

The enterPRIZE Challenge Fund model and its impact on creating jobs in South Africa





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A case study and lessons learned from the Sustainable Enterprise Development Facility

1. Introduction

The Sustainable Enterprise Development Facility (SEDf) is a technical cooperation project implemented by the International Labour Organization (ILO), with funding provided by the Government of Flanders. It was designed to create decent jobs through entrepreneurship promotion and development of Small, Micro and Medium Enterprises (SMMEs).

The SEDf has been implementing its activities through the provincial Departments of Economic Development in two provinces: the Free State and Kwa-Zulu Natal. In the Free State, it also works closely with the Departments of Social Development and Health to promote social entrepreneurship among youth and persons with disabilities. Through the enterPRIZE Challenge initiative, which is discussed in more detail below, the project's impact on job creation has increased through its growing partnerships with the private sector. To date, the project has raised over R16m in additional funding and in-kind support from these partners.

The South African government has identified entrepreneurship promotion as one of its key strategies for job creation. The aim of the SEDf for South Africa is therefore to support government's efforts to promote entrepreneurship using an innovative approach to match entrepreneurs with real business opportunities.

As demonstrated by this case study, sustainable SMMEs and job creation are most likely to take place when real opportunities are identified for growth or expansion of small businesses. The potential for job creation is also improved when working closely with private sector firms that are already established in a region, or when such businesses wish to expand their reach into these areas. This approach has the potential to increase the



network of opportunities for SMMEs and to provide openings into both local and national supply chains or marketing channels.

2. Government of Flanders



The Government of Flanders in Belgium provides financial and technical support in countries where it has development cooperation agreements. In the southern African region, it actively contributes to poverty reduction by focusing on a limited number of sectors to help in reducing inequality.

The global agenda on sustainable development and poverty reduction is the focal point of the Flemish development policy. Recognizing that growth is only sustainable if it respects the earth's carrying capacity, within the framework of its development policy, Flanders consequently supports a combination of social, economic and ecologically sustainable development approaches.

National Treasury's Chief Directorate: Capacity Building has provided funding for this case study under the Technical and Management Support (TMS Programme), which is part of the development cooperation agenda between the Governments of South Africa and Flanders. The TMS Programme is aimed at developing the capacity and knowledge base of project beneficiaries to ensure excellence in the design and implementation of the Flanders-funded projects.

3. International Labour Organization



The International Labour Organization (ILO) is a specialized agency of the United Nations, which has been mandated to promote decent work. It is the only 'tripartite' United Nations agency that brings together representatives of governments, employers and workers to jointly shape policies and programmes promoting Decent Work for all. This unique arrangement gives the ILO an edge in terms of incorporating the world of work and real economy knowledge.

The work of the ILO Country Office in South Africa is governed by a Decent Work Country Programme (DWCP) developed in consultation with, and underwritten by, the South African Government and its social partners. Voluntary contributions of development partners (e.g. governments, inter-governmental organizations, foundations and private sector) support ILO's technical cooperation projects

and programmes, and in their turn contribute to the achievement of DWCPs and the global goals of the ILO. The aim is that successful programmes bring about sustainable changes that are owned and replicated by national and local stakeholders and provide a learning experience globally.

4. Case Study: Promoting Social Entrepreneurship through the enterPRIZE Challenge funding model

Very often youth and emerging entrepreneurs fail to recognize where to focus their entrepreneurial talents and resources. The SEDf's enterPRIZE Challenge funding model was designed as a structured approach to communicate market-driven opportunities to this target group and to encourage the emergence of an entrepreneurial mindset. The SEDf and its partners also provide essential technical support, finance, and business development support to nurture these businesses to grow and become sustainable.

The aim of this write-up is to highlight lessons learned by the SEDf in terms of implementing the enterPRIZE Challenge model and targeting social enterprises to develop and grow their businesses in a highly challenging environment. First, however, the following sections provide background and context to the evolution of the model and its application since 2012.

enterPRIZE Challenge – evolution from 2012 to 2016

The enterPRIZE Challenge program was introduced as a means to exploit the comparative advantages of provincial high growth economic sectors to create business opportunities and jobs, particularly amongst youth. In order to align the provincial Challenges to the strategic priorities of the provinces, consultation was undertaken with government, civil society, and the private sector to determine where gaps in the market exist and how best to leverage support from partners to produce better quality SMMEs.

The first Challenges in 2013 and 2014 were designed to capture those sectors where growth potential was highest. Challenges were offered in a range of categories, from social enterprise, youth and women to those that targeted manufacturing, innovation and ICT broadly. There were also sector-specific categories that focused on areas such as the green economy, construction, and tourism, to name a few. In 2014, there were 23 different sectors in which SMMEs could compete.

The enterPRIZE Challenge winners (three in each category) were eligible for grants of between R75,000 and R175,000. The project also provided the winners with access to business development support from service providers identified through a separate competitive process. Winners were then matched with the service providers to receive coaching and mentorship support.

While the project was able to award more funding and support to a larger number of winners, there were complications with doing so. For example, the winners were drawn from a large geographic area and were at different stages of their business development – e.g., startups, new, expansions, etc. This made it difficult to support the entrepreneurs with tailor-made business development training and mentorship and it was not always possible to find sufficient expertise in the many different areas and to accommodate different needs. This made providing support expensive and difficult to manage and monitor without having a more “hands-on” approach. Consequently, the model shifted to offering sector or category-specific Challenges that were aligned to regional economic development priorities supported by relevant private sector partners with an interest in the success of the initiative. This resulted in six different Challenges being implemented in 2015, all of which were co-branded by the implementing partners and private sector sponsors.

In KZN, the first sector-specific Challenge targeted youth through a partnership with the eThekweni Municipality, Innovate Durban and IBM. This was based on real ICT challenges identified by government and which could be solved through innovative ICT solutions. Winners were capacitated in technical skills at the IBM-driven Hackathon and additional business development support was provided through SmartXchange and InvoTech. In 2016, members of the Durban Chamber of Commerce and Industry selected the challenges put to youth. Problem solving partners assisting the youth in designing solutions included Oracle, eThekweni Municipality, Innovate Durban and the Durban Chamber of Commerce and Industry. Many of the youth were provided business development services by Open Data.

Based on the success of these Challenges, the Free State Province took the lead in launching the first youth-specific Social Enterprise Challenge in partnership with the Department of Social Development in the Free State. This led to the Department offering an additional R500,000 in funding for the winners of the Challenge, and resulted in ten youth-owned businesses sharing prizes of between R75,000 and R150,000.

As the partnerships with the private sector and provincially-based academic institutions strengthened,

the ongoing dialogues to determine what worked well or didn't work well resulted in other innovative challenges, such as the first Design Challenge focusing on the medical assistive device sector. The aim was to design devices that could assist persons with disabilities to better integrate into the working world, or to be more independent at home. The Challenge was launched in partnership with the Departments of Health, Social Development and Economic Affairs to promote the manufacture of these devices in the province.

Since 2013, over 25 entrepreneurs have been recognized for their innovations in the social economy. Three of their stories are outlined below.



Nthabiseng Molongoana

Nthabiseng Molongoana was a third-prize winner of the 2014 enterPRIZE Challenge in the disability category. Her award was used to expand her guesthouse to provide more disabled-friendly facilities.

Nthibaseng is herself disabled. She was involved in a motor vehicle accident in 1994, which left her a paraplegic with limited arm mobility. After undergoing a lengthy rehabilitation process, she lived with her mother in her small home. At that time, her mother was working as a domestic worker and the house had limited utilities and was not wheelchair-friendly. Because of the heavy physical and emotional burden her disability had on her mother, she elected to go into a home for the disabled, until such time as a house could be built for her mother and her to reside. At that time, she was introduced to the Association for Persons with Disabilities (APD). There, she met her future mentor who took her to register for studies at the University of the Free State. In September 2014, just months after her mother passed away, she graduated with a Bachelor of Science Degree in Statistics.

After graduating, she was offered a job with the APD managing a project called the Disability Information Line. On the strength of this, in 2008, she bought a VW Microbus. Unfortunately, in 2009, when the APD had financial problems and couldn't pay their staff, she had to give this up. In June 2009, when she was retrenched, she realized that she might lose the

house she and her mother had built, so she decided to convert it into a guesthouse.



Nthibaseng said that when she made the decision to renovate her home, she knew nothing about how to run a guesthouse. She used the internet to learn more about running this kind of business and eventually went to the Small Enterprise Development Agency (Seda), and the Provincial Department of Tourism. Through their support, in 2010, she won the Emerging Tourism Entrepreneur of the Year award (ETEYA). The award included travel to Berlin, Germany, to exhibit the business at the International Association of Tourism Businesses (IATB) stand. For a small guesthouse, Nthibaseng said, “it didn't make that much difference to the business, but it showed me that if you showed yourself in the world, you can also gain from seeing others showing themselves and what the rest of the world does for people with disabilities.” She used the cash award to fix up the guesthouse bathrooms and bedrooms, and bought much-needed supplies, such as sheets, towels and toiletries. Winning this award helped her feel more confidence about her guesthouse and led her to also compete in the enterPRIZE Challenge.

Her award from the 2014 enterPRIZE Challenge was a cash grant of R75,000, which enabled her to convert her garage into a bedroom. She also received financial skills training, and was able to attend training offered by SARS and the Department of Labour to the winners of the Challenge. Makro also provided the winners with training on supplier development. This training, she felt was most important to her running the business better, though the funds were very helpful “because we could actually do major renovations. Otherwise, we would still be apologizing to guests for not having the facilities ready for them.”

Nthibaseng says that there's still much more to be achieved in her business plan. She hopes to add another bedroom and to make this en suite, as well as add another bathroom to make an existing room also en suite. One day, she also hopes to get another vehicle. With the present improvements and her higher level of confidence, however, she has

already achieved a star grading and has been able to employ a gardener and cleaner.



Schalk van der Merwe

Schalk was a First Prize winner of the 2015 Design Challenge for Medical Assistive Devices for his business, Able Manufacturers. The prize of R62,500 was used to build a prototype handbike, as well as to finalize the designs for three other customized wheelchairs and bikes that can be used as standalone mobility vehicles, or detachable bikes to help in moving across both short and long distances.

As a winner of this Challenge, Schalk was also invited to the Nedbank Pitching Training Day and Pitching Den. At this event, he won a brand-new iPad, which he now uses to store all of his customer's contact details, and to research ideas through the internet. Attending the Pitching Training Day also helped him learn to be more concise about his business pitch, particularly after listening to others and having them as a benchmark to improve the delivery of his message. “When I heard the other guys and how they dealt with the questions and giving answers, I realized I should focus on things that I wasn't originally going to talk about.” The enterPRIZE Challenge was also “a little like the Dragon's Den – I met a lot of other entrepreneurs and could see how they think. This gave me new ideas and a new perspective, and this made me think about my own business differently.”

In 1991, Schalk was involved in an accident, which resulted in his losing a leg and spending a year in hospital. After he was released in 1993, he met a group of guys who played wheelchair sports, and in 1994, he started wheelchair racing. During those years, he said that wheelchairs designed for this purpose were not easy to get and were also prohibitively expensive. This is what led him to start thinking about building his own racing chair. While he researched this, he met a wheelchair maker in Cape Town who designed and made him a custom-built racing chair. Later, the business closed and the owner's brother called him to ask if he wanted to take over business. Thereafter, he said, “I took out a bond on his house for R50,000, drove to Cape Town and spent the weekend learning how to build

wheelchairs using light-weight aluminium in the frame. This led to a big interest in this type of chair, and evolved into making chairs for hand-cycling and racing." Thereafter, Schalk started branching out to make frames for the 4x4 camping industry, such as double-decker rooftops that expand. He also started working on a rural wheelchair and hand-bike using off-road tires for this more difficult terrain.



Schalk would like to concentrate on this business full-time, but he hasn't yet reached a stage where he feels the income from the business would be high enough for him to leave his present position with the police force. Winning the Challenge, however, has enabled him to "think bigger now." He hopes to make a full range of items, from wheel chairs to other aluminium devices. By using local materials, Schalk feels that many of the products currently imported at a high costs can be manufactured more easily here. "Even the wheels used for off-road wheelchair models have to be bought through a bicycle shop rather than directly from a supplier, which can add unnecessary costs to the customized designs." In the future, he feels that by building direct relationships with these suppliers, he can become a major competitor to imported chair manufacturers and provide persons with disabilities a chance to be more active and enjoy life.



Thandi Nkidi

Thandi Nkidi is from Botshabelo, a suburb of Bloemfontein in the Free State. She was a First Place

winner of the 2015 Social Enterprise Challenge, and was awarded R100,000 towards the start of a new business to provide people with disabilities a means to clean themselves more independently after going to the toilet.

Thandi came up with this idea after having experienced a health set back in 1999 when she was diagnosed with Guillain-Barre disease. This disease begins with tingling and weakness starting in one's feet and legs and later this spreads to the to upper body and arms. When her symptoms made it impossible for her to manage on her own, her family took care of her, though she had to drop out of her university studies because of her condition.

In 2007, through therapy and perseverance, she was able to move around on a wheelchair. Unfortunately, in 2013, the symptoms of the disease returned and became worse, and she was again paralyzed across her entire body. She was then put under intensive treatment for many months, until in 2014, her use of her muscles improved and she could do things for herself. During this difficult period, she found one of her main challenges was when she had to go to the toilet and she couldn't wipe herself. She said, "This was a great embarrassment for me as I had to rely on my little sister to clean me."

It was through this experience that she developed a cleaning aid sprayed from the toilet, which helps disabled people clean themselves. This will bring dignity to people who do not have upper limbs, are paralyzed, or who have had temporary or semi-permanent disability, such as those who have had strokes, or arthritis, or whose muscles are too weak to help themselves with this daily task.



5. Lessons learned

The SEDF's implementation of the enterPRIZE Challenge in South Africa has not been without some challenges of its own. The 2013 and 2014 enterPRIZE Challenges cast the competition net too far and the number of sectors and categories supported were too diverse. In addition, there was not enough specialized support available to respond to the immediate and ongoing needs of

the entrepreneurs, who often traded in difficult economic environments. For example, in the social enterprise category, SportForAll, a national franchisor, supported two businesses with a grant of R450,000 each. Neither of these businesses succeeded for several reasons: (1) not enough research was done by the franchisor to determine whether the model was viable in the Free State; (2) the youth were not given enough support by the franchisor to understand the risks of running such a franchise; (3) there was not enough mentorship and coaching support to run the franchises effectively; (4) staff in the SEDF project itself knew too little about the franchise model to provide assistance, particularly from a distance; and (5) service providers tasked with assisting the youth required much more financial incentive than was available to provide this support.

Other lessons learned related to:

2013 and 2014 Challenges

- ... Provincial-wide Challenges made the geography to be covered too large for such a small project; costs of support were particularly high where provincial staff was not located, and service providers that could provide market-related and quality business development support were limited.
- ... Multi-sector Challenges required finding stakeholders and partnerships in multiple categories, which was difficult to manage due to the distance many partners were from the project base, which made it difficult to provide technical support and/or to help entrepreneurs exploit real gaps in the market.
- ... Grant financing on its own does not provide sufficient impetus to use funds responsibly or to create jobs – lack of financial backing from the banking community or other funders weakened potential impact of funding.
- ... The development of an online platform to submit an entry to the Challenges was highly innovative and helped in making the Challenges more accessible. This also reduced the volume of content in the applications by holding them to word-limited answers.
- ... The two-stage process helped in reducing the numbers that needed to travel to a central point to pitch their business cases to a panel of judges.
- ... Partnerships with local academic institutions resulted in valuable cost-savings due to the sponsorships of venues and resources to host events and judging sessions. These institutions also provide valuable experts to assist in the judging process.

2015 and 2016 Challenges

- ... Sector or category-specific Challenges are easier to manage and to secure dedicated partnerships or sponsorship.
- ... In sector specific challenges, the entrepreneurs are exposed to a range of public and private sector training interventions, which builds their technical skills, business knowledge and networks.
- ... Entrepreneurs participating in the sector-specific Challenges can build networks amongst themselves, which supports informal and peer-to-peer learning and opens channels for additional opportunities.
- ... In later Challenges, the commitment from the partners and sponsors was stronger when they were engaged directly in the pre-planning, implementation and aftercare of the contestants and winners.
- ... Limiting the geographic area in which participants were drawn helped in consolidating support and was more cost-effective.
- ... Developing an e-learning platform provided a more cost-effective approach to transferring information and knowledge about starting and formalizing a business, as well as educating entrepreneurs about decent work principles.

6. Conclusions

The enterPRIZE Challenge has been an effective programme to reach social enterprises with more targeted interventions that can support their specific needs and challenges. It is also a useful vehicle to attract valuable sponsorships and partnerships that can offer technical training and marketing support, as well as valuable networking opportunities. The social enterprises showcased in this case study have been able to use their grants and support effectively in their businesses, and to gain from greater levels of confidence among their peers and within the broader business community.

It is also important to note that these entrepreneurs developed their ideas into businesses out of their own personal challenges, using hard work, dedication and commitment to making these businesses a success – not just for themselves, but for others like them. Social entrepreneurs in this context represent how important it is to be passionate about the business one starts and to be driven by factors other than private gain and profits.



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