

PRIVATE AND PUBLIC PROCUREMENT AND THE SOCIAL ECONOMY PROJECT

# BEST PRACTICE CASE STUDIES



International  
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ILO

Best Practice Case Studies

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## FOREWORD

The social economy has gained visibility at international, national and local levels. In South Africa, social economy enterprises have grown in number, with increased interest in the sector as a way to provide decent employment and social protection. Both the government's New Growth Path and the South African Decent Work Country Programme identify the development of this economy as having the potential to create jobs.

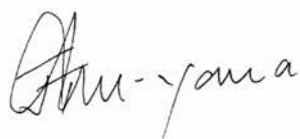
The National Growth Path, adopted in late 2010, specifically refers to the need to “encourage state procurement from, and service delivery through, organisations in the social economy”. The South African Decent Work Country Programme was drawn up by organised business and labour, community and government, in consultation with the ILO and is governed by the National Economic Development and Labour Administration Council (Nedlac). It also identifies developing the social economy as a strategic way to create decent jobs in sustainable enterprises.

Social enterprises can be defined as enterprises that have a social purpose, but are run on business principles, and reinvest any profit or surplus into the social purpose of the entity. In response to promoting the sustainability of this sector, the Government of Flanders funded the Public, Procurement and the Social Economy project in South Africa. This focused on both the demand side (clarifying and influencing the interpretation of procurement regulations, and creating greater procurement opportunities) and the supply side (building the capacity of social economy enterprises to respond to these opportunities) of public procurement from the social economy.

This is being followed by a second phase, the Private and Public Procurement and the Social Economy (PPPSE) Project. The PPPSE Project supports social economy businesses to take advantage of the regulatory space for procurement of their goods and services through both government and private sector businesses. It does this with a mix of advocacy, advisory and training services targeted at procurement officials in government and public and private sector business, and through capacity building support for owner-managers of social enterprises. The project works closely with provincial departments of economic development and a range of local partners to achieve its objectives. The main geographic focus is on social enterprises in the KwaZulu-Natal and Free State Provinces.

To inform its work in the sector, the ILO has undertaken research on a number of aspects during both phases, including a review of the legal and policy framework, and a scoping study on the access to finance for social entrepreneurs.

This report showcases case studies of private and public procurement and the social economy, including two international ones and six in South Africa. The case studies also look at the impact of procurement strategies on enterprises and their communities. The main objective is to develop knowledge and guidance on best practices of public and private procurement from the social economy.



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## ABBREVIATIONS

|           |                                                                 |
|-----------|-----------------------------------------------------------------|
| BBE       | Black Economic Empowerment                                      |
| BBBEE     | Broad-Based Black Economic Empowerment                          |
| CBO       | Community Based Organisation                                    |
| CRE       | Community Recycling Enterprise                                  |
| CIS       | Co-operative Incentive Scheme                                   |
| CSR       | Corporate Social Responsibility                                 |
| DPW       | Department of Public Works                                      |
| DSD       | Department of Social Development                                |
| dti (the) | Department of Trade and Industry                                |
| EPWP      | Expanded Public Works Programme                                 |
| GUSCO     | Greater Uitenhage Sewing Co-operative                           |
| HBRC      | Hout Bay Recycling Cooperative                                  |
| HDI       | Historically Disadvantaged Individual                           |
| IDT       | Independent Development Trust                                   |
| ILO       | International Labour Organization                               |
| LED       | Local Economic Development                                      |
| MOU       | Memorandum of Understanding                                     |
| NEDLAC    | National Economic Development and Labour Administration Council |
| NGO       | Non-Governmental Organisation                                   |
| NGP       | New Growth Path                                                 |
| NPC       | Non-Profit Company                                              |
| NPO       | Non-Profit Organisation                                         |
| NYDA      | National Youth Development Agency                               |
| OVC       | Orphans and Vulnerable Children                                 |
| PBO       | Public Benefit Organisation                                     |
| PO        | Procurement Officer                                             |
| PPA       | Preferential Procurement Act                                    |
| PPPFA     | Preferential Procurement Policy Framework Act                   |
| PPPSE     | Private and Public Procurement and the Social Economy           |
| RDP       | Reconciliation and Development Programme                        |
| RFP       | Request for Proposal                                            |
| RFQ       | Request for Quotation                                           |
| SARS      | South African Revenue Service                                   |
| SASSA     | South African Social Security Agency                            |
| Seda      | Small Enterprise Development Agency                             |
| SCM       | Supply Chain Manager                                            |
| SMEs      | Small and Medium Enterprises                                    |
| SMMEs     | Small, Medium and Micro Enterprises                             |
| SSE       | Social and Solidarity Economy                                   |
| TOR       | Terms of Reference                                              |
| UDDI      | Uitenhage Despatch Development Initiative                       |

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## EXECUTIVE SUMMARY

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The case studies undertaken for this research detail public and private procurement from the social economy in South Africa. Case studies were selected using criteria of success identified via desktop review.

The five thematic areas in the selection framework included:

- Fits within the ILO definition of a social enterprise
- Location of the enterprise within the market
- Sustainability of the enterprise
- Contribution to extended value chains
- Provision of decent work

It should be noted, however, that although the enterprises selected were eager to participate in this study, and on paper matched the criteria, it became evident during the fieldwork that not all case study participants could provide the technical information required. However, rather than choosing to leave out these case studies a decision was made to continue, especially if the case study could provide key lessons, and highlight the gaps where they exist.

## OPPORTUNITIES FOR DECENT WORK THROUGH PPPSE

The case studies highlight the important role of the private and public sectors in supporting the growth and sustainability of social economy enterprises, through contractual agreements for goods or services as well as through mentoring and enterprise development initiatives. By procuring goods or services from these social economy enterprises, the private and public sectors have enabled them to create jobs and opportunities for income generation within their local communities, thereby increasing the involvement of beneficiaries in the local economy. Furthermore, through the work conducted by these enterprises, beneficiaries become more actively involved in developing their communities, and promoting greater social cohesion and social inclusion.

Decent work is about both social and economic advancement, and therefore involves the promotion of social inclusion and the creation of sustainable livelihoods. With this in mind, and taking into consideration the findings which emerged from the case studies, the social economy has significant potential to provide opportunities for decent work. However, to achieve this requires active participation from both the private and public sectors in involving social enterprises in procurement and assisting them throughout the process with support services.



## PROCUREMENT CHALLENGES

The most common challenges cited related to compliance and registration issues (registering as a legal entity; obtaining a South African Revenue Service (SARS) Tax Clearance certificate; registering on supplier databases) as well as issues related to business administration and financial management (writing proposals; filling in tender paperwork; managing organisational finances).

The initial problem for many social enterprises is deciding on which legal form to take. As there is no legal structure for social enterprises, enterprises have to decide which form is best suited to their objectives. Enterprises may not always be knowledgeable about the different legal structures available, and therefore may not always select the form most advantageous to their objectives/needs. Registration on supplier databases was also cited as a complicated and time-consuming process. As there is no central database on which to register, enterprises are required to register multiple times. Obtaining Broad-Based Black Economic Empowerment (BBBEE) certification was also highlighted as a difficult process. Furthermore, the lack of sufficient administration skills makes the procurement process difficult for many enterprises.

Procurers also face challenges. The ability of social economy enterprises to efficiently and effectively manage themselves and their subsequent capacity to deliver on time was raised as a concern. Furthermore, their management structures and processes may not be adequate to ensure the enterprise remains operational. Procurement Officers (POs) and Supply Chain Managers (SCMs) have to ensure that value for money is achieved and that the goods or services paid for are satisfactorily delivered. Accountability is a major consideration, as are issues of legality.

## CONCLUSIONS

- The social economy has the potential to create jobs, improve service delivery and foster greater social cohesion and social inclusion.
- Procurement policies and legislation are alienating and difficult to work with.
- There is not enough conversation encouraging engagement with, and development of, the social economy.
- Support services, both financial and non-financial, are essential for the establishment and sustainability of social economy enterprises.

## CHAPTER ONE

### INTRODUCTION

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The social economy has gained visibility at the international, national and local levels. Social economy enterprises have grown in number and relevance. Both the New Growth Path (EDD, 2011) and the South African Decent Work Country Programme identify developing this economy as strategic for creating jobs in sustainable enterprises. The NGP sets the potential employment target of the sector at 260 000 new jobs by 2020, with comprehensive government support for social economy initiatives<sup>1</sup>. To this end, the social economy plays a distinct and valuable role in helping create a strong, sustainable and inclusive society.

In response the ILO commissioned research on case studies of good practice in private and public procurement and the social economy in South Africa. The research aims to highlight good practices where the government and private sector are procuring from social enterprises in a sustainable way and the impact of procurement strategies on enterprises and their communities

Chapter Two of this report looks at the definition of the social economy in South Africa, as well as assessing the regulatory environment of procurement in South Africa. Chapter Three provides examples of good practice and highlights lessons learned, with two international case studies and six local case studies of good practice in private and public procurement from social enterprises. Chapter Four is an analysis of the research findings, and specifically highlights opportunities for creating decent work and challenges related to procurement from social enterprises. Chapter Five concludes with a summary of the research findings.

**The New Growth Path sets the potential employment target of the sector at 260 000 new jobs by 2020**



## METHODOLOGY

A multi-pronged research methodology was used.

This included:

- Background data collection, including a desktop review, regulatory analysis and stakeholder interviews.
- The selection of nine potential case study candidates, based on criteria of success outlined in the selection framework.
- Primary data collection, including interviews and site visits with for seven of the case studies.
- Writing up the case studies, highlighting challenges and opportunities.
- Validation workshops, to present and discuss case study findings.
- Developing of the final consolidated case study report.

## BACKGROUND DATA COLLECTION

A desktop review included a review of PPPSE case studies developed by the ILO Social entrepreneurship targeting youth in South Africa (SETYSA) project and a review of international best practice in PPPSE. The aim of the review was to highlight opportunities for creating decent work and the challenges around procuring from social enterprises; analyse the regulatory environment of procurement in South Africa; and identify international good practices in procurement from the social economy in both the North and South. Furthermore, this phase consisted of key stakeholder interviews. The purpose of the interviews was to provide insight and expert knowledge and connections to potential case study candidates.

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<sup>1</sup> The South African LED Network online, available from: [www.led.co.za](http://www.led.co.za)

## SELECTION OF POTENTIAL CASE STUDY CANDIDATES

The criteria for selecting the case study candidates was developed during the inception phase (see Annexure 1: Case Study Selection Framework).

Nine potential case studies were identified and selected using the criteria of success, based on the review of case studies conducted in Phase Two. The case studies are best practice case studies – i.e. analysing the factors likely to contribute to success or failure; the primary aim being to identify techniques that can be replicated elsewhere.

Variants of the best practice approach include (CAPAM, 2012):

- **Implementation case study:** Focuses on the change management aspects of putting a practice into effect. The focus is on each major stage of the process, not necessarily the long-term outcome.
- **Success case study:** Looks at successful practices, in terms of outcomes and isolating success factors, and likely causes of failure.
- **Failure case study:** Looks at unsuccessful practices, with the intention of generating ideas about the practices that could have been implemented to prevent problems from happening or making recommendations for recovery.

## PRIMARY DATA COLLECTION

Six of the nine South African case studies identified were developed in Phase Three. These represented of a national spread of provinces and included the following criteria, as agreed on in Phase One:

- Minimum of one case study from Kwa-Zulu Natal and one from Free State province.
- Inclusive of both public and private sector procurement.
- A focus on women-owned enterprises/inclusive of gender analysis dimension.
- Focus on procurement from black, previously-disadvantaged entrepreneurs.
- Reflecting a range of different economic sectors.
- Including a maximum of four co-operatives.

Both field case study (one-on-one interviews and site visits) and literature case study (review of existing/published materials) methods were used to develop the case studies. The direct observation, interview and background literature of each case study focused on successful demand-side strategies for procurement from social enterprises from different angles; described the impact on both the demand and supply side of the procurement relationship; and highlighted the good practices and lessons learned. Photographs were also taken during site visits.

A limitation worth noting is the inability of some participants to provide sufficient technical information on the procurement process. Regardless, the case studies were developed; lessons identified; and recommendations developed for private and public procurement from social enterprises in South Africa.



| GREATER UITENHAGE SEWING CO-OPERATIVE

## CASE STUDY WRITE-UP

The findings in the case study report included developing recommendations to establish knowledge and guidance on best practices from private and public procurement from the social economy. The aim was to guide other social enterprises, procurement officers, local economic development (LED) practitioners, and policy stakeholders on how to procure from social enterprises, as well as highlight the challenges and how to overcome these to develop good practice.

## VALIDATION WORKSHOPS

Two participatory validation workshops with key stakeholders, including members of National Treasury, were held. Findings from the case studies were discussed, and feedback incorporated into the final case study report.

## CHAPTER TWO

# OVERVIEW OF THE SOCIAL ECONOMY AND REGULATORY ENVIRONMENT OF PROCUREMENT IN SOUTH AFRICA

## DEFINITION AND OVERVIEW OF SOUTH AFRICA'S SOCIAL ECONOMY

The social economy in South Africa has been identified as a sector with the potential to create decent work opportunities (Terms of Reference). According to the ILO, decent work “involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men<sup>2</sup>”.

The New Growth Path identifies social economy development as one pillar of South Africa's development strategy framework, and specifically refers to the need to “encourage state procurement from, and service delivery through, organisations in the social economy” (ILO, 2013a: 6). The social economy is seen as one way to combine both social and economic goals (ILO, 2011: 6), and has the potential to contribute towards finding sustainable solutions to the country's societal problems (ILO, 2011: 31). The ILO defines the social and solidarity economy (SSE) as “a concept that refers to enterprises and organisations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which specifically produce goods, services and knowledge while pursuing economic and social aims and fostering solidarity”.

Social enterprises “have been hailed as an integral solution that allows organisations to meet social needs while generating a profit” (ILO, 2013b: 14). Although there is no universally accepted definition of a social enterprise, it is essentially identified as having four aspects: it addresses a social or environmental need; it produces goods or services for sale to the market; it operates using business principles; and it reinvests at least five percent of the profit back to the social purpose (ILO, 2013b: 14; Validation Workshop 1). According to Thompson and Doherty (2006; in Steinman, 2010), “Social enterprises – defined simply – are organisations seeking business solutions to social problems”.

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<sup>2</sup> [www.ilo.org/global/topics/decent-work](http://www.ilo.org/global/topics/decent-work)



Social enterprises developed during the 1980s and 1990s when the non-profit sector started exploring alternative financial models to become more self-sustainable, rather than simply relying on traditional sources of revenue, such as charitable contributions and government subsidies. Non-Profit Organisations (NPOs) were forced to take a critical look at the traditional NPO model, acknowledging that:

- The lack of sufficient and reliable funding sources threatens the sustainability and capacity of NPOs to deliver services to vulnerable communities.
- NPOs have the potential to adopt a business-like approach to tackling social problems.

There is no legal structure specifically for social enterprises in South Africa. Social enterprises can therefore use one of many legal entities available, as long as the main purpose is social in nature and profit driven. This may take the form of a for-profit company or a not-for-profit company, or even a hybrid model (ILO, 2013b: 1). “This decision is particularly difficult given that social enterprises can choose to adopt any of the existing non-profit or for profit legal forms, or a combination of these in a hybrid model. The decision has significant implications in relation to costs, tax liability, access to finance, management autonomy, reputation and image, market access, reporting requirements, and the distribution and use of profits” (ILO, 2011).

Table 1 highlights the different legal structures available to social enterprises in South Africa.

**TABLE 1 | LEGAL STRUCTURES AVAILABLE TO SOCIAL ENTERPRISES IN SOUTH AFRICA****NOT-FOR-PROFIT ENTITIES:**

- Primary objective: providing public services to communities or society at large.
- Income or profit generated is for the promotion of the objectives of the entity – not for distribution to members or board members in the form of dividends.
- On dissolution, surplus is to be donated to another not-for-profit organisation with similar objectives.

| Legal Form                                                                                                                          | Law                                                    | Description                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Voluntary Associations</b><br>Objective: An agreed on non-profit objective                                                       | Non-profit Organisations Act, No. 71 of 1977 (NPO Act) | Made up of individual members (open membership)<br>Independent legal entity<br>Constitution serves as founding document<br>Governed by a management committee<br>If registered as NPO, subject to governance rules and must reinvest its profits in the social purpose<br>Tax exempt, if registered as a Public Benefit Organisation (PBO). |
| <b>Trusts</b><br>Objective: Owner hands over property or funds to a group that will administer the assets for the benefit of others | Trust Property Control Act, No. 57 of 1988             | Closed membership<br>Not an independent legal entity<br>Trust Deed serves as governing document<br>Governed by a Board of Trustees<br>Assets owned by trustees, but can be “locked in” for community benefit if trust deed specifies<br>Tax exempt, if registered as a PBO                                                                  |
| <b>Non-profit companies</b><br>Objective: For public benefit, community, cultural, communal objectives                              | Companies Act, No. 71 of 2008                          | Independent legal entity<br>Open or closed membership, individual or organisation, voting or non-voting members<br>Memorandum of Incorporation serves as governing document<br>Governed by a Board of Directors<br>Assets reinvested into objectives listed in Memorandum of Incorporation<br>Tax exempt, if registered as a PBO            |

Source: (ILO, 2011)

**FOR-PROFIT ENTITIES:**

- Primary objective: to generate a profit.
- Income or profit is at the disposal of the owners – investors can therefore receive financial return on investment.
- On dissolution, remaining assets are distributed to owners or members.

| Legal Form                                                                    | Law                               | Description                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Co-operatives</b><br>Objective: A common economic, social or cultural need | Co-operatives Act, No. 14 of 2005 | Independent legal entity (if registered)<br>Open or closed, individual or organisational membership<br>Governed by a constitution<br>Managed by a Board of Directors/Committee of Officers<br>Profit distribution among members<br>No tax exemption |
| <b>Private Companies</b><br>Objective: Profit motive                          | Companies Act, No. 71 of 2008     | Independent legal entity<br>Closed membership<br>Memorandum of Incorporation as governing document<br>Managed by a Board of Directors<br>Profit distributed among shareholders<br>No tax exemption                                                  |

As indicated, social enterprises may also opt for a hybrid model, dividing their aims/objectives between two or more legal entities. By combining a not-for-profit entity with a for-profit company, hybrid social enterprises aim to get the benefits of both types of entities as highlighted in Table 2.

**TABLE 2 | TYPICAL BENEFITS OF NOT-FOR-PROFIT AND FOR-PROFIT ENTITIES**

| Not-for-profit                                                            | For-profit                                                                                   |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Access to grants and donations that are only available to not-for-profits | Flexibility with the distribution of profits                                                 |
| Tax exemption for income and donations (if registered as a PBO)           | Improved access to finance, equity, debt that non-profits would have difficulty in accessing |
| Public image as social purpose enterprise, which may attract customers    | Access to enterprise development funding through BBBEE                                       |
|                                                                           | Public image as business-like, which may attract customers                                   |

Source: ILO, 2011: 6

With the hybrid model, the intention is often for the for-profit entity to make the income required by the not-for-profit entity to fulfil its social objective. However, in some cases, the non-profit supplements the income earned by the for-profit (from trading), through other sources such as grants and donations. Although the hybrid model may appear to “give the social enterprise the best of both worlds” (ILO, 2011:27) it is more time-consuming and complex with cost implications of establishing more than one legal entity and different reporting and compliance requirements for each. Bureaucracy and red tape, especially for multiple registration requirements, can frustrate social enterprises, leading them to register as for-profits instead.

## REGULATORY CONTEXT

In South Africa, there are numerous legislative frameworks which guide procurement practices. These include:

- The Constitution of the Republic of South Africa, Act No. 108 of 1996
- Preferential Procurement Policy Framework Act, No. 5 of 2000 (PPPFA)
- Broad Based Black Economic Empowerment Act, No. 53 of 2003 (BBBEEA)
- Public Finance Management Act, No. 1 of 1999
- Municipal Finance Management Act, No. 56 of 2003
- Promotion of Administrative Justice Act, No. 3 of 2000
- Promotion of Equality and the Prevention of Unfair Discrimination Act, No. 4 of 2000
- Construction Industry Development Board Act, No. 38 of 2000
- Prevention and Combating of Corrupt Activities Act, No. 12 of 2004

ORGANS OF STATE SHOULD  
PROCURE GOODS AND  
SERVICES, SPECIFICALLY  
NOTING THAT THEY MUST DO  
SO “IN ACCORDANCE WITH  
A SYSTEM THAT IS FAIR,  
EQUITABLE, TRANSPARENT,  
COMPETITIVE AND COST-  
EFFECTIVE”

Section 217(1) of the Constitution of the Republic of South Africa (No. 108 of 1996) governs public procurement and prescribes how organs of state should procure goods and services, specifically noting that they must do so “in accordance with a system that is fair, equitable, transparent, competitive and cost-effective” (ILO, 2013a: 16). Sections 217(2) and 217(3) specifically provide for the introduction of preferential procurement policies, which are aimed at advancing “persons, or categories or persons, disadvantaged by unfair discrimination” with the aim to “address the social and economic imbalances of the past” (Ragga and Taylor, 2010).

The Preferential Procurement Policy Framework Act (No. 5 of 2000) (PPPFA) and its accompanying regulations (Preferential Procurement Regulations, 2001), were promulgated to prescribe a framework for a preferential procurement system, to enhance the participation of Historically Disadvantaged Individuals (HDIs) and small, medium and micro enterprises (SMMEs) in public sector procurement. The PPPFA establishes the manner in which preferential procurement policies are to be implemented and provides for the implementation of a preference point system in allocating contracts for categories of service providers and the promotion of specific socio-economic goals (as stipulated in regulation 17). The Act and its regulations incorporate the 80/20 and 90/10 preference point system (Ibid).

The BBBEE Act played a large part in the amendments to the PPPFA Regulations 2011, which allow for preference points to be allocated against a BBBEE score. The following preference points system is used<sup>3</sup>:

- The 80/20 preferential point system – for bids/quotations with an estimated value equal to or above R30 000 and up to R1 million, allows that a maximum of 20 points may be awarded to a tenderer for being an HDI and/or subcontracting with an HDI and/or achieving any of the specified goals stipulated in regulation 17.
- The 90/10 preferential point system – for bids/proposals with an estimated value above R1 million allows that a maximum of 10 points may be awarded to a tenderer for being an HDI and/or subcontracting with an HDI and/or achieving any of the specified goals stipulated in regulation 17.

The Public Finance Management Amendment Act (No. 1 of 1999) establishes a regulatory framework for supply chain management which includes procurement within national and provincial departments and state owned enterprises. The Municipal Finance Management Act (No. 56 of 2003) extended the same principles to municipalities (Ragga and Taylor, 2010). Table 3 summarises various Acts and their functions in procurement practices in South Africa (Ambe and Badenhorst-Weiss, 2012: 249).

<sup>3</sup> Preferential Procurement Regulations 2011, online: [www.treasury.gov.za](http://www.treasury.gov.za).

TABLE 3 | ACTS AND THEIR FUNCTIONS IN PROCUREMENT PRACTICES IN SOUTH AFRICA

| ACT                                                                                       | HOW IT GOVERNS PROCUREMENT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Public Finance Management Act (No. 1 of 1999)                                             | Establishes a regulatory framework for supply chain management which includes procurement within national and provincial departments and state owned enterprises.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Promotion of Administrative Justice Act (No. 3 of 2000)                                   | <p>Establishes fair administrative procedures, permits those affected by unfair administrative action to request reasons for such administrative action, and requires administrators to respond to such requests. (Administrative actions are presumed to have been taken without good cause when an administrator fails to respond within the prescribed period).</p> <p>Provides for procedures for the judicial review of administrative actions and remedies in proceedings for judicial review including the prohibition of an administrator from acting in a particular manner, setting aside the administrative action, correcting the defective action, and the ordering of the administrator to pay compensation.</p>                                                                                                                  |
| The Promotion of Equality and the Prevention of Unfair Discrimination Act (No. 4 of 2000) | Prohibits the state or any person from discriminating unfairly against any person on the grounds of race or gender through the denial of access to contractual opportunities for rendering services or by failing to take steps to reasonably accommodate the needs of such persons.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Preferential Procurement Policy Framework Act (No. 5 of 2000)                             | Establishes the manner in which preferential procurement policies are to be implemented.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Construction Industry Development Board Act, 2000 (No. 38 of 2000)                        | <p>Establishes the means by which the Board can promote and implement policies, programmes and projects, including those aimed at procurement reform, standardisation and uniformity in procurement documentation, practices and procedures within the framework of the procurement policy of government, through the establishment of:</p> <ul style="list-style-type: none"> <li>a) a national register of contractors (and if required, consultants and suppliers) to manage public sector procurement risk and facilitate public procurement</li> <li>b) a register of projects above a financial value with data relating to contracts awarded and completed and a best practice project assessment scheme</li> <li>c) best practices</li> </ul> <p>Establishes a code of conduct for the parties engaged in construction procurement.</p> |
| Broad Based Black Economic Empowerment Act (No. 53 of 2003)                               | <p>Establishes a code of good practice to inform the:</p> <p>Development of qualification criteria for the issuing of licenses or concessions, the sale of state owned enterprises and for entering into partnerships with the private sector; and</p> <p>Development and implementation of a preferential procurement policy.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Local Government Municipal Finance Management Act (No. 56 of 2003)                        | Establishes a regulatory framework for supply chain management which includes procurement within municipalities and municipal entities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Prevention and Combating of Corrupt Activities Act (No. 12 of 2004)                       | Makes corruption and related activities an offence, establishes a Register in order to place certain restrictions on persons and enterprises convicted of corrupt activities relating to tenders and contracts; and places a duty on certain persons holding a position of authority to report certain corrupt transactions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

Source: Adapted from Watermeyer, 2011; in Ambe and Badenhorst-Weiss, 2012

## CHAPTER THREE

# GOOD PRACTICES AND LESSONS LEARNED

This chapter explores good practices for private and public procurement and the social economy, beginning with two international case studies followed by six local ones. A discussion around lessons learned follows each case study. Common traits are identified and discussed in the following chapters.

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## INTERNATIONAL BEST PRACTICE

For comparative purposes, international best practice in procurement from the social economy is reviewed, using examples from North and South.

### COMMUNITY RECYCLING ENTERPRISES IN AUSTRALIA: RESOURCE WORK COOPERATIVE

Community recycling enterprises (CREs), defined as “as enterprises that exist for the purpose of reducing waste to landfill while at the same time create jobs and volunteer positions through the resale of materials and equipment” (Yousefpour et al, 2012: 7), are considered part of the suite of social enterprises that operate specifically within the recycling industry. CREs have been operating in Australia for more than 25 years and play an important role in resource recovery, but at the same time create employment opportunities and foster civic engagement. So while contributing to environmental sustainability, CREs are also positioned to achieve economic and social goals (the triple bottom line).

The Resource Work Cooperative, located in metropolitan Tasmania, is a not-for-profit, self-funded worker’s co-operative (i.e. a social enterprise operating within a co-operative structure) established by a group of people passionate about creating a viable, sustainable green industry (Eastley, 2010: 18). Formed in 1993 with the aim of negotiating the salvage licence for the Hobart landfill, Resource makes a profit through the salvaging and sale of reusable goods. As a worker’s co-operative, the business belongs to the people who work there, and they also decide on how the business is run. The co-operative has a general membership of workers/owners, a board of management (drawn from membership) and a co-ordinator who acts as an interface between the two.



Income generated through the sale of these reusable goods is spent on creating new jobs within the local community (through the cooperative) as well as educating the community about minimising waste and the sustainable use of resources. Resource employs 26 people on a casual and part-time basis and the aim of the organisation is two-fold:

- Improve waste management
- Create sustainable employment<sup>4</sup>

Resource works in partnership with the Hobart City Council and is committed to minimising waste to landfill (Resource has held a licence with the Council to salvage from the Hobart landfill for 20 years). Council has an agreement with Resource for the operations of the Tip Shop at the McRobies Gully Waste Management Centre (Eastley, 2010).

The Tip Shop is the primary retail outlet for selling reusable and recycled goods that are salvaged/recovered directly from the tip face (i.e. the landfill), or donated by the community. Resource also operates the Collectable Shop in the Hobart central business district, restocked weekly with the higher-quality reusables including clothes, books, appliances and furniture. It also runs a “deconstruction” project which seeks to “rethink” demolition, demolishing buildings by hand to maximise the reuse and recycling of materials. Through the deconstruction project Resource has managed to stop up to 98 percent of material from going to landfill by salvaging it for reuse. The benefits of salvaging include: turning waste into a resource; diverting materials from the waste stream; and creating local employment opportunities. Deconstruction projects have been completed for public and private clients, including the Department of Education, Housing Tasmania, Aurora Energy, Scenport Construction, and numerous private architectural firms<sup>5</sup>. Resource also provides a free pick-up service, collecting reusable goods from the community twice a week. It has also jointly developed an interim e-waste plan with the Hobart City Council. The enterprise is predominantly self-finance through its business activities.

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<sup>4</sup> Waste to wages, documentary available on Youtube.

<sup>5</sup> [www.resourcetipshop.com](http://www.resourcetipshop.com)

Resource is also engaged in the community, involved in various other activities including the Art from Trash annual recycling art exhibition and competition; and running educational tours and workshops at schools. Furthermore, Resource donates five percent of its profit annually to international non-profit organisations. Resource thus has significant environmental, economic and social outcomes and impact.

The biggest challenge Resource faces is lack of financial resources, which limits its ability to expand its reach and improve the business. Although mostly self-funded, Resource has initiated a grants programme to help respond to the various projects it has scheduled. It received its first grant in 2011 which it used to purchase the truck used for its pick-up service. Other challenges include (Yousefpour et al, 2012):

- Structural issues, in decision-making processes
- Managing work performance of member-owners
- Retaining employees (due to flat payment structure)
- Uncertainty about what will be collected
- The changing nature of waste management and the reliance on the landfill
- Competition

Key to the success of Resource is diversification of activities and innovation. Council has plans to redesign the landfill, turning it into a waste transfer station. Resource has been granted an extension of salvaging rights and it plans to expand its pick-up service, grow the Tip Shop and establish a clothes/textiles only shop. It has also established a transition employment programme for the homeless and people with mental health issues, combined with an e-waste plan (Yousefpour et al, 2012).

In the policy framework for supporting social enterprises in Tasmania, the government recognises the importance and contribution of social enterprises to community economic development and regards social enterprises as a powerful pathway to social inclusion. The Tasmanian Government appointed a Social Inclusion Commissioner and established a Social Inclusion Unit to support the preparation of the Tasmanian Social Inclusion Strategy, prepared by Professor Adams in 2009. The report specifically refers to social enterprises as a key strategy to address social and economic exclusion in Tasmania [Strategy 5 – Social Enterprises: A hand up, not a hand out], and provides a range of options for building on social inclusion. In response to Adams' report, the Tasmanian Government has established a \$5 million Community Development Finance Fund, incorporating: \$1 million for microfinance; \$1 million for microcredit; and, \$3 million for a social enterprise loan fund (Tasmania Government Social Inclusion Unit, 2009). This falls under goal three of the Economic Development Plan of the state which "recognises the role of social enterprise in tapping into the knowledge, ability and energy of people and communities that are socially excluded, as a way to enhance inclusion and contribute to the economic and social development of an economy".

Lessons to be drawn from this case study include, most notably, the ability of social economy enterprises to achieve significant triple bottom line outcomes and impact, and the importance of diversification for the growth and sustainability of social enterprises. CREs produce significant environmental benefits, in particular through resource recovery and community education; economic benefits in the form of employment creation,

**THE TASMANIAN GOVERNMENT  
\$5 MILLION COMMUNITY  
DEVELOPMENT FINANCE FUND**

**\$1 MILLION MICROFINANCE**

**\$1 MILLION MICROCREDIT**

**\$3 MILLION SOCIAL ENTERPRISE  
LOAN FUND**

skills development and contribution to local supply chains; and social benefits through improving social inclusion and building social capital between people from different backgrounds. This is made possible through recognition and support from the private and public sectors, as well as the local community in which these enterprises operate. The regulatory environment can enable or constrain CRE activity and local government in particular has an important role to play as purchaser from, and suppliers to, social enterprises. The policy environment in this case recognises the important contribution made by social enterprises and enables social enterprises to flourish. Research has also shown that CREs with more diverse business activities perform better financially (diversity is key). Social enterprises should be encouraged to expand and diversify their products/services in an effort to ensure sustainability.

In South Africa, as the local case studies highlight, the potential for social enterprises to engage in resource recovery and waste management and at the same time achieve social and economic outcomes should be considered, and greater support for social enterprises should be provided. There is significant potential for collaboration and partnership between social enterprises and the public sector (in particular, local government) of waste management, as well as greater opportunity for engagement also with the private sector as purchasers and suppliers of recycled products.

### **REFORMING EX-OFFENDERS: BOUNCE BACK CHARITY AND SOCIAL ENTERPRISE, LONDON**

Bounce Back is both a charity and social enterprise focused on the training and employment of ex-offenders. It offers training, work experience and employment for offenders at the end of their sentences and works with several prisons, as well as London Probation, to achieve this goal. Established in 2010 as a small painting and decorating company, Bounce Back has since expanded to become a charity and a social enterprise boasting training centres within HMP Brixton (prison) and in the community<sup>6</sup>.

The charity acts as the training organisation. The core objective is to equip ex-offenders with skills and qualifications, and the ability to transition into the workplace and into paid employment. More than 140 ex-offenders have graduated from the training course. The social enterprise offers a professional painting and decorating service and consists of a team of participants who have passed through the training programme. With a team of about 50 qualified and deployable painters and decorators, Bounce Back works on both domestic and commercial projects in London and its surrounding counties. The enterprise has put systems in place to ensure it meets the compliance requirements of the construction industry, and has all relevant accreditations, which has enabled it to be accepted as a sub-contractor on large contracts. The enterprise receives support (i.e. contracts for work) from local authorities, housing associations and corporate partners, which has enabled it to increase employment numbers year on year. It also works on community projects, helping organisations with property improvements. These projects serve as a good training ground for grooming work experience participants. Bounce Back acknowledges these partnerships as being at the core of its success.

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<sup>6</sup> Bounce Back online: [www.bouncebackproject.com](http://www.bouncebackproject.com)

In-house research demonstrates that the work conducted by Bounce Back delivers £37 to the taxpayer in criminal justice savings for every £1 spent on the service. Furthermore, it has accomplished a re-offending rate of 10 percent, as compared to the national average of 67 percent. The impact on families is also great; by renewing confidence and pride in ex-offenders, enabling them to return to their wives and children (Bounce Back, 2014).

In an effort to reduce its carbon footprint, Bounce Back has established a partnership with Paint 360 to use sustainable paint – waste water paint which is re-engineered into high quality emulsions.

Bounce Back Project Ltd, a subsidiary company of the Foundation, was incorporated in September 2013. The enterprise generated almost as much income in 2013 through activities as was generated through donations (£241300 in trading income versus £276748 in donations income). Most of this income (from both streams) is used to cover foundation expenditure (£392814), with some allocated to governance costs (£36803) and remainder as surplus for reserves (£61431) (Bounce Back, 2014).

Bounce Back is a great example of a hybrid social enterprise; an enterprise which has both a significant social outcome (operationalised via the charity) and economic outcome (operationalised via the social enterprise), while also taking into consideration environmental outcomes. It is also unique in the social problem it seeks to address and the way it does this. Its professional approach, significant track record of achievements and impact, and stringent evaluation and measurement tools make Bounce Back an example of a successful social enterprise with high impact of the triple bottom line.

## 2013

### BOUNCE BACK PROJECT

£241 300

TRADING INCOME

£276 748

DONATIONS INCOME

FOUNDATION EXPENDITURE

(£392 814)

GOVERNANCE COSTS

(£36 803)



| ITEKENG BASADI SETSOTO GARMENT MANUFACTURING ENTERPRISE

## SOUTH AFRICAN CASE STUDIES

Six good practice case studies of public and private procurement from the social economy in South Africa were selected using criteria of success identified via desktop review.

### THE FIVE THEMATIC AREAS IN THE SELECTION FRAMEWORK INCLUDED:

- Fits within the ILO definition of a social enterprise
- Location of the enterprise within the market
- Sustainability of the enterprise
- Contribution to extended value chains
- Provision of decent work

It should be noted, however, that although the enterprises selected were eager to participate in this study, and on paper matched our criteria, it became evident during the fieldwork that not all case study participants could provide the degree of technical information required. However, rather than choosing to omit these case studies a decision was made to continue – especially if the case study could provide key lessons – and highlight the gaps where they exist.

The case studies represent success case studies in terms of the variants of best practice case studies. A success case study looks at successful practices in outcomes, and involves isolating success factors and likely causes of failure.

## GREATER UITENHAGE SEWING CO-OPERATIVE

### LINKING PEOPLE INTO THE MAINSTREAM ECONOMY

This women-run enterprise in the Eastern Cape creates sustainable jobs through manufacturing products from recycled plastic waste, while boosting the black economic empowerment (BEE) status of large corporate procurers and allowing shoppers to feel actively involved in supporting responsible social initiatives.

#### BACKGROUND

In 1998, Margaret Smallboy started a sewing project among the women in her community with the aim of addressing poverty, creating jobs and assisting with crime prevention. In 2003, with the help of the Volkswagen Community Trust, the Greater Uitenhage Sewing Co-operative (GUSCO) was formed: 30 women from three independent sewing groups, from different racial groups, joined forces to become a viable business enterprise.

Through the Volkswagen Community Trust Incubator Programme, which helps develop independent social enterprises, GUSCO members completed an industrial sewing course at the Port Elizabeth College, and with further assistance from Standard Bank (through a R500 000 loan) GUSCO bought industrial sewing machines and moved to larger premises. On forming GUSCO, and with assistance from an Enterprise Development Manager from the Uitenhage Despatch Development Initiative (UDDI), the group approached Woolworths with a proposal to manufacture reusable shopping bags. The UDDI Enterprise Development Manager brought the Woolworths opportunity to the attention of GUSCO and he also assisted GUSCO in its initial negotiations with Woolworths. Although Woolworths at that time was already in a contract with another company (Cape Town-based Isikhwama) to manufacture the bags, GUSCO's persistence paid off and Woolworths offered a small portion of its target to GUSCO, agreeing to a trial contract for 300 bags a week to determine whether GUSCO could deliver. Initially, GUSCO worked through Isikhwama and were not independent, sending product indirectly to Woolworths through Isikhwama. However, by providing a good quality product and consistently and efficiently achieving the targets set by the client, GUSCO has become an independent supplier to Woolworths and as such there is no competitive bidding to secure this contract. The contract is renewed annually based on performance. GUSCO produces 10 000 bags a week for Woolworths and the value of the contract stands at over R3 million a year.

#### SOCIAL PURPOSE

GUSCO members and employees are economically marginalised women from the Greater Uitenhage area. GUSCO aims to create opportunities for its members and their families to become self-sufficient and play a greater social and economic role in their community.



Realising that many women in Uitenhage were “sitting in the community doing nothing”, Margaret Smallboy initiated the project to empower women “to stand on their own” and assist them to “put something on the table”.

GUSCO believes that its enterprise plays a leading role in the community, through the creation of employment opportunities and the empowerment of women, and its objectives are geared towards healthy partnerships and relationships with suppliers and customers, based on service delivery.

## BUSINESS MODEL

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product or service             | GUSCO is a textile manufacturing enterprise that manufactures reusable shopping bags made from recycled PET bottles. In the past, the enterprise also manufactured work overalls. GUSCO is looking to diversify its product range.                                                                                                                                                                                                                                                                   |
| Target market                  | GUSCO's target market is the private sector; in particular retail supermarket chains. To add to its one major retail client, GUSCO has approached another major retail client as well as other private sector companies and government institutions.                                                                                                                                                                                                                                                 |
| Financial model                | GUSCO is a self-sustainable business enterprise, generating income from the sale of textiles. Expenses include salaries and other operational expenses (rent, utilities). Woolworths supplies the enterprise with its materials and also covers transport costs (significant cost savings). A portion of annual profit is put aside as savings or as a reserve for purchasing materials and for other production needs in the new year; and the remaining portion is shared equally amongst members. |
| Annual turnover                | R3 120 000 (approximate value of current contract with Woolworths) <sup>7</sup>                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Number of employees            | 46                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Business form                  | GUSCO is registered as a Primary Co-operative under the Co-operatives Act of 2005. The decision to formalise as a co-operative was to enable the organisation to gain access to business opportunities. A co-operative was identified as the most suitable legal status for the organisation, taking into consideration it was a merger of three informal sewing groups.                                                                                                                             |
| Ownership/management structure | GUSCO is owner-managed by 13 members, who occupy the senior positions at GUSCO (i.e. administrator, manager). GUSCO consists of a Board of four members (all members of the co-operative; democratically elected) who are also responsible for negotiating agreements with clients.                                                                                                                                                                                                                  |

<sup>7</sup> R6.50 a unit at 10 000 units a week.

## PROCUREMENT PROCESSES

Woolworths follows the principles of preferential procurement and enterprise development. With the former, Woolworth's business units have structured central procurement request for proposal (RFP) processes which emphasise BEE credentials. Woolworths also supports its suppliers with its own verification processes. Woolworths' enterprise development strategy rests on four pillars, all of which are considered essential to help an emerging organisation to grow into a sustainable entity:

- Financial assistance (including shorter payment terms):
  - No financial assistance has been provided to GUSCO, but Woolworths does provide the enterprise with the required material to produce the bags as well as transportation of the bags, reducing the overhead costs of the enterprise.
  - Woolworths transfers monies directly to GUSCO within seven days of having received each weekly batch.
- Guaranteed business:
  - A schedule indicating the amount of stock GUSCO has to produce is drafted annually when the agreement between the two parties is renewed, and Woolworths provide GUSCO with monthly schedules for shipments and targets. Price per item is also negotiated annually, taking into consideration inflation.
- A package of support which includes mentorship:
  - GUSCO have direct contact with, and receive support from, a Contract Manager at Woolworths (who has been with them for nine of the past 10 years). Any problems which arise are discussed between Woolworths and GUSCO's Board and solutions developed.
  - Woolworths also assists GUSCO with any certification or other legal/technical requirements.
- Targeted up-skilling and the assistance of external experts:
  - GUSCO have received business and administrative support.

GUSCO had to develop a business plan, and provide proof of its registration and the existence of a business bank account, before negotiations could begin. Woolworths then conducted a site visit to the GUSCO factory to assess the layout and to ensure that the organisation had the capacity to deliver. All Woolworth's suppliers are required to meet international standards, specifically the SA8000 Social Accountability certificate, an international standard that encourages socially acceptable workplaces. GUSCO also needs to comply with Woolworths' Code of Business Ethics; the enterprise is required to meet the same standards and criteria as any other suppliers, including international suppliers. To ensure compliance, Woolworths assisted GUSCO in attaining the SA8000 certification, which it did not possess. In addition, GUSCO had to supply Woolworths with its BEE credentials, and has to remain ethically compliant, labour complaint and socially compliant.

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<sup>8</sup> Interview with Woolworths Sourcing Specialist, also acting as contract manager with GUSCO

**“One has to take ownership of the fact that you are working with people on a greater social level, you need to acknowledge that your business reaches much further on a community level for social enterprises and thus effort must be put into the process.”**

Woolworths Sourcing Specialist

Woolworths’ support of social enterprises, including GUSCO, ties into a number of key factors<sup>8</sup>

- Supporting social enterprises increases/maximises Woolworths’ BEE scorecard and in addition makes economic and financial sense for the company (clear commercial driver).
- In terms of social drivers, Woolworths’ support of social enterprises is part of the company’s interest in supporting local community ventures and playing a part in assisting with job creation, environmental awareness and policy, and an overall aim of “giving back”. For Woolworths, it’s more than just supporting a product; it has effects on the grassroots level and taps into social upliftment as a whole (i.e. it’s about corporate social responsibility, CSR).
- In addition, Woolworths believes that its support to social enterprises provides its customers with a sense of feeling good, doing good and overall support through giving back to society.

Woolworths’ approach to supporting social enterprises does not follow a rigid or formal system. Rather, as a private enterprise, Woolworths can “stumble upon” an interesting item it would like to procure, or consider an interesting opportunity which is presented. Alternatively, Woolworths makes a concerted effort to identify a new product and engages with entrepreneurs about producing for Woolworths, while still maintaining their individuality.

## IMPACT

The impact of GUSCO is job creation and the empowerment of women. All but two of GUSCO’s employees/members are women, and the enterprise also employs two people with disabilities. Apart from the 13 members occupying senior positions, the 31 remaining women are machinists and the two men assist with the cutting of the materials and handling heavy goods. Half of these employees are in permanent full-time contractual positions, with the other half occupying temporary part-time positions (i.e. seasonal workers brought in when there is an increase in demand from Woolworths, usually Christmas or Easter season). There is an equal mix of African and Coloured employees/members, and all live within the Uitenhage community. A requirement of Woolworths is that GUSCO remain labour compliant, and it therefore adheres to the Basic Conditions of Employment Act in terms of minimum wages and working hours.

The employment opportunities created by GUSCO “helps a lot, because at the end of the day they [women] have something to put on the table; even now, at the end of the year, they are going to buy clothes for their children”, says a GUSCO member. The income received through this employment supports many employees to put their children through school, as well as university and college. The training and experience received at GUSCO has also empowered a number of original members to move on to better paying work opportunities.

## CHALLENGES

The greatest challenge initially was the retention of members. Initial funding and support helped to secure machines and space, and included up-skilling members through training and skills development. However, it took some time before GUSCO was able to secure sustainable contracts and start generating sufficient income to support all members. As a result, a number of GUSCO's founding members left the enterprise to pursue higher paying jobs elsewhere. Market access/access to clients and procurement opportunities have been identified as major challenges, and ones which continue today, as GUSCO is currently reliant on one client.

Another key challenge has been dealing with workplace conflict and employee absenteeism. These issues affected productivity and therefore needed to be addressed, especially considering the increase in production which more than doubled over three years – from 3 000 bags a week in January 2007 to 7 000 bags a week by end November 2009. The enterprise managed to overcome these challenges with the help of the Small Enterprise Development Agency (Seda) Productivity Improvement Mentorship Project, and developed policies and procedures to deal with conflict in the workplace as well as employee absenteeism.

JANUARY 2007

3000 BAGS

NOVEMBER 2009

7000 BAGS

Certification for compliance requirements was also a big challenge, but one which was easily addressed through assistance from Woolworths. Business skills – such as writing proposals and business plans, and financial management – were a challenge which the enterprise overcame with assistance from intermediary institutions such as UDDI and Seda. The biggest challenge at present is sourcing and securing new contracts. The private sector is the focus of this enterprise; they feel it is easier to navigate because they can approach the market with a proposal. Another challenge was the cost of transporting its products to Cape Town. The enterprise consulted with its client which now collects at GUSCO's factory, optimising service and delivery. At every stage of the relationship there is communication and negotiation with the client, to ensure the enterprise delivers and remains sustainable.

From the perspective of Woolworths, a more structured and improved management system could assist the enterprise to achieve greater growth. Its biggest concern, however, is supplier compliance with Woolworths' international and ethical standards. Regular formal communication between GUSCO and the Woolworths Contract Manager, as well as regular environmental and social responsibility audits, are ways in which Woolworths ensures the compliance of its suppliers. As stated by the Woolworths' Sourcing Specialist, while the process is hard, it can be rewarding and these enterprises can deliver results; therefore, it becomes less of a bottom line, and more of a "triple bottom line" (economic, social and environmental) consideration. The relationship with GUSCO will continue, as long as it remains a financially viable entity for Woolworths.

## LESSONS

- Compliance and procurement processes can be difficult for small enterprises to navigate; but can be achieved through business and administrative support.
- Market access is an essential component when it comes to increasing the participation of social enterprises in the economy.



| MENTORING HAS PLAYED AN IMPORTANT ROLE AT THE GREATER Uitenhage Sewing Co-operative

- Rather than simply discrediting GUSCO for not meeting all certification requirements, Woolworths made a concerted effort to assist the enterprise to obtain the required SA8000 certificate.
- Mentoring has also played an important role in ensuring the continued success of the enterprise.
- Training and skills development in relation to productivity and performance management, as well as conflict resolution, has helped the enterprise to better deal with issues which may arise in the workplace, assisting them to improve productivity and remain profitable.
- These lessons highlight the importance of non-financial support in creating sustainable enterprises.
- Through a single client the enterprise has managed to create employment for 46 previously unemployed people, which highlights the value of co-operatives in creating employment opportunities.
- However, with no sustainability plan in place and reliance on one client and lack of product diversity, GUSCO risk unsustainability.
- CSR lessons: to ensure long-term social impact and the sustainability of social enterprises requires private enterprises to provide hands-on mentoring and support, as well as establishing regular and consistent monitoring and reporting mechanisms to ensure performance. Private enterprises should perceive such a relationship as a long-term rather than a short-term investment.

## LESEDI MANUFACTURING PRIMARY CO-OPERATIVE

### TURNING WASTE INTO OPPORTUNITY

This recycling business in Alexandra Township in Gauteng creates sustainable employment for members and income-generating opportunities for the broader community. At the same time, it is helping the local municipality to meet its mandate of reducing waste to landfill and promoting environmental awareness.

#### BACKGROUND

Formed in 2008 by 10 unemployed women in Alexandra Township, the Lesedi Manufacturing Primary Co-operative is a recycling business with the objective of cleaning up the area and creating jobs. Tired of waiting for jobs to come to them, and observing the waste lying around in their community, these women saw an opportunity to clean up their environment while also generating an income through engaging in recycling activities. Lesedi encourages the community to invest in their own recycling, thereby also, according to its slogan, “Preserving the environment for healthy living”.

Initially purchasing tissue products from suppliers and selling these products on to local schools and spaza shops, Lesedi started the recycling company in 2011 when it successfully obtained grant funding for R340 000 through the Department of Trade and Industry’s (the dti) Cooperative Incentive Scheme (CIS), to purchase machines. Lesedi also received R1.1 million enterprise finance (over 36 months) from the National Youth Development Agency (NYDA), which also assisted the enterprise in developing a project plan and writing proposals (non-financial support). In 2012, now able to purchase machinery (bailer, scale, containers), obtain a site and build offices, Lesedi began operating as a profitable business enterprise.

Through a mentoring relationship (operationalised through a Memorandum of Understanding (MOU)) with Pickup, a waste management entity of the City of Johannesburg, Lesedi is building capacity to develop and grow the enterprise, and assist the City in its commitment to job creation, community empowerment and the reduction of waste to landfill.

#### SOCIAL PURPOSE

Lesedi’s primary purpose is to create jobs within the community; but this is closely linked to its objectives of promoting environmental awareness and creating a clean, safe environment. Lesedi’s objectives include creating awareness around environmental issues and encouraging recycling; promoting and facilitating entrepreneurship among the youth; and empowering community members through job creation and creating opportunities for income generation.



| LESEDI MANUFACTURING PRIMARY CO-OPERATIVE

Through the establishment of a manufacturing business, Lesedi aims to create more jobs and encourage community self-sufficiency. The enterprise's ultimate goal is to "manufacture" its waste by manufacturing plastic crates, shopping baskets and hangers from the recycled waste it collects.

## BUSINESS MODEL

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product or service             | Lesedi operates a recycling drop-off site and provides a residential curb-side recycling service to residents in Alexandra.                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Target market                  | Public and private sector. Lesedi has an MOU with Pickup (public entity) and sells recyclable waste products to private companies, which use the waste to manufacture recycled products. Lesedi has two main clients which purchase their recyclables (Metal Co. and Plastic Revolutions); but Lesedi has the advantage in that it can sell to the highest bidder (i.e. the offer with the highest price per kilogram)                                                                                                                                         |
| Financial model                | Lesedi operates as a self-sustainable and profitable business; however, it's supported by Pickup, which provides it with a waste collection truck, including a driver and the fuel, which it uses to collect recycling from residential areas twice a week (i.e. non-financial support). Lesedi generates its revenue through the on-sale of recyclable waste to larger recycling companies. Expenses include employee/member salaries, utilities, office stationery and stock (i.e. the purchase of recyclables brought to the drop-off site by individuals). |
| Annual turnover                | Fluctuates – profit is based on volume: the more waste that is gathered, the more profit that comes from the process. Did not disclose.                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Number of employees            | 13                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Business form                  | Lesedi is registered as a Primary Co-operative under the Co-operatives Act of 2005. The decision to formalise under the legal status of a co-operative was influenced by the organisation's relationship with the dti and NYDA and the understanding of the opportunities provided to co-operatives. Lesedi does not have BEE credentials, but is 100 percent black-owned.                                                                                                                                                                                     |
| Ownership/management structure | Lesedi is owned and managed by the five remaining founding members, who also occupy senior positions within the company.                                                                                                                                                                                                                                                                                                                                                                                                                                       |

## PROCUREMENT PROCESSES

The City of Johannesburg has committed to job creation and empowering communities and believes it can achieve this by contracting community co-operatives and enterprises to provide basic services through initiatives such as the Expanded Public Works Programme (EPWP) and Jozi@work. The Jozi@work Developmental Service Delivery Model, which aims to “turn job-seekers into job-makers”, will – in the future – use a new supply chain process developed in consultation with National Treasury. Using this new approach, the City plans to source community-based enterprises and co-ops through a new network of regional bidders’ briefings (known as regional Jozi@work forums) with small, very small and micro enterprises pitching for business with the City. Capability Support Agents will provide professional oversight, mentoring, quality assurance as well as enabling the enterprises given work to purchase raw materials and rent the necessary equipment, recovering costs from monthly contract payments as milestones are met.

“This programme will change the way the City does business – creating thousands of new neighbourhood co-operatives and micro enterprises hungry for entry-level workers ... They will be servicing needs as diverse as de-sludging of chemical toilets, separating and recycling waste as it arrives at our dumps, providing food to our nutrition programmes, resurfacing and maintaining our roads and providing frontline support to our water and power infrastructure. Our residents will be our suppliers as well as our customers – and transacting locally will make them better at being both. It will mean better value for money paid to the city and faster, more attentive service in return for money paid into the City through rates and service charges.”

City of Joburg

Pickitup strives to achieve similar goals as the City. Pickitup is allocated budget from the City which it uses (in part) to initiate recycling projects in the municipality. Pickitup has also seen the opportunity that exists in using community co-operatives and enterprises to assist in waste management and recycling initiatives. Pickitup’s approach is simple: “let’s work with community organisations to do the recycling so that we can focus on the other waste,” says a manager at Pickitup. Rather than awarding recycling contracts to big business, Pickitup perceives greater value in the empowerment of smaller, community-based enterprises. Rather than “reinventing the wheel”, Pickitup have decided to work with and groom existing enterprises already involved in recycling activities. This is in line with the Jozi@work model described above.

Pickitup regards its relationship with Lesedi as social responsibility, as there was no formal tender process. Pickitup found Lesedi through the Department of Environmental Affairs. Lesedi was selected based on its location and legal status, as well as its experience and capacity to deliver. As part of the selection and assessment process, Pickitup conducted a site visit and audit of the organisation. Lesedi had a formal MOU with Pickitup for three years, starting November 2013 and ending November 2016. Pickitup has clearly stated that it will not be renewing its contract with Lesedi, as the objective was to mentor Lesedi and capacitate them to become a self-sustainable, profitable business enterprise. Pickitup indicated that it would use the Jozi@work supply-chain process in the future.



The relationship Lesedi has with its clients (the companies who purchase its recyclables) is based on trust, and there are no formal contracts. Lesedi prefers the relationship this way, as it allows room for negotiating the best possible price for its products.

## IMPACT

Lesedi achieves impact in two key areas:

- job creation/income generation
- the reduction of waste to landfill

The co-operative is made up of five members (four women and one man) occupying senior positions (contractual agreements in place, details not disclosed) and it employs a further eight people from the local community (four women and four men), most of whom are youth under the age of 35 years. Four of these employees collect waste with the Pickup trucks, and the remaining four employees sort the waste that is brought to the drop-off site by the community. In line with its objective to encourage and promote entrepreneurship, Lesedi also conducts workshops with youth who express an interest in starting their own co-operatives, and often facilitate visits by the NYDA. In addition, Pickup provides educational materials which Lesedi uses to educate the community about recycling, in an effort to improve environmental awareness.

**“The recycling industry is huge! There are a lot of people who want us to supply them but we trust these guys we are working with; but once the price drops we can pick any of these clients who are always waiting for our materials to come”.**

**Interview with Lesedi Manufacturing Primary Co-operative member**

The profit generated by Lesedi also allows the organisation to give back to the community in other ways, such as by providing bread for the elderly at the church ministry and on site for people who drop-off recyclables, as well as assisting a local orphanage with food (when possible). This is in addition to the impact on the livelihoods of the members, employees and community reclaimers who generate an income through the activities of the enterprise. The activities of the recycling initiative significantly reduce the amount of waste to landfill, in line with municipal goals. Overall, the impact of Lesedi is social, economic and environmental.

## CHALLENGES

Initial challenges were related to registration and obtaining start-up funding. As indicated by the enterprise, “It was a long process to get the dti on board”. Furthermore, because the NYDA did not provide the enterprise with funds directly, but rather bought the equipment for them (after the enterprise submitted quotations), it took a year for Lesedi to become operational. It must be noted that when the co-operative formed there was a business centre in Alexandra, occupied by the dti and the NYDA, and it is in large part through the non-financial support provided by these organisations that Lesedi was able to formalise, successfully obtain grant funding, and eventually become a self-sustaining enterprise.

Present challenges Lesedi faces are generally related to staff retention and the capacity of the enterprise to grow – both related (in the end) to revenue. While not disclosing the details of employment contracts with part-time employees, it was hinted to that the low pay and the casual nature of some of these jobs lead to employees leaving Lesedi to pursue better opportunities. It was also suggested that young people do not want jobs in recycling as it is not desirable or “glamorous” enough. Lesedi occupies a small site, and for it to expand to include manufacturing activities it would need larger or second premises as well as new equipment and machinery, which are both capital intensive. Lesedi also highlights that it spends resources training staff who end up leaving when they find better opportunities.

From the perspective of Pickup, it has not encountered many challenges working with a co-operative; rather, it perceives the advantages associated with procuring from social enterprises. Pickup has described the relationship as “mutually beneficial” and perceives the potential value of working with social enterprises to be greater than the risk. Pickup understands the capacity and resource challenges of co-operatives, which is why the nature of its relationship with Lesedi has been to build the capacity of the enterprise so that it may become a self-sustaining, profitable business.

## LESSONS

- Access to non-financial support, such as business and administrative services and information regarding funding initiatives, is an important component of the growth and development of small enterprises.
- Grant funding to secure premises and equipment can help a small informal enterprise develop into a viable enterprise.



- Mentorship through an MOU with a larger company can build the capacity of an enterprise to become profitable and sustainable.
- Partnerships with social enterprises can improve the service delivery of the public sector, and go a long way in achieving the mandate of public entities.
- There is scope within existing legislation to procure from social enterprises, as well as opportunity for public entities to work closely with National Treasury to develop new and innovative supply chain strategies. Doing so will help improve the participation of social enterprises in public sector procurement.

## ITEKENG BASADI SETSOTO

### EMPOWERING WOMEN THROUGH WORK

Itekeng Basadi Setsoto is a vibrant garment manufacturing enterprise, established through a Non-Profit Organisation. It provides employment opportunities for women, who through their work are instrumental in assisting the local municipality to achieve service delivery.

#### BACKGROUND

Itekeng, which means “women help yourself”, was conceived in 2011 by Thandazile Mary Raletooane as an income-generating programme in the Free State, with the specific aim of teaching women and orphans and vulnerable children (OVC) skills that would enable them to support themselves.

Through Itekeng Basadi Setsoto (the enterprise) and the Itekeng Disabled and OVC Centre (the NPO), Thandazile has created numerous employment opportunities to uplift the most vulnerable members of her community. Projects include: clean water programmes; drives to allow children who head households to return to school; and, most recently, a garment manufacturing company.

Thandazile’s employment as the Centre Manager at the Itekeng Disabled Centre in Ficksburg, Free State brought together Itekeng, the community of Ficksburg and the surrounding areas of Senegal, Lokoleng and Makwat. When Thandazile started working at the Disabled Centre in 2003, seven children were attending. While conducting home visits, Thandazile noticed that many parents did not send their disabled children to school and she also noticed a number of children, without parents, living at home alone. At this point that Thandazile approached the Department of Social Development (DSD) for funding, and then expanded the Disabled Centre to include support for orphans and vulnerable children. The Disabled Centre developed into what is now known as the Itekeng Disabled and OVC Centre, assisting 78 disabled children and OVC.

In 2006, the centre was registered as an NPO to enable the organisation to receive funding from the DSD. However, the centre needed to spread its wings, and in 2009 Mary approached the Independent Development Trust (IDT) with a proposal to fund a number of income-generating projects aimed at employing the parents of the disabled children at the centre, as well as other impoverished and unemployed community members. At present, IDT funds create employment opportunities for 550 people.

In 2012, Thandazile successfully submitted a proposal to the SABC Foundation. She used this funding to purchase industrial sewing machines – and Itekeng Basadi Setsoto was born.

**IDT FUNDS  
CREATE  
EMPLOYMENT  
FOR  
550  
PEOPLE**



## SOCIAL PURPOSE

Itekeng (both the NPO and the enterprise) stands for social development, job creation and the empowerment of women. The Itekeng Disabled and OVC Centre provides care for disabled children in the community, and through the centre and its associated projects, including Itekeng Basadi Setsoto, Thandazile creates opportunities for the parents of the disabled children she oversees, disabled people in the community, as well as workless and impoverished community residents. For Thandazile, the mission is clear: “for Itekeng to continue growing and employ more people”. Thandazile hopes that transforming Itekeng Basadi into a co-operative will ensure further funding, greater opportunities and continued growth in line with its vision. To continue receiving grant funding, however, Itekeng will retain its status as an NPO. Thandazile’s vision is to create a sense of independence for the community, teaching members to fend for themselves and to be less dependent on handouts and social grants.

“When we procure from these enterprises it helps them to alleviate themselves out of poverty through having jobs and some income. I think in the long term this decreases the number of individuals who are solely dependent on social security for an income.”

South African Social Services Agency Finance Officer

## BUSINESS MODEL

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product or service             | Itekeng Basadi Setsoto makes school uniforms for OVC, as well as bead and clay products for markets and exhibition.<br><br>Other projects under the NPO include: Home Based Care; the Girl Child Project; the Garden Project; the Coffin Project (prisoner reform); and the Setsoto Women Empowerment Project (river clean-up and the removal of alien vegetation). Of these, the latter two are being explored as potential income-generating projects.                                                                                                                                                                                                                                                                                                                                                |
| Target market                  | Mostly the public sector, although the enterprise does have a few smaller private clients (such as the local primary school).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Financial model                | Itekeng the NPO is 100 percent reliant on grant funding; and although Itekeng Basadi Setsoto is also dependent on external funding to a large degree, it is nevertheless an income-generating enterprise. In its infancy still, Itekeng Basadi Setsoto is negotiating contracts with various public sector organisations (South African Social Security Agency, SASSA; Department of Public works, DPW) which will ensure that the enterprise becomes a self-sustaining business. A number of the NPO's employment projects have also begun generating income streams (e.g. the coffin project), and will soon be incorporated under the same umbrella as the business enterprise. Expenses incurred by Itekeng Basadi consist of rent, utilities and materials; salaries are paid through IDT funding. |
| Annual turnover                | Did not disclose.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Number of employees            | Itekeng Basadi Setsoto provides employment for 40 people, who are included in the 550 people employed through IDT funded public works projects <sup>9</sup> .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Business form                  | Itekeng is registered as an NPO. Itekeng Basadi Setsoto (the sewing enterprise) is in the process of registering as a primary cooperative (assisted by the dti), and eventually all income-generating projects will fall under this structure (i.e. it will be separate from the NPO). Itekeng is registered on the DSD and DPW supplier databases.                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Ownership/management structure | Itekeng Basadi consists of a Board with six members, and all 40 members of the sewing enterprise have equal share in the profits. Although Thandazile established Itekeng Basadi, she draws no income or profit for herself from the revenue generated by the garment manufacturing enterprise. All other projects run through the NPO have their own management to ensure each project delivers results.                                                                                                                                                                                                                                                                                                                                                                                               |

## PROCUREMENT PROCESSES

The IDT is an implementing agent for the Department of Public Works, which controls the Non-State Sector Programme. This programme advertises a call for proposals from NPOs for funding. Items reviewed with each organisation's proposal submission includes the business plan, when it was established and the length of its operations. Also determined is whether it is able to manage its finances and if it has the ability to employ more people. This programme is implemented nationally every year. Itekeng has managed to maintain two consecutive and successful annual contracts with the IDT (2009-2010; 2011-2012). It now has a three-year contract (2014-2016), creating employment for 550 people within the Itekeng projects.

<sup>9</sup> The details/nature of this employment was not disclosed; however, these are short-term, part-time employment opportunities.



| SCHOOL UNIFORMS FOR THE ORPHANS AND VULNERABLE CHILDREN CENTRE

The IDT on behalf of the Department of Public Works is regulated by the Ministerial Determination Act, the Code of Good Practice and the NPO Act from the Department of Social Development, ensuring that the NPOs which are chosen for funding support are registered as NPOs and with SARS. The payment structure with IDT is a simple one and based on deliverables agreed on by Itekeng. Payments are made monthly. After employees have worked for 14 full working days, a report and attendance register is sent to the IDT. Reporting structures are not sporadic, rather Thandazile is furnished with a reporting schedule, which allows her to estimate payment schedules as well.

The IDT liaison highlighted the importance of efficient and up-to-date reporting, as this is what the performance of these funded enterprises is based on. It is one of the factors that is reviewed when the IDT considers which enterprises it will fund every year, together with reviewing how these enterprises manage their finances, books and filing. They are also visited once a month for site visits and to corroborate report information and whether funds are being used correctly.

## SASSA

A PUBLIC ENTITY WHICH USES THE PREFERENTIAL PROCUREMENT ACT (PPA) AND ABIDES STRICTLY TO ALL POLICIES AND REQUIREMENTS AS SET OUT BY NATIONAL TREASURY.

Thandazile is drafting a contract with SASSA to make school uniforms for OVC at the local primary school and from the surrounding farms. This relationship grew Thandazile's relationship with the Member of the Executive Council of the DSD, with whom she has worked closely over the years. The DSD built a new Centre for Itekeng, which opened on the 24 September 2014 and was also attended by the Premier of the Free State Province. The Premier saw the good work Itekeng was doing with the sewing project and he instructed SASSA to invest in Itekeng and to use the company to make school uniforms for OVC in the area. SASSA sent a request for quotation (RFQ) to Itekeng and requested samples of its products for assessment.

SASSA is a public entity which use the Preferential Procurement Act (PPA) and abides strictly to all policies and requirements as set out by National Treasury. Its process for supporting special enterprises is standard, whereby it advertises tenders in the government gazette. In addition, it invites service providers to participate in RFQs using the three quote system.

Furthermore, SASSA invites service providers from a database provided by the DSD. In terms of the PPA, it looks at a service providers' BEE level status as well as at price. In addition, the capacity to perform and meet supplier requirements is also considered. SASSA follows the PPA as set out by National Treasury. Finally, in evaluating bids and to ensure transparency, a member from the National Treasury is on the evaluating committee.

The SASSA respondent indicated that he sometimes has to motivate for social enterprises or community-based organisations, as such enterprises usually face challenges in executing large amounts of work, to manage resources and plan accordingly. The SASSA respondent indicated that Itekeng produces excellent quality work and that works in its favour. Having said this, he did note that it needs to motivate for all the service providers that it selects, based on the PPA, to its managers, not only for social enterprises. It was only for social enterprises that it would need a bit more motivation. Ensuring the competitiveness of the Itekeng Basadi enterprise is that it is the only textile industry in the area.

SASSA has access to a database of social enterprises that is managed and maintained by DSD. This database is comprehensive, meaning that it has names of community based organisations (CBOs), the services each provides, and where each is located. Some of these enterprises are registered as NPOs, but the way SASSA sees it is that these enterprises are making some profit to share among themselves and remain in business. SASSA sources from this database based on what it requires and what the service providers can provide.



| ITEKENG BASADI SETSOTO IS A VIBRANT GARMENT MANUFACTURING ENTERPRISE

The procurement office has no formal engagements with service providers in the procurement process, as it needs to remain transparent. The most it does to ensure that these enterprises receive opportunities is to include them in the request for quotations, which it does by inviting them based on the services they have indicated they can provide on the database held by the DSD.

Little information could be given about SASSA's relationship with Itekeng, because it was a rather new partnership. However, SASSA indicated past success in procuring from local enterprises as they get good economic value and are also cheaper to outsource to rather than larger companies. In the bigger picture, government is also aware that it is contributing to job creation by supporting social enterprises such as Itekeng Basadi.

## IMPACT

The various projects initiated through Itekeng have each had significant impact on the people and the communities involved. A total of 550 people receive a monthly stipend of R984 (after Unemployment Insurance Fund deductions) through IDT funds, and are thus no longer solely reliant on government social grants. These employment opportunities have also empowered women, as Thandazile employs mostly women from the community. The profit-generating enterprise, Itekeng Basadi, provides extra income for members and skills training, and also provides a service to OVC by providing them with school uniforms. The enterprise employs 40 people (excluding Thandazile), 32 of whom are women and including 10 disabled people. Itekeng's involvement with the DPW has led to negotiations for Itekeng Basadi to manufacture protective clothing for EPWP. Trees cut down through the alien vegetation clearing project are used to make coffins (part of a prisoner reform initiative). Itekeng is hoping to sign a contract with the local municipality for the purchase of these coffins for families who cannot afford decent burials. The Disabled and OVC Centre also provides support and essential services to the community. Itekeng has also begun to spread its wings into neighbouring communities, so as to increase the impact of its initiatives.

## CHALLENGES

Although Itekeng is reliant on grant funding, Itekeng Basadi Setsoto is rapidly developing into a self-sustainable business enterprise, negotiating contracts with various government departments to ensure not only the sustainability of the enterprise, but also to facilitate its growth.

The two biggest challenges it faces in obtaining access to procurement opportunities within the public sector are:

- The legal status of the enterprise; and
- Not meeting all compliance requirements.

Procurement opportunities are fewer for NPOs, and so Thandazile is working with the dti to register Itekeng Basadi Setsoto as a primary co-operative. Itekeng does not have a business plan, which is a requirement; however, the dti is providing assistance to ensure the enterprise becomes compliant. Some of the challenges Thandazile has experienced working with clients in the past include not having monies or funds deposited on time. Unfortunately, this has a knock-on effect, as she is constantly expected to manage the expectations of her employees as well as the funders.

From the perspective of the procuring institution, SASSA, some of the challenges in working with social enterprises are the lack of management and resource planning skills, which at times results in extending deadlines even if the organisation has the capacity. Social enterprises could benefit from training in management and resource planning, not only for managing time and meeting deadlines, but also in creating independence from government funding, and to garner further and more lucrative support and procurement.



| SETSOTO WOMEN EMPOWERMENT PROJECT (RIVER CLEAN-UP AND THE REMOVAL OF ALIEN VEGETATION)

## LESSONS

- Small community-based initiatives can develop into viable business enterprises, with the right financial and non-financial support.
- Social enterprises can assist local government institutions in achieving their service delivery mandates, and maximise the social impact of service delivery.
- Registration on government supplier databases can go a long way in increasing the participation of social enterprises in public sector procurement. Public sector institutions should be made aware of available databases from which to source social enterprises.
- Public sector entities (in this case) have observed the need to consider extended deadlines for social enterprises. It is not always an issue of the social enterprise not being able to deliver a quality product or service; rather, it is simply a social enterprise's lack of sufficient management and resource planning skills that impact on delivery.
- Greater collaboration and communication between different public entities and institutions is required to assist social enterprises and improve their participation in public sector procurement. For example, a social enterprise may be a good candidate for a specific contract but is lacking in a simple compliance requirement. As it is not the responsibility of SCMs or POs to assist social enterprises to obtain such documentation/certification, the social enterprise is simply not considered. SCMs and POs do not deal directly with potential bidders. However, if SCMs and POs referred the social enterprise to a relevant organisation/institution/business centre for assistance, they could become compliant, thereby increasing its ability to bid successfully for future procurement opportunities.

## MASISIZANE WOMEN'S HOUSING CO-OPERATIVE

### FROM BRICKS TO BUILDING HOUSES

This women-owned, brickmaking co-operative provides decent, safe and secure housing for the community of Ivory Park, while assisting the Gauteng Department of Housing in its service delivery objectives.

#### BACKGROUND

Masisizane was established in 1998 to address the lack of decent housing in Ivory Park. The informal co-operative started out as seven women from the then informal settlement of Ivory Park, each contributing R25 a week to a savings club to purchase bricks, doors and windows to build houses for themselves. At the time, the people of Ivory Park were living in informal shacks, and seasonal heavy rains often resulted in the flooding and destruction of homes, and sometimes even in death. The savings club eventually grew in number to include 24 women. This is when it decided that instead of buying bricks, members would learn to make their own bricks (it saw this as a viable business opportunity). The enterprise learnt how to make bricks from a group of builders in the neighbouring location, and would make about 10 000 bricks that it would then sell to people in the area.

While busy with their brick sales, a woman's home was destroyed by heavy rains. This woman also lost two of her young children in the destruction. Being women themselves, this tore at their heartstrings, and the co-operative decided to build her a brick house (with the help of a few men from the community). Masisizane used the bricks that it made, and bought additional materials such as cement, windows and doors to build a four-bedroom house, which was completed within one week. Masisizane then invited the Gauteng Provincial Department of Housing to the official unveiling, and the department donated money towards the catering for the event, which was also televised.

After the unveiling event, Masisizane were approached by a company called Apex, which had seen them on television and offered a series of training initiatives to the members. Members were trained in welding, painting and also improving their brickmaking skills. After this training, members decided to build another four-bedroom house for an old woman; and once again the enterprise invited the Gauteng Provincial Department of Housing to the official unveiling. It was at this stage that the Department realised the potential in Masisizane to build houses for the whole community of Ivory Park.



“The sector is very competitive, unlike when we started. When we started there were very few brickmaking businesses or co-ops like ours and it was easy to get contracts from the Department of Housing.”

Masisizane Member

## SOCIAL PURPOSE

The Masisizane Women’s Housing Co-operative’s provides decent housing to the members of the Ivory Park Community. With a focus on vulnerable women (mostly those affected by HIV/AIDS), Masisizane has played a pivotal role in supporting the most vulnerable members in the community. No longer involved in the development of RDP<sup>10</sup> housing, Masisizane continue to manufacture bricks which it sells to the local community, addressing another social need of job creation.

## BUSINESS MODEL

|                                |                                                                                                                                                                                                                                                                                                                            |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product or service             | Masisizane is first and foremost a brickmaking enterprise, but also acted as the Support Organisation for the People’s Housing Process, building RDP houses in Ivory Park.                                                                                                                                                 |
| Target market                  | Public sector (for securing housing development contracts), but also the private sector through the local sale of bricks.                                                                                                                                                                                                  |
| Financial model                | Initially set up as a brickmaking enterprise, Masisizane is 100 percent reliant on the sale of bricks to generate revenue. Since the social need for housing in the area has been largely met, membership has dwindled to six people; those who left did so to concentrate their efforts on their own private enterprises. |
| Annual turnover                | Did not disclose income generated through the sale of bricks; received R10 000 per RDP house when contracted through Department of Housing, but unable to indicate annual turnover during this time <sup>11</sup> .                                                                                                        |
| Number of employees            | Six members/employees                                                                                                                                                                                                                                                                                                      |
| Business form                  | Although the enterprise refers to itself as a co-operative, Masisizane Women’s Housing Cooperative is registered as a not-for-profit organisation; it operated as an informal structure before registering for bidding purposes. Masisizane is registered on the Gauteng Department of Housing supplier database.          |
| Ownership/management structure | Masisizane has a democratic management structure, with all six members having equal share in the enterprise.                                                                                                                                                                                                               |

<sup>10</sup> The government’s subsidised housing programme was known as the RDP programme, named after the Reconstruction and Development Programme adopted at the transition to democracy in 1994

<sup>11</sup> Masisizane has undergone significant changes in management structure; the current representative could not provide adequate information regarding specific issues related to past activities.

## PROCUREMENT PROCESSES

Masisizane indicated that the process of procuring from the Department of Housing was quite smooth, with not much administration required from its side as it had assistance. After the official unveiling of the second newly built house, which was attended by the Head of the Department of Housing, Masisizane was invited to submit a proposal to be considered for the housing development contract. The Department sent a representative to assist Masisizane to develop its proposal. The organisation was also required to register as a legal entity (NPO) and obtain a tax clearance certificate from SARS.<sup>12</sup>

After only one month, the enterprise received a contract from the Gauteng Department of Housing to build 250 units (houses) at R10 000 per unit. Masisizane's contract with the provincial department allowed it to claim the money once it had completed a house. Masisizane completed the 250 units within three months. During this time, members did not stop with their savings club contributions, and instead doubled the contribution amount to R50 a week to increase cash flow.

Masisizane became the Support Organisation for the People's Housing Process in January 2003. It built itself an office, as required by the Department of Housing, to have somewhere from which to operate and be visible. The Department of Housing then renewed its contract, and asked Masisizane to build an additional 250 houses. After a few more contract renewals, it completed a total of 1 200 houses for the community of Ivory Park. Masisizane was not required to tender each time for the new contract.

It appears that the contract was purposely staggered (i.e. rolled out in phases), although the reason for this is not clear. One participant indicated that it was purposely staggered, but could not provide much insight into why this approach was adopted.

According to the Gauteng Department of Housing, Masisizane was selected through the normal procurement process of the department. The procurement office appoints the contractors used for RDP housing projects, as with all other projects. The procurement office has a quota it is required to fulfil and the government aims to spread available contract work among different types of organisations, such as Pty's and co-operatives. The same contractors are not used repeatedly, rather the idea is to award different contracts to different companies/organisations so that as many of them can benefit.

Nevertheless, the tender process involves three groups/phases:

- The organisation/enterprise is assessed for the qualification requirements of the project;
- Another group then looks at the history of the organisation/enterprise and assesses its track record (i.e. can they deliver); and
- The organisation/enterprise's financial situation is also assessed.

The procurement office does have a database from which to select organisations/enterprises, and registration on this supplier database is open to the public once/twice a year. The reason for supporting social enterprises is simple – job creation, according to an interview with a Gauteng Department of Housing representative. The Ivory Park RDP housing project was part of the People's Housing Process, a people-driven process in which community contribution and partnerships are encouraged. It made sense to appoint Masisizane as the contractor for the Ivory Park project as it was already assisting with housing development.

<sup>12</sup> At the time, Masisizane was operating as an informal enterprise (i.e. a savings club).

Furthermore, Masisizane was a good candidate because it is a women-based organisation, and the government specifically seeks to empower such organisations.

## IMPACT

Through its contract with the Department of Housing, Masisizane was able to provide decent housing for the community. With the profits, it was also able to build a community crèche, also called Masisizane, and plant a vegetable garden to help feed the children who attend the crèche as well as needy families in the community. This has left a lasting legacy, even after Masisizane has stopped building RDP housing. The brickmaking enterprise is what keeps the organisation afloat and continues to provide employment and income for six people. Furthermore, Masisizane savings club is still active today.

## CHALLENGES

Department of Housing did not renew or extend a contract with Masisizane as it had reached its target of RDP housing in Ivory Park, but also because the Department prefers to award contracts in other areas to organisations/enterprises from those areas. Projects such as RDP housing are area based and “people want to own the area” and also get in on projects in their community. According to a Department of Housing representative, the difficulty is that it is not possible to take an organisation out of one area and place it in another area to do the work. This is a problem as local organisations feel that they should receive the contracts to develop their own areas. As a result, Masisizane employee numbers have dwindled to six as the enterprise does not have any contracts with the public or private sector, and only manufacture bricks for local sale.

Although the contract from the Department of Housing catapulted the co-operative to great heights, Masisizane’s sentiments are that an enterprise should not rely solely on contracts; it should have another means of making a profit to remain sustainable. In addition, Masisizane highlighted the importance of skills training for enterprises like this, especially financial skills training. Financial knowledge has been instrumental in the survival of the enterprise.

## LESSONS

- Small enterprises can deliver on large contracts and assist government to achieve its service delivery mandates, as well as significant cost savings.
- Taking initiative to showcase its work can open up opportunities for a social enterprise to obtain more opportunities. Access to clients is an important aspect of growth and sustainability; marketing can increase such access.
- Challenges related to procurement processes, especially compliance issues, can be overcome with assistance from stakeholders. The Department of Housing – once it had identified Masisizane as a potential supplier – made a concerted effort to assist the organisation to develop its business plan as well as in its application process.
- Sustainability is ensured when an enterprise expands its product/service scope as well as its client base. Too much reliance on a single product or service, or a single client, negatively affects the ability of a social enterprise to grow, increase profitability and remain sustainable.

## DEAF HANDS @ WORK

### MAKING EMPLOYMENT POSSIBLE

This enterprise seeks to create a platform to empower disabled people to become entrepreneurs, while also helping the public sector incorporate disabled individuals into the economy and increasing the BEE scorecard of private companies.

### BACKGROUND

Charles Nyakurwa established Deaf Hands @ Work in 2011 to create a platform from which to give priority to disabled entrepreneurs, by providing skills training for people with disabilities (mostly deaf individuals). Deaf Hands @ Work achieves this by offering two main services – construction services and textiles, through a lifestyle clothing brand Deaf Style. Recognising that the mainstream public sector does not have the capacity to train deaf individuals – who are less employable because they are unskilled and do not meet certain prerequisites – Deaf Hands @ Work seeks to close this gap by providing a much needed niche service: equipping disabled individuals to become employable members of society.

Charles has a different approach to assisting the disabled members of his community. Recognising that many companies that are started by, and for, people with disabilities function like non-governmental organisations (NGOs) (i.e. they are reliant on funding), Deaf Hands @ Work seeks a different approach, taking into consideration the risk of organisational closure associated with a reliance on external funding (i.e. if the funding dries up, the organisation closes down). Instead, it seeks to provide opportunities (through training and skills) for disabled people to grow and become enterprising individuals themselves.

### SOCIAL PURPOSE

Deaf Hands @ Work empowers the disabled members of society by up-skilling them and making them more employable. The objectives of the enterprise are geared towards achieving the maximum social benefit, leaving a legacy and changing perspectives rather than being profit-driven. The aim is to empower disabled people by providing them with skills, and encouraging entrepreneurship and the self-sustainability of the disabled community. Charles believes that creating awareness about disability issues is essential for increasing the employability of disabled people.



## BUSINESS MODEL

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product or service             | Deaf Hands @ Work offers two services: construction services and textiles.                                                                                                                                                                                                                                                                                                                                                                                                             |
| Target market                  | The public and the private sector (mostly the latter).                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Financial model                | Charles spent five years working and saving enough capital to be able to start the enterprise. Now, through the construction and textile companies (the Pty Ltd), Deaf Hands @ Work generates revenue which feeds back into the NPO. Deaf Hands receives some grant funding through the NPO, but has no loans. Deaf Hands generates 80 percent of all income through its enterprising activities; 20 percent is from grant funding. Expenses include salaries, overheads and training. |
| Annual turnover                | R250 000 (2013)                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Number of employees            | Nine permanent; four apprentices.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Business form                  | Hybrid model: Registered as a Pty Ltd and as an NPO. The Pty Ltd was registered first, as it is through this legal status that the enterprise can access opportunities; however, to access funding it had to later register as an NPO. The enterprise is a level 4 BEE contributor.                                                                                                                                                                                                    |
| Ownership/management structure | Single owner and manager, with profits reinvested back into the NPO.                                                                                                                                                                                                                                                                                                                                                                                                                   |

## PROCUREMENT PROCESSES

Deaf Hands @ Work tends to drift more into the private sector than the public sector, as it is easier to get work in the private sector as a Pty Ltd with only a level 4 BEE status. One of their biggest private clients is construction company WBHO, which has sub-contracted Deaf Hands for commercial construction projects on numerous occasions. Looking to give back to the community, through a credible organisation, the private sector benefits in a number of ways when sub-contracting an enterprise like Deaf Hands. Through word of mouth and a track-record of delivering quality work, Deaf Hands is often approached by the private sector (mostly small and medium enterprises (SMEs) looking to boost their BEE score) to conduct construction work. Charles believes his enterprise offers what no other enterprise offers – a “disability injection” and skilled tradesmen.

This is how the enterprise maintains its competitive edge. The enterprise has repeatedly received contractual work within the film industry, constructing stage set-ups. Deaf Hands (the Pty Ltd) is also registered on the City of Cape Town supplier database, although its BEE status is not sufficient to ensure competitiveness in the procurement process. Most of the public sector construction work the enterprise obtains is through sub-contractual agreements with larger companies such as WBHO, which has the experience.

The textile arm of Deaf Hands @ Work was contracted by Deaf Sport to manufacture uniforms for the South African Paralympics team. Deaf Sport heard of the enterprise through a referral, and requested a quotation from Deaf Hands. The nature of the organisation (i.e. its support of people with disabilities) counted in its favor, and it was awarded the contract.

## IMPACT

Through construction projects, Charles is able to train men, who come from the semi-skilled to unskilled workforce, to become skilled. Through the textile industry, Charles has created opportunities for women, who start as housemaids and eventually end up running their own micro enterprises. The Deaf Hand @ Work training programme is geared to linking the training initiative within the revenue aspect of the enterprise, to create social and economic independence among the disabled. Using the construction industry, Deaf Hands helps apprentices who are functionally illiterate obtain Adult Basic Education and Training, empowering them to be able to read and write and get a skill, and improving their business acumen. Thirty people have graduated from the Deaf Hands @ Work programme since 2012, and the organisation employs nine permanent staff (two in construction and seven in textiles) and has four apprentices in the construction programme. Apprentices also receive pay while in training. Charles also creates awareness of disability issues by conducting workshops within the public sector.

SINCE 2012  
**30**  
PEOPLE  
HAVE GRADUATED  
FROM  
DEAF HANDS

## CHALLENGES

Deaf Hands @ Work is registered as two entities – a Pty Ltd and an NPO – to be able to benefit from both tender and funding opportunities. Deaf Hands registered as a company first, as this legal form allowed Charles to register as himself. Since Charles was the sole owner/manager, a co-operative was not a legal status he could take. At the same time, tenders are not awarded to NPOs. An innovative solution was required which is why Charles registered as two legal entities, which he merged. While Charles wanted to register as a Non-profit Company (NPC), this required that the enterprise have more than one director. This option did not seem viable to Charles: “You have to find another person who shares the same passion as you, then the problem is they don’t want to own a company where they don’t get rich... Our objective was to be able to make that measurable impact; it’s more about the legacy, not profit.”

As a Zimbabwean, Charles is unable to achieve higher than a level 4 BEE score. This makes the tendering process less competitive for the enterprise, which is why it mostly receives sub-contracted public work. Deaf Hands relies to a large degree on private quotations to generate revenue.

“It is not really the fact that there is not enough work out there, there’s a lot of work, but just that we have had a different perception on that. We always thought that if we are to help people with disabilities we need to start an NGO, and then get some funding and go out there and help them. But it was not actually about us going to help them, it’s actually about us creating a platform which is conducive enough for them to empower themselves, and that is not an NGO set up.”

Charles Nyakurwa, Social Entrepreneur and Founder of Deaf Hands @ Work

Charles also believes that the administration requirements for registration can demotivate social enterprises. As there is no legal status for a social enterprise, such organisations have to “mould themselves to fit within government frameworks”. Charles believes that support services (non-financial, in particular legal support) are essential to the success of social enterprises, as is networking.

## LESSONS

- Legal status is difficult to navigate and enterprises could benefit from non-financial – especially legal – assistance.
- Legislation allows enterprises to adopt a hybrid model, allowing them to be both non-profit and for-profit, and to operate as a social enterprise.
- Social enterprises are better equipped to build capacity in certain sectors of society to assist them to become more employable.
- Social enterprises can benefit from procurement opportunities through sub-contracting. This relationship can be beneficial for both parties for different reasons: for the social enterprise, it could mean skills development, improved market access/ access to clients and increased profitability; for the larger company with which it has a sub-contractual agreement, improvement in its BEE scorecard and cost reductions are sufficient reasons to warrant such a relationship.
- However, adopting a hybrid model is both time-consuming (in administration requirements) and costly, and is therefore not the ideal solution.

## HOUT BAY RECYCLING COOPERATIVE

### COMBINING WORK AND ENVIRONMENTAL AWARENESS

This recycling co-operative is working to make its community the first zero waste suburb in South Africa, and its working model has been transferred to other sites which now employ the same best practice principles to assist the municipality in reducing the amount of waste to landfill.

#### BACKGROUND

The Hout Bay Recycling Cooperative (HBRC) was formed in 2007 by a small volunteer group of 10 environmental activists, headed by Nokwanda Sotyantya, to create awareness among residents to encourage sustainable living through waste reduction and wise waste management. Hout Bay has adopted a policy of zero waste and intends to become the first suburb in the country to achieve zero waste to landfill by 2016.

The co-operative sorts recycling at the City of Cape Town's Hout Bay Drop Off and Material Recovery Facility and has a three-year contract with the City that runs until June 2015. Before this contract, the co-operative had short-term agreements of three months to six months with the City. Other HBRC projects include the collection of recycling from a number of Hout Bay businesses; a Think Twice door-to-door recycling collection pilot project in Imizamo Yethu; sourcing and managing the beach cleaners for the "no more plastic pooh" beach cleaning project; and providing a recycling service at local events. Recycled waste is sorted and compressed and sold to Nampak which purchases everything except steel (sold to SA Metals).

#### SOCIAL PURPOSE

HBRC's objective is to get the local community to participate in the three Rs – reduce, reuse, recycle – and to change their waste habits. The ultimate aim is to become the first zero waste suburb in the country. Secondary to this, the enterprise seeks to create jobs and empower the community.



“We hoped to become the first zero waste community. But there is not enough money in waste and so there is a lack of cooperation from the community – people expect a higher price for their waste. Hout Bay has three areas – the coloured community, the black community and the white community (Valley). The white people understand recycling, they support us. But my community, the black community, are not supportive, because there is not enough money in waste.”

HBRC Manager

## BUSINESS MODEL

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product or service             | Recycling and resource recovery, and the reduction of waste to landfill through promoting and encouraging community wise waste management.                                                                                                                                                                                                                                                                                                                |
| Target market                  | The public and private sector. Customers include private businesses as well as public schools. The main client is Nampak, to which the co-operative sells the vast majority of the recyclable waste.                                                                                                                                                                                                                                                      |
| Financial model                | The primary income-generation stream of the enterprise is the on-sale of recyclable waste it collects. The co-operative has entered numerous competitions in the past to fund its activities. Expenses include R300 rent a month, which covers water and electricity at the depot; fuel for the bakkie and ink for printer and data/airtime for business administration. The co-operative also pays insurances of about four percent of its total income. |
| Annual turnover                | About R240 000 (after expenses)                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Number of employees            | Nine                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Business form                  | HBRC decided to register as a co-operative because it required a legal status to bid. This specific legal status was chosen partially for access to incentives, such as the dti's CIS programme. HBRC is 100 percent black-owned, but does not have BEE certification. HBRC is registered on the City of Cape Town supplier database.                                                                                                                     |
| Ownership/management structure | The nine members of the HBRC have equal share in the enterprise; however, Nokwanda is seen as the leader and is responsible for the management of the enterprise.                                                                                                                                                                                                                                                                                         |

## PROCUREMENT PROCESSES

Initially the City outsourced the management of its depots to private companies, but eventually it realised that these companies were not serving the interests of the community or the City as they did not fully engage in recycling and the reduction of waste to landfill. The movement started gaining momentum when the Hout Bay recycling community held a protest at the site to get the City of Cape Town to listen to them. They were unhappy that these companies were throwing recyclables in the landfill and not engaging in recycling. A month after the protest (which gained media attention), the Hout Bay recycling community managed to get the City to start working with them to address recycling. It was at this stage that the group decided to register as a co-operative. The tender “forced the group to get themselves in order”, because for it to bid for the site it was required to be registered as a legal entity.

The City informed the HBRC of the upcoming tender and told the enterprise where to find the details of the tender and how to apply. It made a concerted effort to make the enterprise aware of the opportunity and ensure that it was compliant and able to bid. In essence, once the enterprise was compliant and registered on the supplier database, the City requested a proposal. In the opinion of the Hout Bay recyclers, the City had to award the contract to HBRC to appease the community, especially since the protest garnered media attention. It was difficult to compete against the more organised groups, but the community was behind them. HBRC had to bid for the tender to operate the Hout Bay recycling depot – the tender was an advertised and competitive process, and the request went out to all City depots for existing contractors to bid for the new tenders. The City manages its own sites and has contractors to do the recycling and chipping, as this is more cost-effective. The City employ managers at the sites who are responsible for making sure contractors adhere to City health and safety systems. The recycling depot operated by the HBRC is subject to regular audits and site visits to ensure City standards are adhered to. An interesting finding is that HBRC indicated that its contractual agreement with the City has no monetary value. Rather, HBRC has the rights to the recycling facility at the landfill site and generates its income from the on-sale of recyclable products collect through the site. This claim could not be substantiated.

## IMPACT

The HBRC has significantly reduced the amount of waste send to landfill, initially stopping 20-40 tons a month from being transported to landfill. The enterprise employs nine people – six women and three men, all from the local community of Imizamo Yethu. According to Nokwanda, the enterprise has made a big difference in the lives of members because “these people [members] were not employed before. It’s 100% better earning a little thing rather than staying at home. It is also a benefit that we work close to home and don’t have to spend money on transport.” Members also benefit from the items dropped off by the white community in the Valley, such as old TVs and stoves, which members fix and either take home or sell to others in the community. “This is beneficial to us; it’s why we are still here,” according to HBRC.

To fund its endeavours, HBRC enters competitions. The enterprise won a Brandhouse competition in 2013 by recycling the greatest volume of glass bottles. It won a bakkie and the prize money was used to purchase a trailer and other necessities.

**IT’S  
100% BETTER  
EARNING A LITTLE  
THING RATHER  
THAN STAYING AT  
HOME**



#### | THE HBRC HAS SIGNIFICANTLY REDUCED THE AMOUNT OF WASTE SEND TO LANDFILL

The City upgraded its facility, and the enterprise does composting, recycling and hauling from the Hout Bay site. The HBRC depot has been so successful that other City depots have been modelled on what the enterprise is doing in Hout Bay – more than simply sorting and recycling dry recyclables; it also engages in chipping and composting of “wet” waste. Petco (PET Recycling Company) have pledged to provide HBRC members with training.

## CHALLENGES

The enterprise has experienced many challenges over the years. Most notably are those related to registration – described as “extremely difficult” and “challenging” to complete. According to the HBRC mentor from Thrive Hout Bay, who was influential in assisting the enterprise in its registration and certification processes, members of enterprises like co-operatives are often functionally illiterate and so filling out registration and application forms is a difficult process. Community organisations and co-operatives need access to support services to navigate the tender process; they require assistance with business administration, as they are not equipped to run a business. Registering as a co-operative was also claimed to be harder than registering a Pty – all members have to be registered, and people come and go. Furthermore, the enterprise could not get dti CIS funding as it found the process was not easy to access. To be more specific, members indicated that the paperwork (i.e. administration of the application) was complicated and difficult to understand. The enterprise also indicated the difficulties in navigating the SARS online registration process (also said to be complicated and difficult), and it has not managed to obtain BEE certification because it also found this process too complicated. It must be noted that literacy levels of members are low, with some members functionally illiterate, which could be linked to the challenges they experienced.

Zero Waste Hout Bay is a collaborative initiative, and the HBRC works with a company called Waste Control. However, Waste Control gets most of the recycling business, as the co-operative does not have the support to do what it does. It is easier for people to simply put their waste outside their doorstep than to drop it at the site, so they go with Waste Control. When Waste Control started, HBRC lost five of its members to the company, as well as half of its business. Waste Control initiated a clear bag recycling service in the Valley, and as a result HBRC now collects half of what it used to collect (customers have changed to Waste Control).

Furthermore, municipal haulers and tippers get paid per ton removed from landfill, by the City; but recyclers don't and this is seen "unfair". Membership at HBRC changes a lot "because we don't earn enough money in waste". All of the new members are young, and they leave as soon as they find another, better paying opportunity. Members each make between R1 800 and R2 200 a month, but this not stable as it depends on the amount of waste received.

Trashback assisted the HBRC to establish its relationship with Nampak; however, Nokwanda is looking into changing clients because the enterprise feels that Nampak are not paying enough for its products. Nampak pay R1.50 a kg whereas another company is prepared to pay R3.10 per kg of waste. "Waste as I said is not a paying thing," says Nokwanda, "We can only grow if the City brings back our community; the valley, and also if we can get better prices for our waste."

HBRC also spend a lot of time separating waste as companies – particularly those in Imizamo Yethu – do not separate the waste themselves. HBRC do this themselves at the company sites. This is a time-consuming process.

## LESSONS

- Recycling initiatives can be successfully managed by co-operatives and have the potential to create sustainable employment opportunities, if actively supported by the public and/or private sector(s).
- This approach is more cost-effective and achieves greater results (of reduction of waste to landfill) than outsourcing to for-profit companies.
- Registration and compliance processes are difficult for functionally illiterate members. Non-financial support (business and administrative assistance) is crucial for establishing social enterprises.
- Procurement is a competitive process, and smaller social enterprises are often outbid by larger companies with better resources and more experience. Set-asides could go a long way in assisting social enterprises, especially co-operatives, to secure contracts to provide services of such scope.
- City Council made a concerted effort to inform the social enterprise of potential procurement opportunities and assisted with its application.

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## CHAPTER FOUR

### ANALYSIS

This chapter provides an analysis of the research findings, specifically highlighting opportunities for the creation of decent work and challenges related to procurement from social enterprises.

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#### OPPORTUNITIES FOR DECENT WORK THROUGH PPPSE

The case studies highlight the important role of the private and public sectors in supporting the growth and sustainability of social economy enterprises, through contractual agreements for goods or services as well as through mentoring and enterprise development initiatives. By procuring goods or services from these social economy enterprises, the private and public sector have enabled them to create jobs and opportunities for income generation within their local communities, thereby increasing the involvement of beneficiaries in their local economy. Not only do beneficiaries receive a monthly stipend, which improves their financial security, but they also receive training and skills development which better equips them to sustain themselves as productive members of society. An additional benefit which emerged is a reduced dependence on government grants. Furthermore, through this work, beneficiaries become more actively involved in developing their communities, and promoting greater social cohesion and social inclusion. The Jozi@Work model of contracting community-based enterprises to provide basic services is a commendable one, with great potential to create jobs, stimulate community dialogue and encourage communities to become more active in their own development. This example also shows that the opportunity does exist for the public sector to make existing frameworks work for social economy enterprises.

The case study of Itekeng also highlighted the potential of not-for-profit organisations to stimulate the creation of jobs through service delivery initiatives, while at the same time promoting entrepreneurial activity and enterprise development. Doing so stimulates the local economy even further and creates ever more opportunities down the value chain. Lesedi is another example of promoting enterprise development, while at the same time achieving service delivery mandates in line with municipal and provincial goals.

Decent work is not simply about job creation; it includes aspects such as “rights at work, social protection and social dialogue, with gender equality as a crosscutting objective”.<sup>13</sup>

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<sup>13</sup> [www.ilo.org/global/about-the-ilo/decent-work-agenda](http://www.ilo.org/global/about-the-ilo/decent-work-agenda)

## Registration on supplier databases was also cited as a complicated and time-consuming process

It is about both social and economic advancement, and therefore involves promoting social inclusion and the creation of sustainable livelihoods. With this in mind, and taking into consideration the findings which emerged from the case studies, the social economy has significant potential to provide opportunities for decent work. However, to achieve this requires active participation from both the private and public sectors, by facilitating the involvement of social enterprises in procurement and assisting them throughout the process with support services. These range from knowledge and awareness of the different legal forms available to social enterprises; business administration; compliance issues; conflict resolution in the workplace; and financial management.

Furthermore, it is important for the private and public sector to remain considerate of sustainable procurement processes, “whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment”.<sup>14</sup> Sustainable procurement seeks to achieve the appropriate balance between the three pillars of sustainable development (economic, social and environmental). Taking into consideration that social factors include social justice and equity, safety and security, human rights and employment conditions, the notion of sustainable procurement cannot be separated from decent work. All the case studies could not be considered examples of sustainable procurement (Masisizane for instance), however they nevertheless provide lessons from which procuring institutions can learn about best practice when procuring from social enterprises.

## PROCUREMENT CHALLENGES

All the enterprises faced challenges around procurement processes. The most common cited related to compliance and registration issues (i.e. registering as a legal entity; obtaining a SARS Tax Clearance certificate; registering on supplier databases) as well as issues related to business administration and financial management (i.e. writing proposals; filling in tender paperwork; managing organisational finances). Specific mention was made about the difficulty in understanding compliance requirements and the lack of business acumen needed for writing business plans and proposals. Furthermore, participants mentioned their applications being rejected, with no feedback/indication as to why and/or no assistance provided about obtaining the necessary documentation to become compliance. In general, the procurement processes of (in particular) the public sector were identified as inhibiting to social economy enterprises. However, in some cases these challenges have been addressed through mentoring and hands-on participation from procurers themselves, as well as intermediary organisations (such as Seda or the NYDA for example) which offer administrative and business services and support to social economy enterprises. There is room, however, for greater collaboration between these parties, in terms of support services offered to social economy enterprises. Itsekeng highlights examples of (specifically) public sector institutions working together to assist social enterprises in procurement processes.

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<sup>14</sup> [www.unep.org](http://www.unep.org)

The initial problem for many enterprises is deciding on which legal form to take. As there is no legal structure for social enterprises, enterprises have to decide which form is best suited to their objectives. Registering as a not-for-profit entity enables enterprises to access much needed grant funding to achieve their social objectives; however, they then face challenges in accessing finance and loans if they wish to expand. If too dependent on grant funding, the sustainability of the enterprise is compromised. Registering as a for-profit means the enterprise can run as a profitable business, improving sustainability; however, it cannot then access grant funding and is not tax exempt. There are numerous pros and cons related to each legal structure available to social enterprises. The co-operative model is a good case in point: co-operatives have improved access to finance, equity and enterprise development funding; however, they are not tax exempt and they also do not have access to grant funding. What this in essence relates to is the inability of co-operatives to successfully access funds for their economic endeavours as well as funds for their social purpose endeavours – i.e. there is no financial support available to address both sides of the spectrum. Sometimes enterprises opt for the hybrid model, as with Deaf Hands, so that they are able to access both funding streams. However, this solution can both time-consuming and costly, as well as the varying compliance and reporting requirements associated with each. Enterprises may not always be knowledgeable about the different legal structures available to them, and therefore may not always select the form most advantageous to their objectives and needs.

Market access and access to clients is another inhibiting factor for some social enterprises (to some degree related to the above discussion – they are not always recognised as legitimate businesses). Masisizane provides a good example of how marketing an enterprise can improve market access and opportunities. In most cases, however, social economy enterprises would require assistance with marketing their products/services (both financial and non-financial support is required).

Registration on supplier databases was also cited as a complicated and time-consuming process. As there is no central database on which to register (as highlighted by Steinman, 2010: 64), enterprises are required to register multiple times. Obtaining a SARS Tax Clearance certificate was also highlighted as a difficult process (mostly for being complicated and tedious, but to some degree also due to requirements), as well as BBBEE certification. In some instances, enterprises are not aware of what opportunities exist, how to access them, or even what is required of them before they can access these opportunities. This leads to another major challenge – the lack of sufficient administration skills. As was the case with the Hout Bay Recycling Cooperative, sometimes members may be functionally illiterate and have no idea what to do and how to do it. Filling out registration forms can pose a significant challenge to small, emerging enterprises. Knowledge and awareness and non-financial services (such as administration assistance) are thus important considerations. Process and procedures should be revisited and solutions on how to make these more navigable discussed and developed.

**“Something like social enterprises has become incredibly popular recently, but at the same time there’s not that many of them – they’re suffering with policies that are alienating and really quite difficult to work with.”**

Stakeholder

Challenges are also encountered by procurers. The ability of social economy enterprises to efficiently and effectively manage themselves and their subsequent capacity to deliver on time was raised as a concern. Smaller enterprises often do not have the business acumen or sufficient resources to deliver on large contracts. Furthermore, their management structures and processes may not be adequate to ensure the enterprise remains operational. Procurement officers and supply chain managers have to ensure that value for money is achieved and that the goods or services paid for are satisfactorily delivered. Accountability is a major consideration, as are issues of legality. If a social enterprise submits a bid and does not meet all the necessary compliance requirements, its bid will be discarded. As stated by a key stakeholder, “This space is driven by regulation, and regulation drives behavior. There is no regulation to say that we must develop the social economy, and engage with co-operatives, or NPOs/CBOs. Therefore, there is no urgency or commitment from government departments or municipalities to doing it”.

**Another challenge is the lack of understanding of the term “social enterprise” as well as the lack of an acceptable legal form for a social enterprise. This lack of clarity makes it difficult for procuring institutions to identify these types of enterprises, and is especially challenging on how best they can assist social enterprises and increase their participation in procurement processes.**

The challenges are numerous, but specific challenges faced by social enterprises are consistent. What has emerged from the case studies, however, is the invaluable role of support services provided by intermediary organisations and institutions such as the NYDA, UDDI and Seda, to emerging enterprises. Assistance with proposal writing, identifying opportunities for funding, registration processes, mentoring – these are a few of the services which ensure not only the establishment of enterprises, but also their success and ultimately their sustainability.

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## CHAPTER FIVE

# CONCLUSIONS

This chapter summarises the key findings that emerged from the study.

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- **THE SOCIAL ECONOMY HAS POTENTIAL TO CREATE JOBS, IMPROVE SERVICE DELIVERY AND FOSTER SOCIAL COHESION AND SOCIAL INCLUSION**

There is significant potential for social enterprises and co-operatives to create jobs and deliver on the service delivery objectives of government departments. For the private sector, procurement from the social economy does not only relate to economic benefits for the company itself, or an increase in its BEE scorecard, but – more importantly – creates opportunities for society to contribute to social development objectives through the purchase of products or services (i.e. society takes some of the responsibility for social development; it is not only the mandate of government). By involving communities in their own development, and encouraging collective social responsibility, procurement from social enterprises contributes to social cohesion and advances social inclusion.

- **POLICIES AND LEGISLATION ARE ALIENATING AND DIFFICULT**

The lack of a common understanding of the social economy, and the lack of a legal structure and legislative frameworks dedicated to the social economy, makes it difficult for both parties (i.e. social enterprises and procurers) to navigate the procurement process. This is particularly true in the public sector; however, navigating procurement within the private sector can also present challenges for both parties. The difference is that the private sector has a bit more leeway in developing its own procurement policies (implies less bureaucracy), which means it can develop solutions to address challenges faced by social enterprises around procurement. It must, however, be noted that the private sector (depending on the size of the company) may also have a responsibility to shareholders, and so accountability for the bottom line may take preference over social accountability.

Social enterprises have to decide on which legal structure is best suited to their needs, and risk restricting access to certain opportunities as a result. Stringent compliance requirements are also sometimes a deterrent for social enterprises, especially those without access to support services. There is also not enough guidance/help from government departments on how to engage in social procurement; sometimes they just don't know how to do it.

- **THERE IS NOT ENOUGH CONVERSATION ENCOURAGING ENGAGEMENT WITH AND DEVELOPMENT OF THE SOCIAL ECONOMY**

Although there are policy statements which encourage the public sector to support co-operatives (for example), this is not translated into practice. It is not a priority for government departments/municipalities, as no regulation specifically pushes the development of the sector. As suggested, a common understanding of what a social enterprise looks like and a legal definition for a social enterprise could assist procurers in understanding how to better incorporate social enterprises into procurement practices. To summarise: once a common understanding of, and legal structure for, a social enterprise has been realised, debate and discussion around the support services required to improve participation of the sector in procurement can follow.

- **SUPPORT SERVICES, BOTH FINANCIAL AND NON-FINANCIAL, ARE ESSENTIAL FOR THE ESTABLISHMENT AND SUSTAINABILITY OF SOCIAL ENTERPRISES**

Social enterprises require administrative and business services and support to successfully navigate the procurement process, especially with writing proposals and business plans; obtaining/achieving certification and other compliance requirements; and registering on supplier databases. Mentoring can go a long way in building the capacity of emerging enterprises, helping them to become independent, self-sustainable business enterprises. Furthermore, social enterprises often require start-up or seed funding to establish their business (i.e. enterprise development funding). There are not enough funding opportunities for social enterprises.

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## ANNEXURE 1: CASE STUDY SELECTION FRAMEWORK

| THEMATIC AREAS                                          | KEY QUESTIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | PROXY INDICATORS                                                                                                                                                                                                                                                                                                             | TARGET                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Enterprise fits within ILO definition of social economy | <ul style="list-style-type: none"> <li>What type of enterprise is this?</li> <li>In what way/s does the enterprise encourage unity or cohesion?</li> <li>What economic goals does the enterprise pursue?</li> <li>What social goals does the enterprise pursue?</li> <li>What environmental goals does the enterprise pursue?</li> <li>How are profit and income distributed?</li> </ul>                                                                                                                                                             | <ul style="list-style-type: none"> <li>Is the enterprise an independent, revenue generating business?</li> <li>Are members of the constituency involved in the governance of the enterprise?</li> <li>Does the enterprise redirect its surpluses in pursuit of its social objectives?</li> </ul>                             | <ul style="list-style-type: none"> <li>Range of enterprise types (maximum four co-operatives)</li> <li>Democratic governance structure</li> <li>Reinvestment of surplus into enterprise, or redirected into social and/or environmental goals</li> </ul>                                                                                                                                                                                                                               |
| Location of enterprise within the market                | <ul style="list-style-type: none"> <li>In which sector does the enterprise operate?</li> <li>Where is the enterprise located geographically?</li> <li>What does the enterprise produce?</li> <li>What experience does the enterprise have in providing goods/services to the private and/or public sector?</li> <li>Does the enterprise provide a product/service that is relevant to the market?</li> <li>Is the enterprise competitive (i.e. does it offer value for money)?</li> <li>Has the enterprise secured procurement contracts?</li> </ul> | <ul style="list-style-type: none"> <li>Does the enterprise produce a product/service that provides a solution or addresses a need?</li> <li>To what extent has the enterprise engage in private and/or public procurement processes?</li> <li>Has the enterprise secured public or private procurement contracts?</li> </ul> | <ul style="list-style-type: none"> <li>Diversity in sector of operation</li> <li>South African-owned organisations and enterprises</li> <li>One case study in KwaZulu-Natal and one in Free State</li> <li>Diversity in geographic location</li> <li>Diversity of product/service types</li> <li>About 50 percent should supply to the private sector and 50 percent public sector</li> <li>Must have experienced procurement processes within private and/or public sector</li> </ul> |
| Sustainability                                          | <ul style="list-style-type: none"> <li>Is a viable business plan in place?</li> <li>Is the enterprise profitable?</li> <li>How much revenue is generated?</li> <li>What is the profit margin of the enterprise?</li> <li>Is the enterprise showing signs of growth (such as higher profit margins, job creation)?</li> <li>Does enterprise leadership have adequate operational skills and competence?</li> </ul>                                                                                                                                    | <ul style="list-style-type: none"> <li>Does the enterprise have a business plan in place?</li> <li>Has the enterprise shown increase in revenue since it began?</li> <li>Has the enterprise shown improvement in profit margins since it began?</li> <li>Has the enterprise employed more people since it began?</li> </ul>  | <p>Enterprises should demonstrate:</p> <ul style="list-style-type: none"> <li>Increase in revenue over years since inception</li> <li>Improvement in profit margins since inception</li> <li>Increase in job creation since inception</li> </ul>                                                                                                                                                                                                                                       |

| THEMATIC AREAS | KEY QUESTIONS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | PROXY INDICATORS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | TARGET                                                                                                                                                                                                                                                    |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Value chains   | <ul style="list-style-type: none"> <li>• How is the enterprise located within related economic value chains?</li> <li>• Are inputs (resources, staff) sourced locally?</li> <li>• Are products and related services sourced locally?</li> <li>• How have the activities of the enterprise impacted on upstream and downstream economic activities?</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>• Does the enterprise contribute to upstream and/or downstream value chains?</li> <li>• Does the enterprise support other local enterprises/entrepreneurs in its processes?</li> </ul>                                                                                                                                                                                                                                                                                                                                                 | Enterprises should demonstrate positive impact on upstream and/or downstream value chains                                                                                                                                                                 |
| Decent work    | <ul style="list-style-type: none"> <li>• How many people are employed by the enterprise?</li> <li>• What is the ownership and management structure of the enterprise?</li> <li>• What is the decision-making structure of the enterprise?</li> <li>• Does the enterprise deliver fair income, job security and social protection for employees/members and their families?</li> <li>• Does the enterprise provide prospects for personal development of employees or members?</li> <li>• Does the work of the enterprise promote social integration?</li> <li>• How is BBEE practiced within the organisation?</li> <li>• In what ways does the enterprise advance the economic participation of black people?</li> <li>• Is there equal opportunity and equal treatment for all women and men?</li> <li>• Is there equal opportunity and equal treatment for people with disabilities?</li> </ul> | <ul style="list-style-type: none"> <li>• Number of people employed</li> <li>• Number of black members/beneficiaries</li> <li>• Number of female members/beneficiaries</li> <li>• Number of people with disabilities</li> <li>• Proportion of employees who are in permanent, full time employment</li> <li>• Enterprise BBEE status?</li> <li>• Is the enterprise democratic?</li> <li>• Is income/revenue fairly distributed?</li> <li>• Does the enterprise provide training and skills development?</li> <li>• Does the enterprise benefit the local community?</li> </ul> | <ul style="list-style-type: none"> <li>• About 70 percent of case studies should focus on black-owned organisations/enterprises</li> <li>• About 50 percent of case studies should focus on women-owned or women-run organisations/enterprises</li> </ul> |

## ANNEXURE 2: INTERVIEW GUIDES

## CASE STUDY INTERVIEW GUIDE – ENTERPRISE

|                             |  |
|-----------------------------|--|
| Enterprise                  |  |
| Enterprise type             |  |
| Enterprise site or location |  |
| Name of Respondent          |  |
| Position within Enterprise  |  |
| Contact details             |  |

## INTRODUCTION

Good day, Mthente Research and Consulting Services has been commissioned by the International Labour Organization (ILO) to develop a series of case studies on social enterprises in South Africa, with experience of procurement from the public and private sector. Social enterprises are companies that earn a profit and operate as a business, but set out to achieve specific key social values. We are interested in hearing more about your business, and in particular, the reasons you set up this business, the values you hope to achieve, your experiences with procurement, and the successes and challenges you encounter. Your participation is very much appreciated!

- 1. To begin, please tell me a bit about your social enterprise. What legal status does it have (i.e co-operative, NPO, etc.)? What does your enterprise do? Why did you set up this enterprise, and what goals did you hope to achieve (i.e what is the primary purpose of the enterprise)? Please explain your answer.**

*Prompts:*

- a. When was the enterprise started?
- b. Please describe your business model?
- c. How is your enterprise managed?
- d. What about your employees? How has your enterprise changed their economic or social situation, if at all? Please explain.
- e. Please tell me more about the social reasons behind your decision to establish this enterprise (i.e. social purpose). What challenges were you responding to? What did you hope to achieve?
- f. In what ways does your enterprise use its profit to address these social goals and challenges? What social need does your enterprise fulfil?

- 
- 2. Based on what you have told me, I understand that your enterprise [INSERT RESPONSE FROM QUESTION 1] and that you mainly operate within the [INSERT SECTOR/INDUSTRY] sector. What is it like as a business operating within this sector?**

*Prompts:*

- a. Who are the main clients for the types of goods/services that you produce? What about the public sector? What about the private sector? Please explain.
- b. Who are your main competitors? Why?
- c. In what ways does your enterprise provide goods or services that differ from those offered by your competitors? Please explain.

- 3. Earlier you mentioned that [INSERT CLIENTS] are among your main clients. Please tell me about how [CLIENT/S] started procuring from you? What was the process like? What did you have to do to get this contract? How did you get this contract? What processes were followed? What impact did your first contract have on your business? Please explain.**

*Prompts:*

- a. Did you benefit from any preferential procurement in the public or private sector (i.e. government schemes or supply chain development activities)?
- b. What about other clients who procure from you, please describe your experiences with other clients.
- c. What are your main successes in terms of procurement so far? What are the challenges you have encountered?
- d. How, if at all, have these experiences with procurement changed the way that you do business? Changed the way that you look for new business opportunities? Please explain.

- 4. What about your enterprise, do you procure any goods or services from other local companies? What kinds of goods and services? What kind of impact has your business had on other businesses and economic activities in your area or sector? Please explain.**

*Prompts:*

- a. What about your staff, to what extent are they employed from the area in which you work? What about materials that you source?
- b. What about other local services, such as transport or advertising? To what extent do you make use of these?

**5. Now I would like to talk to you about the future. Looking to the future, how sustainable is this enterprise in your opinion? How secure or long-term are your current contracts? What is your plan to secure new contracts or maintain current contracts?**

*Prompts:*

- a. To what extent is your business profitable today? What trends have you seen in profitability since you started? How profitable is the business likely to be in future?
- b. Looking to the future, how will your business continue to provide better goods/ services than its competitors?
- c. To what extent have you experienced growth, for example, in terms of profitability and employment? How likely is this business to grow in future?
- d. To what extent do your employees have the skills and competencies required to continue to grow your business?

**5. Now that we have discussed your experiences of procurement processes, and the impact it has had on your enterprise, I would like to know more about how important contracts are for your enterprise and other enterprises like this in South Africa?**

*Prompts:*

- a. What supports do social enterprises need, if any, to be successful in procurement processes?
- b. What would you change about your current procurement relationships, if anything?
- c. What advice would you give to someone else starting a social enterprise, who wants to provide goods or services to the public or private sector?

**6. Are there any other comments you would like to include?**

**7. We would also like to speak to some of your clients about their experiences with procurement. Would you be able to provide us with the contact details of one or two key customers, who have procured from you?**

THANK YOU!

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## CASE STUDY INTERVIEW GUIDE – PUBLIC PROCURERS

|                                           |  |
|-------------------------------------------|--|
| Name of Institution                       |  |
| Institution type (i.e. public or private) |  |
| Institution site/location                 |  |
| Enterprise linked to                      |  |
| Name of respondent                        |  |
| Position within institution               |  |
| Contact details                           |  |

### INTRODUCTION:

Good day, Mthente Research and Consulting Services has been commissioned by the International Labour Organization (ILO) to develop a series of case studies on social enterprises in South Africa, with experience of procurement from the public and private sector. As a customer of [Enterprise], we are interested in hearing more about the reasons why you support social enterprises, the benefits and value of procurement from social enterprise, lessons learnt, and the successes and challenges you encounter when procuring from social enterprises. Your participation is very much appreciated!

**1. To begin, tell me a bit about the procurement processes you use. Why do you employ social enterprises and how do you do it? Please explain.**

*Prompts:*

- Do you use the Preferential Procurement Act? How do you use it? Do you use innovative ways of using the Act? Please explain.
- Are you concerned about breaching regulations or the reaction from incumbent firms when sourcing from social enterprises?
- Do you use provincial policies for procurement to justify using social enterprises? Please explain.
- Did you have to convince supply chain managers, CFOs, etc. to employ social enterprises?
- How do you find social enterprises to procure from?
- What support (if any) do you provide to social enterprises in the procurement process? What support do they require?
- How does procurement from social enterprises help you to meet your strategic objectives?
- Do you collaborate with other Units to help achieve the Departments/Municipalities/Organisational objectives/targets?

**2. Please tell me a bit about your procurement relationship with [Enterprise] specifically. How did you find [Enterprise]? Why did you decide to employ [Enterprise]? What makes it work? Please explain.**

*Prompts:*

- a. What value does [Enterprise] give when compared with competitors?
- b. Value of social benefits? Value of economic benefits? Value of environmental benefits?
- c. What would you change about your current procurement relationship, if anything?
- d. How likely are you to procure from [Enterprise] again? Why?
- e. How likely are you to procure from other social enterprises? Why?

**3. What are your main successes in terms of procurement from social enterprises so far? What are the challenges you have encountered? What lessons have you learnt? Please explain.**

**4. What advice would you give to someone else considering procurement from social enterprises?**

**5. Are there any other comments you would like to include?**

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## CASE STUDY INTERVIEW GUIDE – PRIVATE CUSTOMERS

|                                           |  |
|-------------------------------------------|--|
| Name of Institution                       |  |
| Institution type (i.e. public or private) |  |
| Institution site/location                 |  |
| Enterprise linked to                      |  |
| Name of respondent                        |  |
| Position within institution               |  |
| Contact details                           |  |

### INTRODUCTION

Good day, Mthente Research and Consulting Services has been commissioned by the International Labour Organization (ILO) to develop a series of case studies on social enterprises in South Africa, with experience of procurement from the public and private sector. As a customer of [Enterprise], we are interested in hearing more about the reasons why you support social enterprises, the benefits and value of procurement from social enterprise, lessons learnt, and the successes and challenges you encounter when procuring from social enterprises. Your participation is very much appreciated!

**1. To begin, tell me a bit about the procurement processes you use in relation to social enterprises. Why do you employ social enterprises and how do you do it? Please explain.**

*Prompts:*

- i. What framework do you use (i.e. BBBEE, CSR, etc.)? Please explain how this works.
- j. Did you have to convince management to employ social enterprises?
- k. Do you apply any allowances to contract social enterprises (i.e. hire two smaller social enterprises rather than one larger PTY)?
- l. Any particular minimal requirements insisted upon (i.e. industry certifications, BBBEE, woman-owned, etc.)?
- m. How do you find social enterprises to procure from?
- n. What support (if any) do you provide to social enterprises in the procurement

process? What support do they require?

How does procurement from social enterprises help you to meet your strategic objectives? Please explain?

- o. Do you think the firm has benefited from procuring from social enterprises? In what way (i.e. better community relations; BBBEE points; improved workplace atmosphere, etc.)?

**2. Please tell me a bit about your procurement relationship with [Enterprise] specifically. How did you find [Enterprise]? Why did you decide to employ [Enterprise]? What makes it work? Please explain.**

*Prompts:*

- f. What value does [Enterprise] give when compared with competitors?
- g. Value of social benefits? Value of economic benefits? Value of environmental benefits?
- h. What would you change about your current procurement relationship, if anything?
- i. How likely are you to procure from [Enterprise] again? Why?
- j. How likely are you to procure from other social enterprises? Why?

**3. What are your main successes in terms of procurement from social enterprises so far? What are the challenges you have encountered? What lessons have you learnt? Please explain.**

**4. What advice would you give to someone else considering procurement from social enterprises?**

**5. Are there any other comments you would like to include?**

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# KEY STAKEHOLDER INTERVIEW GUIDE

## INTRODUCTION

Good day, Mthente Research and Consulting Services has been commissioned by the International Labour Organization (ILO) to develop a series of detailed case studies on Private and Public Procurement and the Social Economy (PPPSE) in South Africa.

According to the ILO, “the social and solidarity economy (SSE) is a concept that refers to enterprises and organisations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which specifically produce goods, services and knowledge while pursuing economic and social aims and fostering solidarity.”

### **1. How do you understand the social economy in South Africa today?**

- a. To what extent has the social economy developed?
- b. In your opinion, where is the social economy most well-developed in the country? (geographically) Why? Please explain your answer.
- c. In which sectors are social economy organisations/enterprises concentrated? What are the main goods/services produced? Please explain your answer.

### **2. In your opinion, what are the main opportunities and challenges that social economy organisations or enterprises face?**

- a. What about opportunities and challenges in public procurement processes? Private processes?
- b. What about issues of sustainability?

### **3. How do you understand the regulatory environment governing procurement from the social economy? What about public sector procurement? Private sector?**

- a. To what extent does policy/legislation create an enabling environment for social economy procurement? How?

### **4. In your opinion, what are the advantages and disadvantages of social economy procurement, from the perspective of the public sector? From the private sector?**

- a. What about advantages or disadvantages in terms of advancing social and economic goals?
- b. What about advantages or disadvantages in terms of developing value chains?

### **5. Any recommendations for successful social economy organisations or enterprises in South Africa that we should look into as a case study?**

### **6. Any other comments?**

## ANNEXURE 3 | INTERVIEW PARTICIPANTS

## KEY STAKEHOLDERS

| Name                   | Organisation                                                                      | Position                                                           | Notes                                                       |
|------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------|
| Mark Kuipers           | National Treasury: Office of the Chief Procurement Officer                        | Chief Director: SCM Client Support                                 | Complete                                                    |
| Lusapho Njenge         | Small Enterprise Development Agency (Seda)                                        | Chief Strategy and Information Officer                             | Complete                                                    |
| Marcus Coetzee         | African Social Entrepreneurs Network                                              | National Coordinator                                               | Complete                                                    |
| Dr Susan Steinman      | Centre for Social Entrepreneurship and Social Economy, University of Johannesburg | Director (has since resigned)                                      | Started interview, never completed                          |
| Prof Louw van der Walt | Potchefstroom Business School, North West University                              | Head of Co-operatives Division                                     | Brief interview                                             |
| Dr Francois Bonnici    | University of Cape Town Graduate School of Business                               | Director: Bertha Centre for Social Innovation and Entrepreneurship | Incomplete – Could only schedule interview for January 2015 |

## CASE STUDY INTERVIEWS

| CASE STUDY                                    | PERSON INTERVIEWED            | ORGANISATION                                   |
|-----------------------------------------------|-------------------------------|------------------------------------------------|
| Greater Uitenhage Sewing Co-operative (GUSCO) | Ms Nomalungelo Klaas          | Senior member, GUSCO                           |
|                                               | Mr Ralph Jewson               | Sourcing Specialist, Woolworths                |
| Lesedi Manufacturing Primary Co-operative     | Ms Zoleka Ntshololo           | Marketing Manager/Member, Lesedi               |
|                                               | Anonymous                     | Pickitup                                       |
| Itekeng Basadi Setsoto                        | Ms Thandazile Mary Raletsoane | Founder/Manager, Itekeng                       |
|                                               | Anonymous                     | SASSA                                          |
| Masisizane Women's Housing Co-operative       | Ms Rosina Peter               | Founding Member, Masisizane                    |
|                                               | Anonymous                     | Gauteng Department of Housing                  |
| Hout Bay Recycling Cooperative (HBRC)         | Ms Nokwanda Sotyantya         | Manager/Member, HBRC                           |
|                                               | Ms Bronwen Lankers-Byrne      | Founding Director/Coordinator, Thrive Hout Bay |
|                                               | Ms Jemimah Birch              | Mentor, Thrive Hout Bay                        |
| Deaf Hands @ Work                             | Mr Charles Nyakurwa           | Founder/Manager, Deaf Hands @ Work             |





International  
Labour  
Organization

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