

# NATIONAL DEVELOPMENT AGENCY

## Strategic Plan for 2024 – 2029



**NDA**

National  
Development  
Agency

## FOREWORD BY THE MINISTER OF SOCIAL DEVELOPMENT

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.



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**Ms Lindiwe Zulu (MP)**

**Minister of Social Development**

## OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

- Was developed by the management of the National Development Agency (NDA), under the guidance of NDA Board.
- Takes into account all the relevant policies, legislation and other mandates for which the NDA is responsible.
- Accurately reflects the Impact, Outcomes and Outputs which the NDA will endeavour to achieve over the five (5) year period of the 2024 – 2029 financial years.




Ben Morule

Strategic Management



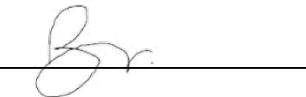
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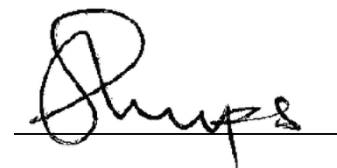
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Hon. Ms Lindiwe Zulu, MP

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:

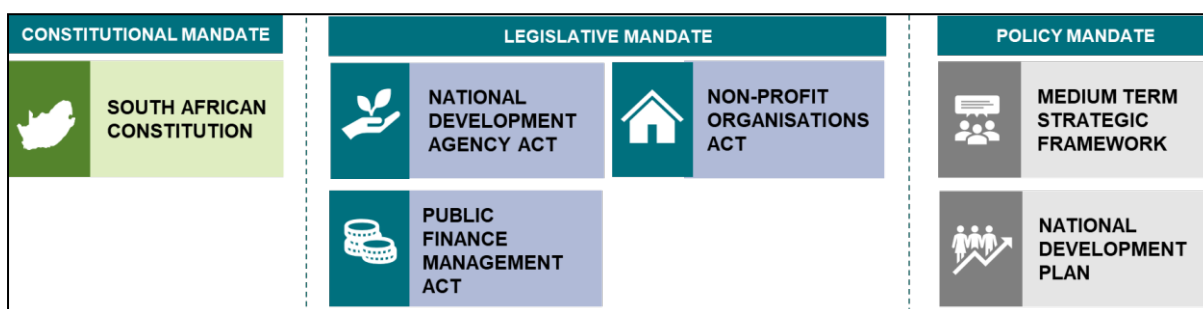


Figure 1: NDA's Legislative and Policy Mandates

#### 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):

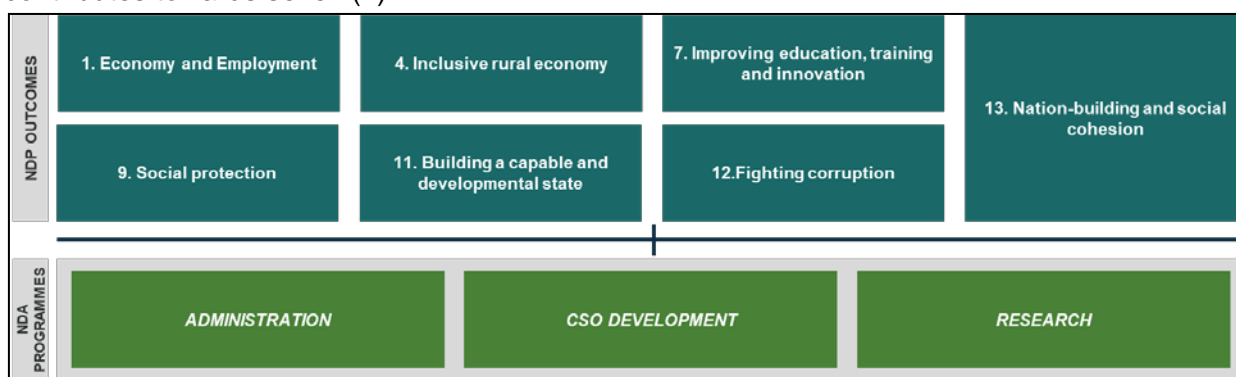


Figure 2: NDP Outcomes and NDA Programmes

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:

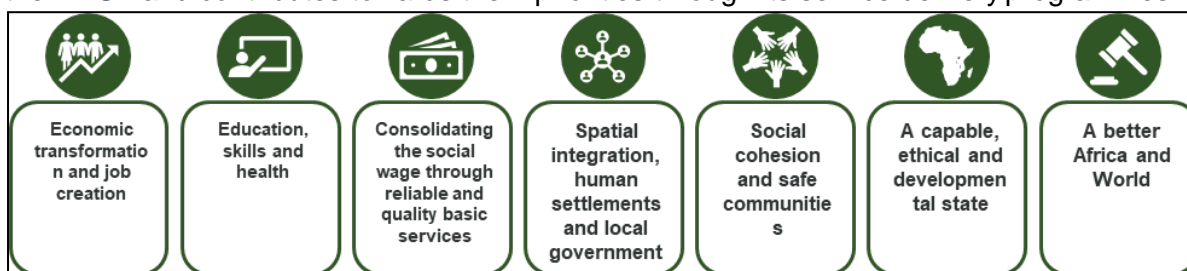


Figure 3: MTSF 7 Priorities

### 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:

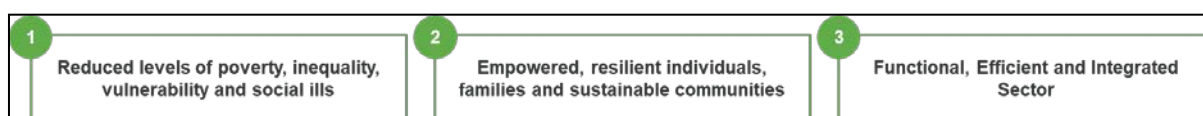


Figure 4: Sector Outcomes for 2020 – 2025

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

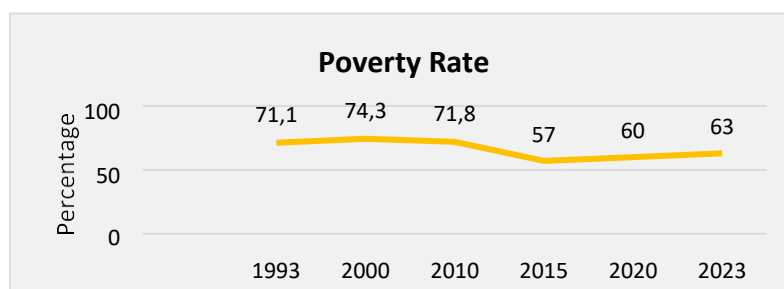
South Africa has pursued many initiatives to reduce poverty since 1994, but has remained high.<sup>1</sup> As of 2023, around 18.2 million people in South Africa are living in extreme poverty, with the poverty threshold at 1.90 U.S. dollars daily. It means that 162,859 more people were pushed into poverty 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.<sup>2</sup> Based on the outlook, the poverty rate will remain high, close to 63%, from 2023 to 2025<sup>2</sup>.

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<sup>1</sup> Gumede, V. (2021). *Revisiting poverty, human development and inequality in democratic*, South Africa, University of Mpumalanga, 2021 <sup>2</sup> Cowling, N. (2023). *Number of people living in extreme poverty in South Africa 2016-2030*, Statista, 2023

<sup>2</sup> <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.<sup>3</sup>

*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.

<sup>3</sup> 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 database<sup>4</sup>. 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.<sup>5</sup> 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.<sup>6</sup>

## 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.

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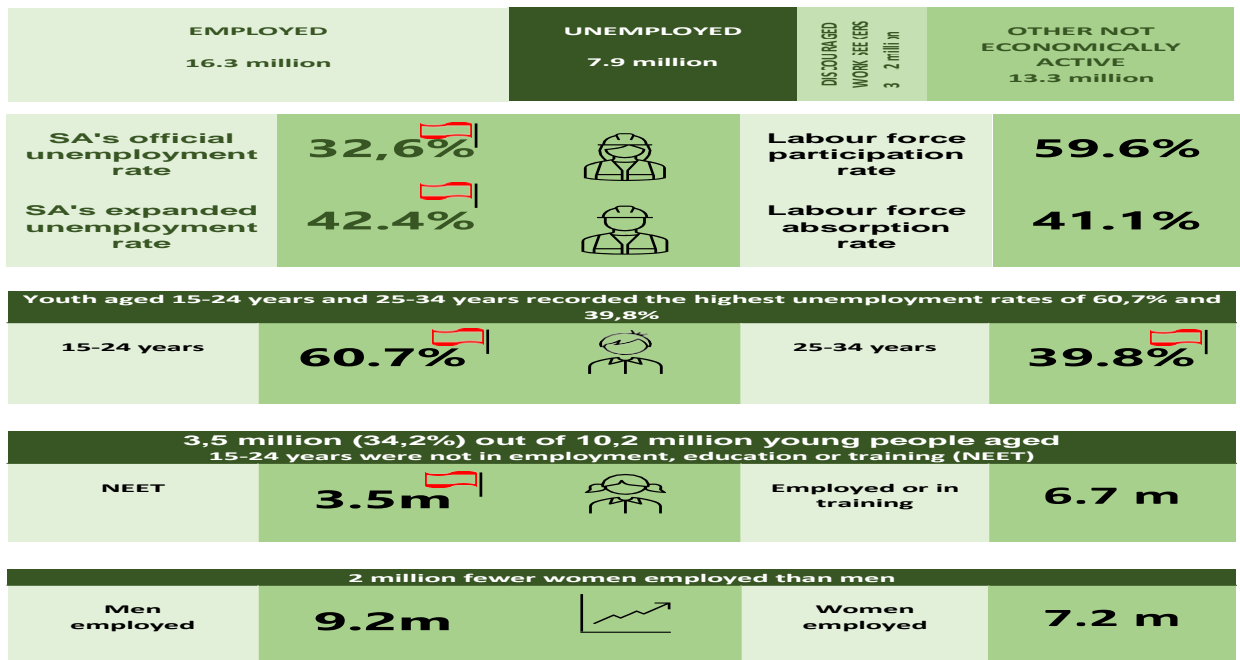
<sup>4</sup> The World Bank (2022), *Inequality in Southern Africa: An Assessment of the Southern African Customs Union*, 2022

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

<sup>6</sup> Ibid

## Unemployment

Figure 6: South Africa labour market profile in Q2:2023<sup>7</sup>:



### 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.

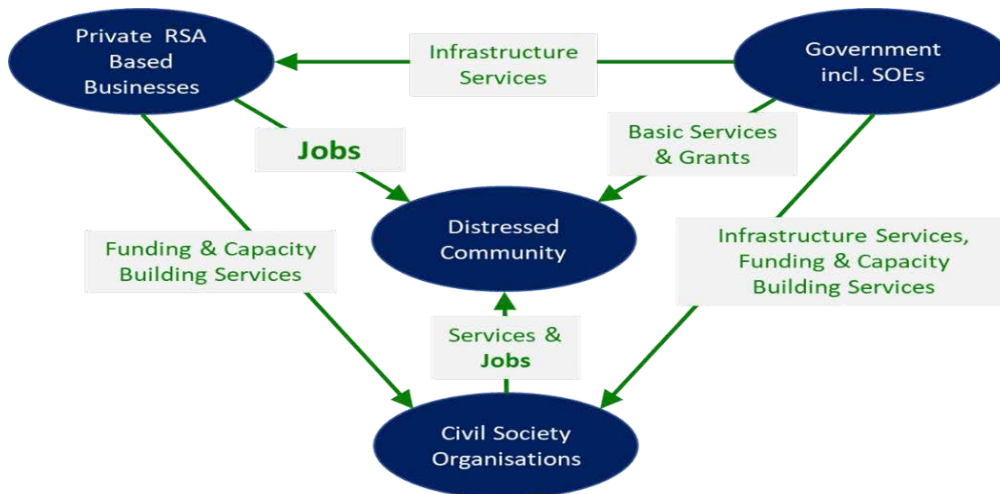


Figure 7: Configuration of key Role-players in Addressing Poverty

<sup>7</sup> Statistics South Africa (2023) Quarterly Labour Force Survey. StatsSA. Pretoria.

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.

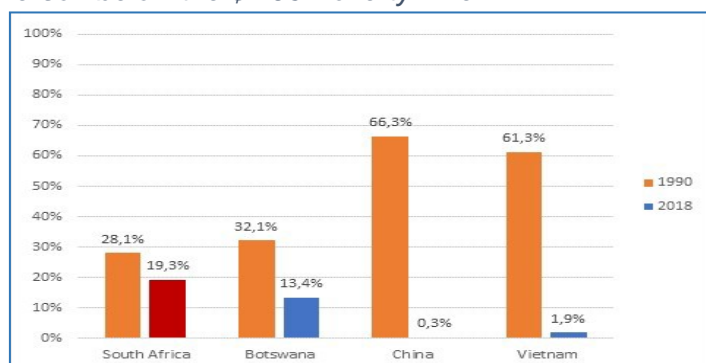
The government has adopted the District Development Model as the suitable platform for implementing this framework. The NDA is currently in discussions with to investigate potential partnerships for testing the practicality of this framework. This testing will utilize the mechanisms proposed in the draft 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.<sup>8</sup>

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

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.<sup>9</sup> 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 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.

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

**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 businesses<sup>10</sup>

**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 immediate relief to the poor through the social safety net programmes.<sup>11</sup> (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,

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<sup>10</sup> 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/>

<sup>11</sup> 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



including subsidies, and demographic changes. Several factors were important sources of poverty reduction and welfare improvements:<sup>12</sup>

- 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.

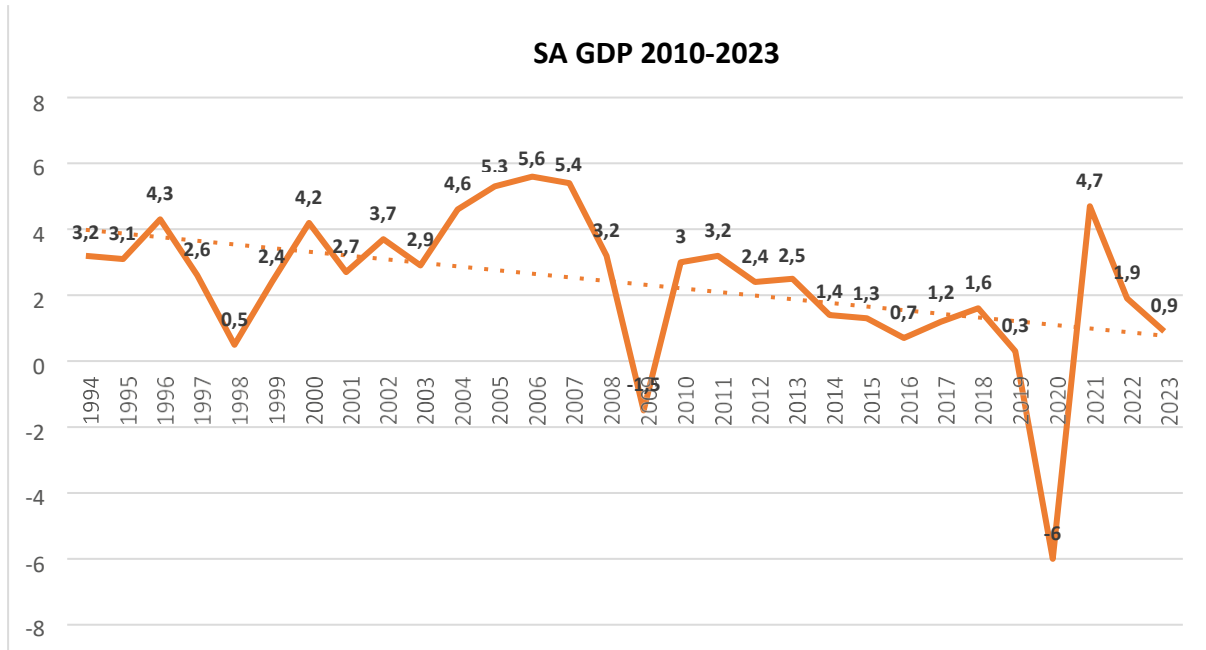
#### **6.4 Key Economic Indicators**

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

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<sup>12</sup>World Bank. (2015). *Botswana Poverty Assessment*.

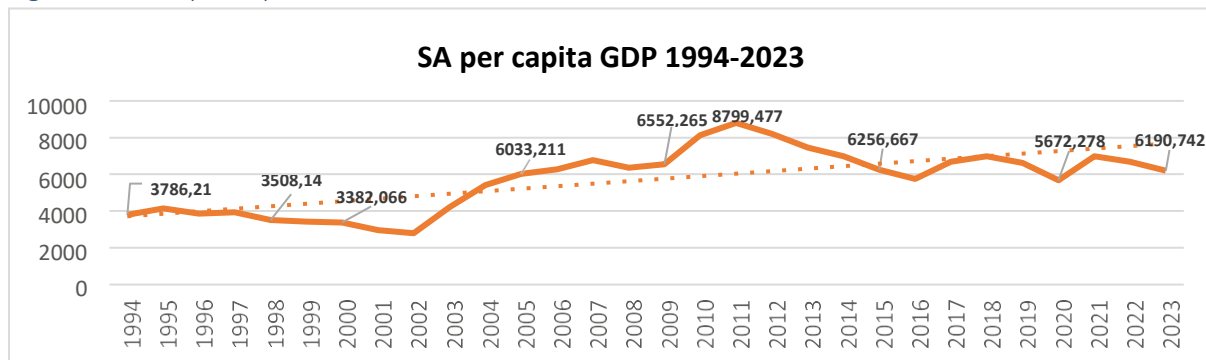
Figure 9: GDP growth



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



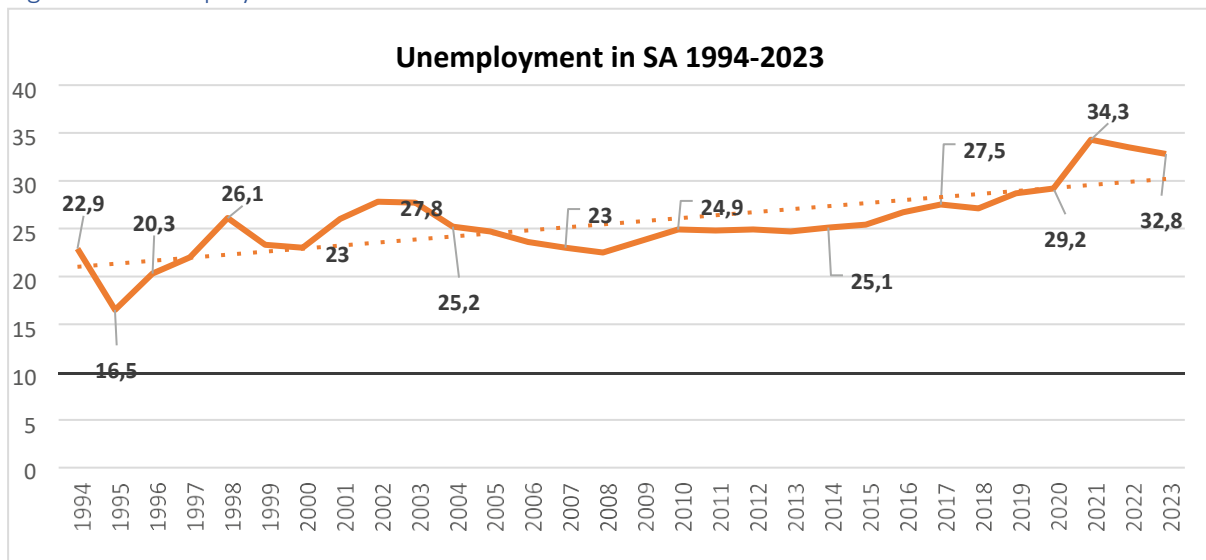
Source: Trading economics

- 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.<sup>13</sup>

<sup>13</sup>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.



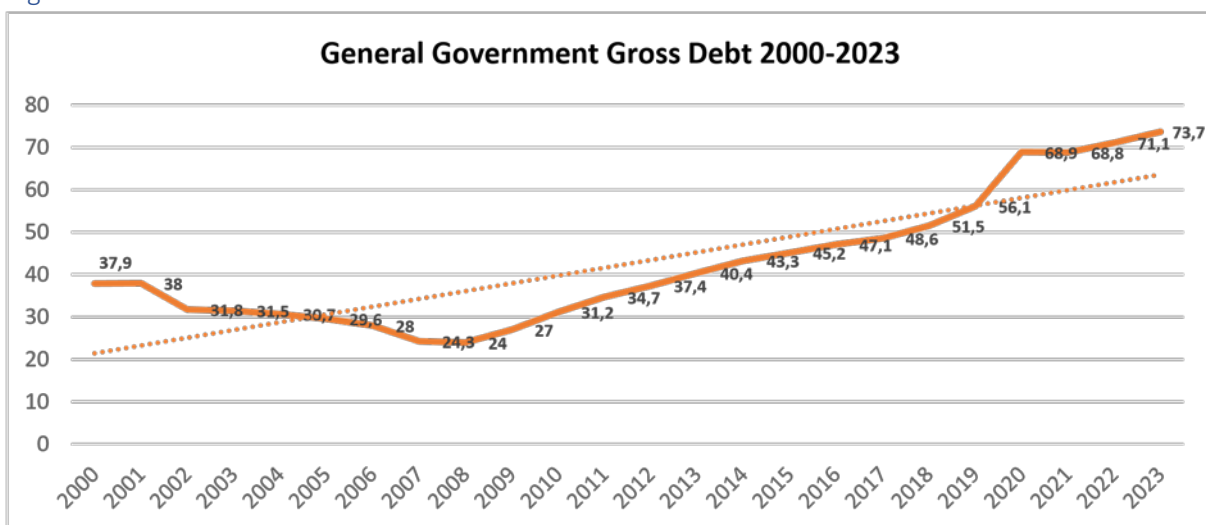
Figure 11: Unemployment in SA



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.

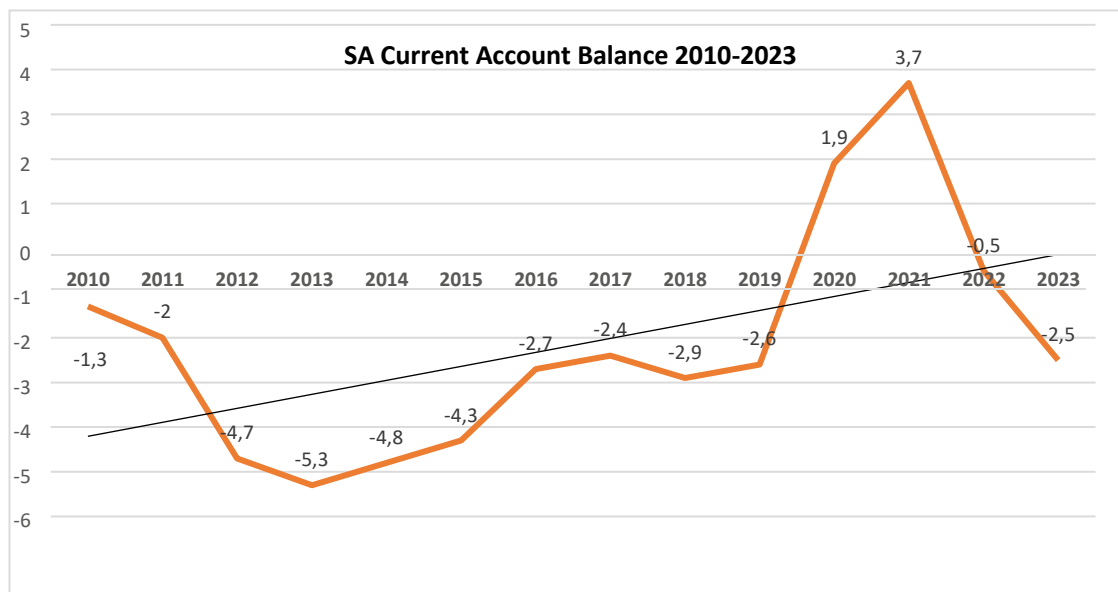
Figure 12: Gross debt



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.<sup>14</sup> 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.<sup>15</sup>

### 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

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

<sup>15</sup> 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.*<sup>16</sup> 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.<sup>17</sup> 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.

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<sup>16</sup> 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.

<sup>17</sup> 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 revenues<sup>18</sup>.

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 outcomes<sup>19</sup>. 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 programme<sup>20</sup>. 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.<sup>22</sup> Instead of lowering the number of grant recipients, the government wants to give more people larger grants<sup>21</sup>.

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 Africa<sup>22</sup>.

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.<sup>23</sup>

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

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<sup>18</sup> Ibid

<sup>19</sup> Ibid

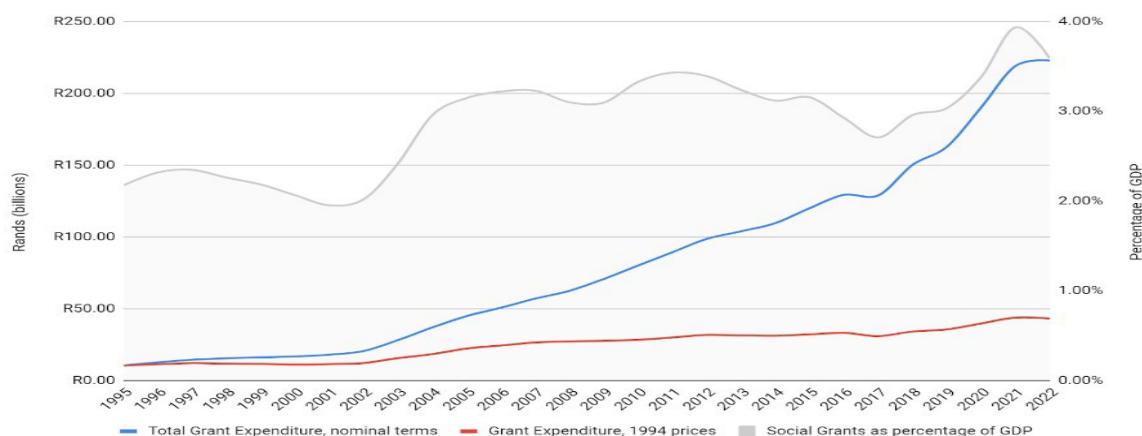
<sup>20</sup> Roodt, D. (2023). *South Africa, 29 million South Africans receive grants with only 7.4 million taxpayers*.

Daily Investor. 2023 <sup>22</sup> Ibid

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

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

<sup>23</sup> 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.<sup>24</sup>

### 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.<sup>25</sup> 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,

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

<sup>25</sup> <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.<sup>26</sup> 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.<sup>27</sup>

### 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.

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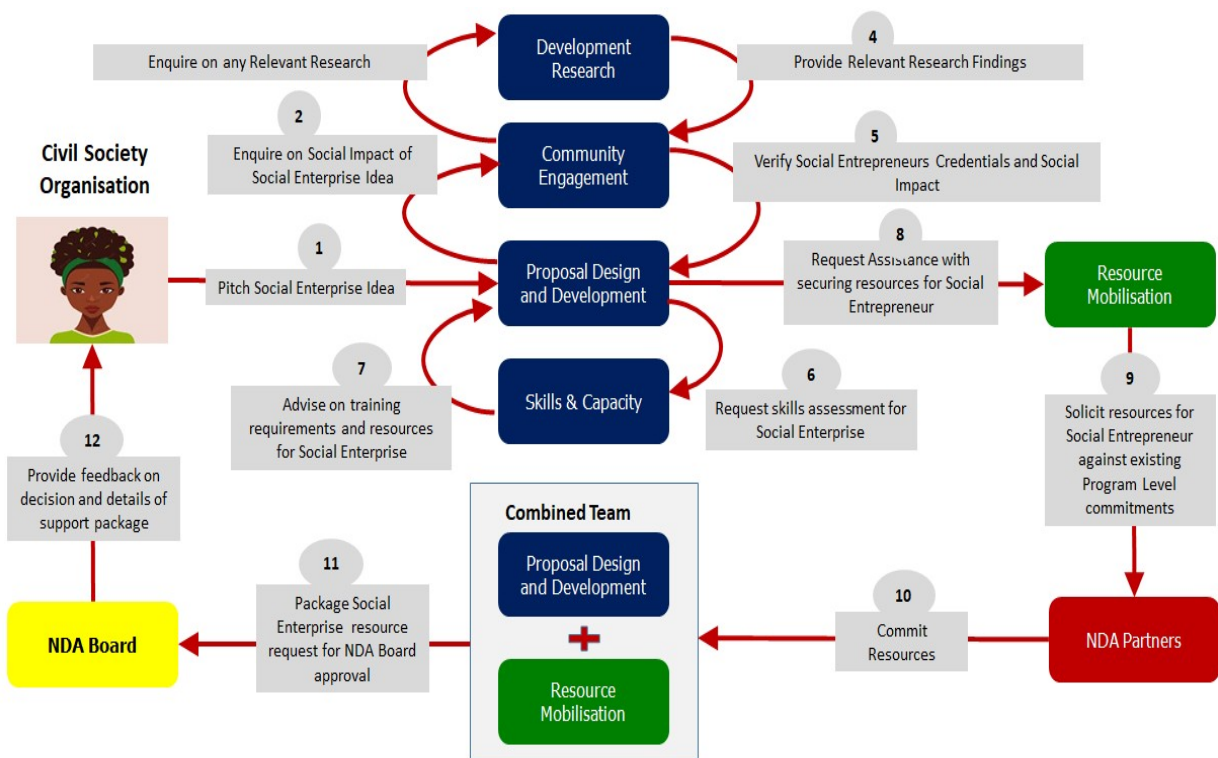
<sup>26</sup> Ibid

<sup>27</sup> 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:



### 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"
  - o the **Community Engagement** team's recommendations, o the **Skills and Capacity** team's findings and recommendations and o the **Development Research** team's work to determine the overall resource requirements and
  - o 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:

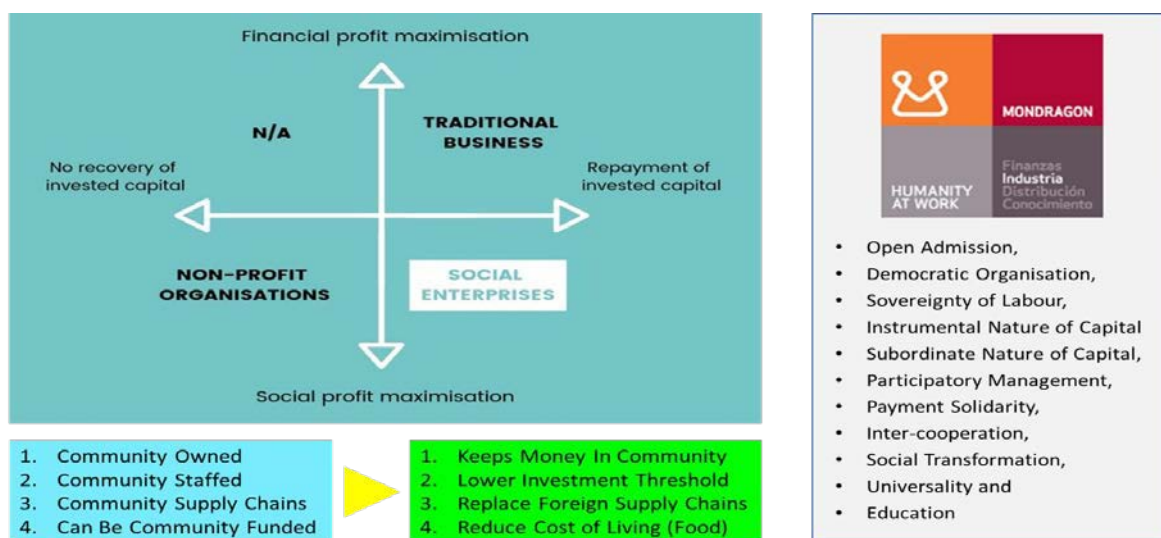
- Community owned
- Community staffed
- Community supply chains
- Community funded

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 cooperatives. 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 (SSEOEs) 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 SSEOEs emphasizes 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 SSEOEs 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, SSEOEs 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 SSEOEs 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.<sup>1</sup> 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.

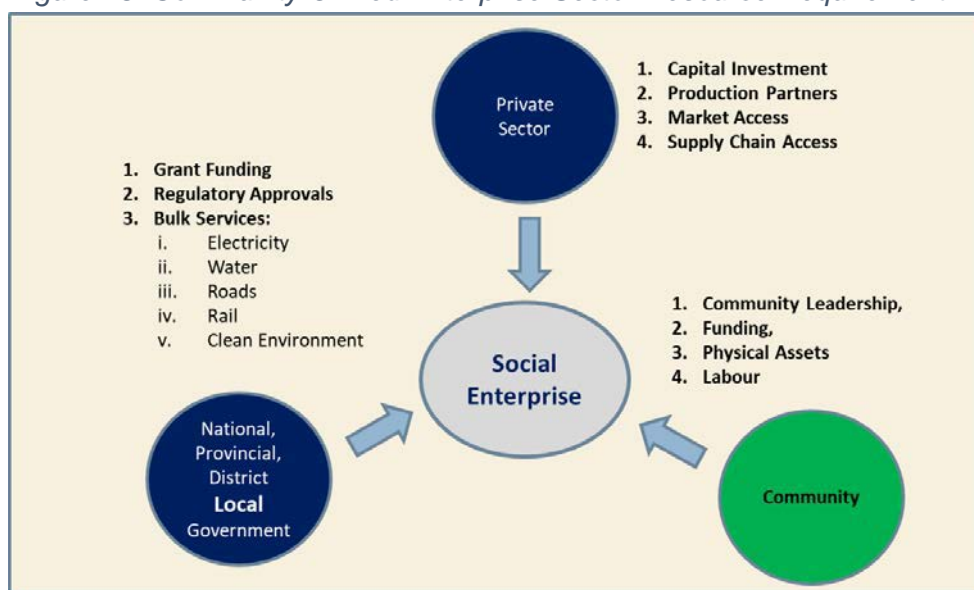
While the social economy often sought to supplement or compliment the existing social order , solidarity economy advocated a more transformative approach to economic activism. In Colombia, *economía solidaria* emerged out of the country's cooperative movement and understood as a concept that could place *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.

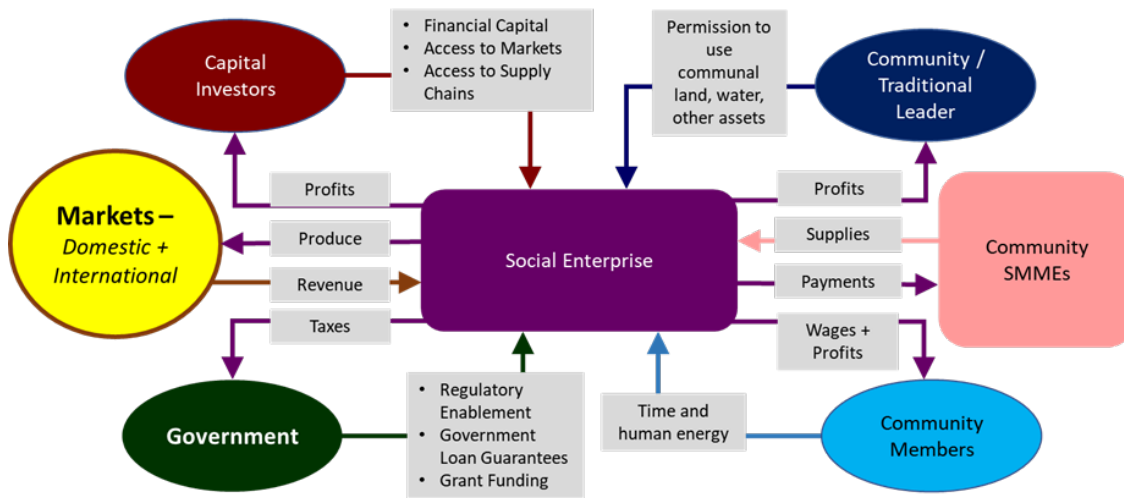
Figure 18: Community Owned Enterprise Sector Resource Requirement



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



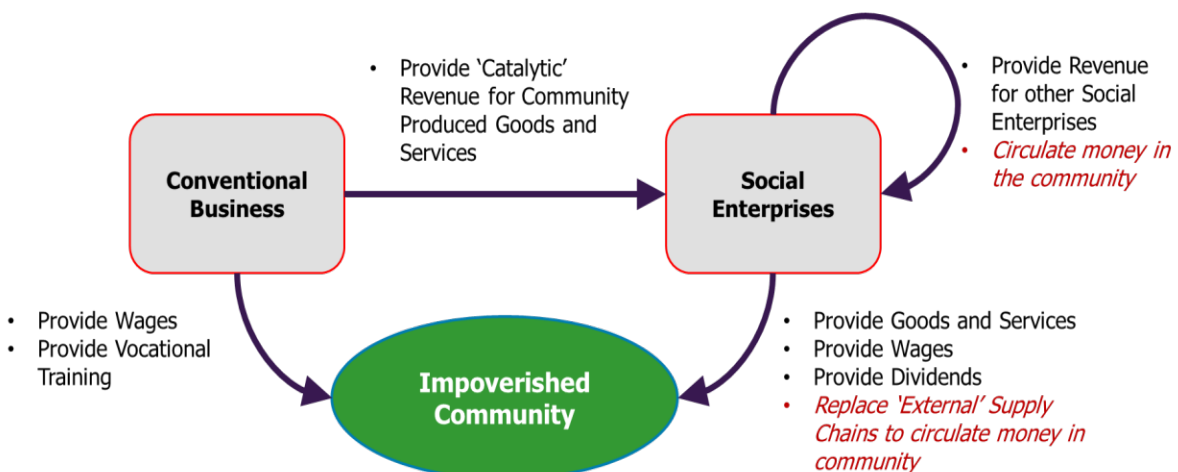
### CSOs, Community Leadership and Trust

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 NDA PERFORMANCE

### 7. Institutional Performance Information

#### 7.1. Measuring the Impact

The impact for the strategic plan is the result of achieving specific outcomes. They are assessed at the end of the five-year strategic planning period. The table below shows the NDA's impact statement for the strategic period.

<b>Impact statement</b>	Reduced levels of poverty in South Africa
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#### 7.2. Measuring Outcomes

Outcome	Outcome Indicator	Baseline	Five-year target
Increased access to resources for target Community Owned Enterprises	Number of Community Owned Enterprises who have accessed resources	New Target	66 Community Owned Enterprises
Community driven projects to build self-sustainable communities	self-sustainable communities	New Target	66 self-sustainable Community Owned Enterprises
An enabled environment for sustainable development	Enhanced policy environment	New Target	Engagement on policy proposals with relevant stakeholders
NDA capacity to deliver on its mandate	Improved performance on the delivery of the mandate	New Target	100% implementation of the NDA Business Model

#### 7.3. Explanation of Planned Performance over the Five-Year Planning Period

The National Development Plan (NDP) has a long-term perspective to eliminate poverty and reduce inequality by 2030. According to the plan, South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

To achieve these goals, the NDP has been divided into 5-year components with a Medium-Term Strategic Framework (MTSF) as an implementation and monitoring tool. In the attainment of the 2030 goals, the MTSF (1) Identifies the Priorities to be undertaken during the 5-year implementation plan (2024 - 2029) and (2) sets targets for the implementation and

monitoring of the priorities through outcomes and outcome indicators. To support the envisioned goals of the MTSF and meet the constitutional, legislative and policy mandate, the following table highlights the NDA's alignment to the relevant Priority areas:

Priority	NDA Outcomes aligned to priorities
<p><b>Economic Transformation and Job Creation</b></p>	<ul style="list-style-type: none"> <li>• <b>Self-reliant communities</b> – these are communities that are empowered to address poverty and are able to create opportunities for themselves post developmental interventions. These opportunities include the inclusive creation of work for sustainability of livelihoods and sustainable poverty elimination.</li>   <li>• <b>NDA capacity to deliver on its mandate</b> – Through the review of the preferential procurement policy. The NDA will ensure internal compliance to the policy by ensuring the inclusion of SMMEs in localisation and buy local campaigns. The revised procurement policy will amongst others address the strengthening of the Township and Rural economy by allocating 30% of the NDA budget and ensuring timeous payment to all suppliers within 30 days.</li>   <li>• <b>Increased access to resources for target Community Owned Enterprises</b> – The NDA seeks to raise resources for funding and support of the COEs for furtherance of their developmental work. Through this outcome the NDA also aims to facilitate the increase in the number of competitive COEs with a focus on township economies and rural development. This it will do through establishing strategic partnerships that will raise resources for continuous support to COEs.</li> </ul>

<b>Education, skills and health</b>	<ul style="list-style-type: none"> <li>• <b>An enabled environment for sustainable development</b> – The NDA is striving to produce research output that will place the organisation at the forefront as a thought leader in its area of expertise and in line with the development needs of the country. Various stakeholders through different platforms will be engaged with the research output. The expected output is to ignite dialogue and/or contribute to the development of various strategies and policies in line with the development needs and national priorities. This outcome will contribute to the improved education, training and innovation output of the country and contribute towards development policy and practice.</li> <li>• <b>Self-reliant communities</b> – In the creation and enablement of self-sufficient and self-reliant communities, education and training will be central. Various capacitation methods will be employed, these include direct capacitation in organisational management, legislative compliance and enhancement of technical capacity.</li> </ul>
<b>Consolidating the social wage through reliable and quality basic services</b>	<ul style="list-style-type: none"> <li>• <b>Self-reliant communities</b> – Self-reliant communities are well capacitated and empowered communities that are creators of quality basic services. Targeting vulnerable individuals and households for the implementation of food and nutrition security initiatives will contribute towards consolidating the social wage and one of the mechanisms to eradicate poverty and improve people’s lives.</li> </ul>
<b>Spatial integration, human settlements and local government</b>	<ul style="list-style-type: none"> <li>• <b>Increased access to resources for target Community Owned Enterprises</b> - Through this outcome, the NDA will integrate development initiatives amongst all economic stakeholders for the benefit of communities the stakeholders operate in. The initiatives will be facilitated in partnership with key development stakeholders through the DDM mechanism.</li> </ul>

### b) Rationale for the choice of the outcome indicators

The primary rationale for the choice in outcome indicators is the need for impact creation by the NDA. Below is a rationale as to the choice of indicators relative to the chosen outcomes:

Outcome	Outcome indicators	Rationale
NDA capacity to deliver on its mandate	Improved performance on the delivery of the mandate	The NDA recognizes that internal systems efficiencies and effectiveness are paramount to the full implementation of the internal business model and the ultimate delivery of services

Increased access to resources for target Community Owned Enterprises	Number of Community Owned Enterprises who have accessed resources	The NDA therefore has to establish partnerships with various stakeholders for purposes of raising funds for development. The NDA has a legislative responsibility to mobilise resources and serve as a conduit for funding development work by CSOs.
Community driven projects to build self-sustainable communities	Self-sustainable Communities	Through targeted funding and continuous capacitation of COEs in communities, the NDA will focus on ensuring that communities are graduated from dependency to a point of sustainability and self-reliance.
An enabled environment for sustainable development	Enhanced policy environment	The NDA recognizes that establishing itself as a thought leader, research output quantity on its own is not enough. The organisation will need to publish research that impacts both development policy and practice. In particular the research produced will to a greater extent result in policy change in a number of significant policy areas

### ***c) Explanation of enablers to achieve the five-year targets***

For the achievement of the five-year targets, the NDA must focus on cultivating the following enablers:

- Develop monitoring and evaluation systems:** effective monitoring and evaluation systems create ease in identifying the most valuable and efficient use of resources for tracking success and impact of interventions. It is critical for developing objectives and conclusions regarding the extent to which programmes can be judged a “success”. Monitoring and evaluation together provide the necessary data to guide strategic planning, to design and implement programmes and projects, and to allocate, and re-allocate resources in better ways.<sup>28</sup>
- Develop partnerships and collaborations:** Partnerships and collaborations are pivotal in the improvement of organisational performance: area-based partnerships provide a mechanism for local organisations, in particular, to work together to address the needs of people and the economy at the local level <sup>29</sup>. Forging partnerships with entities/ organisations that are strategically aligned to the mandate or strategic

<sup>28</sup> Endvawnow – UN Women

<sup>29</sup> OECD, Successful Partnerships

direction of the NDA to leverage synergies is important for resource mobilization and creating impact. Development and strengthening of the NDA's relationship with other government entities as well with other key economic stakeholders is therefore important.

- **Optimisation of the internal environment:** This includes:
  - The review and optimization of people and internal capabilities – human capital is significant to the NDA's ability to carry out its mandate and support the day-to-day business operation. Therefore, an assessment of existing skillsets and matching them to functions, as well as, upskilling and reskilling of the staff complement in line with the organisation's strategic direction for the five (5) year period is an important enabler.
  - Systems and processes – this refers to the manner in which operations are carried out within the organisation. An upgrade of the organisation's ICT is crucial in optimizing the internal environment. Benefits of efficient systems and processes include effective monitoring of risks, increased reach – both nationally and internationally, monitoring of reach of reports and publications, enhancing capacity through the provision of a single point to coordinate planning and delivery by the respective stakeholders

#### d) Explanation of the outcomes' contribution to the achievement of the impact

Impact Statement: Reduced levels of Poverty in South Africa	
<b>NDA capacity to deliver on its mandate</b>	The workforce is an essential element of the transformation of the service delivery landscape of the country. The NDA will focus primarily on capacitation of the workforce and establishing appropriate systems and processes to aid improved delivery of services.
<b>Increased access to resources for target Community Owned Enterprises</b>	Poverty is a big challenge facing society at large and its reduction cannot be achieved by NDA alone. The strategic partnerships created with the private sector and other government institutions will go a long way in increasing funding available for poverty reduction interventions.
<b>Community driven projects to build self-sustainable communities</b>	If communities are self-reliant and self-sufficient, they can create opportunities for themselves and address poverty within the community.
<b>An enabled environment for sustainable development</b>	The research outcome will allow the NDA to contribute to the reduction of poverty through key recommendations made by the research outputs as well as through specific policy changes that will enable an improved policy environment for economic development.



## 8. Key Risks

Outcome	Key Risks	Risk Mitigation
NDA capacity to deliver on its mandate	Insufficient funds to implement required internal changes	<ul style="list-style-type: none"> <li>• Identify internal opportunities for reprioritisation and reorganisation</li> <li>• Engage the DSD portfolio for collaboration and shared services opportunities</li> </ul>
Increased access to resources for target Community Owned Enterprises	Inadequate resources raised for funding community development interventions	<ul style="list-style-type: none"> <li>• Strengthening of Inter-governmental Relations</li> <li>• Popularise the Turnaround Strategy</li> <li>• Strengthening of the DDM coordination and integration role of the NDA</li> </ul>
Community driven projects to build self-sustainable communities	Lack of buy-in and support from community stakeholders	<ul style="list-style-type: none"> <li>• Participate in provincial and municipal community engagement processes</li> <li>• Integrate community centric NDA plans into the local economic development plans</li> </ul>
An enabled environment for sustainable development	Limited involvement in facilitating engagement and debates between government, civil society and private sector on development policy	<ul style="list-style-type: none"> <li>□ Identify key actors on development space to participate in the engagements and debates</li> <li>□ Strengthen partnerships across the development space</li> </ul>

## PART D: TECHNICAL INDICATOR DESCRIPTIONS

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	Annual
Desired Performance	Increased access to resources by COEs for implementation of community development interventions
Indicator Responsibility	Chief Operations Officer

Indicator Title	Self-sustainable Communities
Definition	This KPI will measure self sustainability of communities through 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	Annual
Desired Performance	Self-sustainable communities that are no longer depended on goverment social protection services
Indicator Responsibility	Chief Operations Officer

Indicator Title	Enhanced policy environment
Definition	This KPI refers to the improvement of the policy environment for implementation of community development interventions
Source of Data	Monitoring Report
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	Improved performance on the delivery of the mandate
Definition	This KPI will measure the extent to which the NDA is able to deliver on its mandate
Source of Data	Monitoring Report
Method of Calculation/Assessment	Simple Count
Means of verification	Monitoring Report
Assumptions	The resources of the NDA will be sufficient to allow for staff development and development of other processes that will aid the delivery of the mandate
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Calculation type	Non Cumulative
Reporting Cycle	Annual
Desired Performance	Efficient delivery of the mandate
Indicator Responsibility	Corporate Services