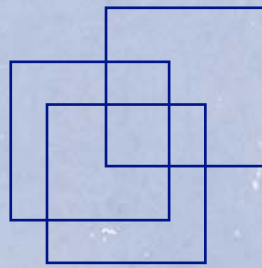




International Labour Organization



International Training Centre

Public policies for the Social and Solidarity Economy: Towards an enabling environment

The case of South Africa



Public policies for the Social and Solidarity Economy: Towards an enabling environment

The case of South Africa

Prof. Susan Steinman

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Public policies for the Social and Solidarity Economy: Towards an enabling environment: The case of South Africa

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Prologue

The International Labour Organization (ILO) has a long tradition and extensive experience on the social and solidarity economy (SSE). In fact, the first official document making direct reference to social economy enterprises dates back to 1922. The ILO's commitment to the advancement of the SSE is grounded on its Constitution and on the 2008 ILO Declaration on Social Justice for a Fair Globalization, which states that, in a globalized world, "productive, profitable and sustainable enterprises, together with a strong social economy and a viable public sector, are critical to sustainable economic development and employment opportunities".

The SSE is a concept that is increasingly being used to refer to all economic activities involving organizations such as associations, cooperatives, foundations, mutual benefit societies and social enterprises that are guided by principles, values and practices concerned with participation, democracy, solidarity and commitment to the environment, and that prioritize the pursuit of a social aim.

The social economy sector has not only proved to be resilient to economic crises in terms of employment, but also it represents a concrete response, from civil society, to its own needs through, for example, the provision of basic services that traditional welfare state systems are no longer in a position to provide and that the traditional private sector has no interest in providing.

The SSE continues to grow in many countries and there is increasing recognition of its role in sustainable and inclusive development. In fact, more and more governments see the SSE as an area of work that is relevant for tackling challenges related to employment, service provision and the level of social cohesion, among others.

This paper studies the case of the South Africa, where public policies, understood in the broad sense as legal frameworks related to credit, taxation, training, education, health, infrastructure and public tendering, have been formulated specifically to support the SSE. This paper aims to describe and explain the overall context and the evolution, from an historical and institutional standpoint, of the process that has fostered a more favourable policy framework.

The most important aspects covered are:

- the context and the development of the SSE in recent years;
- the identification of key government measures (laws, public policies, programmes, institutional reforms, and so on) taken to support the SSE;
- analysis of the key challenges faced by the social solidarity economy.

We would like to thank the author, Susan Steinman, for her research, and we hope that the contents of this paper will be of use to those readers who would like to better understand how the SSE is steadily contributing to building a new model of production and consumption.

Vic van Vuuren

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Background

The challenges to the capitalist economic model in the twenty-first century brought about a new appreciation and thinking about economic development and the challenges we face, such as unemployment, inequality, poverty and climate change. The emergence of the social and solidarity economy (SSE) worldwide has seen developing countries like South Africa realize that businesses with both social and economic objectives ensure a more inclusive economy and indeed a fairer and more just world.

This report is based on both published and grey literature and is particularly based on the researcher's earlier paper on the SSE (namely *The Need for State-Civil Society Dialogue to Develop Public Policies for the Social and Solidarity Economy: National Case Study*). Interviews with key informants and stakeholders in the SSE also inform this report. The researcher tried to engage as many key stakeholders as possible, but it was particularly difficult to find executives and managers who are willing to sit down for an interview. The stakeholders opted to remain anonymous and they will therefore be referred to as Interviewees 1, 2, 3 and so on to retain their confidentiality. Furthermore, this report examines the case of South Africa where a wide range of policies and laws have been designed or enacted that explicitly aim to support SSE organizations and enterprises. It seeks to understand the institutional and political context that has fostered a more supportive policy environment; to identify the key policies, laws, programmes and institutional reforms; and to assess the quality of such measures in terms of both design and implementation.

Thus, the report has been divided into the following five parts:

- Part 1: State of the field
- Part 2: The political economy of the SSE
- Part 3: Public policies for the SSE
- Part 4: Key challenges facing the SSE
- Part 5: Main findings and recommendations

Introduction

The term “social and solidarity economy” (SSE) has become fully established in the South African vocabulary only in recent years, even though the phenomenon has existed in the country for many years.

At the conference on The Social Economy: Africa’s Response to the Global Crisis held in Johannesburg in October 2009, the term social economy was defined as “a concept designating enterprises and organizations, in particular cooperatives¹, mutual benefit societies, associations, foundations and social enterprises, which have the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity” (International Labour Organization [ILO], 2009). This definition has since been partly adopted by a working group emanating from the annual social economy conference in South Africa.

Social and solidarity economy is the term increasingly used to refer to an expanding field of economic activity that comprises organizations and enterprises that are driven by values and practices associated with provisioning of basic needs, inclusiveness, equity and sustainability. It contributes to the four dimensions of the ILO’s overall goal of creating decent work for all: productive employment, social protection, the respect for rights, and social dialogue.

In the context where the field of the SSE is expanding in many countries and where the potential contribution of the SSE to inclusive and sustainable development is increasingly being recognized, there is a growing interest in the role that public policies can play in enabling the SSE. Furthermore, in South Africa, there is a growing realization that the SSE can indeed create jobs and has been the biggest creator of jobs in the last seven years (Jeffrey, 2015).

Indeed, a number of governments are attaching a high priority to the development of the SSE in their national strategies, particularly in terms of employment.

The following figures released by the British Council on the scale of social enterprise could largely impact governments’ views on the SSE, especially those from developing countries such as South Africa.

Some critics – and even some advocates of social enterprise – dismiss its potential contribution to sustainable economic development on the basis that it is too small or too niche. Yet this perception ignores a rich vein of evidence.

- *The G8 Social Impact Investment Taskforce, for example, report that “Social sector organisations already account for more than 5% of GDP in several countries, including Canada, Germany, the UK and the US. In some countries, they employ more than 10% of the workforce.” Indeed, social enterprises, co-operatives and other social sector organisations account for very significant sectors of the economy across many countries of the world:*
- *In Spain, the social economy accounts for over 20% of employment and the Mondragon co-operative alone turns over upwards of €10 billion, more than tourists spend every year².*

¹ The spelling of cooperatives is interchangeably indicated as “co-operatives” (where it is so quoted) and cooperatives in general as both forms of spelling are used in South Africa. However, “cooperatives” is more internationally and widely used and therefore, where possible is the term used in this paper.

² <http://www.mondragon-corporation.com> and <http://www.eurofish.dk>

Table 1: Sectoral employment trends
Growth in services decline in goods producing

Employment trends, change from September of 2006 to 2012, 2013		
Quarterly employment survey formal sector (Non-agricultural)		
	2006-2012	2006-2013
Total	333 000	416 000
Mining	44 000	36 000
Manufacturing	-189 000	-203 000
Electricity, gas and water	11 000	10 000
Construction	-33 000	-32 000
Trade, hotels and non-financial services	24 000	45 000
Transport and communications	15 000	6 000
Financial and business services	74 000	94 000
Community services	388 000	461 000

Source: Statistics South Africa
(Jeffrey, 2015)

However, there is a growing feeling, locally and internationally, that the role of the SSE in creating jobs and building a more inclusive economy is largely underestimated. In 2014, the UN Inter-Agency Task Force for the Social and Solidarity Economy (TFSSE) conceded that the position paper had been prepared by their members and observers in response to the concern that the process of crafting a post-2015 development agenda and set of Sustainable Development Goals (SDGs) had paid insufficient attention to the role of the SSE. In the position paper, the TFSSE expressed the belief that SSE holds considerable promise for addressing the economic, social and environmental objectives and integrated approaches inherent in the concept of sustainable development (TFSSE, 2014).

In line with the observations of the TFSSE, it has been observed in South Africa that political leaders sometimes underestimate the importance and size of this sector and its ability to create sustainable jobs in its own right as opposed to merely bringing about temporary relief to the poor through a capital injection by government. In fact, while small businesses are mentioned in political and policy speeches and encouraged, these speeches seldom refer to the economic importance of the social and solidarity economy organizations as an integral part of the SMME (Integrated Strategy on the Promotion of Small, Medium and Micro-Sized Enterprises) sector development of South Africa. This omission can be viewed against the backdrop of the failure of cooperatives in South Africa. However, concerted efforts have been made since 2013 to reverse the situation: these are discussed later in the paper. Even in academia, where the focus is mainly on the social enterprise movement, the cooperative movement is not always included, according to the interviewees from academia (see further on in this paper), such as the Gordon Institute of Business (GIBS), a leading business school otherwise renowned for its training in social entrepreneurship.

Part 1: State of the field

1.1 Social and solidarity economy organizations

Social and solidarity economy organizations (SSEOs) can be described as “a concept designating enterprises and organizations, in particular cooperatives, mutual benefit societies, associations, foundations, NPOs and social enterprises, which have the specific feature of producing goods, services and knowledge while pursuing both social and economic aims and fostering solidarity” (ILO, 2009).

Some of the typical forms of SSEOs are discussed in more detail below.

1.1.1 Non-profit organizations

A non-profit organization (NPO) is defined in the NPO Act 71 of 1997 as: “A trust, company or other association of persons established for a public purpose and the income and property of which are not distributable to its members or office-bearers except as reasonable compensation for services rendered” (DSD, n.d.).

“Public purpose” was then defined with its distinction of “public benefit organizations” engaging in “public benefit activities” in 2000. In order to ensure tax exemption for non-profit organizations, the Taxation Amendment Act of 2000 provided for the registration of PBOs. (SARS, 2014).

Non-profit organizations may register with the NPO Directorate in the National Department of Social Development in terms of the Non-profit Act.

Types of NPOs include:

- non-governmental organizations (NGOs);
- community-based organizations (CBOs);
- associations;
- faith-based organizations (FBOs);

- non-profit companies (NPCs);
- trusts registered with the Master of the Supreme Court under the Trust Property Control Act 57 of 1988;
- any other voluntary association that is not-for-profit.

(DSD, n.d.)

The term “non-profit organizations” is a business form and not an indication of the way business is conducted within an organization. NPOs are progressively becoming “enterprising non-profits” or “social enterprises” to survive because they can no longer rely on external or donor funding. The lack of funding impacts on sustainability and therefore South African NPOs are increasingly challenged to generate their own income by selling services and/or goods. There is no legal entity representing the changing business model of NPOs and the social enterprises or enterprising non-profits often exist as hybrid forms of business such as combining an NPO with a for-profit entity to maximise efficiency.

In a study by Swilling and Russell (2002) on the size and scope of the non-profit sector in South Africa, editor Adam Habib contends in his introduction that the comparative size of the study “demonstrates that South Africa’s civil society is as large in proportional terms and as vibrant as in all but a handful of advanced industrialised countries. The countries’ non-profit workforce and the proportion that is volunteer labour are well above the international average. Public sector support for civil society is also well beyond the international average” (Swilling & Russel, 2002).

The SSE is also a major employer in South Africa: Swilling and Russell (2002) already established, while working on the study in 1999, that the total employment in the non-profit sector exceeded the number of employees in many other major economic sectors such as mining, public service in national departments, and so on.

Table 2: Registration by sector

Sector	2010/11	2011/12	2012/13	2013/14	2014/15
Business and Professional Associations, Unions	402	510	662	937	1137
Culture and Recreation	4 069	4 551	5 570	6 206	8 059
Development and Housing	15 797	17 078	20 964	24 004	28 534
Education and Research	8 655	6 249	8 039	9 016	9 607
Environment	918	1 031	1 228	1 639	1577
Health	8 723	9 240	10 582	10 421	11 966
International	53	61	65	117	85
Law, Advocacy and Politics	1 605	1 775	2 229	2 927	3 090
Philanthropic Intermediaries and Voluntarism Promotion	912	963	1 089	1 288	1 303
Religion	8 839	10 009	11 791	14 285	16 703
Social Services	26 202	33 781	40 078	46 252	54 392
OVERALL	76 175	85 248	102 297	117 093	136 453

(DSD, 2015)

According to the Department of Social Development (DSD), some 65,635 non-profits were registered in 2010 and with a growth of an average of approximately 15 per cent new non-profits per annum, the total number of registered NPOs now stands at 136,453.

While the national DSD is responsible for the registration of non-profit organizations, the provincial DSD is responsible for the distribution of grants to the respective NPOs. The growth of the sector since 2010 is shown in the table above.

It should be noted that more than 85,000 non-profits were registered under the Non-profit Organizations Act (NPO Act) by the end of March 2012. From October 2012 until January 2013, more than 23,000 organizations were de-registered by the Directorate for Non-profit Organizations, which falls under the auspices of the Department of Social Development.

In addition, more than 35,000 organizations were marked as “non-compliant”. In contrast, during the 2011 financial year only 468 organizations were de-registered. In the wake of the ensuing public outcry, all organizations were reinstated and reflected as re-registered during February 2013. Organizations were given a six-month period within which to become compliant (Wyngaardt, 2013).

(a) Less formal structures

Swilling & Russel (2002) found that, in reality, the real number of non-profits more than double (106 per cent) the registered number. The authors contend that approximately 53 per cent of that number of non-profits and can be classified as “less formalised, community-based NPOs without a formal legal structure” and is therefore not recognized by the authorities. It is believed that the situation has improved, as there have been concerted efforts by

government and the National Development Agency to help non-profits to become compliant after the massive de-registration in 2012 that led to a public outcry. Although community leaders such as the Gogo Getters or Gogo Grannies are still taking care of children whose parents passed away because of HIV/Aids related illnesses, they have been encouraged to register for grant funding from the DSD.

(b) Leading role of black women

In contrast to the private sector, the non-profit sector is predominantly led by and managed by black women. Research indicates that 59 per cent of managerial positions were taken up by women and that 73 per cent were black. Some 60 per cent of all full-time employees were women and 81 per cent of these full-time female employees were black. This is also evidence that the SSE is inclusive of previously disadvantaged groups (Swilling & Russel, 2002). Although this research has not been updated recently, there is no reason to believe that the situation has changed since that time. However, there is a need for a new and updated study in terms of the size and scope of the SSE.

(c) Sheltered employment

The Department of Social Development has facilities and grants for People with Disabilities (PWDs). One such facility is Epilepsy, South Africa's Western Cape branch with its economic development and empowerment programme. Epilepsy South Africa is a non-profit organization representing the interests of and providing support for people with epilepsy. Their main problem is that, due to the highly regulated South African labour market, Bargaining Councils might force them, through labour cost increases, to shed jobs, affecting the quality of care and number of jobs they can provide.

(d) Income

It is not known whether the growth of the sector has to do with the large number of grants offered by the Department of Social Development to non-profits. According to figures provided by the parliamentary monitoring group, 130,093 billion South Africa Rand (ZAR) was allocated to social assistance

grants, ZAR6,657 billion to SASSA, ZAR276 million to social work scholarships, ZAR184 million to National Development Agency (body enabling Non-profit organizations), ZAR53 million to HIV/AIDS organizations, ZAR51 million to food relief, ZAR47 million as a substance abuse treatment grant, and ZAR25 million to National Councils (PMG, 2015).

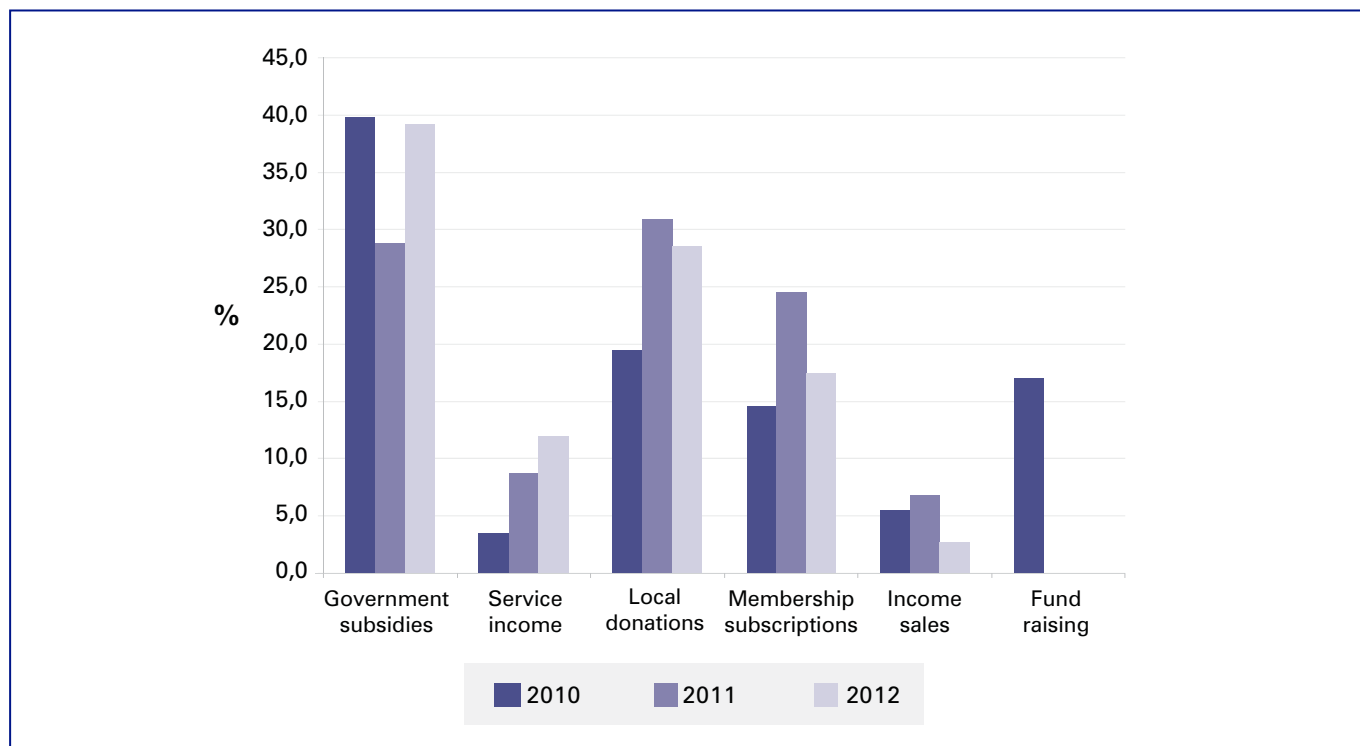
It is also interesting to note the sources of income for the non-profit sector in the figure on the following page. According to the "Statistics of the Non-profits Institutions⁹ of South Africa Discussion Document" (Statistics South Africa, 2015):

...a large number of South African Non-Profit Institutions (NPIs) were registered as voluntary associations with more than 40% of these classified as social services NPIs. The South African NPIs derived most of their income from government subsidies, local donations and membership subscriptions. While transfers from households remain the area of the core segment, they obtain significant income from membership subscriptions. Government provides income to NPIs through grants (which are classified as subsidies). Income in the social services and education NPIs grew faster than income in the other NPI groups. South African NPIs spent most of their income on the compensation of employees.

This is indeed not a balanced state of affairs as the largest portion of income should in fact not be spent on compensation for employees, but rather on delivering the necessary services to beneficiaries.

⁹ NPIs are separately identified as institutional units. That is, they are capable in their own right of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities. NPIs may be created by households, corporations, or government, but the motive leading to their creation varies. For example, NPIs may be created to provide services for the benefit of the households or corporations who control or finance them; or they may be created for charitable, philanthropic or welfare reasons to provide goods or services to other persons in need; or they may be intended to provide health or education services for a fee, but not-for-profit; or they may be intended to promote the interests of pressure groups in business or politics; etc. Although they may provide services to groups of persons or institutional units, by convention they are deemed to produce only individual services and not collective services.

Figure 1: Income of South African non-profit institutions, 2010, 2011 and 2012



Source: Department of Social Development

1.1.2 Cooperatives

A cooperative is defined in the South African Co-operative Act, Act 14 of 2015 as amended as “an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on co-operative principles” (Government Gazette, 2005)

1. This Act provides for the registration of the following forms of cooperatives:

- a. a primary co-operative;
- b. a secondary co-operative;
- c. a tertiary co-operative; and
- d. the national apex co-operative.

2. Without limiting the number and variety of different kinds of cooperatives, a cooperative registered in terms of this Act may be, but is not limited to, a

- a. housing co-operative;

- b. worker co-operative;
- c. social co-operative;
- d. agricultural co-operative;
- e. co-operative burial society;
- f. financial [services] co-operative;
- g. consumer co-operative;
- h. marketing and supply co-operative; and
- i) service co-operative.

(Government Gazette, 2005)

Cooperatives are owned by their members, who can be either producers (such as agricultural cooperatives or worker cooperatives, for instance), or users of the services that the cooperative provides (such as financial or retail cooperatives, for instance).

The regulatory framework for cooperatives in South Africa is:

- Co-operatives Act (Act No. 14 of 2005) as amended;
- The Co-operative Administrative Regulations, 2015.

Photo 1: Ndumo women farmers' cooperative, meeting with agricultural consultants



The adoption of the cooperative legislation in 2005 initially facilitated a boom in the registration of new cooperatives. Between 2005 and 2009, some 19,550 new cooperatives were registered, representing a growth of 86 per cent and almost quadrupling those registered in the preceding 82 years (1922–2004). The majority of the new cooperatives were owned by black women; youths also accounted for some registrations and these new entrants required high levels of sustained support (Department of Trade and Industry (DTI), 2011), but the survival rates of these cooperatives were far from satisfactory. The National Youth Policy 2015-2020 specifically mentions youth cooperatives with youth enterprises as receiving priority for funding, but the extent and impact of youth enterprises is not known. It is also not known what percentage of registered cooperatives are owned by youths.

The low survival rate – namely, 12 per cent of 22,030 cooperatives in 2011 – was attributed to several factors, namely the absence of a dedicated agency designed primarily to provide focused support to cooperatives. However, some of the other problems cited were:

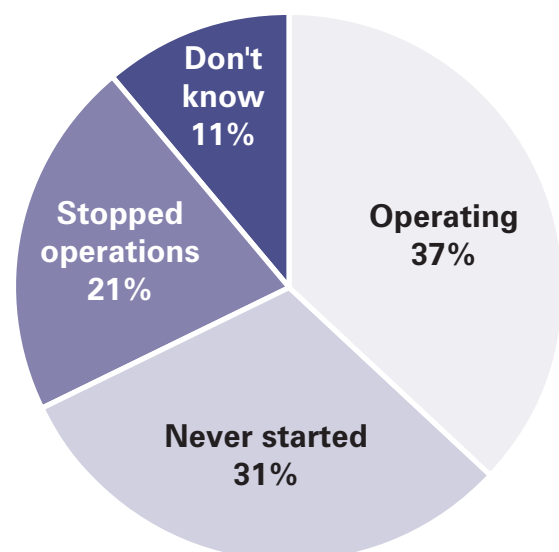
- The management of the cooperatives was poor in itself and there was a lack of cooperation among members in many cases (DTI, 2011).
- In general, management requires a complex range of skills and can lead to a lot of tension within a cooperative. Collective management escalates this complexity exponentially along

with the need for transparency (Phillip, The South Africa Foundation, 2003).

- Literacy levels among the members are sometimes very poor and productivity very low, as the case study of the Social Economy Project (SEP) supported by the Flemish International Cooperation Agency (FICA) in Northern KwaZulu Natal illustrated (Steinman, 2011).
- Poor mentorship and the support given by agencies was untargeted and uncoordinated (DTI, 2011).
- Cooperatives themselves had not been formed on a genuine basis – they tend to have been established for the purpose of accessing free money (The cooperative incentive scheme grant) instead of genuinely building a cooperative movement (DTI, 2011).
- Ongoing conflict among members over issues of money and the usage and ownership of assets (DTI, 2011);
- A sense of neglect among all spheres of government and their respective enterprise development agencies (DTI, 2011).

The situation has improved since the legislation has been amended, and even though the survival rate is still low, the Free State already shows an improvement with 37 per cent of its cooperatives in operation in 2014:

Figure 2: Operational status of Free State Cooperatives 2014



(Wessels, 2016)

The Enterprise Observatory contends that the South African government is simply throwing more money at the problem:

Despite that knowledge, Government continues with the drive to promote cooperatives as an important strategy to overcome unemployment. The 2012–2022 Integrated Strategy on the Development and Promotion of Cooperatives of the Department of Trade and Industry (DTI 2012) promises more of the same, basically restating the standard objectives and means of support. This is also echoed in the 2014-2019 Medium-Term Strategic Framework (MTSF) that envisages a significant increase in the growth rate of the number of registered cooperatives and surviving cooperatives (Wessels, 2016)

In the light that the number of cooperatives have experienced extremely significant growth to 107,000 registered entities, according to one of the interviewees in this study, and the fact that the survival rate is no longer 12 per cent, according to Mr Jeffrey Ndumo, the Chief Director of Cooperatives cluster in the Department of Small Business Development, 37 per cent and in some instances or sectors 60 per cent, a marked improvement is detected. However, this improvement needs to be accelerated to avoid wasting resources.

It also seems as if the amendments to the Co-operatives Act 14 of 2005 that came into force in 2013 had a positive impact on cooperatives. The main aims of the Act are:

- strengthen cooperative governance, accountability and transparency, and provide for a differential dispensation for cooperatives to reduce the regulatory burden for cooperatives;
- strengthen the cooperative structure to allow for organic growth informed by own needs and requirements and to enable unity;
- enhance compliance, coordination, administration and sustainability of cooperatives;
- establish cooperative institutions in order to streamline support for cooperatives and ensure alignment across all three spheres of government;

- increase the survival rate of registered cooperatives;
- increase the proportion of cooperatives with formal legal status, which can receive government financial and non-financial support;
- improve the quality of information on the cooperative sector available.

(Ndumo, 2013)

The amendments resulted in meaningful and practical changes that brought about improvements in the short-term, and it is expected that, as the supporting institutions are put into place, the situation will keep on improving in the medium and long term. The fact is that an improvement on the ground is visible in terms of the survival rate of cooperatives as well as an astonishing increase in the numbers of cooperatives registered, which bodes well for the future despite scepticism among scholars, government officials and some politicians as a result of the high failure rate of cooperatives a few years ago.

1.1.3 Social enterprises

There are two schools of thought on the definition of social enterprises. A broad definition of social enterprises would simply state that a social enterprise is “a market-related response to a social problem” while narrower definitions would explicitly prefer to distinguish the social enterprise from other business forms by designating the manner in which profit or surplus is dealt with in the definition. In South Africa, the recommended definition is as follows: A social enterprise’s primary objective is to ameliorate social problems through a financially sustainable business model, where surpluses (if any) are principally reinvested for the stated purpose (Steinman, 2010).

Research by Steinman identified that:

- There is a dire need for a dedicated business entity for social enterprises, similar to that of the Community Interest Companies (CiC) that exist in the United Kingdom as it is impossible for non-profits to acquire equity to scale under present legislation in South Africa. Currently, most social enterprises exist as a hybrid venture with both a

non-profit and for-profit arm to facilitate scaling the enterprise.

- Existing tax legislation discourages non-profits and social enterprises from trading as there is a cap on the trading to a maximum amount of ZAR350,000 while everything in excess of this amount is taxed according to the usual rates. While it is beneficial for non-profits to register as a public benefit organization (PBO) and therefore become tax-exempt, it is restricting in terms of trading. However, the explanation by SARS is that non-profits should not compete with businesses without being taxed in the same way as this would create unfair competition (SARS, 2014).
- There is a need for tax reform or tax incentives for social enterprises that exist as hybrids to overcome the problem of a lack of a dedicated business form for social enterprises in South Africa.
- There is unwillingness by Business Development Services for traditional enterprises to assist social enterprises and non-profit organizations because they are not sensitized to the needs of SSEOs.
- Social enterprises should be included as a designated group for preferential procurement purposes.

(Steinman, 2011)

Policies and institutional support mechanisms are divided in South Africa, particularly between for-profit and non-profit but also between cooperatives and other forms of social enterprise. The case study of Shonaquip (manufacturer of special wheel chairs for PWDs) emphasises the lack of dedicated business forms and how this impedes the creation of sustainable jobs (Steinman, 2011). A new legal dispensation for social enterprises could allow for this business form to be recognized and make scaling up easier by allowing for limited equity, as in community interest companies (CICs) in the United Kingdom.

Trade unions also joined the drive for social enterprises. The case study of the Creative Design Company (CDC) is a triumph for the labour federations and the manner in which they are keeping South Africans in jobs, creating new opportunities and influencing policies to retain jobs for South Africans. Following agreements reached at the Presidential Job Summit held in 1998, the

three leading union federations founded the Job Creation Trust (JCT) whereby workers from South Africa contributed one day's wages in the year 2000 to the value of ZAR89 million. The funds contribute to the establishment of cooperatives and community driven projects. The Creative Design Company's social purpose is to maximize employment within the textile industry. From the manner in which CDC (wholly owned by the JCT) is run it is clear that the SSEO can effectively create jobs, in this case taking over an existing company, turning it around and maximizing employment as its social purpose (Steinman, 2011).

1.1.4 Existing organizations and networks

Networks and associations within the social economy for SSEs have not succeeded in influencing policy adequately. However, individual stakeholders and social entrepreneurs in the social economy have had a plausible influence on shaping policy in different areas of government's operation to the effect that it has promoted the social and solidarity economy through social dialogue, new legislation, reducing poverty and social exclusion, community housing, etc. – all of which have led to job creation.

There are a large number of international non-profit organizations (INGOs) in South Africa. The role and importance of INGOs has increased with globalization and they play an important role in advocacy for SSE globally.

The Social Enterprise World Forum that took place in April 2011 in Johannesburg, South Africa was the first of its kind for this country and succeeded in bringing South Africa and the international community closer together on African soil.

Furthermore, the Konrad Adenauer Stiftung funded the annual Social Economy conference, for two years hosted by the University of Johannesburg and in 2015 by the Wits Business School and social enterprise, The People Bottomline.

The International Labour Organization, together with the Flemish Government and the Independent

Development Corporation (IDC) was responsible for hosting the Social and Solidarity Academy in South Africa in 2015 for the first time.

1.2 Social impact

The social impact of social enterprises and NPOs in South Africa is measured through different measurement criteria and tools by the different funders. While the social return on investment (SROI) has yet to be standardized, many international funders and local corporate entities have developed their own social impact measurement, evaluation, annual reports and brochures, typically containing information about their measured success with social impact projects. South Africa is regarded by some of the world's social enterprise leaders as one of the leading countries in terms of the social impact of the social enterprise movement. This sentiment was expressed by members of the Steering Committee of the Social Enterprise World Forum during a visit to local social enterprises during the Social Enterprise World Forum held in South Africa in 2011. Therefore, one just has to look at the work in the rural areas, the magnificent work related to food security, early childhood development, HIV/Aids, entrepreneurial skills development to realize the impact of the social and solidarity economy on the lives of South Africans. Is it quantifiable? Absolutely, yes. The challenge is, South Africans should be doing exactly that: measuring the impact of this important economic sector.

The impact of social entrepreneurial activities is favourable in South Africa. Prof Boris Urban conducted a study in two major cities in South Africa and measured social outcomes in terms of the following dimensions: impact/reach, innovativeness of solution, replicability and/or expandability and sustainability. A survey was used to collect data from 165 social enterprises and interpreted using descriptive statistics. Accordingly, the results on sample characteristics indicate that a diverse group of individuals are involved in a wide range of social enterprise activities. Descriptive statistics across dimensions reflect above-average mean scores suggesting favourable perceptions of social outcomes of these social enterprises in South Africa (Urban, 2015)

However, others take a different view of Social Impact Measurement. According to Professor Lyon and Dr Arvidson's briefing paper:

Impact measurement can be seen as both a bureaucratic form of regulation that allows others to control an organization through performance management or as a form of marketing for organizations with entrepreneurial skills. The lack of consistent approaches and the range of assumptions that need to be made in any social impact measurement process provides social entrepreneurs with 'room to manoeuvre' and a source of power to influence others. For many organizations, measurement of impact can therefore be a way of entrepreneurially creating opportunities (Lyon & Arvidson, n.d.)

It is clear from the above that while social impact measurement reflects favourably in most cases, it can also be used as a powerful tool to access resources and has therefore become essential for SSEs to engage in this exercise for purposes of sustainability.

Part 2: The political economy of the SSE

The role of the social economy in South Africa has always been significant, especially during the apartheid era when a strong and vibrant civil society was needed to counter to the state. Civil society created alternative structures of power such as street committees and people's courts to take care of the needs of the communities.

The stakeholders were interviewed and requested to reflect on the significant shifts in the scale and composition of the SSE in the recent decades and how the SSE has been affected by major changes in the national political and institutional changes. They responded from different angles:

Interviewee 2

"The advent of democracy brought its own problems when civil society had to redefine itself. There was a concerted effort by some enterprises to openly embrace the changing political environment in South Africa and the legislative interventions that sought to transform the economic environment and this largely resulted in the growth of a particular sector of enterprises that were sensitive to the needs of the communities around which they operated."

Another stakeholder reflected on the landscape of the rising SSE and the developments over the last two decades that shaped the policies and attitudes within the SSE. It is very important to note how the SSE matured and developed into organizations that wielded power and led some of the socio-political changes in the country. The best example of this is perhaps the Treatment Action Campaign's advocacy for treatment for all persons living with HIV/Aids.

Interviewee 1

Interviewee 1 felt that "the biggest push was that everybody was waiting for the government to deliver. Accordingly, the people realized that the government cannot do everything immediately and, in 1996, there was a sense of *Vuka u zenzele* (meaning 'Wake up and do things for yourself'). This revolutionized the social economy and people realized that they can do things for themselves. The government further used this to publish what communities did for themselves. The self-help movement further expanded during the 1990s and institutions were established to help people do things for themselves: They shared the responsibilities".

The interviewee then continued by saying that the second revolution was in the stokvel² industry which was a noble idea by the marginalized in post 1996: "So, from 1999 to 2000, the stokvel industry built homes in Spruitview: the government provided the stands, but the strategy was implemented through the stokvel industry. The SSE idea was coming together: doing things for yourself. The government took notice while the reserve bank tried to stop the stokvel industry as a pyramid scheme. As much as society had to transform, civil society and, in particular, the SSE had to redefine itself in terms of the challenges and inequality in the wake of the advent of democracy in South Africa in 1994".

The interviewee felt that, between 1996 and 2000 South Africa saw the evolution of the SSE into a socio-political movement and the non-profit sector caught on a bit later as they revolutionized around 2003. He contends: "Since 2004, non-profit organizations (NPOs) have been playing in the political space and providing services that are normally provided by the government. There are court cases against the government and this is an example of the Treatment Action Campaign. Law clinics and non-profit companies (NPCs) are prominent in litigating against the government. For the past 20 years, non-profits are more organized and they litigate, do advocacy and receive funding locally and from abroad".

¹⁰ The term "stokvel" is used in this study as the umbrella term for all hybrids of informal savings schemes, including burial societies.

Furthermore, South Africa has been led by a neoliberal growth pattern since the adoption of the Growth, Employment and Redistribution (GEAR) programme which replaced the Reconstruction and Development Programme (RDP) with its extensive social emphasis. South Africa committed to neoliberal policies to attract foreign investment and, with the focus on the national GDP, it quickly became evident that the wealthy benefitted while poverty escalated. In addition, it became clear that the state, by embracing GEAR's 'development through growth' neoliberal agenda, abandoned the social goals of the ANC, even though South Africa has not followed the growth model of a typical neoliberal country with its welfare programme (Moss, 2012).

Now, more than two decades later, South Africa's SSE still faces challenges, despite a very enabling environment on the policy level. The unemployment rate in South Africa increased to 25.5 per cent in the third quarter of 2015 (Trading Economics, n.d.), while youth unemployment has increased from 32.7 per cent in 2008 to 36.1 per cent in 2011, and remained between 35 per cent and 37 per cent in subsequent years, according to Stats SA (Maswanganyi, 2015). However, it must be noted that a publication from the National Treasury (2011) claimed those unemployed under 30 reached 42 per cent, although normally the youth age group is classified as being between 18 and 35 years old. South African society is still unequal, and the lack of progress may have its roots in the apartheid era when communities were displaced, land was expropriated, and those affected assigned to poverty.

The cultural disposition of *ubuntu* – an African philosophy about the essence of being human which can be translated as "I am a person through others" – plays well into the SSE. While the ubuntu philosophy bodes well for building a strong SSE in South Africa, to a large extent there is still a need to build an enabling environment at the implementation level before the SSE will create the jobs that are expected.

Furthermore, the need to move away from the neoliberal agenda has become evident over the last few years with the rising interest in the SSE as an alternative to the current economic climate. There is a new understanding of the individual's

role in society and businesses are changing their roles in society. According to Moss (2012), this new understanding within the new socio-economic paradigm of the SSE calls for a dramatic shift away from the role of the individual within the neoliberal economic framework as collective interest becomes the ultimate good. Indeed, all relationships need to shift to a more socially conscious and ethically grounded interconnected network.

In June 2009, during the inaugural State of the Nation Address, President Jacob Zuma stated:

It is my pleasure and honour to highlight the key elements of our programme of action. The creation of decent work will be at the centre of our economic policies and will influence our investment attraction and job creation initiatives. In line with our undertakings, we have to forge ahead to promote a more inclusive economy (South African History Online, n.d.).

The Economic Development Department (EDD) was then launched in July 2009 and was confronted with a slow economy in the wake of the global economic crisis of 2008.

In an address at the ILO conference on The Social Economy: Africa's Response to the Global Issue in 2009, Minister Ebrahim Patel defined the social economy as "the economic activities by enterprises and organizations that manage their operations and direct their surpluses in pursuit of social, environmental and community goals. They place these goals, rather than profit maximization, at the core of their existence" (Patel, 2009).

Minister Patel's Economic Development Department (EDD) published the New Growth Path (NGP): The Framework. The NGP is an objective within the South African government's macro-economic policy aimed at addressing inequality and unemployment in society. It is evident from the NGP document that SSEOs are targeted as job drivers. But, before the EDD could fully focus on the NGP, the EDD had to redirect its focus on infrastructure through the Presidential Infrastructure Coordination Committee (PICC) and was tasked to oversee ZAR1 trillion of infrastructure projects, to the detriment of the SSE agenda.

However, not all stakeholders felt that the SSE agenda was put on the backburner because the infrastructure projects created job opportunities and indirectly benefitted the SSE. For example, the Community Work Programme could be regarded as part of the SSE and created many jobs.

Interviewee 3

Interviewee 3 felt that “in the Community Work Programme, for example, the rise of the Zuma government was beneficial to the Community Work Programme. It was instituted as a government programme and is now receiving 100 per cent funding from the government.”

In terms of the growth of the SSE, one of the interviewees pointed out the enormous growth of cooperatives under the ANC-led government. Even though social enterprises were put on the backburner, which could be seen as negative, the growth of cooperatives and the Community Work Programme is directly responsible for the growth in the SSE. This is also illustrated in an earlier table (Table 1, p. 3) in the paper.

Interviewee 4

Interviewee 4 stated that politics had a positive and negative impact. It was very positive for cooperatives in terms of the direct recognitions and interventions on financial and non-financial levels, and the number of cooperatives registered is up from 4,000 cooperatives in the 1990s to 107,000 cooperatives to date. “This is a *significant* growth. The success rate of cooperatives has also improved significantly, as it is between 60 per cent and 70 per cent but worker cooperatives are the biggest challenge. However, the same did not happen for social enterprises and the ruling party must make a decision. Social enterprises must go to the Department of Small Business Development (DSBD) and receive the same support as cooperatives”.

It is possible that in some areas the success rate of cooperatives may reach 60 to 70 per cent but hard evidence could not be found that this is the overall state of affairs. The best documented figures are that of 37 per cent survival rate in the Free State as an overall figure and, therefore, the very significant

growth in the number of cooperatives must be viewed against that backdrop. In some circles, this is known as the “miracle-turned-nightmare”. However, given where cooperatives came from only a few years ago, with a survival rate of 12 per cent, the improvement is regarded as truly significant while the growth – fivefold – is astronomical and is indicative of the South African government’s serious efforts and dedication to putting money into cooperatives, to make the necessary policy adjustments for this initiative to work, leading to this astonishing growth in this sector.

The lack of coordination of all the SSE activities remains a challenge. Institutionally, there is no dedicated home for the SSE; there is no point where all the efforts are brought together for the South African government to measure the impact of the sector on the total economy. The EDD, the DSBD and the Department of Social Development (DSD) deal with different aspects or sectors of the social economy. For example, cooperatives belong to the DSBD whereas they previously came under the auspices of the Department of Trade and Industry (DTI), and non-profits are the domain of the DSD as well the DTI. On a provincial and local level, there are further pockets of excellence in the SSE that are promising, where provinces or local governments simply implemented policies in a way that led to the communities being uplifted. Nevertheless, the progress and magnitude of the SSE in South Africa remains an untold story.

Interviewee 5

Interviewee 5, a Senior Lecturer in Social Entrepreneurship at the University of Pretoria’s Gordon Institute of Business Science (GIBS) and one of the thought leaders within SSE circles, said that “the concept of the SSE is too obscure in my view to be affected by changes in the national political system. Shifts in cabinet or ministers do not seem to shift the momentum which is driven by academia and special interest organizations. I believe that this is because there is still confusion as to which government department has ownership of the SSE (I come from the view of social enterprise). And, until this is resolved, it will continue to remain a slightly misty, nice-to-have concept. For example, the establishment of the DSBD has not brought any massive changes in the thinking and approach towards social enterprises.”

The biggest challenge for the government of South Africa would thus be to realize that social enterprises (currently there is no legal entity covering these, and they mainly exist as hybrid enterprises) should be clustered with cooperatives into a division for the SSE at the DSBD and that the two are not separate.

While academics have every right to feel that some universities (in particular, business schools) and some special interest organizations are taking the lead in promoting the SSE, there is appreciation for the SSE in the corporate space. There is also an uncomfortable feeling in certain government circles that it is SSE organizations and not academics that should own the space. There is also the tendency in academia not to see cooperatives as social enterprises and to only focus on “enterprising non-profits”: the focus is indeed on the “social enterprise school” which is seen as a viable and exciting economic alternative. The massive failure of cooperatives some years ago is still fresh in the memory of many stakeholders. However,

there is still no significant will in any government department to open the floor for dialogue with the players in the SSE on a grand or national scale, even though there are promising talks taking place. Indeed, the ILO is playing a crucial role here through its SSE Academy and by bringing stakeholders together on a regular basis. Notably, several local and international conferences on the social and solidarity economy, the annual Social and Solidarity Academy and other events keep the focus on the sector and keep the pressure on the SSEOs to take charge of their own domain. The ILO has also been responsible for many publications on challenging issues facing the SSE. There are also no organized bodies duly constituted to represent all the players in South Africa’s SSE. There are, however, pockets of organizations within the cooperative movement, the stokvel movement, social enterprises and a workgroup for the SSE. It can be said, therefore, that the SSE is a highly-contested space where the leadership is fluid and yet to be fully established.

Part 3: Public policies for the SSE

Over the years, the government has taken some key measures to support the SSE through laws, public policies, programmes and constitutional reforms.

3.1 Laws enacted by parliament and public policies

A number of laws enacted by the parliament of South Africa and public policies related to the credit, fiscal, procurement, training, education, health and infrastructure benefit the SSE and has a direct bearing on the enabling environment for the SSE.

- The single most important direct legislation relating to the SSE, which was enacted over the last few years, is the legislation dealing with cooperatives. The Co-operatives Act of 2005 (Act No. 14 of 2005) was amended in 2013 (Government Gazette (2005) and Government Gazette (2013)).
- Co-operative Banks Act of 2007 (Act No. 40 of 2007). (Government Gazette, 2008).
- The National Development Agency (NDA) Act of 1998 (Act No. 108 of 1998) (as amended in 2003) also has a bearing on the enabling environment for the SSE. The NDA is a public entity, listed under Schedule 3A of the Public Finance Management Act (PFMA) of 1999 (Act No. 1 of 1999). Its mandates are to:
 - contribute to the eradication of poverty and its causes by granting funds to civil-society organizations (CSOs);
 - implement development projects in poor communities;
 - strengthen the institutional capacity of CSOs that provide services to poor communities;
 - promote consultation, dialogue and sharing of development experience between CSOs and the relevant organs of state;
 - debate development policies; and
 - undertake research and publications aimed at providing the basis for development policies.
- The National Youth Development Agency (NYDA) Act of 2008 (Act No. 54 of 2008) is also relevant to ensuring that the SSE flourishes (NYDA, n.d.).
- The NPO Act of 1997 (Act No. 71 of 1997) (as amended in 2000 and 2012) also has a bearing on the SSE's enabling environment (DSD, n.d.)
- The Companies Act of 2008 (Act No. 71 of 2008) (as amended in 2011) is also relevant in allowing the SSE to flourish. An NPC in terms of the Companies Act of 2008 is the successor to the Section 21 company under the Companies Act of 1973 (Act No. 61 of 1973) which was also known as the incorporated association not for gain. Every pre-existing company incorporated in terms of Section 21 of the Companies Act of 1973 is deemed to have amended its Memorandum and Articles of Association as of 1 May 2011, which was the effective date of the Companies Act of 2008, to expressly state that it is an NPC and to have changed its name to end with the abbreviation "NPC" (Hefer, 2013).
- The Broad-Based Black Economic Empowerment (B-BBEE) Act of 2003 (Act No. 53 of 2003) (as amended) is also significant for enabling the environment for the SSE. While the legislation is aimed at black economic empowerment, it deals particularly with Enterprise and Supplier Development (ESD). The B-BBEE codes benefit the SSE in that enterprise development is a central aim which ensures that big companies not only procure from small, black-owned businesses, but also assist them in growing their businesses so that they can play a meaningful role in the economy. If this is done properly, ESD is designed to ensure that the economy is as inclusive as possible by ensuring that procurement spending is directed at promoting skills development and job creation. This will ultimately create a sustainable and economically sound future and will form part of a responsible business strategy (Tshaka, 2014).

(South African Government, n.d.ii).

- The rise of business incubation programmes as part of ESD and the financial support provided ensures that skills gaps are addressed and a myriad of interventions to assist black entrepreneurs is available.
 - Other relevant national-level laws and regulations affecting civil society include:
 - The Constitution of the Republic of South Africa (Act No. 108 of 1996) (as amended)
 - The Trust Property Control Act (TPCA) of 1988 (Act No. 57 of 1988)
 - The Income Tax Act (ITA) of 1962 (Act No. 58 of 1962) (as amended)
 - The Value-Added Tax Act (VATA) of 1991 (Act No. 89 of 1991)
- (The ICNL, 2015).

Interviewee 2

“Several other legislations, although not aimed at the SSE, particularly enabled cooperatives to be formed. These include the Housing Act of 1997 (Act No. 107 of 1997) (as amended), the Social Development Act of 2011 (Act No. 3 of 2011), the Early Childhood Development Policy and the Preferential Procurement Policy Framework Act of 2000 (Act No. 5 of 2000) which recognize cooperatives and small businesses. The Health Act of 2003 (Act No. 61 of 2003) further allows for cooperatives in the health sector”.

According to this Interviewee, these policy instruments include the following:

- “National Industrial Policy Framework (NIPF);
- Industrial Policy Action Plan (IPAP 2);
- Accelerated and Shared Growth Initiative of South Africa (AsgiSA);
- Women Empowerment Strategy (WES);
- Regional Industrial Development Strategy (RIDS);
- Integrated Strategy on the Promotion of Small, Medium and Micro-Sized Enterprises (SMMEs);
- B-BBEE Strategy;
- National Youth Economic Strategy;
- Anti-Poverty Strategy;
- Micro-Agricultural Finance Initiative of South Africa (MAFISA);
- Black Business Supplier Development Programme (BBSDP); and
- Export Marketing and Investment Assistance (EMIA)”.

The interviewee then continued: “The government has recently formulated a number of policies and strategies that have a bearing on aspects of collective entrepreneurship and the cooperatives development strategy. Key to these policies and strategies is the AgsiSA, the NIPF, the Integrated Strategy on the Promotion of SMMEs, the RIDS and the Anti-Poverty Strategy”.

3.2 Programmes targeting particular groups or sectors

The South African government did well in this area, and in particular programmes aimed at job creation benefited the SSE. Specific mention should be made of the Public Works Programmes. The government has, since 2004, run the successful Expanded Public Works Programme which provides work opportunities and training for the unemployed. The new phase will provide six million work opportunities by 2019 while around four million

work opportunities have already been created in the past five years, according to President Jacob Zuma in the State of the Nation Address of June 2014. Moreover, cooperatives were especially encouraged to participate in the programme (South African Government, n.d.i).

The financing of SSE enterprises by agencies such as the SEFA and the IDC’s Social Enterprise Fund has had an impact and is still making an impact. The cooperative incentives provided by the DTI, provincial agencies and city councils

largely contributed to the enormous growth in the cooperative sector. There were also city councils and provincial offices that provided financial and non-financial support to social enterprises and cooperatives.

Furthermore, the Small Enterprise Development Agency (SEDA) plays an important role in providing financial and non-financial support to enterprises, including those in the SSE. The BBSDP, the DTI exhibition incentives and the initiatives by provincial agencies, such as the Gauteng Propeller and the Western Cape Province, are high profile projects on the provincial level and are indeed developing the SSE on the ground and in communities. City councils have also become active in developing the local economy. For example, the City of Johannesburg arranged with the University of Johannesburg to train their social enterprises in sustainability.

Universities are also playing an increasingly important role in the development of the SSE with academia providing training in all aspects related to sustainability. Some universities are also setting up incubators to assist the SSE together with other enterprises.

Moreover, competitions by the universities, the private sector and government departments to encourage entrepreneurs in the SSE are of great importance in the sector and put the spotlight on the rising importance of the sector. An example of this are the fellowships offered by Ashoka and Echoing Green as well as the considerable competition money to be won by competitions run by Chivas Regal and SAB Miller and other competitions run by government departments. The SSE is indeed encouraged to become competitive through these endeavours; however, it is not encouraged nearly as much as traditional enterprises.

3.2.1 Job creation for people with disabilities (PWDs)

Barriers such as widespread ignorance, fear and stereotypes have caused people with disabilities to be unfairly discriminated against in society

and in employment. For these reasons, they are a designated group in terms of the Employment Equity Act, 1998. The Minister of Labour has approved a Code of Good Practice on the Employment of People with Disabilities (PWDs) in terms of the Employment Equity Act, 1998; determining employment-equity quotas that apply to the private and public sector for PWDs.

According to statistics from the Department of Labour, only 0.6 per cent of the formal workforce of the country can be classified as people with disabilities (PWDs). In terms of the Code of Good Practice on Employment Equity, this target should range between 4 per cent and 7 per cent depending on the demographics of the region. Furthermore, the Department of Labour developed the Technical Assistance Guidelines (TAG) on the Employment of People with Disabilities which is intended to complement the Code published in August 2002 to assist with the practical implementation of aspects of the Act.

An example of such job creation for PWDs is Shonaquip, a social enterprise owned by Shona McDonald, an award-winning social entrepreneur, since 1992. Although her business form is a for-profit enterprise, it is a social-purpose company and her involvement in the manufacture of wheelchairs, back support, positioning and assistive devices emerged from her need to assist her daughter, who was born with cerebral palsy. Her company provides therapy equipment, communication devices and incontinence products, as well as support services through therapists and trainers. Some 30 per cent of her staff members are PWDs (Steinman, 2011).

Shonaquip's experience is that policies on the SSEO are very enabling in South Africa, but the problem is at the implementation level. Ms McDonald has been consulted on many policy issues, and contributed as a peer reviewer for WHO Guidelines on the provision of manual wheel chairs in less resourced settings as well as to a green paper on Special Needs for Children, a proposal for provincial government to make access to care easier for PWDs (Steinman, 2011).

3.2.2 Institutional reforms

An example of institutional reforms, particularly those associated with the establishment of government offices, departments or ministries that aim to support the SSE was, in the case of South Africa, the creation of the EDD. At first, the impression was created that the SSE had found a home. However, it soon became evident that this was not the case. As explained earlier, the EDD's attention shifted to infrastructure development and the SSE was put on the backburner in the process. There were mentions of a handover of the SSE – in particular social enterprises – to the DSBD, but this has not happened, and the SSE is institutionally still in limbo in terms of finding a "home". At present, promising negotiations are taking place with the Economic Development Department. South Africa will soon realize the value of a vibrant SSE contributing to the GDP of the country. Better inter-departmental liaisons will benefit the SSE and put an end to the departmental fragmentation of the sector within government. It is expected that EDD would play a meaningful role in this regard.

Interviewee 1

Interviewee 1 said that the problem is the election cycle of five years and that the general elections and local government elections are two years apart. This leads to a stop-start-stop situation. New ministers, cabinet reshuffles and new groupings within the ANC further influence the seriousness with which the issue of the SSE is being tackled.

The creation of the DSBD was particularly beneficial to cooperatives, but the benefits still need to be passed on to the SSE and, in particular, social enterprises. The adoption by the Co-operative Governance and Traditional Affairs (CoGTA) department of the Community Work Programme has also been beneficial to the SSE because it has meant that all the funding for the programme now comes from the government. However, the question remains as to why the SSE is so fragmented.

It is clear from the above that institutional reforms are of the utmost importance to allow the SSE of South Africa to flourish.

3.2.3 Examples of public policies implemented

There are two outstanding case studies illustrating intervention at the level of provincial government:

Twelve cooperatives formed a non-profit organization called the *Gauteng Women Initiatives (GWI)* (referred to as the Apex body) to assist them to collectively leverage funding and trading opportunities. The GWI has more than 200 member cooperatives and its goal is to empower women. The project is typical of the social economy because it has an inclusive employment policy and also employs ex-prisoners, youth and people with disabilities. The involvement in this project is from policy to implementation level, and the government has succeeded in creating enabling mechanisms to drive this project and create jobs.

The following is an example of how an impoverished local community can be empowered and how direct and indirect job creation is stimulated. The example of the provincial government in the Western Cape providing a building for non-profits in two cases – the Zoe Academy of Skills and the Flash Savings and Credit Cooperative – illustrates the enormous impact of SSEOs in such areas.

The Zoe Academy of skills' initial focus was largely on fostering life skills, skills in the arts and on providing community services. Today, the Academy places greater emphasis on practical, vocational skills training, job placement and in providing support to individuals showing entrepreneurial potential. All but one of the courses offered are accredited by the Sector Education and Training Authorities (SETAs), meaning that the certificates obtained by students are recognized nationally. This has substantially increased demand for the Academy's courses, and generated greater community enthusiasm. Students are charged a nominal enrolment fee of ZAR100.

The Flash Savings and Credit Cooperative promotes the economic welfare of its members, in particular by encouraging savings. The Cooperative issues shares to its members and accepts deposits from its members, with a reasonable dividend or rate of interest. It also makes loans to members for

productive and provident purposes and educates them on money management and control and fosters an understanding of the economic framework within which the cooperative operates. All of these activities develop self-reliance, responsibility and honesty among members and promote interest in community development.

The Zoe Academy and Flash Coop prove that SSEOs are particularly well suited to creating jobs in very poor communities. Moreover, they are useful examples of the capacity of SSEOs to create jobs. The involvement of the Western Cape provincial government at the implementation level by providing an old building and renovating it through community involvement is an excellent illustration of policy enablers.

The Flash Savings and Credit Primary Coop Ltd (Flash Coop) was formed and loans were made available for businesses to upscale - in the process taking care of the economic welfare of its members by creating more jobs. Flash Coop was indeed responsible for policy change, too. Flash Coop vendors sold electricity vouchers at a higher price after hours and were disconnected. Then Pastor George met with the premier of the province and because this was deemed a market-related issue, the policy changed and the vendors were connected again.

The challenge that Flash Coop faces is that procurement criteria sometimes favour international businesses. The sales of electricity vouchers was given to an international company. The feeling is that procurement should stimulate the local economy.

(Steinman, 2011)

3.2.4 Leveraging policy and creating jobs in the SSE

The case studies show that while government has the initiatives, and the leveraging of policies is important, consultation skills are still lacking.

One important development is the Next Economy Policy Platforms National Dialogue, which was inspired by a series of policy platforms hosted by

South Africa's Ministry of Economic Development in association with the *Cape Times* and the South African New Economics Network.

The New Growth Path policy framework referred to in the first section of this document has the potential to generate jobs. It operates as a catalyst for innovation and investment in activities which directly contribute to long-term employment creation by co-financing public and private sector projects that will significantly contribute to job creation through the Presidential Jobs Fund.

The Minister of Economic Development, Ebrahim Patel, also announced in April 2013 that his Department would be looking into "social procurement" for goods and services that will favour SSEOs. This is already happening on the ground, with organizations purchasing from cooperatives, social enterprises and other enterprising non-profit entities to support the sector (Steinman, 2011).

3.2.5 New legislation for cooperatives

The Minister of Trade and Industry, Dr Rob Davies, tabled new legislation for cooperatives in 2014, paving the way for

- a cooperative development agency;
- a cooperative council;
- a cooperative advisory council;
- a cooperative academy.

Because of the establishment of the Department of Small Business Development (SBD), the cluster for cooperatives moved over from the DTI to the SBD resulted in a period of uncertainty. Nevertheless, the establishment of the agency, the cooperative council and the advisory council is well underway, while the cooperative academy is still being negotiated with Department of Higher Education and Training.

There has been a marked improvement in the survival rate of cooperatives and the government is quickly learning from its past mistakes to turn the situation around. The increase is reported to be between 37 per cent and 60 per cent, compared to 12 per cent a few years ago (Ndumo, 2013 and Interviewee 4).

3.2.6 HIV/Aids and job creation

Approximately 1,000 NPOs belong to the HIV/Aids Consortium dealing with HIV/Aids. These SSEOs are indeed the force behind the activism for anti-discriminatory legislation to ensure that people who are HIV positive are included in the workplace. Medical aid schemes are taking care of the clinical aspects of HIV/Aids while the SSEOs focus on all other aspects, specializing in certain areas, for instance prevention, HIV/Aids orphans, workplace policies and so on.

SSEOs play an enormous role in influencing HIV/Aids policy. There are many examples of the role of these organizations and the impact they have on policy development and the roll-out of Anti-Retroviral drugs.

(Steinman, 2011)

3.2.7 Youth employment: Policy options

The Treasury of the Republic of South Africa aims at addressing the unemployment issues faced by young people.

The salient facts are:

- About 42 per cent of young people under the age of 30 are unemployed compared with less than 17 per cent of adults over 30.
- Only one in eight working-age adults under 25 have a job, compared with 40 per cent in most emerging economies.
- Employment of 18 to 24 year olds has fallen by more than 20 per cent (320,000) since December 2008.
- Unemployed young people tend to be less skilled and experienced: almost 86 per cent do not have formal further or tertiary education, while two-thirds have never worked.

(National Treasury, 2011)

The multi-pronged strategy would include, inter alia, reviewing current legislation and conducting a trail of youth employment subsidies. The situation is a ticking time bomb and the notion is that the social economy is a viable option to tackle this problem.

3.2.8 Broad-based Black Economic Empowerment (BBBEE)

BBBEE is defined by the South African government as “an integrated and coherent socio-economic [certification] process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country’s economy, as well as significant decreases in income inequalities”. (Entrepreneurs’ Toolkit, n.d.)

Elements of human resource development, employment equity, enterprise development, preferential procurement, as well as investment, ownership and control of enterprises, form part of the BBBEE certification process as a whole. In total, there are seven different elements and over 40 indicators that are used to rate a business’s BEE compliance. Each element is given a value in points, and enterprises need to achieve as many points as possible. There is a total of 100 points available, which represents the target to be achieved over the next ten years.

The BBBEE Codes of Good Practice favour social enterprises and are among the most enabling factors for SSEOs in South Africa because these codes encourage enterprise development, the employment of PWDs, black persons and women to ensure a more inclusive economy.

In addition to ownership, SSEOs are also particularly relevant to the BBBEE scorecard under the residual element known as socio-economic development (SED), which is worth five points and is usually reserved for corporate social responsibility initiatives. Moreover, an organization or enterprise will receive further tax rebates if the donation or grant is given to an entity registered with SARS as a public benefit organization (PBO).

As in so many cases, while the policies are empowering, the interpretation by accreditation agencies of the BBBEE codes remains a problem since the interpretation of the codes excludes NPOs. This has been brought to the attention of the relevant government departments for investigation.

(Steinman, 2011)

3.2.9 Women and job opportunities

South Africa has a population of about 46 million people. Some 76.7 per cent of the population are African while 11.3 per cent are white; 8.3 per cent are coloured and 2.4 per cent are Indian/Asian. Women comprise 52 per cent of the total population, but despite being the majority they only account for 38 per cent of total employment, meaning that a serious disparity still exists.

While it is commendable that SSEOs employ women and PWDs in large numbers, there is also a danger in the perception that SSEOs such as cooperatives are dominated by “old women”. Therefore, diversity within this sector is of utmost importance unless the employment is targeted at designated communities such as the blind, people with epilepsy, persons with autism, youth and so on.

Part 4: Key challenges facing the SSE

4.1 State capacity

Although years of neoliberal reforms widened the gap between the rich and poor and although South Africa is faced with the serious issue of increasing levels of poverty and joblessness, the reforms in themselves did not affect the government's capacity to design and implement policies for South Africa.

Steinman (2011) deals extensively with the problem that the South African government is excellent at developing policies, but does not have the ability to implement them.

It has also been said that the government lacks political will and that it is not the design of the policies which is the problem; rather, the problem lies in the implementation of – and ability to implement – the programmes on the ground.

Interviewee 1

Interviewee 1 states that the government needs more reserves for infrastructure and are more worried about macro issues, such as the ageing infrastructure of the country. Micro issues do not have resources. Local economic development policy discussions do not interest the government. What hits people on the ground is not seen as a potential.

It may well be that the South African government is missing an important point by ignoring what they think are the "micro issues", even though these issues are very often what really matters. The government needs the capacity to be grounded in the community while taking care of the macro issues.

4.2 Participation

The literature – particularly from Canada and Latin America – points to the democratization or "co-construction" of public policy with specific reference to reforms in the SSE. Vaillancourt (2008) refers to the democratization of public policy in Canada and the establishing of "bridges to the theme of democratization of public policy in Latin America" while Tremblay (2010) contends that there is a significant amount of literature highlighting the Solidarity Economy in Latin America and the Caribbean, noting that the SE is being used as a way to address development challenges in the development of policies in that region. In South Africa, there is a good level of participation in policy design through multi-stakeholder dialogue for most policies because extra-parliamentary stakeholders demand to be involved. Civic participation is dynamic, but impetus is not created with the implementation of the policies.

Once again, the feeling is that South Africa is doing well in co-constructing policies with stakeholders:

Interviewee 3

"I think that the process of policy formulation in South Africa is excellent and follows all the expected processes and procedures. Consultation with communities and key stakeholders is done and, as a result, South Africa has some of the best social and economic policies."

The National Economic Development and Labour Council (NEDLAC) is a tripartite body comprising the government, trade unions and businesses. These social partners have key roles to play in developing effective policies to promote urgently needed economic growth, increased participation in economic decision making and social equity in South Africa. The NEDLAC is a fine example of policies being co-constructed. It is an important platform for participation, although the challenge still pending is

that the NEDLAC should have a representative for the SSE and not only for the mainstream economy.

There is also a need for more public participation, for new faces and for new places, as the same group of people seems to be involved every time, according to Interviewee 2.

Perhaps this is the problem, that stakeholders within the SSE need to take responsibility for dialogue and should make sure that their voices are heard and that they speak for themselves.

4.3 Autonomy

Is the autonomy of the SSE at stake and could close ideological and political ties between SSE organizations and the party in power constrain criticism and advocacy?

Furthermore, is the greater danger that funders could interfere with the autonomy of non-profit organizations, as is evident from the Gauteng Department of Social Development's attempt to control non-governmental organizations in the province? The department has indeed published "Guidelines for the selection of board members for NPOs".

These guidelines state that the head of the department will establish a screening committee and that its members will include representatives of the department, municipal officials and representatives of other organizations "as agreed by the department". Members of parliament and/or provincial legislatures and/or ward councillors will furthermore have observer status on the screening committee.

Nominations for board members of NPOs will thus be advertised and the screening committee will then finalize a "list of shortlisted nominees" who are "skilled" and "suitable". This would enable the department to cut out people it does not like and establish "sweetheart" NPOs.

The proposal for these guidelines came at a time when a number of non-governmental organizations were challenging the government on numerous different issues in education, health, labour, security and other fields (Kane-Berman, 2013).

There is an acknowledgement that cooperatives and organizations like the South African National Apex Co-operative (SANACO) are autonomous even though there have been some "cross-breeding". Those who had been the main critics of the previous government were incorporated into the government and into the policy-making process, meaning that the critical voices were lost.

So, the South African government tends to fight back, working to limit the voice of the SSE. However, it has to be careful not to be over-defensive and not to see foreign funding as being against the government. The "guidelines" of the Gauteng Department of Social Development certainly do not bode well for the autonomy of the SSE, which has always taken pride in its self-determination and independence.

4.4 Institutionalization

The question remains whether SSE policies dramatically change when political parties change and whether "party politics" become "state politics". In other words, the question is whether the SSE can survive a change in the government. This is rather easy to answer in the case of South Africa, as the emphasis is likely to shift in the priorities even where there is a change of president within the same party. For example, the certain issues were viewed more prominent in the transition from Former President Thabo Mbeki's leadership to President Jacob Zuma's leadership. Therefore, these changes in government generally lead to a shift in the policy direction, and even new ministers in government departments want to make their own impact and emphasize their own policies to highlight their own role.

4.5 Policy coherence

The broader policy environment associated with macro-economic, fiscal, investment and trade policies does not support the SSE. In terms of imports, cooperatives cannot compete for instance with the import of Chinese goods: macro-economic policies therefore have repercussions (e.g. trade deals favouring China or even the import of chickens from the USA) and in particular the manufacturing sector was heavily impacted in South Africa as is clearly evident from data elsewhere in this report.

The Industrial Policy Action Plan (IPAP) sets out in detail key actions and time frames for the implementation of industrial policy and it has an impact on the SSE.

The broader policy environment thus constrains the SSE. It boils down to the winner takes all, and infrastructure is the winner. Earlier in this paper, the author alluded to the fact that the National Growth Plan was placed on the backburner. However, the Presidential Infrastructure Coordinating Committee (PICC) contends that infrastructure investment is a key priority of both the National Development Plan and the New Growth Path. However, the resources of the Economic Development Department had to be focused on the PICC. For example, Medupi was a ZAR3 trillion energy project and this was so-called low-hanging fruit in terms of service delivery and media-exposure. The SSE was thus relegated to Local Economic Development (LED) status and not seen as an issue that needed to be addressed at the national level as it was not taken seriously. In fact, the macro policies favouring industrialisation lead to less capacity for the SSE. There is no coherence between the macro-economic environment and the needs of the SSE which is unfortunate and leads to unbalanced development.

It is clear from the above that there is no policy coherence and that the development of the SSE is therefore not taking place in a planned and orderly fashion.

4.6 Inclusivity, equity and the labour environment

- Inclusivity is demonstrated by the predominance of women in SSEOs and NPOs.
- SSEOs are dominated by black employees, in accordance with the Equity Act.
- Access to finance is a burning issue for SSEOs that need to upscale or who may be in need of money due to fiscal problems. Access to finance may also interfere with SSEOs' ability to have a more inclusive and equitable workforce.
- The labour laws and the environment – especially for those SSEOs working with PWDs – makes it difficult to compete in the open market because

there are a lot of expenses attached to preparing the workplace for PWDs. This is a barrier to the concept of inclusiveness.

- The New Growth Path (NGP) document also refers to the aforementioned dilemma: "A critical challenge lies in maintaining union commitment to policies that support employment creation and equity even when it requires some sacrifice from union members..." (Government S. A., 2010) Bargaining councils and labour laws in general will require careful consideration in view of the critical need to create jobs.

4.7 Other crucial issues related to policy development

The following other key challenges were identified:

- the lack of a legal form for social enterprises;
- the need for the government to commit resources for further research on the social economy;
- the need for the government to convene national, provincial and regional summits on the social economy;
- the need for a presentation of the SSE at the NEDLAC level;
- the need for a coherent social enterprise funding policy from the government's side so that there are not only pockets of funding here and there;
- the need for legislation and tax issues to be addressed for social enterprises;
- the Social Economy Declaration (Attached as Annex A):

The evolution of the Social Economy Conference Declaration stretches over a two-year period, namely 2013-2015. The original working group was mandated to finalise the document at the 2013 social economy conference after receiving inputs from the delegates representing social enterprise leaders, impact investors, academics, policy-makers, the private and non-profit sectors.

The Declaration has been handed over to the EDD Working Group to use in their deliberations in developing policy for South Africa. Some of the recommendations will be incorporated in this paper.

Part 5: Main findings and recommendations

It is perhaps the quoted Social Economy Declaration in Part 4 that best encapsulates all the challenges and gets to the heart of the issues relating to the SSE in South Africa, and this Declaration could indeed be a starting point for even better dialogue in South Africa towards a more enabling environment for the SSE.

5.1 The South African Government

To this end, the South African Government needs to understand and realize the value of the SSE and its ability to make a contribution to the GDP, to create jobs and to address inequality in society.

However, the government will also need to decide to give the SSE the status it deserves. In the UK, the SSE is referred to as the third sector and has a separate ministry. Yet, in South Africa, the SSE is moved around and has no permanency. Thus, there is an urgent need for the government to group the SSE – and, in particular, social enterprises – together and provide it with the funding and status it requires. Furthermore, the realization that even non-profits need to be enterprising is necessary as grant-dependent organizations are becoming an outdated concept.

Moreover, the SSE should receive the necessary status and have representation at the NEDLAC level.

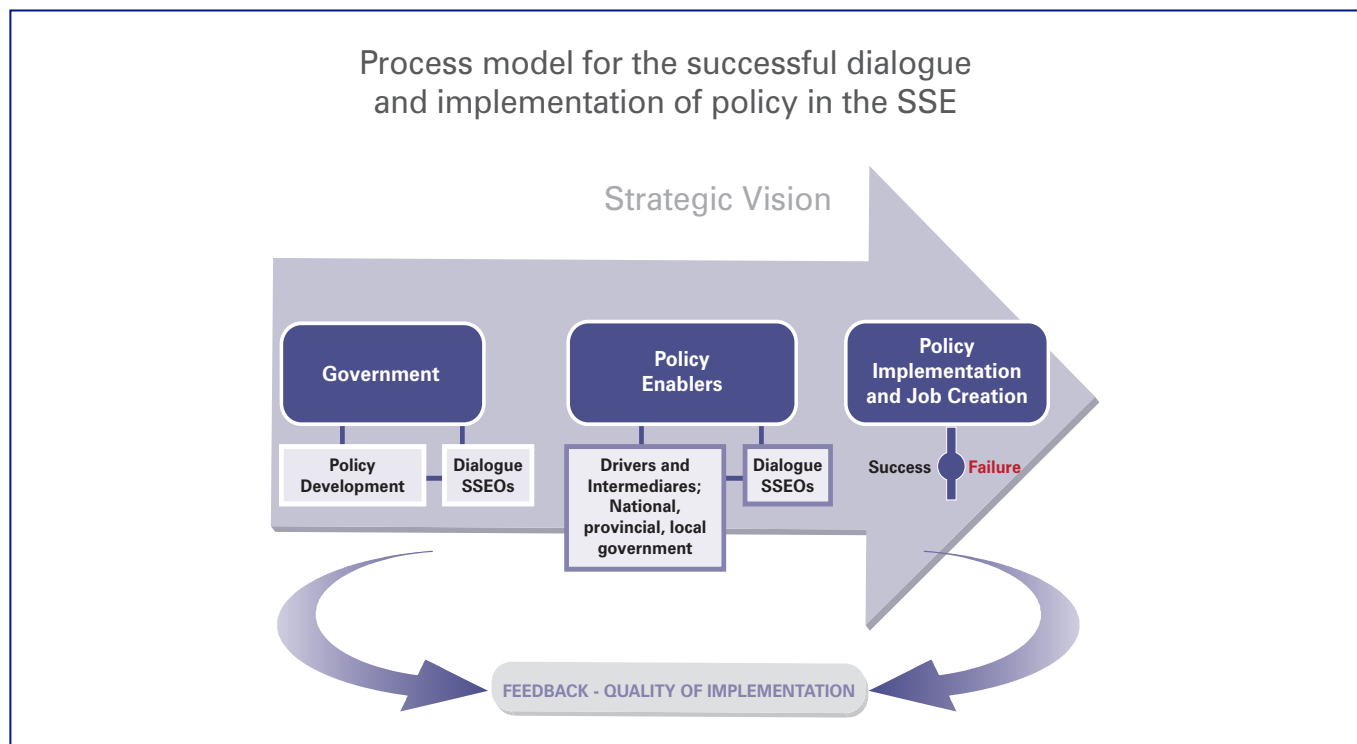
The autonomy of non-profits and, indeed, SSEs must be respected by the government on a national, provincial and local level and protected through legislation.

The government should convene national, provincial and regional summits on the social economy and enter into dialogue on issues pertaining to the SSE on all levels. The recommendations of the Social Economy Declaration as set out in this report and which pertain to policy, education and finance should be discussed at these summits.

There is furthermore a need for a coherent social enterprise funding policy from the government's side as is the case with cooperatives. Indeed, social enterprises should receive the same incentives, financial and non-financial support as cooperatives do. However, access to capital remains a burning issue. In addition, there is a need for legislation and tax issues to be addressed for social enterprises.

Nevertheless, the process model previously recommended (Steinman, 2011) is still applicable today and is repeated in this report together with some of the key recommendations:

The following process model illustrates that the process of implementing policy must go step-by-step instructions. Policy enablers with drivers and intermediaries at all levels of government as well as social dialogue are the most important determinants of successful implementation and successful job creation in the SSE.

Figure 3: Process model for the successful dialogue and implementation of policy in the SSE

- Policy and institutional support mechanisms are divided in South Africa or – as it has been emphasized throughout this report – the problem is at the implementation level. This means that the dialogue should not stop with the constructing of the policies, but should be carried through up to the implementation level with appropriate “checks and balances” to ensure proper implementation of policies.
- In planning policy, the policy enablers leading to successful implementation should form part of the strategic vision of government and dialogue with the relevant levels of government, drivers, intermediaries; the SSEOs should be part of such an ongoing process. A process of feedback about the quality of implementation should be established so that government could intervene to ensure successful implementation of policies. A lack of “policy enablers” as well as continuous monitoring and evaluation is often at the heart of failures
- There is an urgent need for dialogue to discuss the decent work agenda, the creation of jobs and policies. A Social and Solidarity Economy “Indaba¹¹” should take place in this country where a range of policies could be discussed which would assist politicians in determining the road ahead. Accountability for the implementation of policies is essential to drive change and job creation.
- Whilst legal form may not always be an indicator of social purpose, it is essential that SSEOs be guided correctly as to what legal form the organization may want to take as incentives may lead to the wrong organizational form and may not fulfil the expectation to create jobs.
- There is an urgent need to address the high failure rate of cooperatives in this country and in particular special attention should be paid to making material available in the vernacular, to providing mentorship on-site on an on-going basis as well as training and skills development of the members and those who work for the cooperatives.
- More human resources should be allocated towards mentoring and coaching cooperatives because the small number of officials working on cooperatives indicates a lack of “enablers”. In particular, greater care should be taken of rural areas. Universities should also train community developers who could assist cooperatives and other struggling SSEOs.

¹¹ African word for a meeting, discussion, gathering.

- Legislation is necessary to create a dedicated legal form for social enterprises similar to that of the CICs in the UK. This could largely help to scale up social enterprises and, in the process, create more jobs.

There is the need to reconsider financial policy in respect of social enterprises, specifically to facilitate scaling and allow for angel investors or impact investors. In particular, South Africa is in dire need of legal reform to accommodate the growing number of social enterprises and in particular to facilitate:

- The need for a corporate structure and/or regulated certification of existing corporate structures that distinctly recognize social enterprises (or social businesses) and provide the means for them to accept equity investment; be protected in terms of their specifically defined social/environmental shareholder (75 per cent) agreement; and be required to report on their achieved social/environmental impact on an annual basis.
- A tax code that enhances the likelihood of success of an early and growing social enterprise through maximizing their working capital and minimizing their taxation payments given the “risk-return-impact” offsets.
- Investor incentives that take account of the additional risks associated with, and likelihood of, lower returns from social enterprises and so consider incentives.

(See Annex A – Social Economy Declaration)

5.2 Social and solidarity economy organizations

- The SSEOs need to organize themselves and establish one voice to communicate with government. There is a need for one coherent body representing all the SSE stakeholders to deal with government. The current situation that mainly academics and “intermediaries” such as funders or grant-makers or a few large non-profits are dealing with government and

government agencies such as the National Development Agency on behalf of the movement is not a healthy situation. It is time for the SSE to become organized and to show its influence in the economy.

- The SSE should also take responsibility for building a national database for the sector and the “dashboard” system of voluntary information of the Economic Development department (EDD) should be used and extended to build a national database for the social economy. Every SSE should be encouraged to register online.
- All policies relating to the social economy should be published in a user-friendly format and all the official languages so that all stakeholders can have access to information that is clear and concise and in their own language.
- There should be a general Code of Good Conduct for all SSEOs as a whole as opposed to a separate one for all the different enterprise forms within the social economy and this could form part of the self-regulation of the SSE.
- SSEs should arrange forums and newsgroups where best practices could be shared to enable higher efficiency in the sector as a whole.
- To map all offerings in the social economy in terms of teaching and learning that would enable SSEOs to function better and share these within communities.
- Influence the upliftment of SSEOs by informing universities and other training entities of the needs of the SSE in terms of teaching and learning. This will enable SSEOs to benefit from hands-on and relevant education from tertiary institutions who are often the beneficiaries of government grants for the purpose.

5.3 Grant-makers and funders

There is no doubt that grant-makers and funders can make an enormous contribution through the various forums and platforms where they have access to government to positively influence policy for the SSE.

There is a need for a national database to reflect the social impact of the SSE. In this instance, grant-makers and funders are at the forefront of shaping the SSE to be more accountable: they can insist on measuring impact of the projects they fund, and assist in creating a national database on the social impact of the SSE.

Funders or grantmakers can also use their resources to assist the SSE to build capacity for a movement that can be representative of the SSE as a whole. This possibility should be explored further.

Conclusion

It is clear from the above that Government, the SSEOs and the grant-makers/funders are the main role-players that can influence the public policy for the SSE in South Africa and that dialogue, in particular the co-constructing of policies and their implementation remains crucial to a thriving and vibrant social and solidarity economy.

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Annex: Social Economy Declaration 2015

PREAMBLE

The evolution of the Social Economy Conference Declaration stretches over a two-year period, namely 2013-2015. The original working group was mandated to finalise the document at the 2013 social economy conference after receiving inputs from the delegates representing social enterprise leaders, impact investors, academics, policy-makers, the private and non-profit sectors.

Therefore, we would like to confirm that we, the delegates gathered at the third annual conference on the social economy of South Africa, reiterate the basic principles reflected in the 2013 declaration by making it known that we

CONFIRM that the aim of the 2013 declaration, ratified and reaffirmed in 2015 was to bring together actors within the broad social economy landscape in South Africa representing constituents and individuals to discuss issues relating to the state of the social economy and in particular policy and policy implementation, education, job creation and financing with the purpose of formulating a social economy declaration to be taken forward to government.

HAVE A VISION for a social economy that, through its extra-ordinary diversity, provides for complementary paths to development that coherently brings together the concerns of economic sustainability, social inclusion, ecological balance, political stability, conflict resolution, decent work and gender equality.

COMMIT to the following core values:

- **SUSTAINABILITY.** To be environmentally friendly, socially responsible and put people before profit in our operations.
- **INNOVATION.** To be innovative and creative in finding solutions to social and economic challenges.
- **TRANSPARENCY.** To be open in terms of our intentions and our actions.
- **INCLUSIVENESS.** To be fair and inclusive of all people of South Africa and follow non-discriminatory practices in our employment and in dealing with beneficiaries or clients.
- **INTEGRITY.** Acting consistently from an acceptable moral or ethical base.

ADOPT as a working definition that *“the social economy is a concept designating enterprises and organizations, in particular co-operatives, mutual benefit societies, associations, foundations and social enterprises, which have the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity”* (ILO, 2009).

STRIVE as representatives of networks signifying social economy organisations (SEOs), individual SEOs and other stakeholders such as universities, government departments and agencies, CSI, intermediaries and individuals, to serve the interest of the social economy through this declaration.

INSPIRED by the daily lived experiences and exemplary leadership of social economy organisations and individuals in contributing to our democracy, the social economy stakeholders acknowledge the challenge to deepen and advance the impact of the best practices within the social economy.

ACKNOWLEDGE the role of institutions as well as stakeholders within the social economy that contributed to the realisation of the social economy conference and the Konrad Adenauer Stiftung in particular for their consistent support towards the social economy.

RECOGNISE the need for dialogue with all stakeholder groups to engage and share learnings.

IDENTIFY the need to build linkages between social economy actors and other private and public sectors, as well as with employers and worker organizations.

ARE CONCERNED

1. About the official status and recognition of social economy in South Africa.
2. About the high unemployment rate and low standard of living of a large number of South Africans that could be served by the social economy.
3. About the National Development Plan not adequately addressing social economy and that the social economy organisations themselves need to contribute more pro-actively to the framework and effective implementation of the National Development Plan vision towards 2030 and beyond.
4. That there exists no publicly accessible national database of the social economy actors and organisations that reflects the dynamism and contribution to the transformation and growth of South Africa.

HEREBY DECLARE OUR COMMITMENT TO SEE THE FOLLOWING IMPROVEMENTS AND CHANGES WITHIN THE SOCIAL ECONOMY RELATING TO:

Policy and implementation thereof:

1. An official acknowledgement of the impact of the social economy as a driver of social change, job creation and economic activity.
2. In unison with (1) above the creation of an office within the Presidency representing the social economy to guarantee that issues relating to the social economy forms part of the national priorities; to ensure continuity and coordination of social economy matters for policy and planning purposes.
3. To enter into dialogue with government through the social economy working group to look at the development and implementation of policies that would remove barriers to the growth of the social economy, such as developing an legal entity to accommodate social enterprises in the same way as the community interest companies in the United Kingdom.
4. Request that inter-departmental co-operation relating to policies be improved as a desired process.
5. Government co-create policies with the social economy stakeholders about matters relating to this sector.
6. That policies relating to the social economy be reviewed as and when required.
7. The working group act as the focal point entering into dialogue with the government.

8. That the “dashboard” system of voluntary information of the Economic Development Department (EDD) be used or extended to build a national database for the social economy.
9. Integration of all policies influencing the social economy sector.
10. All policies relating to the social economy be published in a format and language that can easily be communicated to different sectors.
11. That the social economy commit to engaging with government on all levels with one voice.
12. To make the public more aware and knowledgeable about the social economy sector.
13. Policy should establish an enabling environment for the social economy to flourish
14. There should be a general Code of Good Conduct for all social economy organisations as a whole as opposed to a separate one for the different business forms within the social economy.
15. That a bargaining council for the social economy be considered

Education with the emphasis on educating the youth:

1. Education for the social economy should be prioritised and sponsored by the Department of Basic and Higher Education.
2. Social economy education curriculum to include three components:
 - a. The “heart-set”: comprising efforts/interventions at promoting compassion, integrity, respect, honesty and volunteerism.
 - b. The “mind-set”: comprising efforts/interventions at promoting creativity and innovation, an entrepreneurial orientation, systems theory, complexity theory, etc.
 - c. The “skills-set”: comprising the delivery of principles of management. This set covers the functional areas of operations, marketing, human resources, technology, finance, etc.
3. These skills may be offered through a bouquet of programmes on all levels including: short courses, formal programmes, modules in programmes, community training and development, apprenticeships, coaching and mentoring.
4. Education for the social economy should operate as on-going and flexible learning, but should be developed as sector-focused as and where appropriate.
5. Innovative and creative teaching pedagogies for the delivery of the courses.
6. Acknowledge and access Indigenous Knowledge Systems and the need to create local solutions for local problems taking cognisance of global best practice.
7. To map all offerings in the social economy offered at all levels (primary school, secondary and tertiary levels). Community interventions are also important.

8. To develop impact assessment measurement systems (that will enable the measurement of the impact of the educational intervention).
9. To create opportunities for sharing of best practice in social economy education.

Finance and financial support:

1. A corporate structure and/or regulated certification of existing corporate structures that distinctly recognise social businesses and provide the means for them to:
 - a. Accept equity investment;
 - b. Be protected in terms of their specifically defined social/environmental purpose;
 - c. Be unable to change their mission/purpose without majority shareholder (75%) agreement; and
 - d. Be required to report on their achieved social/environmental impact on an annual basis.
2. A tax code that enhances the likelihood of success of an early and growing social business through maximising their working capital and minimising their taxation payments given the “risk-return-impact” offsets. Specifically the tax code must
 - a. distinctly recognise the social value contributed by a social business and therefore provide for a reduced level of taxation over “traditional” corporations or small businesses; and
 - b. recognise the stage differences of social businesses and provide for a meaningful sliding scale that takes account of the stage and size of the social business with marginal levels of taxation applying to those in the pre-establishment and early growth phase and higher levels applying at the “large” business level.
3. Investor incentives that take account of the additional risks associated with, and likelihood of, lower returns from social businesses and so consider incentives such as:
 - a. The lack of capital gains tax applying to gains made by entrepreneurs and social venture capital investors who have held their investment for at least three years;
 - b. Individual investor incentives through the earning of tax credits, similar to retirement annuity product benefits, which will encourage savings and build the social economy.
4. Business Development Service Providers should be accredited and rated for specific skills and be able to receive government support (subsidies/tax credits, etc.) as part contributions for effective technical skills/investment readiness provision – potentially based on the level of their success in supporting and establishing social businesses and/or assisting in their access to finance, etc.
5. Social Impact Investors should be governed and be subject to a Code of Good Conduct in the best interest of social business.

That a concerted effort be made by government to educate the social economy in ways and means of becoming financially sustainable.

That the working group be mandated to finalise the following:

- a. This draft of the declaration be finalised by the Working Group considering final written submissions from all stakeholders before or on 25 September 2015
- b. To develop an action plan and protocol for the work going forward.
- c. To start with the process of establishing an employers' association and ultimately a separate Bargaining Council for the Social Economy

WORKING GROUP FINALIZING DECLARATION:

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VOLUNTARY MEMBERS: Mr Pat Pillai (Life College – Ashoka Fellow), Prof Shahida Cassim (UKZN), Dr Eliada Griffen-EI (UCT), Ms Lesley Williams (The Hub), Ms Shona McDonald (Shonaquip), Mr Neil Campher, Mr Lawrence Bale (SANACO), Mr Flavio Bassi (ASHOKA), Mr Ismail Davids (DPSA), Ms Sharmiela Garnie (The Jobs Trust – Cosatu/Fedusa/Nactu), Mr Hovey Sebata, Mr Lucas Mogwerame, Ms Vivian Atud; Mr Andrew Lukhele (SANAS), Ms Tamzin Ratcliffe (Impact Trust), **Additional members 2015:** Ms Chimene Chetty, (CfE, WBS) Mr Plaatjie Mashego (Unemployment Secretariat); Rufaro Mudimo (Enke)

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