences	512 180	360 000	0,3%	376 920	0,3%	394 258	0,4%
Office set-up costs	621 299	434 909	0,4%	600 000	0,5%	627 600	0,6%
Travel & accommodation	4 791 395	2 468 579	2,2%	2 269 890	2,0%	3 305 833	3,0%
Stakeholder management	469 890	1 062 660	1,0%	1 112 605	1,0%	1 163 785	1,0%
Board & LCC remuneration	1 149 434	1 384 960	1,3%	1 450 053	1,3%	1 545 717	1,4%
Other employment related costs	2 530 589	2 563 800	2,3%	2 691 139	2,4%	2 801 131	2,4%
General expenses	2 226 526	2 238 654	2,0%	2 182 205	2,0%	2 147 919	1,9%
Total goods and services	47 628 663	45 081 820	41,1%	44 265 793	39,7%	47 370 751	40,4%
Capital expenditure	1 067 277	700 000	0,6%	800 000	0,7%	775 811	0,7%
Compensation of employees	63 577 109	63 958 158	58,3%	66 334 190	59,5%	68 963 665	58,9%
TOTAL PROGRAMME BUDGET	112 273 048	109 739 979	102%	111 399 983	102%	117 110 227	102%

PROGRAMME 2 : CSO DEVELOPMENT	2023/2024 FINAL BGT	YEAR 1 2024/2025	BUDGET ITEM % OF TOTAL	YEAR 2 2025/2026	BUDGET ITEM % OF TOTAL	YEAR 3 2026/2027	BUDGET ITEM % OF TOTAL
DDM Implementation	412 603	1 239 520	1%	1 297 777	1%	1 357 475	1%
Programme technical support	396 829	595 244	1%	623 220	1%	651 888	1%
Capacity building	5 148 154	3 172 932	3%	3 228 222	3%	3 345 666	3%
Grant Funding	9 000 001	5 000 000	5%	5 000 000	5%	5 000 000	5%
Monitoring & support of CSOs	3 073 309	1 920 818	2%	1 920 818	2%	1 959 234	2%
Programme operating expenditure	18 030 896	11 928 513	12,6%	12 070 037	12,4%	12 314 263	12,6%
Compensation of employees	81 289 306	82 978 881	87%	85 468 248	88%	89 468 849	92%
TOTAL PROGRAMME BUDGET	99 320 202	94 907 394	100%	97 538 284	100%	101 783 112	104%

PROGRAMME 3: RESEARCH	2023/2024 FINAL BGT	YEAR 1 2024/2025	BUDGET ITEM % OF TOTAL	YEAR 2 2025/2026	BUDGET ITEM % OF TOTAL	YEAR 3 2026/2027	BUDGET ITEM % OF TOTAL
Research studies	1 953 701	1 676 693	17%	1 791 563	18%	1 439 352	14%
Knowledge management	287 155	246 465	3%	258 049	3%	269 919	3%
Monitoring & evaluation studies	1 777 301	1 581 798	16%	1 656 142	16%	1 732 325	17%
Programme operating expenditure	4 018 157	3 504 956	35,9%	3 705 755	36,4%	3 441 597	33,8%
Compensation of employees	6 587 218	6 248 671	64%	6 480 978	64%	6 738 064	66%
TOTAL PROGRAMME BUDGET	10 605 376	9 753 627	100%	10 186 732	100%	10 179 661	100%

PART D: TECHNICAL INDICATOR DESCRIPTIONS**PROGRAMME 1: GOVERNANCE AND ADMINISTRATION**

Indicator Title	Approved Organisational Structure
Definition	This refers to the formal framework or layout of the NDA that outlines how the NDA is organised, with roles, responsibilities, and reporting relationships clearly defined
Source of Data	Human Capital Management Report
Method of Calculation/Assessment	Simple Count
Means of verification	Portfolio of evidence submitted by the relevant business unit of the organisation
Assumptions	The assumption is that the framework has received formal authorisation from EXCO and Board Members
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Non-cumulative
Reporting Cycle	Quarterly
Desired Performance	Organisational Structure approved and implemented
Indicator Responsibility	Corporate Services

Indicator Title	Number of Staff capacitated in the implementation of the new service delivery model
Definition	This refers to the count of employees or individuals who have received training in skills that are considered essential or crucial for the NDA and the growth thereof.
Source of Data	Skills Development Report
Method of Calculation/Assessment	Simple count
Means of verification	Portfolio of evidence submitted by the relevant business unit of the organisation
Assumptions	The human resource registers will be updated timeously, including previous records to ensure consistent counting
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Non-Cumulative
Reporting Cycle	Quarterly
Desired Performance	Improved performance as a result of skilled staff
Indicator Responsibility	Corporate Services

Indicator Title	Approved Branding and Marketing Strategy
Definition	This KPI refers to a strategic document that will articulate how the NDA will be repositioned from a branding and marketing perspective
Source of Data	Progress Report
Method of Calculation/Assessment	Simple Count
Means of verification	Approved Branding and Marketing Strategy; Board Minutes
Assumptions	Consultations with stakeholders will be concluded on time
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Non cumulative
Reporting Cycle	Quarterly
Desired Performance	Improved image of the NDA
Indicator Responsibility	Corporate Services

Indicator Title	Developed Digital platform
Definition	This KPI refers to the development of a digital platform for the new operating model in a phased approach as per the digitisation strategy
Source of Data	Progress Report
Method of Calculation/Assessment	Simple Count
Means of verification	Signed-off IT system; signed-off reports on completed phase.
Assumptions	Availability of resources and skills to develop the IT system
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Non cumulative
Reporting Cycle	Quarterly
Desired Performance	Improved NDA organisational efficiency
Indicator Responsibility	Corporate Services

Indicator Title	Number of evaluation reports on poverty eradication programmes
Definition	Evaluation study is the documentation of programme facts indicating the performance of NDA programmes over the intervention term and they constitute the study methodology, findings, interpretation, recommendations on the overall NDA programmes performance.
Source of Data	Evaluation Reports
Method of Calculation/Assessment	Simple count
Means of verification	Evaluation Reports
Assumptions	Evaluation reports are of acceptable quality standards
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Cumulative year-to-date
Reporting Cycle	Quarterly
Desired Performance	Appropriate and desired evaluations that are used in informing NDA programme planning, design and implementation processes
Indicator Responsibility	Executive: Development Management & Research

Indicator Title	Percentage of prior year audit findings resolved
Definition	The indicator will report on the percentage of prior year (2023/24) audit findings resolved
Source of Data	Internal Audit Report
Method of Calculation/Assessment	Number of audit findings for 2023/24 / Number of (2023/24) findings resolved
Means of verification	Internal Audit Report
Assumptions	The audit will be concluded on time to allow for enough time to implement remedial measures
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Cumulative year to date
Reporting Cycle	Quarterly
Desired Performance	Reduced number of findings
Indicator Responsibility	Chief Audit Executive

PROGRAMME 2: CIVIL SOCIETY ORGANISATION DEVELOPMENT

Indicator Title	Rand value of financial resources raised
Definition	The KPI aims to mobilise and secure financial commitments from third parties towards supporting development initiatives implemented by COEs
Source of Data	<ul style="list-style-type: none"> • Signed Funding agreements • Letters of commitment
Method of Calculation/Assessment	Aggregation of rand value commitments made by third parties
Means of verification	Signed Funding Agreements Letters of commitment
Assumptions	Funders will commit to funding community development interventions
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Cumulative year-to-date
Reporting Cycle	Quarterly
Desired Performance	Secure financial resources from third parties
Indicator Responsibility	Chief Operations Officer

Indicator Title	Number of Community Owned Enterprises who have accessed resources from strategic partners
Definition	This KPI measures the number of COEs that have been supported with financial and non-financial resources
Source of Data	Signed Agreements between COEs and partners; Letters of commitment from strategic partners
Method of Calculation/Assessment	Simple Count
Means of verification	Signed Agreements between COEs and partners; Letters of commitment from strategic partners
Assumptions	The strategic partnerships will provide resources on time
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Cumulative
Reporting Cycle	Quarterly
Desired Performance	Increased access to resources by COEs for implementation of community development interventions
Indicator Responsibility	Chief Operations Officer

Indicator Title	Number of self-reliant Community Owned Enterprises
Definition	This KPI refers to community owned enterprises that are able to reinvest part of their income towards self-sustenance
Source of Data	Monitoring Reports
Method of Calculation/Assessment	Simple counts
Means of verification	Progress and financial reports,
Assumptions	COEs will reinvest some of their income in their enterprises
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Cumulative
Reporting Cycle	Quarterly
Desired Performance	Self-sustainable COE
Indicator Responsibility	Chief Operations Officer

Indicator Title	Percentage of COE members earning above the Upper Bound Poverty Line
Definition	This KPI refers to the proportion of members of COEs earning above the UPL
Source of Data	Monitoring or Financial Reports
Method of Calculation/Assessment	Number of members of COE earning above UPL / Total number of members of the COE
Means of verification	Monitoring or Financial reports
Assumptions	The COE is generating enough income to pay members
Disaggregation of Beneficiaries (where applicable)	Gender; Age; Disability
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Cumulative
Reporting Cycle	Quarterly
Desired Performance	Reduction in poverty levels
Indicator Responsibility	Chief Operations Officer

Indicator Title	Number of COEs capacitated with skills to implement development interventions
Definition	This KPI refers to COEs that have been capacitated with management and technical skills to implement their programmes
Source of Data	Capacity Building Report
Method of Calculation/Assessment	Simple Count
Means of verification	Capacity Building Report
Assumptions	Sufficient resources will be raised for capacity building
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Cumulative
Reporting Cycle	Quarterly
Desired Performance	Skilled COEs and improved implementation of interventions
Indicator Responsibility	Chief Operations Officer

PROGRAMME 3: RESEARCH

Indicator Title	Policy environment scanned report
Definition	This KPI refers to a qualitative research report using already published literature and documents on development, economic and social policies for fighting poverty
Source of Data	Published literature, official documents, public statements (media, commentary etc)
Method of Calculation/Assessment	Simple count
Means of verification	Final report submitted as means of proof of evidence
Assumptions	Report has been signed off by Executive responsible for quality assurance
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Non-cumulative
Reporting Cycle	Quarterly
Desired Performance	Presentation of proposals for policy development, enhancement or revision by appropriate policy making structures in the public sector
Indicator Responsibility	Executive: Development Management & Research

Indicator Title	Approved Lobby and Advocacy Framework
Definition	This KPI refers to a guidelines for planning, designing, conducting and evaluating lobby and advocacy interventions aimed at influencing development, changes or revisions
Source of Data	Published documents and informants on lobby and advocacy programmes
Method of Calculation/Assessment	Simple count (qualitative)
Means of verification	Document submitted and signed off by the Executive of the programme
Assumptions	Framework has been consulted and signed off
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Non-cumulative (qualitative)
Reporting Cycle	Quarterly
Desired Performance	Presentation of proposals for policy development, enhancement or revision by appropriate policy making structures in the public sector
Indicator Responsibility	Executive: Development Management & Research

Indicator Title	Research publications produced on identified priority areas
Definition	This indicator refers to research reports produced through following research methodologies to meet the standards of research guidelines on studies of human and non-human subjects.
Source of Data	Literature review (published and grey), primary data through interviews, reports and official documents and opinion pieces on policies relating to development, economic and social sectors
Method of Calculation/Assessment	Simple count
Means of verification	Final research report submitted as means of proof of evidence by the business unit
Assumptions	Report has been signed off by Executive responsible for quality assurance
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Non-cumulative (qualitative)
Reporting Cycle	Quarterly
Desired Performance	Presentation of proposals for policy development, enhancement or revision by appropriate policy making structures in the public sector
Indicator Responsibility	Executive: Development Management & Research

Indicator Title	Policy proposals produced for lobbying and advocacy
Definition	This indicator refers to formal document proposing policy changes requirements to development or enhancements, changes in the development, economic or social sectors.
Source of Data	Engagements, debates and influencing relevant stakeholders affected by policy to advocate for changes
Method of Calculation/Assessment	Simple count (qualitative)
Means of verification	Policy changes proposals documents produced through the research engagement processes with stakeholders.
Assumptions	Proposals have been produced following the lobby and advocacy framework
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Non-cumulative (qualitative)
Reporting Cycle	Quarterly
Desired Performance	Presentation of proposals for policy development, enhancement or revision by appropriate policy making structures in the public sector
Indicator Responsibility	Executive: Development Management & Research

Indicator Title	Dialogues held to lobby for policy changes on development, social and economic policy Impediments
Definition	This KPI refers to formal engagements with stakeholders from public, private and civil society representatives to discuss development, economic and social public policies meant for poverty eradication in South Africa
Source of Data	Dialogue Reports
Method of Calculation/Assessment	Simple count
Means of verification	Dialogue Reports
Assumptions	Participation of relevant stakeholders in dialogues
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Non-cumulative (qualitative)
Reporting Cycle	Quarterly
Desired Performance	Presentation of proposals for policy development, enhancement or revision by appropriate policy making structures in the public sector
Indicator Responsibility	Executive: Development Management & Research