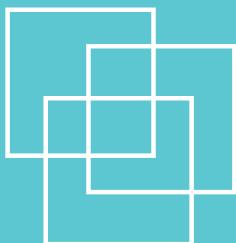




## **South Africa SME Observatory**

**The potential of non-profit  
organizations in the Free  
State Province to adopt a  
social enterprise approach**





**the detea**  
the department of economic  
development, tourism and  
environmental affairs  
FREE STATE PROVINCE



## South Africa SME Observatory

# The potential of non-profit organizations in the Free State Province to adopt a social enterprise approach

Centre for Development Support, University of the Free State  
GreaterCapital.

**GREATER** >  
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The fact that non-profit organisations, in all their various guises, have been and still are instrumental in addressing the needs of society's vulnerable and assisting government in rendering a variety of social services cannot be denied. That it has become more difficult for them to do so in an environment of shrinking subsidies and donor cut-backs can also not be wished away. It has become abundantly clear that the NPO sector will have to refresh its thinking regarding financial sustainability in order to survive and prosper. Recent research and dynamics within the international NPO environment has shown that a shift toward social enterprise approaches might be one of the answers in this regard – leading not only to financial sustainability but also stimulating job-creation. Facilitating such a shift in the South African and more specifically the Free State context will hold a number of challenges.

Strengthening the ability of NPOs to initiate and sustain social enterprise approaches will require an integrated, inter-sectoral approach with the full buy-in of the public, private and NPO sectors. Even though not yet optimally geared for creating and sustaining social enterprise approaches, the legal and policy environment in South Africa does create avenues for the growth of such approaches. NPOs are challenged to realign their thinking regarding their place in the world of service-delivery and business and to integrate their core tasks within social enterprise models taking maximum advantage of the opportunities offered by the South African policy landscape - no mean feat!

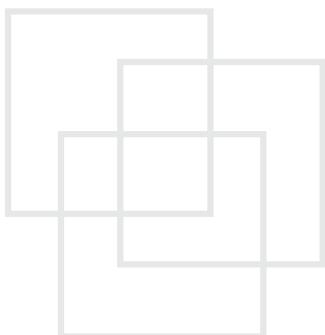
Against this background the accompanying study was undertaken in order to gauge the potential for and the feasibility of supporting a social-enterprise approach among existing and new NPOs in the Free State. This report was produced under the auspices of the South Africa SME Observatory – a public-private partnership aimed at informing evidence based advocacy and dialogue for the purposes of constructive business development. The report was written by Deidré van Rooyen, Kholisa Rani and Willem Ellis (Centre for Development Support, University of the Free State) and Bridget Evans, Mmamohau Tsweedi and Elena Mancebo Masa (GreaterCapital). The study was guided and edited by Jens Dyring Christensen, Chief Technical Advisor of the Free State SME Development Initiative with valuable input provided by Joni Simpson of the Job Creation and Enterprise Development Department, ILO Geneva. The study was made possible through the generous funding of the Flanders International Cooperation Agency (FICA).

We would like to extend our sincere gratitude to all who had contributed to the study; academics, government officials and the budding social entrepreneurs of the Free State.

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# Executive Summary

South Africa is a nation with daunting challenges but amazing potential. Civil society plays a crucial role in addressing the needs of vulnerable groups in society and in helping government deliver appropriate services. Civil society in South Africa is characterized by a broad range of organizations under the umbrella term of non-profit organizations (NPOs). The nature of these NGOs ranges from faith and community-based organizations, charities (welfare), traditional associations like social and sports clubs and a host of other developmental and social organizations working tirelessly on the social fabric of society. These organizations are also referred to as civil-society organizations (CSOs), non-governmental organizations (NGOs), community-based organizations (CBOs) and faith-based organizations (FBOs).

## The rise of the social enterprise

Due to their reliance on external funding, NPOs in South Africa are likely to encounter serious capacity problems because of a decline in social-welfare spending. This lack of sufficient and reliable funding sources threatens the sustainability of many NPOs and, therefore, their capacity to continue delivering the necessary services to vulnerable communities. Thus, many NPOs are required to adopt a more entrepreneurial and business-like approach to tackling social problems. This social enterprise approach is gaining traction due to the promise that NPOs will, in the longer term, be able to sustain themselves through internally generated revenues, thus relying less on grants and donations.

This approach aims to improve the well-being of people by reducing inequalities and increasing social cohesion. It therefore benefits the community in that it creates decent jobs for marginalised or excluded people and reintegrates disadvantaged people into the labour market. The skill needed in social enterprise creates employment opportunities for the jobless and unemployed. Furthermore, social enterprises have collectively established themselves as a viable and productive sector in many countries. For example in the United Kingdom (UK), social enterprises are flouting the fiscal gloom by growing faster than the rest of the UK economy and becoming smarter by introducing innovative ways of delivering products and services that have value beyond the bottom line.

Traditionally, the social mission of NPOs is core to their work and guides their activities. However, in the case of for-profit companies, increasing their profit margin is their principal purpose.

While there is no officially accepted definition for social enterprise in South Africa, the definition used by the ILO and the UK Government is applicable in our environment: "Social enterprises are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners"(Department of Business, Innovation and Skills, 2011).

A worry often voiced by NPOs is that, by taking on income-generating activities, they could stray from their mission. However, becoming a social enterprise does not mean that an organization has to convert to a fully-fledged traditional business. What is required is merely a financially sustainable organization. There is no one-size-fits-all solution to becoming a social enterprise, but NPOs would benefit from various forms of capacity building in business management as far as strategic planning, communication and funding strategies are concerned.

The objective of this research report is to reflect the work done in a project to determine the potential for NPOs in the Free State to move towards a social-enterprise approach by increasing the proportion of income that they earn. The research also focussed on the additional employment opportunities that could be created.

## Findings

### **The relationship between NPOs, the provincial government and the private sector**

It has become clear that, in the Free State, the relationship between the non-profit sector and certain departments of the provincial government is not very good. However, a relationship that was really shown by the research to be lacking is that of NPOs with municipalities in their area. Despite the fact that NPOs are doing work on the ground, the research found that ward committees and municipal community-development workers are not cooperating with NPOs to strengthen the areas in which both operate.

The type of relationship that has been established between the private sector and the NPO sector is one of charity. As one of the survey respondents stated: "The private sector is used to donating money to the charities to keep them satisfied." This is done instead of collaborating more closely with such organizations.

Examples of such collaborative partnerships would include multi-year funding agreements with NPOs or corporates opening up their value chains in areas where NPOs have the competence to provide goods and services. Building a few business-inclusive networks will strengthen the NPO sector, enabling them not to be dependent on donations only but also to apply business principles and link to the corporate social-responsibility programmes of existing firms. A common understanding of the concept of social entrepreneurship and the opportunities and challenges that it brings is crucial for the creation of synergy between all groups and a positive move towards job creation.

### **The promotion of opportunities by government to encourage social-enterprise development**

NPOs are of the opinion that there has been no support from the Provincial Government for the promotion of opportunities to encourage social-enterprise development. The Department of Social Development, on its part, noted that, apart from the funding they provide to the NPOs, they also provide skills-development and capacity-building opportunities for governance, financial training and monitoring and evaluation-reporting systems. The Department of Social Development wants NPOs to become less dependent on subsidies so that other organizations and, in turn, other communities can also be assisted. They would like to encourage NPOs to become more self-sustainable, but in certain instances, a state of dependency has already been created.

### **Restructuring of NPOs in order to increase job creation in the NPO Sector**

NPOs are convinced of the opportunity for the creation of job opportunities within their sector by social-enterprise activities. More employment opportunities will be a natural consequence of these activities because such initiatives will need to be managed and developed by human capacity. Employment opportunities will thus be the natural spin off in terms of these enterprises. NPOs are well aware that they will not all be able to be involved in social-enterprise activities while only retaining their current staff as it could impact negatively on service delivery. Often, current staff also does not have the skills to adopt a business-like approach. It is usually only one or two leading individuals in the organization that need to adopt the “entrepreneurial approach”, but the rest of the organization needs to adopt “a business-like/customer-service oriented approach”.

Social enterprise approaches by NPOs will necessitate the creation of new activities and jobs to drive the entrepreneurial activities and will thus affect the current staffing structures and human resources component of NPOs.

### **The South African policy environment**

Social-enterprise approaches do not have a prominent role in South Africa's developmental policies and legislation. The policy review shows that there is scope within the South African context for NPOs to access income-generating, entrepreneurial and job-creating opportunities. There needs to be increased knowledge sharing about the positive impact of social enterprises (as has been seen in the UK or the USA context) not only within the sector but with government entities, the private sector and traditional NPOs. The use of social-enterprise approaches and income-generation activities can be a means to increase, expand and sustain the social impact an NPO can deliver.

### **Towards social enterprise**

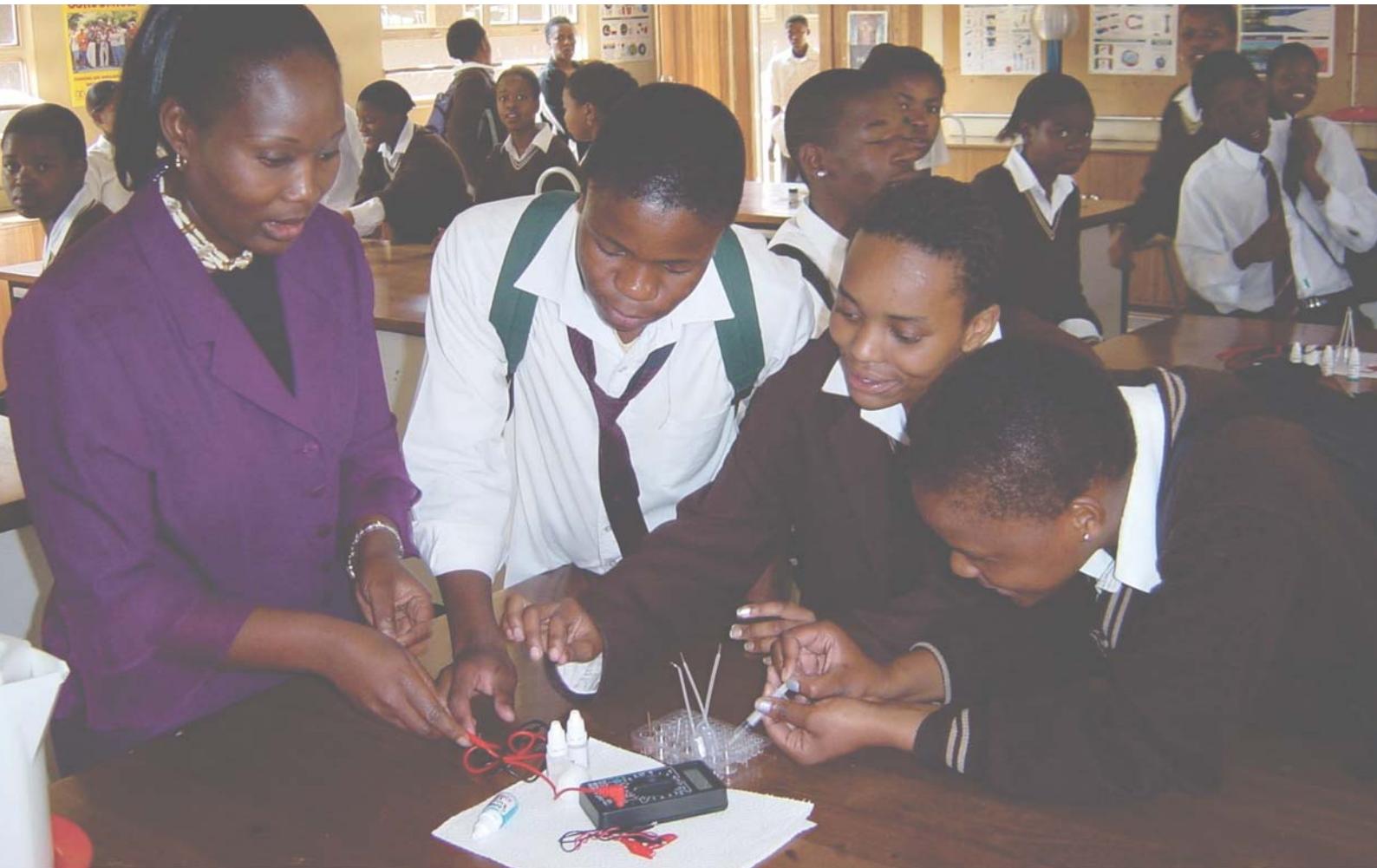
Financial challenges are becoming more serious every day, and NPOs might experience the pressure to become social enterprises as overwhelming. Many NPOs have several ideas and ideals but do not always know how and do not have the financial capacity to make the leap. From the research conducted, there are a number of important issues to keep in mind when moving in the direction of becoming a social enterprise:

- A mind-shift should take place within the non-profit sector (staff and governance-board members). This will allow them to make strategic plans that are more sustainable and not dependent on funding or grants. The mind-shift does not only have to take place within the organization, but a general awareness that NPOs are becoming more business-like will have to take place among the broader NPO community and their partners.
- Grant funding and donations are not always consistent. If there is proper diversification of funding and if NGOs do not only rely on a small number of funders, organizations would not collapse as easily when donors or grant funders withdraw. They might need to reorganise, shrink or put future programmes on hold (but for well-capacitated organizations, this should not become a problem of survival).

- Training and exposure to the concept of social enterprise should be introduced to the youth early in order to inculcate a culture of social entrepreneurship and the creation of social enterprises.
- Each organization willing to "take the leap" to becoming a social enterprise should become active in market research in their community. Becoming a social enterprise should be approached in the exact same way as an entrepreneur deciding on her or his next venture.

**"Social entrepreneurs are helping to create a more peaceful, just and sustainable world."**

- Robert Alan Silverstein



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## Abbreviations

AGM	Annual General Meeting	LLC	Limited Liability Company
AIDS	Acquired Immuno-Deficiency Syndrome	MOU	Memorandum of Understanding
B-BBEE	Broad-based Black Economic Empowerment	NGO	Non-Governmental Organization
BDS	Business Development Service	NGP	New Growth Path
CAF	Charity Aids Foundation	NPC	Non-Profit Company
CDS	Centre for Development Support	NPO	Non-Profit Organization
CBO	Community Based Organization	NYDA	National Youth Development Agency
CSO	Civil Society Organization	OECD	Organization for Economic Co-operation and Development
CIC	Community Interest Company	PBO	Public Benefit Organization
CWP	Community Work Programme	PBA	Public Benefit Activities
DBSA	Development Bank of South Africa	PRI	Programme Related Investment
DoCGTA	Department of Co-operative Governance and Traditional Affairs	QSE	Qualifying Small Enterprises
ED	Enterprise Development	RBS	Royal Bank of Scotland
EPWP	Extended Public Works Programme	RSA	Republic of South Africa
FBO	Faith Based Organization	SARS	South African Revenue Service
FSGDS	Free State Growth and Development Strategy	SED	Socio Economic Development
GDP	Gross Domestic Product	SEDA	Small Enterprise Development Agency
HIV	Human Immuno Deficiency Virus	SETYSA	Social Entrepreneurship Targeting Youth in South Africa
IDP	Integrated Development Plan	SMEDI	Free State SME Development Initiative
IFC	Industrial Finance Corporation	SMME	Small Micro and Medium Enterprises
ILO	International Labour Organization	UK	United Kingdom
ISSAN	Institute for the Development of Non-Profit Organizations	VAT	Value Added Tax
LED	Local Economic Development	US	United States

South Africa is a nation with daunting challenges but amazing potential. Civil society plays a crucial role in addressing the needs of vulnerable groups in society and helping government deliver appropriate services. In the words of the Deputy-director of the Non-Profit Organization(NPO)Directorate: "*Stable community organizations have been found to increase efficient service delivery as well as improve market performance and economic growth*" (Policy co-ordination and Advisory services, 2003: 27). In addition, the conventional private sector is also playing a role by generating income, creating jobs, providing tax revenue, working with entrepreneurs (through enterprise development) and addressing social problems through corporate social investment. However, the enormous scale of these problems means that these efforts will not be sufficient.

Civil society in South Africa is characterized by a broad range of organizations under the umbrella term of non-profit organizations (NPOs) of different sizes and shapes across the political, economic and social spectrum. These range from faith and community-based organizations, charities (welfare), traditional associations like social and sports clubs and a host of other development and social organizations working tirelessly on the social fabric of society. These organizations are also referred to as civil-society organizations (CSOs), non-governmental organizations (NGOs), community-based organizations (CBOs) or faith-based organizations (FBOs) (Bok, 2011). This rich array of organizations depends largely on grant funding, through their social investment, by local and international governments, local and international philanthropic foundations and corporate and local businesses.

Due to their reliance on external funding, NPOs in South Africa, like so many other countries, are likely to encounter serious capacity problems because of a decline in social-welfare spending (Le Roux, 2005:351). The recent financial crisis has resulted in just such a sharp decline in donor funding as well as a steep reduction in available philanthropic giving. South Africa has experienced a double blow in this regard because, in addition to the financial crisis, the country is no longer seen as a low-income country and has therefore seen a reduction in foreign aid, which is being channelled to other countries. The United Kingdom budgeted 2 per cent of the £816.9 million allocated for Eastern and Southern Africa to South Africa in 2010 and 2011 (Blight&Provost, 2011). South Africa received the second smallest budget allocation after South Sudan.

On a global scale, the Rockefeller Foundation is well quoted as using the following analogy when referring to the finance required for meeting the world's socio-economic shortfalls: Philanthropic giving in the United States totals about \$60 billion per annum and international aid totals roughly \$200 billion. When one considers only one particular global challenge, namely access to housing, the requirements to meet the need runs into trillions of dollars. The supply simply cannot meet the demand.

In this context, researchers, policy makers and members of the NPO community are taking a critical look at the traditional model of NPOs, which is largely dependent on grant funding for its survival. On the one hand, they acknowledge that the lack of sufficient and reliable funding sources threatens the sustainability of many NPOs and, therefore, their capacity to continue delivering the necessary services to vulnerable communities. On the other hand, they recognize that many NPOs have the potential to adopt a more entrepreneurial and business-like approach to tackling social problems. Although there is no globally accepted definition of the term social enterprise, the UK Government's definition of social enterprise will be used throughout this report, namely: "business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners" (Department of Business, Innovation and Skills, 2011).

This social enterprise approach is gaining traction due to the promise that NPOs will be able to sustain themselves through internally generated revenue in the longer term, therefore relying less on grants and donations. Social enterprise is a growing part of entrepreneurship in the countries belonging to the Organization for Economic Co-operation and Development (OECD) because this approach aims to improve the well-being of people by reducing inequalities and by increasing social cohesion (Noya, 2006). Social enterprise therefore benefits the community in that it creates decent jobs for marginalised or excluded people and reintegrates people with disabilities or those unable to work full time into the labour market. The skills needed in social enterprise create employment opportunities for the jobless and unemployed (Edes, 2013).

Furthermore, social enterprises have collectively established themselves as a viable and productive sector within many counties.

For example, in the UK social enterprises are flouting the fiscal gloom by growing faster than the rest of the UK's economy and getting smarter by introducing innovative ways of delivering products and services that have value beyond the bottom line (Royal Bank of Scotland (RBS), 2011). There are more than 60,000 social enterprises in the United Kingdom (UK) employing at least 800,000 persons. The combined turnover of the top 100 UK social enterprises grew by 85 per cent during 2012 to £319.4 million (US\$480.2 million) – in an economy that is now shrinking. Two-thirds of UK social enterprises are making a profit, and a further 16 per cent are breaking even (Edes, 2013).

In addition to generating an income for themselves, entrepreneurs around South Africa are establishing businesses that educate children, improve HIV awareness, protect endangered species, provide access to affordable healthcare and vital services and build affordable housing. Such businesses are what we call social enterprises. They are attracting increasing attention from funders and policy-makers alike by providing sustainable market-based solutions to social problems.

Traditionally, NPOs focus on their mission first, that is to say, their social mission is key to their work and guides their activities. On the opposite end of this spectrum is for-profit companies where increasing the profit margin is their principal purpose. A worry often voiced by NPOs is that, by taking on income-generating activities, they would stray from the focus of their mission.

However, becoming a social enterprise does not mean that an organization has to convert to a fully-fledged traditional business but rather that it should become a financially sustainable organization. Becoming social enterprises also do not guarantee the sustainability of NPOs. If not well prepared for this mission shift, these NPOs will continue to face financial challenges. There is no one-size-fits-all solution to becoming a social enterprise, and the majority of NPOs will require capacity building in business management to enhance their skill in strategic planning, communication and funding strategies in order to succeed. The following continuum profiles the different types of organization according to their core purpose or bottom line and the space where social enterprises exist.

**Table 1:** Continuum of organizations according to their core purpose

SOCIAL MISSION FIRST					FINANCIAL MISSION FIRST			
SOCIAL PURPOSE ORGANIZATIONS					COMMERCIAL PURPOSE ORGANIZATIONS			
Charities		Revenue-generating social enterprise		Social purpose business	Traditional business			
Impact only		Impact first			Finance first			
Grants only: No trading, includes traditional philanthropy	Trading revenues and grants	Potentially sustainable social enterprise, some income in trading revenues	Break-even: all income from trading revenues	Profitable social enterprise: surplus reinvested (no dividends to shareholders)	Profitable social enterprise: surplus profit distribution	CSR/CSI/CSV company	Company allocation a percentage of profits to charity	Mainstream market company

Source: Adapted from John Kingston, CAF Venturesome, by Pieter Oostlander, Shaerpa (EVPA 2010)

With 95 per cent of South African NPOs registered as voluntary organizations, the majority would fall into the charity category in the continuum above. Social enterprises and social businesses can operate in different areas of this continuum according to the portion of their entire income that they are able to generate through trading activities.

However, it is generally accepted that a social enterprise or business has a social and/or environmental objective as its main reason for existence, in contrast to traditional businesses the primary objective of which are profit maximisation.

## 2. The Research Process



The Centre for Development Support (CDS) at the University of the Free State, in collaboration with GreaterCapital in Cape Town ([www.myggsa.co.za](http://www.myggsa.co.za)), was tasked by the International Labour Organization (ILO) to undertake a research project on NPOs working in the Free State. CDS collaborated with GreaterCapital in Cape Town because of its links with a network of NPOs and its extensive knowledge and research in the local and global social-enterprise environment. The ultimate objective of the research was to determine the potential for NPOs in the Free State Province to take up a social-enterprise approach. The ILO would like to utilise the research results to assess the feasibility for supporting existing and new NPOs in the Free State that practice this approach.

GreaterCapital familiarised themselves with the NPO and social-enterprise environments in South Africa while also drawing from international trends. A review of relevant literature and policy as well as consultation with relevant stakeholders like the NPO Directorate of the National Department of Social Development, the NPO Partnership Unit of the National Department of Health and the Tax Exemption Unit of the South African Revenue Service allowed GreaterCapital to study government policies and initiatives that would assist entities to become more sustainable. The policies highlighted include the National Growth Path (NGP), B-BBEE (Broad-based Black Economic Empowerment), the Jobs Fund, the Extended Public Works Programme (EPWP), as well as the Free State Growth and Development Strategy (FSGDS). In addition, the tax implications for NPOs that generate an income were also explored.

Areas in legislation and policies that can be used to encourage and support emerging social enterprises within the current South African context will therefore be proposed.

In order to obtain an overview of the NPO environment in the Free State, CDS developed a short two-page questionnaire (Appendix III) and conducted 115 telephonic interviews with NPOs that work in the Free State. The contact information of these NPOs was obtained from various sources like the GreaterCapital network of NPOs (such as Tshikululu Social Investments, Givengain), the Free State Consultative Welfare Forum and Sangonet.

GreaterCapital and CDS further designed an interview questionnaire (Appendix IV) to consult provincial officials from the Free State Departments of i) Health, ii) Social Development and iii) Economic Development, Tourism and Environmental Affairs and iv) Education to gain a perspective from the provincial government concerning the need and potential for increased income/revenue generation. Municipal-level officials in Mangaung and Matjhabeng (target municipalities) were also interviewed. A list of these government officials and their positions is available as Appendix V.

Similar questions (Appendix VI) were posed to managers and/or board members of a selection of NPOs during two focus-group sessions held in Bloemfontein (Mangaung Metro Municipality; list of organizations in Appendix VII) and in Welkom (Matjhabeng Local Municipality; list of organizations in Appendix VIII).

It was unanimously decided that organizations already involved in income-generating activities be invited. These turned out to be the larger, more stable organizations that were registered NPOs. The reason for this selection was that the governance structures and the financial management of these organizations are monitored and in place. Smaller CBOs probably still need to develop the organization without having to struggle with an entrepreneurial approach. A few of the key NPOs in the Free State were unable to attend the sessions, and therefore face-to-face interviews were arranged with these organizations.

The data collected related to:

- the number, type and size of active NPOs;
- the employment levels/number of jobs in the NPO sector (formal and informal jobs) disaggregated by sex and by sub-sector/type of services being provided by an NPO;
- the services provided by NPOs and their clients' contractual basis;

- the existing income/revenue sources of NPOs;
- the attitudes to income/revenue generation among NPOs, including perceptions of the appropriateness of earning income/revenue for the services provided and the potential to do so;
- the type of financial and non-financial support (e.g. exposure to existing social enterprise);
- examples (training; capacity building, commercial financing, and others) that would be required to allow a successful application of a social-enterprise approach by existing NPOs; and
- the potential for skilled social-development professionals, health professionals or other professionals working with community development to establish social enterprises in the Free State and the support that would be required to facilitate this.

GreaterCapital concentrated on the "theoretical" part of the applicable literature and policy environments, and CDS was mainly responsible for doing the fieldwork in the Free State. The findings from all information collected was also shared and verified at a roundtable of stakeholders in both municipalities to be able to draft a final report.



### 3. Purpose of this report

This report provides background information for the International Labour Organization (ILO) and particularly for the activities of the Free State SME Development Initiative (SMEDI). The main aim of the research endeavour is to assess the potential for and the feasibility of supporting a social-enterprise approach among existing and new NPOs in the Free State. This document will, firstly, provide background on the non-profit sector and the emerging social scene in South Africa and the Free State with a specific focus on the policy environment in which NPOs and social enterprises operate. By reviewing the most relevant national and provincial policies affecting NPOs, we seek to understand how the current framework can support the increase in income generation by NPOs and the growth of the social-enterprise sector. The report will, secondly, delve into the responses obtained from the government officials as well as the NPOs and role players currently working in this environment.

Drawing on the above-mentioned analysis, the findings will ultimately focus on the central research question:

*“What is the potential for NPOs in the Free State to move towards a social enterprise approach by increasing the proportion of income/revenue that they earn and what are the likely additional employment opportunities to be created?”*

Data at national, provincial and municipal levels will contribute to recommendations and possible interventions that can be considered by the Free State SMEDI. The mandate (received from the Office of The Premier of the Free State Province) of the ILO is to concentrate their efforts on Mangaung and Matjhabeng. These two areas can be considered as two of the main areas of growth potential in the province and areas where more people need to be employed.



## 4. The NPO Sector

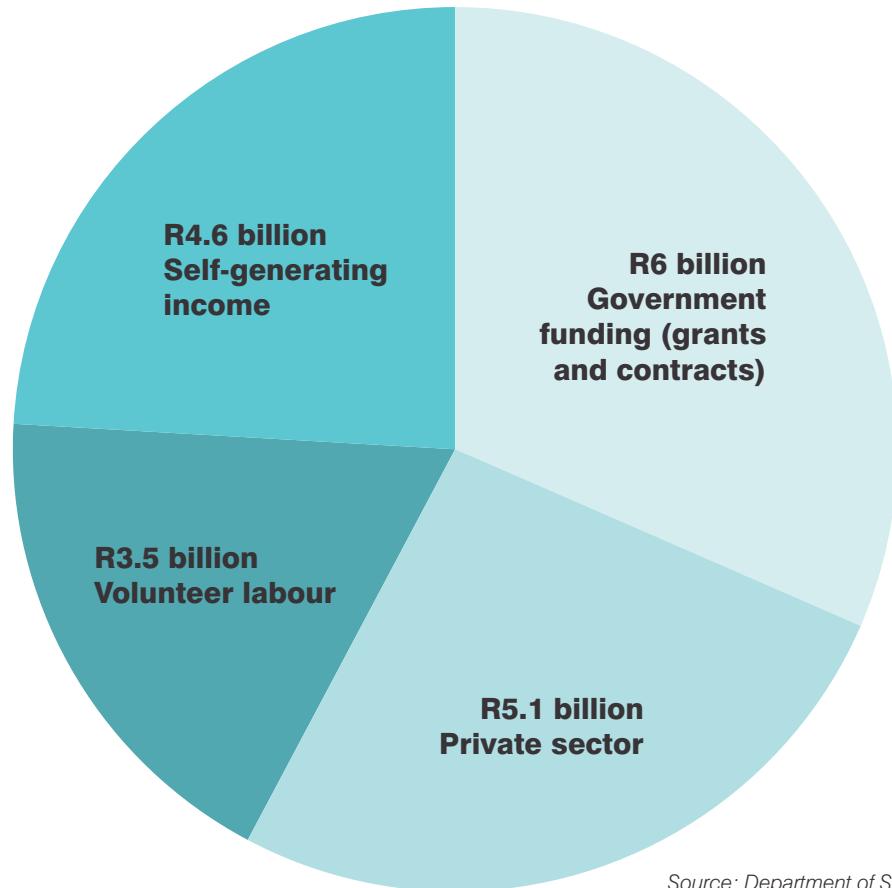
To maximize the delivery of developmental social services to the people of the Republic of South Africa is a process that requires an interrelated, intersectoral and integrated service-delivery model, which demands participation, co-operation and the strengthening of good working relations and partnerships with many sectors such as all three spheres of government, NPOs, civil society in general and the private sector (Department of Social Development, 2011c: 29). Therefore, NPOs have played a significant role in providing social services and addressing social problems in South Africa (Conradie, 1999: 291). Currently, there are approximately 30,000 various categories of social-service professionals servicing the population of 50.17 million (Department of Social Development, 2011c: 11). The partnership between the government and NPOs can be described as a relationship rooted in the acceptance by both parties of their shared vision, principles and responsibilities for the delivery of services within the accepted policy framework. The Departments of Social Development and Health provide the public with a call for service plans and undersigns a Memorandum of Understandings (MOU) with each of the organizations for the funding that they receive to render welfare services to the poorer population.

In these Service Agreements, the organizations agree to provide the department with progress reports (and therefore also statistics) of their activities for monitoring and evaluation purposes. This process has elicited various challenges, and therefore in Chapter 5 of the Social Development Provincial Budget Expenditure Review 2005/06–2011/12, the National Treasury highlighted the need for the social-development sector to strengthen its partnership with the NPOs through the review of the Policy on Financial Awards to Service Providers and the development of the financing arrangements.

According to the Department of Social Development (2009), the NPO sector in South Africa was worth R14 billion in 2000. This is over and above the government grants. The following graph illustrates the breakdown of this contribution to Gross Domestic Product (GDP).

The Johns Hopkins Comparative Non-profit Sector Study (Salamon, Anheier, List, Toepler, & Sokolowski, 1999) further noted that the non-profit sector employed 645,316 full-time workers (of which about 50 per cent are volunteers). Total employment in the non-profit sector in 1999 exceeded the number of employees in many major economic sectors (Swilling & Russell, 2002:16).

**Figure 1:** Contribution of NPO sector to South African GDP in 2000



Source: Department of Social Development (2009:7)

The Department of Social Development (2011a) noted that there were 76,175 NPOs listed on the national database. Of these, 95 per cent were voluntary associations, 3 per cent were section 21 companies, and 2 per cent were trusts (these types are also discussed later in the document). The majority (34 per cent) of sectors in which NPOs work are classified as social services. Development and housing is the second largest focus with 21 per cent of NPOs involved nationally. Registered NPOs in Free State contribute to 5.2 per cent (4,012) of the total registered NPOs in the country, which makes it the province with the third lowest (after the North-West Province and the Northern Cape) number of registered NPOs (Department of Social Development, 2011b:2).

**Table 2:** Non-profit classification sectors

REGION	SOUTH AFRICA		FREE STATE		GP	EC	KZN	LP	MP	NW	NC	WC	MANGAUNG <sup>2</sup>		MATJHABEN G <sup>3</sup>	
	# Reg	% Reg	# Reg	% Reg									# Reg	% Reg		
Business and professional associations, unions	402	0.5	14	0.3	0.8	0.4	0.3	0.2	0.4	0.5	0.5	0.8	6	0.5	1	0.3
Culture and recreation	4 069	5	168	4.2	6.6	3.3	4.1	3.4	4.7	5.8	6.8	8.1	50	4.0	6	1.8
Development and housing	15 797	21	768	19.1	18.2	22.1	22.5	23.7	19.1	22.1	21.1	22.2	252	20.2	59	17.6
Education and research	8 655	11	466	11.6	10.6	15.6	10.5	12.6	12.1	9.7	11.5	10.6	76	6.1	20	6.0
Environment	918	1	42	1.0	1.1	0.9	0.8	1.4	1.1	1.2	0.8	2.8	12	1.0	4	1.2
Health	8 723	11	534	13.3	8.9	11.5	12.2	14.6	16.8	14.3	14.8	8.3	153	12.2	40	11.9
International	53	0.06	1	0	0.2	0	0	0	0	0	0.1	0.1	0	0	1	0.3
Law, advocacy and politics	1 605	2	89	2.2	2.4	2.2	1.6	1.5	1.3	1.8	2.1	3.5	19	1.5	5	1.5
Philanthropic intermediaries and voluntarism promotion	912	1	23	0.6	1.4	1.0	1.1	0.2	0.3	0.6	0.3	3.3	14	1.1	4	1.2
Religion	8 839	12	353	8.8	16.0	6.2	12.0	6.3	8.9	8.2	9.6	12.1	150	12.0	34	10.1
<b>Social services</b>	<b>26 199</b>	<b>34</b>	<b>1 5543</b>	<b>38.7</b>	<b>33.8</b>	<b>36.8</b>	<b>34.9</b>	<b>36.0</b>	<b>35.3</b>	<b>35.8</b>	<b>32.4</b>	<b>28.1</b>	<b>518</b>	<b>41.4</b>	<b>162</b>	<b>48.2</b>
Total (Number of NPOs and percentage in country)	76 175	100%	4 012	5.2%	24 442	6 592	15 555	8 037	4 454	3 943	1 733	7 407	1 250	100%	336	100%

# Reg – Number of registered NPOs

% Reg – Percentage of registered NPOs Province:

GP (Gauteng); EC (Eastern Cape); KZN (KwaZulu Natal); LP (Limpopo); NW (North West); NC (Northern Cape); WC (Western Cape)

The table above surprisingly indicates that the percentage of registered NPOs in each sector is very similar for all the provinces. However, the Free State Province stands out with the highest percentage (38.7 per cent) of NPOs in the social services sector. This percentage is higher in Mangaung (41.4 per cent) and alarmingly almost 50 per cent in Matjhabeng (48.2 per cent)

#### 4.1 Snapshot of NPOs in the Free State

As mentioned previously, the CDS completed an overview of the NPO environment in the Free State. It cannot be guaranteed to represent an accurate replica of the non-profit sector in the Free State, but it at least provides a good picture of the environment and creates a snapshot of the composition of the sector and the issues with which it struggles.

Furthermore, in the Free State, more than 45 per cent of NPOs work in social services<sup>1</sup>, and 98 per cent of NPOs are registered as voluntary organizations. Trusts make up 1 per cent of this total while Section 21 companies (non-profit companies under the New Companies Act, No. 71 of 2008) comprise only 1 per cent (Department of Social Development, 2011b).

Registered NPOs are also classified in terms of the nature or scope of their services or the sectors in which they operate. The table below indicates the number of NPOs operating in different sectors in South Africa and in the nine Provinces. This information is also available for Mangaung and Matjhabeng.

Source: Department of Social Development, 2011b: 14

Telephonic interviews were completed with 115 organizations of which almost 65 per cent were in Mangaung, 11 per cent in Matjhabeng, 13 per cent not physically based in the Free State but doing work in the Free State and the other 11 per cent in other parts of the Free State. Only 3 (2.6 per cent) of the NPOs interviewed were not registered. Surprisingly, 65.2 per cent of these NPOs were also registered in terms of Section 18A of the Income Tax Act No.58 of 1962 because acquiring the status of a public-benefit organization (PBO) is a difficult task, given that the Act does not define what it means by "public benefit" with any certainty. This lack of definition leaves the onus on the NPO to prove that its work provides a public benefit. However, many NPOs do not have the time and energy to engage in this effort.

<sup>1</sup>NPO Directorate Registered NPOs in the Free State, 2012 ([www.npo.gov.za](http://www.npo.gov.za))

<sup>2</sup>These are still figures for the Motheo District Municipality; this area has now become Mangaung Metropolitan Municipality.

<sup>3</sup>These figures have been processed from information for the Letjweleputswa District Municipality. The towns included are Welkom, Odendaalsrus, Virginia, Almanridge, Ventersburg and Henneman.

Table 2 (in the previous section) also indicates that the percentages of NPOs registered in the Free State in each sector are similar to those in Mangaung, but the percentage of NPOs working in the social-service sector is even higher than in the Free State as a whole (almost 39 per cent in the Free State and 41 per cent in Mangaung). Furthermore, the Department of Social Development (2011b) notes that the trend concerning the total number of registered NPOs is consistent with that of the total number of applications received from the districts within the Free State.

The Motheo District Municipality (DC17) had the highest number of registered NPOs at 31 per cent, followed by Thabo Mofutsanyane (DC19) at 26 per cent and Lejweleputswa (DC18) at 20 per cent. Xhariep (DC16) had the lowest number of registered organizations at 8 per cent and was preceded by Fezile Dabi (DC20) at 16 per cent.

#### **4.1.1 Types of services**

The table below illustrates the distribution of the NPOs interviewed according to the type of service rendered.

**Table 3:** Type of services rendered by NPOs in the Free State

<b>Services</b>	<b>Number of NPOs</b>	<b>Percentage (%)</b>
HIV/ AIDS	20	17.4
Education & training	15	13.0
Youth development	9	7.8
Community development	8	7.0
Mental health & education	7	6.1
Community based care & support (frail care)	7	6.1
Children's homes & places of safety	6	5.2
Social welfare services (child)	5	4.3
Social welfare services (general)	5	4.3
Social welfare services (disability)	4	3.5
Victim empowerment & counselling	4	3.5
Social welfare services (aged)	3	2.6
Family support	3	2.6
Environmental ( animals/wildlife)	3	2.6
Drug abuse and prevention	2	1.7
Other	2	1.7
<b>Total</b>	<b>115</b>	<b>100%</b>

Similar to the pattern in South Africa, the registered NPOs working in social-welfare services outnumber (20.8 per cent = total percentage of sectors highlighted in grey in table above) the other sectors. Some of the organizations also covered various services. The majority of beneficiaries of these NPOs were children (26.5 per cent), the youth (16.9 per cent), the aged (14.7 per cent) and people with disabilities (14.4 per cent).

#### **4.1.2 Management/governance structures and personnel**

The following table shows the number of members in the governance structures in the various categories as well as the personnel in each of the type of employment opportunities that NPOs offer. The table indicates the minimum, maximum and average number indicated by the NPOs interviewed.

**“Change starts when someone sees the next step.”**  
- William Drayton

**Table 4:** Management/governance and personnel of NPOs in the Free State

Governance/ management structure	Minimum	Maximum	Average
Total governance / management structure	1	17	7
Number of members of the board – external	1	9	5
Number of members of the board – internal	1	16	5
Number of members of the board - males	1	9	4
Number of members of the board - females	1	13	4
Personnel	Minimum	Maximum	Average
Total number of personnel	1	150	20.74
Number of personnel – male	1	35	4.26
Number of personnel – female	1	115	14.51
Total number of personnel – admin / technical staff	1	24	2.50
Total number of personnel – project manager / co -ordinator	1	10	2.25
Total number of personnel – social workers	1	12	2.67
Total number of personnel – health professionals	1	15	4.56
Total number of personnel – auxiliary workers	1	9	2.65
Total number of personnel – care workers	1	42	11.27
Total number of personnel – volunteers	1	100	19.60
Total number of personnel – trainees / in training	3	5	4.00
Total number of personnel – other skilled workers ( <i>teachers, councillors</i> )	1	30	5.00
Total number of personnel – drivers	1	4	1.50
Total number of personnel – other unskilled workers ( <i>gardeners, cleaners, cooks</i> )	1	4	1.50

From the table above, it is clear that the non-profit sector employs many people at various levels, from unskilled workers to professionals like social workers and project managers. At each of these levels, the number of employees differs drastically between the organizations, but when one looks at the averages, the numbers start telling the true story. The members of boards are almost equally divided between external (4.62) and internal (4.75) members and between females (4.38) and males (3.60). The number of personnel also reflects that more females (an average of 16.35 per organization) are employed in the non-profit sector. It should be noted that this sector also depends heavily on volunteers (an average of 19.60 per organization).

#### 4.1.3 Challenges

South African NPOs have done sterling work in improving the lives of ordinary citizens, President Jacob Zuma said at the National NPO Summit in Johannesburg in August 2012. Zuma said that the non-profit sector should remain an indispensable partner to government as it pursues the development agenda (Khumalo, 2012).

Unfortunately, it is a well-known fact that the non-profit sector faces specific (sectoral) challenges, and this often comes across in the media and is mentioned during everyday conversations. This was one of the first questions posed to participants during focus-group sessions with NPOs as well as during interviews with government officials. All the contributors brought forward similar concerns. The main issues can be summarised in the following points (often utilising the exact utterances of the contributors):

#### I. LACK OF CO-ORDINATION AND CONCERTED EFFORT

- The services available in the Free State are not equally spread across the province. In large parts of the rural Free State, there are no immediate organizations which one could contact for services. Even though the Free State is small and there are few NPOs, the organizations do not network among themselves because, according to the participants, they are all “fighting for a piece of the same small cake”<sup>4</sup> (for financial means as well as beneficiaries they serve). Clients also play off organizations against one another.

The NPOs should start collaborating and working together (co-ordination) to improve the lives of all the beneficiaries and make the work easier.

- Integration and coordination between different government departments are often lacking. According to some government interviewees, “*double-dipping*” therefore becomes a problem where money is wasted because various government departments are covering similar targets (like the Department of Social Development and the Department of Agriculture assisting the same project).
- There is a lack of transparency between the government and NPOs. Consistency in terms of parameters (for example, how many staff members per beneficiary) is needed. It is difficult to build relationships between public officials and NPOs because of the turnover rate of staff.

## **II. LACK OF GOOD GOVERNANCE AND MANAGEMENT**

- Governance and management structures are often not in place, or the importance of sound governance is underestimated or misunderstood.
- There is a lack of management skills within the organizations as well as within the relevant government departments.
- NPO staff members have not been trained for the skills that are needed in these financially difficult times. In many cases, they are not business orientated. Reporting is often a problem, with NPO management lacking the necessary skills or with the reporting process remaining inconsistent.
- According to the participants of the focus-group sessions, people working with and for NPOs are often “*narrow minded*” in their views of the potential that their important work holds in terms of assisting their organizations’ sustainability. Because the non-profit sector has been “*blessed with the mentality of charity work*” by the community as well as employees, the organizations are prepared to perform work for “*cheap labour*”.

- For NPOs, adopting a commercial approach to the rendering of services could have a number of important implications for their structure and governance, relating, for example, to their public-benefit status. In the cases where NPOs decide to set up a trading entity, the responsibilities and financial liabilities of managers and board members will change. There is insufficient awareness and information around this matter within the NPO community.

## **III. LACK OF RESOURCES**

- Organizations do not always have enough human and physical resources to be able to cover the demands (statutory services)<sup>5</sup> of the community, and therefore, the caseloads are excessive, and cases are not attended to as effectively as necessary. There seems to be a perception amongst the public that NPOs should be providing these services instead of the government, but the NPOs are merely complementary to the work of the government in delivering the services, and their resources are insufficient to cover all of the population in need.
- As a matter of caution, it must be made clear that not all aspects of NPO activities should become business oriented. NPOs depend heavily on volunteers, and their contributions cannot always be seen in a simple manner. The value of voluntarism should be respected and valued as a social good that has its place in building communities. According to one of the NPO managers, “in the white community, the volunteers are aged and cannot always cover all aspects of what the organization depends on. On the other hand, in the black community, there are younger volunteers who are actually looking for jobs”. They want to provide a service but are discouraged when there are no stipends for the purposes of their own survival. Well-trained volunteers are often lost because they find employment that puts food on their family’s table. NPOs also report a trend where government employs NPO workers or volunteers because of their relevant work experience.

<sup>4</sup>All the words in double quotation marks and italics are an exact transcription of what was reported by the participants (either interviews or focus-group sessions). The utterances and comments of the participants are used to put these comments into context and do under no circumstances reflect the opinion of the research team.

<sup>5</sup>Services that have to be provided (by law) to communities, like social welfare (children, the aged, the disabled and the frail)

#### **IV. FINANCIAL CONSTRAINTS**

- Financial management is critical for the economic sustainability of an NPO (Pajas & Vilain, 2004: 342), and the current reduction in available funding has highlighted the importance of financial management for the sustainability of NPOs in a difficult economic environment (York, 2009: 1). Financial management is one of the most challenging areas that managers of NPOs have to deal with. The greatest challenge experienced by most of the NPOs is financial constraints and that is why, according to the participants of the study, NPOs "come and go". The funding received, mostly from the Department of Social Development, is never enough and is normally between 40 and 50 per cent of their income. NPO managers that were part of the focus group furthermore noted that not all organizations disclose all their means of income for the fear that "the subsidy will be decreased".
- There is an on-going critique that, in NGOs, salaries are low, and benefits are not always in place. In other words, NPOs constitute a decent-work deficit (Webster et al., 2008). This is the case because they often do not have the funding in place to offer higher salaries – either on a project basis or for the "core" tasks of the NPO – and then use casual or subcontracted workers or even volunteers. The government's subsidy cycle is also only issued on an annual basis, and therefore, continuity, sustainability and planning for the NPOs are difficult. The working conditions also contribute to problems with the retention of staff. In the NPO environment, employees are often forced into difficult conditions and are over-worked. Funding and donations are not always consistent. If this is withdrawn, the organizations that do not have reserves in place may not be able to continue. This also causes NPO employees (at all levels) to leave NPOs in search of better remunerated positions in the public or private sector.
- The participants in the NPO focus group commented that many of the NPOs are trying everything they can to obtain some money. This means that they are often "selling their souls" (mission drift) and deviating from their mission to be able to access certain grants or funding in order to survive.

**"Poverty is not only a lack of money, it's a lack of sense of meaning."**

- David Bornstein

According to Boschee (1998), "social entrepreneurs are non-profit executives who pay increasing attention to market forces without losing sight of their underlying missions, to somehow balance moral imperatives and the profit motives -- and that balancing act is the heart and soul of the movement".

- The Department of Social Development has not been able to monitor and evaluate the funded organizations consistently. They have also not valued the importance of follow-up visits to the small organizations in order to establish whether they are still on the right track in terms of financial and organizational management.
- Furthermore, no exit strategy plans for sustainable-livelihood projects<sup>6</sup>, in particular, have been established. According to government officials, this has, in some cases, led to the establishment of a state of dependency where funding continues endlessly, and NPOs struggle to continue once the project has been completed. This is, however, not always the case as services are often delivered to communities by an NPO in cases where the state is unable to provide it themselves. In this way, the state can outsource some services knowing that NPOs are closer to the target population and are providing a service that needs essential resources that only the state can provide. In this case, the NPO should be accountable and prove their worth to the state.

<sup>6</sup>Core principles underlying sustainable livelihood approaches are that poverty-focused development activities should be (Ashley and Carney 1999: 7) people-centred, responsive and participatory as well as multi-level, conducted in partnership, sustainable and dynamic.

#### 4.1.4 Sources of income

Just like any business, NPOs often have to obtain an income from various sources to survive. Organizations can no longer depend only on grants and funding from a single source because of the inconsistency and the struggle for the limited resources. In the Free State, the Department of Social Development is the largest source of funding for NPOs. Their total approved payments made to a total of 1683 organizations/programmes for 2012/13 was almost R325 000 000. The Thabo Mofutsanyane District received the highest percentage (26.3 per cent) of the allocation, followed by the Motheo<sup>7</sup> District (23.5 per cent) and the Lejweleputswa District (18.7 per cent). Many of the organizations also obtain funding from the provincial office and not from their districts. The majority of the programmes funded in this way (9.2 out of 12.5 per cent) are also situated in the Motheo and Lejweleputswa districts. Therefore the bulk of the funding (51.4 per cent) from the Department of Social Development is distributed in these two districts.

During the above-mentioned snapshot of NPOs in the Free State, organizations were asked to indicate from which sources they received the bulk of their income. Most of the NPOs indicated that their income was obtained from donations, from government funding by the Departments of Social Development and Health and from the National Lottery. The organizations also specified that other sources of income included international funding, national federations, religious institutions and their own fundraising. During the focus-group sessions, this issue was further discussed in terms of a percentage breakdown of an organization's income. This figure varies between the organizations. Certain NPOs (that deliver statutory services, for example) are very reliant on the funding from government (80–100 per cent) and others (working with HIV and AIDS orphans) obtain international funding or donations (90 per cent). There are particular types of organizations (religious and small) that have to generate all of their income themselves. Generally, the percentage breakdown of income can be summarised in the following way:



**Table 5:** Percentage breakdown of NPO income

Source	Percentage (%)
Government subsidy	40 - 50
Proposals and grants	30 – 40
Religious organizations	20 – 30
National lottery	20 – 30
Fundraising	10 – 20
Income-generating projects	10 – 20

<sup>7</sup>It has now changed to Mangaung Metropolitan Municipality.

#### 4.1.5 Income-generating activities

The need for NPOs in the Free State to increase their income-generating activities came across as essential during the scan, the interviews with government officials as well as the focus group sessions. Officials from the Department of Social Development noted: "This is what we want", "the (NPOs) should become more sustainable" and "not depend on our funding". They gave the following reasons for their view: "The need for our services from the community is increasing, and the funding opportunities and government money is depleting".

"The belt is tightening and our organization needs to stop acting like a charity but more like a Donald Trump (business)". Participants concluded that NPOs "need a mind shift". Often the NPOs do things for free, but communities that can afford it are usually willing to pay for services (like health care, therapy, counselling, training and background knowledge).

During the overview of the NPOs, the organizations had to give their opinion on generating their own income. Sometimes two or three ideas were shared. These opinions (as per the words used during the interviews) can be summarised in the following table.

**Table 6:** Opinions on generating own income

Opinion	Percentage (%)
<i>It is challenging and hard work</i>	52.1
<i>Teaches us independence to become sustainable and a necessity</i>	17.9
<i>It is easy because it is part of everyday work/get money from public</i>	13.2
<i>Funding proposals not accepted and extensive enough<sup>8</sup></i>	8.4
<i>Not enough human resources to do social service and raise funds</i>	5.3
<i>Generate no income - need help from government</i>	3.2
<b>Total</b>	<b>100%</b>

The table above represents the opinions acquired from the NPOs on income-generating activities. The message is strong that it is a challenging aspect (52.1 per cent) but that, in this way, NPOs can become more sustainable and independent (almost 18 per cent). There are several obstacles to overcome, like proposal writing (8.4 per cent) and human resources (5.3 per cent), but there are organizations that are already entering into this mode (13.2 per cent). Yet some NPOs still depend on government funding (3.2 per cent). This is so true because certain welfare services are not necessarily designed to generate income, and some NPOs would rather concentrate on providing services for the beneficiaries that they already serve and not venture into other avenues.

The kinds of income generating activities in which NPOs in the Free State currently engage include:

- training and skill programmes;
- selling manuals, books and publications;
- fundraising projects and events;
- awareness campaigns like casual day<sup>9</sup>, shavathons<sup>10</sup> and community walks;
- selling of second-hand goods;
- selling hand-made products (bakery, signage, needlework, toys);
- selling services like packaging, counselling, therapy and consultation;
- volunteer programmes and touring experiences;
- vegetable gardens and agricultural projects;
- membership fees;
- provide extra classes for students in community;
- tenders; and
- functions and conferences.

Therefore, while the socio-economic challenges in South Africa (and even more so in the Free State) continue to exist, the pool of funds available for NPOs is shrinking, and the competition for those funds is increasing (Department of Social Development, 2011c: 15). This is the context in which social enterprise is becoming a popular organizational strategy in South Africa. It is also the reason why more and more NPOs are pursuing new strategies to access other sources of income to ensure their survival and increase their long-term sustainability.

<sup>8</sup>This is seen as part of income that is NOT obtained from the government.  
It is hard work to put together funding proposals

<sup>9</sup><http://www.casualday.co.za/>

<sup>10</sup><http://www.shavathon.org.za/>

## 5. What is a Social Enterprise

Forming part of a dynamic social economy<sup>11</sup>, social enterprises have been hailed as an integral solution that allows organizations to meet social needs while generating a profit. During the 2009 ILO Global Jobs Pact conference, the social economy was defined as “a concept designating enterprises and organizations, in particular co-operatives, mutual benefit societies, associations, foundations and social enterprises, which have the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity”.<sup>12</sup>

Participants (NPOs and government officials) of this research did not really understand what the social economy was. To them, the concept was seen as the “economic status of community”, “resources around me including people and the stakeholders that can be used to make a difference” or “communities out there are affected by the economy. How it affects their day to day living”. Therefore, the participants saw the social economy as the people and the community and what they have to offer instead of viewing it as the NPOs, cooperatives and stokvels. This means that they have a limited view than the much broader concept of the social economy.

There is no universally accepted definition of a social enterprise. However, it essentially has two aspects. Firstly, it addresses a social or environmental issue. Secondly, it produces goods or services that can be sold to the market. Another common way of identifying social enterprises is by looking at the income sources of a NPO: A social enterprise is often an NPO that earns at least 50 per cent of its income from the provision of goods and services (as opposed to receiving grants or donations) (ILO, 2011c).

During interviews with government officials, it was found that many of them were not familiar with the concept of social enterprise (“We do not know what a social enterprise is”). A few officials did note that this was “income-generating NGOs / projects and income generation by communities. It results in job creation”. Social enterprise is a concept that “has been read about but does not live in our communities”.

Government officials were keener on a similar buzzword used by President Zuma – cooperatives. The United Nations after all sees 2012 as the year of cooperatives. Two of the departments that we interviewed have decided to concentrate their efforts on forming cooperatives among community members rather than starting up new NPOs and developing social enterprises. Therefore, these officials are encouraging community members to work together and form a business to be able to make a profit and divide it amongst them. Cooperatives are one of the forms that social enterprises can take but not the only one. Social enterprise is therefore a broader concept, and cooperatives lean more towards the “sustainable livelihood” projects.

The NPO managers and/or board members that attended the focus-group sessions understood the notion better because they have already been toying with the idea. These participants mentioned that they are already using a “business model to address social ill and at the same time generating an income”. Other participants defined social entrepreneurship as “combining the head to the heart” (combining mission with business acumen) or “meeting social needs through business”. One of the NPOs even thought of a social enterprise as “creating a business to sustain your ministry”.

Members of the NPO community have raised critical questions about social entrepreneurship and its potential to encourage NPOs to “drift away from their mission”. Social entrepreneurship could cause NPOs to lose their focus on providing a public service to their beneficiaries and rather being driven by the need to make a profit. This move could have negative implications for the quality and reach of their service offering. Therefore, NPOs indicated that social entrepreneurship cannot follow a “one-solution-fits-all” strategy. It should rather be a new organizational approach that often requires a revised strategy and new skills. The example of many organizations that have managed to set themselves up as successful social enterprises, as documented by the ILO’s SETYSA project,<sup>13</sup> supports the development of better understanding and strategies to support this emerging sector.

<sup>11</sup>The social economy is also occupied by co-operatives and NPOs.

<sup>12</sup>Ougadougou Symposium on the Global Jobs Pact, 2009

<sup>13</sup>Available at [http://asenetwork.net/site/?page\\_id=334](http://asenetwork.net/site/?page_id=334)

## 6. Lessons from a Global perspective

Enterprises are dynamic organizations that seldom fit into one regulatory form or objective. Such organizations therefore take on different structures and organizational models that are deemed most appropriate to their enterprise. While the research and practice of social entrepreneurship is only getting momentum in South Africa now, it is well consolidated in a number of established economies overseas.

Countries such as the UK have made huge strides in creating a specific legal entity in order to encourage the emergence of social enterprises. This is known as a Community Interest Company (CIC), the legal framework for which was approved in 2005. Essentially, CICs conduct business activities to generate profits in order to support their activities, maintain their assets, contribute to the community and, in some cases, render a limited return for their investors (Regulator of Community Interest Companies, 2010). Charities converting to CIC will be subject to some tax implications. A CIC cannot, for example, apply for Gift Aid status<sup>14</sup> and is required to pay corporate tax. CICs that are set up as an additional trading arm to a charity can declare donations to the charity as an expense when calculating their profits for corporate tax. VAT is still applicable for trading activities undertaken by CICs with some exceptions applicable if the CICs work in the areas of education, health or welfare. The UK strategy towards social enterprises has proven particularly successful because it focuses on creating new sources of capital for social enterprise organizations. In this regard, the government has established a £10 million fund for investment in social enterprises and a program to develop better metrics for measuring the social impact of the social enterprises (Doeringer, 2010). The number of CICs in the UK has now passed 6000 (Regulator of Community Interest Companies, 2012).

**“A little bit of good can turn into a whole lot of good when fueled by the commitment of a social entrepreneur”**

- Jeffrey Skoll

The United States has also seen the rise of social enterprises. This move has been evident through initiatives by both government and the private sector. L3Cs, also termed Low-Profit Limited Liability Companies, are entities that are essentially a crossover between non-profit and for-profit corporations. Legislation to recognise L3Cs was first passed in the state of Vermont in 2008. Seven other states have since then passed legislation enacting L3Cs. L3Cs are a type of Limited Liability Company (LLC) in that they also allow the company to issue equity as a vehicle for raising capital. The difference between the two entities is that L3Cs are set to be able to receive funding from foundations in the form of program-related investment (PRI). The IRS defines PRIs as investment that fits the following criteria:

- The primary purpose is to accomplish one or more of the foundation's exempt purposes.
- The production of income or appreciation of property is not a significant purpose.
- Influencing legislation or taking part in political campaigns on behalf of candidates is not a purpose.<sup>15</sup>

The idea behind allowing LLCs to access programme-related investment is to facilitate access to new forms of capital, traditionally restricted to the non-profit sector. A selling point of the L3C structure is its ability to form flexible partnerships with investors that have different financial-return expectations. These partnerships are served according to the requirements of each partner.

A foundation can, for example, knowingly invest at a lower market rate, entailing higher risk, but decreasing risk for other investors in the process. Because of the flexible structure, the profit distributed to investors is taxed according to each investor's tax situation, an ideal environment for collaboration between non-profit and for-profit organizations (Witkin, 2009). L3Cs are for-profit entities. Therefore donations cannot be deducted as charitable contributions (Andrews, 2010).

At a private-sector level, B Lab, which is a non-profit corporation, created the “B Corporation” designation (the “B” stands for beneficial) for which for-profit social enterprises can apply. In order to be certified for B Corporation private certification, a company must receive a grade of at least 80 out of a possible 200 points on B Lab's questionnaire focussing on the company's social impact. Nine states recognise B Corporation designation. In 2012, there were 574 B Corporations.

Several additional enabling policies have been passed in the United States providing incentives and benefits to social enterprises(Mendell, 2007):

- A New Market Tax Credit was initiated in 2000, providing tax cuts worth \$15 billion for community investments.
- The Revenue Rule of 2004 allows organizations with tax-exemption status to go into joint ventures with for-profit companies without losing their exemption status or being subjected to taxes on unrelated business income.

Creating a dedicated legal form around a unified definition of social enterprise substantially encouraged the consolidation of the social-enterprise sector in countries such as the UK and USA.

This provided clarity and accountability to the sector. Likewise, tax incentives and specialised financing mechanisms created the necessary mechanisms for emerging social enterprises to grow.

**“Entrepreneurs are risk takers,  
willing to roll the dice with their money or reputations  
on the line in support of an idea or enterprise.”**

- Victoria Woodhull



## 7. Social Entrepreneurship in South Africa

The Global Entrepreneurship Monitor identified the lack of understanding of the concept of social entrepreneurship among the reasons for the low prevalence of social entrepreneurship in South Africa (Visser, 2011). There are no accurate figures for the number of social enterprises mainly because there is no widely accepted definition or legal structure for them. In this context, social enterprises adopt the form that is most convenient to their purpose, namely a for-profit, a not-for-profit or a hybrid structure. While social entrepreneurship is still an under-researched area, a number of significant pieces of research have been produced in the last three years, aiming at providing practical tools that can guide the development of social enterprises. These are The Guide to Finance for Social Enterprises (International Labour Organization (ILO), 2011a) and The Guide to Legal Forms for Social Enterprises in South Africa (ILO, 2011b).

In addition to this, new forms of finance are also gaining momentum. In the area of developmental finance, government is currently working with the Industrial Finance Corporation (IFC) in setting up a fund especially dedicated to finance social-enterprise initiatives. Impact investing is also attracting increasing interest by private investors looking for alternative options to achieve financial returns, diversify risk and align themselves with responsible investment policies. For the great majority of NPOs in South Africa, which are voluntary associations dedicated to the provision of social services, access to these new forms of finance is restricted unless they develop financially viable businesses to sustain their operations. Aligning their income-generation strategy to their primary social mission might prove particularly challenging for organizations that are often providing services to vulnerable and poor groups in society since people are unlikely to be able to afford the essential services they are currently receiving at no cost. An important consideration for NPOs wanting to embark on social entrepreneurship and income generation is the impact of these activities on their social mission and, consequently, on their tax responsibilities. Subsequent sections of this report will deal with the tax implications for NPOs in South Africa and how social enterprise fits into the current regulation.

### 7.1 Available legal incorporations for social enterprises

In South Africa, there is currently no legal structure or incorporation specifically dedicated to social enterprises. Social entrepreneurs, therefore, choose entities that they believe best suited to the nature of the business. Sometimes, this is a for-profit company, sometimes a not-for-profit company and sometimes a hybrid of the two.

There are a number of legal structures from which a social enterprise can choose, including a voluntary association, trust, non-profit company, co-operative and private company. Depending on the organization's intended objective, some structures might be more suitable than others. Organizations are encouraged to assess the implications of each structure against their aims to see which set-up would serve them best. This section looks at each structure, focussing on how these structures are formed, managed and regulated, and the tax provisions available. Overall, these incorporations fall into two categories, non-profit and for-profit entities. Non-profit entities include voluntary associations, trusts, section 21 and non-profit companies. Co-operatives and private companies constitute the profit-making entities.

There are a number of overarching characteristics that are found in most non-profit entities and, similarly, profit-making entities. NPOs set out to provide public services in areas ranging from social-welfare development, charity and religion. The profit made by NPOs may only be used to further the organizations' social mission and may not be distributed to members. Furthermore, NPOs are generally characterised as having to fundraise in order to cover their expenses. In cases where NPOs are in dissolution, their assets cannot be distributed among their members but must be given to an organization pursuing a similar social objective.

For-profit entities differ in that they operate with profit as their primary goal, and these profits maybe distributed to their owners and members. Funding can be accessed through loans, debt and equity. Lastly, on dissolution, any remaining assets are distributed among the owners and members (Honey, 2000b).

#### 7.1.1 Voluntary association

In order to establish a voluntary association, three or more individuals need to enter into an agreement to form an association that works towards achieving a non-profit objective. There is no requirement that such an agreement be written, and verbal agreements qualify. Voluntary associations stand as legal entities independent of their members, and they can therefore continue to exist even if the membership composition changes. An association's assets and liabilities are held separately from those of members, and it is able to own property under its name.

Voluntary Associations registered under the Non-profit Organizations Act, No 71 of 1997 (Republic of South Africa, 1997) are required to comply with the following stipulations:

- reflect its registered status or registration number on all its documents
- keep accounting records
- draw up financial statements
- arrange for an accounting officer to prepare a written report
- preserve its books of account, supporting vouchers, membership records and financial records and documents
- report to the Director of NPOs.

A constitution serves as a founding document for voluntary associations and is dependent on the organization's needs and objectives. The document should stipulate the functions, management structure and decision-making process of the association. An association's constitution sets stipulations on how members are admitted and expelled as well as limits on the number of people in the association. Where applicable, the constitution will spell out the fees (whether annual or subscription) to be paid by members.

Another element included in an association's founding document is the election of members who will hold management positions, including secretary, treasurer, chairperson and vice-chairperson. These elected members are charged with taking care of the association's day-to-day activities. There is no requirement that voluntary associations be registered with a government entity. In the absence of a specific regulatory body, voluntary associations can register with the NPO Directorate in order to be accountable. As registration with the Directorate is not mandatory, doing so shows an association's willingness to be transparent.

## **7.1.2 Trust**

A trust is centred on an agreement whereby an owner or founder relinquishes property and/or funds to a group of trustees. The trustees' role is to administer the assets in such a way that beneficiaries benefit or a stated objective is met. The Trust Property Control Act, No. 57 of 1988, serves as the regulatory document regarding trusts in South Africa (RSA, 1988). Unlike voluntary associations, trusts cannot stand as independent legal entities. There are exceptions to this stipulation, most notably for tax and insolvency reasons. Trustees can be held liable personally should legal disputes arise and can be sued directly. Property under trust enjoys protection from the Trust Property Control Act, No. 57 of 1988, at all times.

There is a line of separation between trust property and the property of trustees.

A trust's foundational agreement is known as a trust deed. Trust deeds should all address:

- the entity's main purpose and objectives
- governance structure
- meetings and procedures
- rights and duties of the trustees
- appointment and removal of the Board of Trustees as office bearers
- dissolution procedures
- financial guidelines
- powers and authority of the Board of Trustees and dispute procedures

The regulatory body governing trusts is the Master of the High Court.

## **7.1.3 Section-21 companies**

While non-profit companies have a similar legal set-up as for-profit companies, they have limiting stipulations concerning capital, shares and dividends. Non-profit companies cannot distribute shares, pay dividends to members or have share capital. Such companies are required to comply with the Companies Act No. 71 of 2008 that governs their activities. Just like voluntary associations, non-profit companies are considered to be independent legal entities. Under the New Companies Act, 71 of 2008, Section-21 Companies are now known as NPCs (Non-profit Companies).

## **7.1.4 Non-profit company**

Under the New Companies Act, 71 of 2008, a not-for-profit company can be formed (RSA, 2008). Such an organization provides a public benefit that is linked to one or multiple social or cultural activities. While it is not a requirement, NPCs can have voting and non-voting members. In addition, members do not necessarily have to be individual persons; they can be any legal entity.

Governed by the New Companies Act, No. 71 of 2008, non-profit companies stand as legal entities independent of members and directors. Furthermore, non-profit companies cannot issue shares to shareholders and cannot distribute their profits to its members. In addition, the organization's assets must be used to meet the objectives listed in the Memorandum of Incorporation which acts as the founding document.

The Act prohibits non-profit companies from merging or joining for-profit companies except in cases where this is part of the company's regular course of activities.

### 7.1.5 Co-operative

Considered as for-profit entities, co-operatives are centred on a group of individuals coming together to meet a common economic, social and cultural need in a mutually beneficial manner. The entity is structured as a democratically controlled enterprise and is governed by the Co-operative Act No. 14 of 2005 (RSA, 2005). To keep in line with regulations, co-operatives must have a registered geographic location. Documentation that should be kept at the office includes a membership list, register of directors as well as interests of directors in contracts. Should there be any changes in the location of the co-operative or details related to constitution, the Registrar of Co-operatives must be informed.

Financial and accounting records are to be kept and presented at the annual general meeting; these records should also be filed with the registrar. Members of a co-operative need to select an auditor who will conduct an annual audit. The resulting report is sent to the Registrar. Just like voluntary associations, registered co-operatives are legal entities independent of their members and can continue to exist even if the membership composition changes.

### 7.1.6 Private company

Shares are a central element of a private company governed by the Companies Act, No. 61 of 1973, (RSA, 1973) as well as the New Companies Act, 71 of 2008 (RSA, 2008).

Members of a company have limited liability and ownership of the company according to the restrictions stipulated by the company constitution. A private company can have a maximum of 50 shareholders. If shareholders wish to sell their shares, these must be offered to another shareholder within the same company.

While ownership and control of the company sits with its members, a board of directors is charged with managing the company. They need to be registered on the Register of Companies and report on any changes to the structure of the company. Just like co-operatives, registered private companies are considered to be legal entities. To comply with the mentioned Companies Act, companies and directors must uphold a number of principles, including:

- The company must appoint auditors.
- The company must indicate a registered address.
- The company must hold an annual general meeting in accordance with the prescribed procedures.
- The company must keep financial and accounting records in the prescribed form and present these to the annual general meeting (AGM) of members and file them with the Registrar.
- The directors' report must be presented to the AGM.
- A private company does not have to lodge interim reports, and its annual reports are not available to the public.



The following table summarises the main characteristics of each of the legal structures explained in the previous section:<sup>16</sup>

**Table 7:** Table of legal incorporations

Item	Voluntary association	Trust	Non-profit company	Co-operatives	Private company
<b>Object</b>	An agreed-upon, non-profit objective	Owner hands over property or funds to a group that will administer the assets for the benefit of others	For public benefit	A common economic, social or cultural need	Any object
<b>Governing document</b>	Can be a verbal agreement or constitution	Trust deed	Memorandum of incorporation	Constitution	Memorandum of incorporation
<b>Relevant act</b>	Common law and Nonprofit Organization Act, No. 71 of 1997	Trust Property Control Act, No. 57 of 1988	Companies Act, No. 71 of 2008	The Co-operative Act, No. 14 of 2005	Companies Act, No. 71 of 2008
<b>Incorporation</b>	Independent legal entity	No independent legal entity	Independent legal entity	Legal entities, if registered	Independent legal entity
<b>Membership</b>	Open membership, individual members	Closed membership	Open or closed membership, individual or organizational members, voting and non-voting members	Open or closed membership, individual or organizational members	Closed membership
<b>Governance</b>	Management committee	Board of Trustees	Board of Directors	Committee of officers	Board of Directors
<b>Registration</b>	Not required, but can be registered with the NPO Directorate	Master of the High Court	Registrar of Companies	Registrar of Co-operatives	Registrar of Companies
<b>Profit distribution</b>	None expected – reinvested in objects	In line with objectives	Reinvest in objectives	Profit distribution amongst members	Profit distribution amongst shareholders
<b>Tax</b>	Tax exempt if registered as a PBO	Tax exempt if registered as a PBO	Tax exempt if registered as a PBO	No tax exemption	No tax exemption

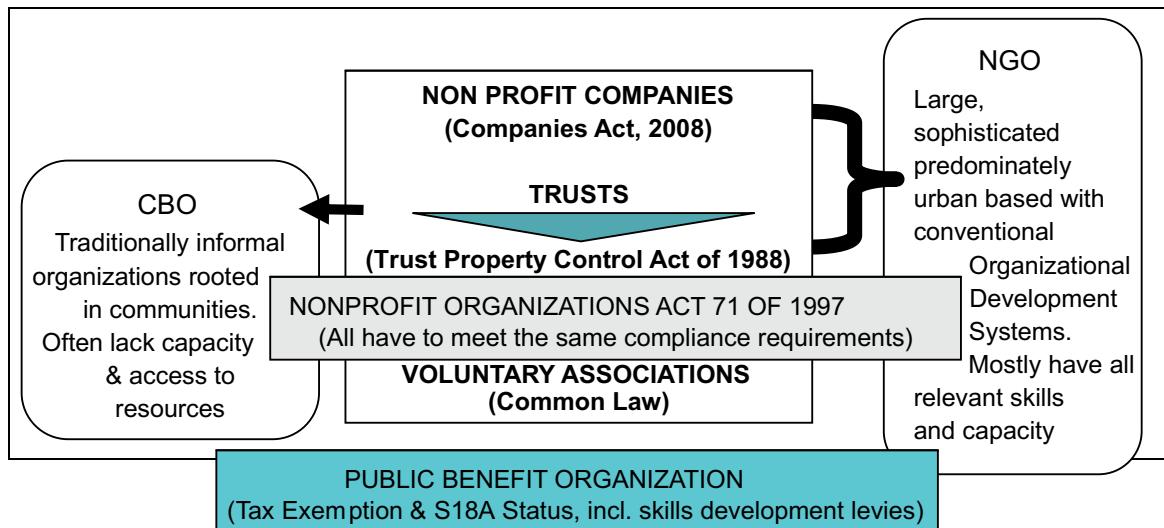
Source: Social Enterprise Academy Africa

<sup>16</sup>Table compiled by the Social Enterprise Academy Africa

## 7.2 Tax benefits for social enterprises: The status of public-benefit organizations

As indicated in the table above, voluntary associations, trusts and NPOs are eligible for tax exemptions if they are registered as Public Benefit Organizations (PBO).<sup>17</sup> The following diagram explains the regulatory framework on NPOs very well.

**Figure 2:** Regulatory framework on NPOs



Tax exemptions for NPOs are a mechanism to enhance their financial resources, relieve the country's burden and reflect the government's recognition of the value that non-profit organizations bring to citizens (South African Revenue Services, 2007). Social enterprises that operate under these structures can benefit from tax legislation for PBOs. NPOs are not required to register with SARS as PBOs. However, registration can allow organizations to be exempted from income tax, donation tax, estate duty as well as other SARS-approved fiscal levies (Inyathelo, 2012).

According to SARS, there is an estimated of 10,000 approved non-profit PBOs. As Public Benefit Organizations, the principle objective of NPOs should be to carry out either one or multiple Public Benefit Activities (PBA).<sup>18</sup> Activities considered as PBAs fall under the following categories:

- welfare and humanitarian
- health care
- land and housing
- education and development
- religion, belief or philosophy
- cultural
- conservation, environment and animal welfare
- research and consumer rights
- sports

- providing of funds, assets and other resources to approved organizations performing PBAs
- general (see appendixes for detailed list of qualifying activities).

Social enterprises should understand the legislation around trading activities when deciding how to structure their organization. Trading activities that are not subject to tax are those that are integral and have a direct relation to the sole object of the PBO. Furthermore, these activities should not pose as unfair competition to taxable entities. Current legislation allows a PBO to trade, but this can only occur within set parameters. To be exempt from tax, trading activities should comply with the following:

- The trade or business activity conducted must have a direct relation to one or more of the approved public-benefit activities and be integral to the PBO.<sup>19</sup>
- More than 85 per cent of trading activity should be carried on a 100 per cent cost-recovery basis. While it is understood that not all trading activities can be undertaken on a 100 per cent cost-recovery<sup>20</sup> basis, legislation requires that most of the trading activity must be based on recovery of costs.
- No unfair competition is created relative to taxable entities undertaking the same activity.

<sup>17</sup>Foreign charitable organizations also fall into this category  
<sup>18</sup>A comprehensive list of approved public-benefit activities can be found in Part II of the Ninth schedule to the Income Tax Act, No. 58 of 1962. See Appendix II.

<sup>19</sup>Approved PBA falls into the activities listed in Appendix I and II.

<sup>20</sup>Cost recovery is defined as goods that are sold with the intention of recovering either direct or reasonable indirect cost as opposed to maximizing profits.



PBOs can be exempt from tax if they keep to the above parameters. Should a PBO carry out trading or business outside of these parameters, it will be taxed on its income and expenses. When taxing profits, the basic exemption rule applies. According to this rule, either the entity's income (up to or greater than R150,000) or 5 per cent of total receipts and accruals will be taxable. The greater amount of the two options applies.

While PBOs are permitted to undertake activities that are not for public benefit as defined by the Income Tax Act No. 58 of 1962 (Appendix I), their principal objective must remain centred on their public benefit activities.

In essence, business and trading activity should not be prioritised in PBAs. Time, cost, space allocated or the combination of these factors are taken into account in determining principal objectives. In order to stay within the frame of its principal objective, the percentage of time and resources allocated toward business and trade activities should not exceed 15 per cent. Legislation prohibits a PBO from distributing funds; an exemption is made for reasonable compensation to employees. In regards to surplus funds, the Income Tax Act No. 58 of 1962 does not stipulate any restrictions on how these should be invested (SARS, 2007).

**“We are living in a phenomenal age.  
If we can spend the early decades of the 21st  
century finding approaches that meet the needs of  
the poor in ways that generate profits and  
recognition for business, we will have found a  
sustainable way to reduce poverty in the world.”**

- Bill Gates

## 8. Relevant policy landscape for NPOs and Social Enterprises

South Africa does not have a dedicated legal structure for social enterprises, and there is also not a set legal definition. While an argument could be made for the development of legislation dealing with social enterprises specifically, there are a number of social enterprises in South Africa who are already operating under the current government policies and frameworks.

On the international front, countries such as the United States and United Kingdom have been trailblazers in creating environments that encourage the development and growth of social enterprises by, for example, allowing social enterprises to enter into joint ventures with for-profit companies without infringing on their tax benefits. Where as South African government policies and initiatives make very little mention of social enterprises, a common reference is job creation, particularly through the promotion of small, micro and medium enterprises (SMMEs). With the increased focus on tackling the country's unemployment problem, social enterprises and income-generating NPOs should seek to align their strategies with government's policies and initiatives. A job-creation element within an enterprise could potentially unlock collaboration and funding as it serves to meet the goals set by national and provincial government.<sup>22</sup>

Seeking to understand the enablers, inhibitors and potential vehicles for NPOs and social enterprises to generate income, this section looks at policies, the legal framework and government programs that can have an impact on organizations seeking to use a social enterprise model.

### 8.1 Non-Profit Organization Act No. 71 of 1997

The Non-Profit Organization Act No. 71 of 1997 came into existence in 1998. It seeks to create an enabling environment for the NPO community. This is achieved by setting and maintaining standards of governance, accountability and transparency through a registration facility for NPOs (Honey, 2000a). This Act is currently under review because the new framework should ensure that it is responsive and relevant to the challenges faced by the NPO sector and that it responds to the legal, political and socio-economic context of South Africa

<b>Policy overview</b>	As discussed in previous sections , the different forms of NPOs include voluntary associations, trusts, section -21 and non-profit companies. The Non-profit Organizations Act spells out the registration process of non-profit organisations . Following the NPO Acts was the Codes of Good Practice for NPOs that aim to encourage self-regulation within the NPO sector. The Codes seek to create an environment that allows NPOs to be productive while enhancing capacity within the NPO sector.
<b>Relevance</b>	Although registration as an NPO is voluntary, it comes with several benefits. A Certificate of Registration is useful in proving an NPO's existence. Furthermore, several funding agencies (Lottery, National Development Agency, the Independent Development Trust, provincial and local authorities) set NPO registration as a prerequisite for funding eligibility.
<b>Opportunities</b>	The majority of NPOs in South Africa (95 per cent) are registered as voluntary associations, which can be established under common law (that is to say, three or more people coming together to start an organization). Acting on the voluntary requirement to register with the NPO Directorate could result in increased opportunities not only for accessing grants but for collaboration with government departments who are in need of agents to deliver social services.

<sup>22</sup>The Jobs Fund announced in 2011 aims to distribute R9 billion to public and private-sector entities to fund job-creation initiatives

<sup>23</sup>Cabinet Statement on the New Growth Path Plan, October 2010.

## 8.2 The New Growth Path

The New Growth Path is a government strategy aimed at addressing unemployment, inequality and poverty.

The strategy depends on creating a significant increase in the number of new jobs in the economy, particularly in the private sector.<sup>23</sup>

<b>Policy overview</b>	<p>The Strategy identifies the public sector as a key area for job creation and sets a target of creating five million jobs by 2020 in the sectors of health, education and policing. Such targets cannot be achieved without contributions from business, labour and civil society (Department of Economic Development, 2011).</p> <p>The New Growth Path identifies five job drivers that will contribute to the reduction of the unemployment rate from 25 per cent to 15 per cent by 2020. These drivers are:</p> <ul style="list-style-type: none"> <li>• public investment in infrastructure</li> <li>• support for labour-absorbing activities across main sectors</li> <li>• knowledge and green economies</li> <li>• social economy and public service</li> <li>• rural development and regional integration.</li> </ul> <p>The South African government plans to support initiatives within the social economy by providing marketing, bookkeeping, technological and financial services and training. Further support will include the development of connections within the social economy to collaborate with investment companies in communities as well as increase the rate of government procurement from and service delivery facilitated by organizations within the social economy.</p>
<b>Relevance</b>	<p>Job driver four, social economy and public service, is the most relevant to income-generating NPOs. It speaks to leveraging social capital in the social economy and public services. The social economy is described as “a myriad of non-profit institutions that provide goods and services, including co-ops, non-governmental organizations and stokvels” (Department of Economic Development, 2010).</p> <p>In considering income-generating initiatives, NPOs need to understand the advantages they currently bring in having experience in the sectors targeted by government as drivers for job creation. The target number of jobs to be created in the social economy through NPOs, co-ops and social investment vehicles is 260 ,000(African National Congress, 2011: 9).</p>
<b>Opportunities</b>	<p>One of the programmes in place to meet the target set under jobs driver four is the Community Works Programme (CWP). The programme is localised in specific sites, often ward or municipal areas that need formal support from local-government structures. The Department of Co-operative Governance and Traditional Affairs (DoCGTA) takes care of overall management and contracting. Non-profit entities are appointed by the department to serve as implementing agents of CWP sites.</p> <p>Considering that the majority of NPOs in the Free State province work in the social-service sectors, government could benefit from their established networks using them as a platform to deliver services in the communities in which they are established.</p>

### **8.3 Broad-based Black Economic Empowerment (B-BBEE)**

The B-BBEE initiative seeks to promote economic transformation enabling black people to meaningfully participate in the economy (Department of Trade and Industry, 1998).

Government adopted the initiative to address the exclusion from ownership, assets and resources as well as restricted skills resulting from the legacy of apartheid.

<b>Policy overview</b>	<p>There are seven criteria against which organizations are measured that contribute to their overall BBEEE rating: ownership, management, employment equity, skills development, preferential procurement, enterprise development (ED) and socio-economic development (SED). Compliance is not compulsory, but it is a requirement for companies wishing to do business with government. The level of compliance required depends on the company's net profit after tax. A company earning less than R5 million is categorised as an Exempted Micro-Enterprise (EME). Businesses that fall into this category automatically qualify for a Level 4 BEE score deeming it fully compliant. Qualifying Small Enterprises (QSE) earn between R5 million and R35 million. QSEs may choose to comply with any four of the seven B-BBEE elements. The third category is for generic businesses who earn above R35 million. Generic businesses are scored on all seven B-BBEE elements.</p>
<b>Relevance</b>	<p>There has been increased talk in the corporate social -investment space to encourage the private sector to consolidate procurement, enterprise development and socio-economic development to make BEE more effective and sustainable (Charities Aid Foundation, (CAF) Southern Africa, 2008).</p> <p>As QSE are required to meet four B -BBEE elements to be compliant, investing in a social enterprise can allow them to meet three of these elements, namely socio-economic development, economic development and procurement.</p>
<b>Opportunities</b>	<p>Enterprise-development (ED) funding is a uniquely South African opportunity for black-owned businesses to access preferential finance. Overall, ED budgets are three times the size of SED budgets in South Africa.</p> <p>An example of this opportunity is the technology service provider focused on serving township residents in the Western Cape. The social enterprise, SiluloUluto Technology , provides IT training, hardware skills and maintenance and support services while also operating 16 internet cafes. Through the ED funding from M -Web, Vodacom and SAB Kickstart Enterprise Development competition, SiluloUluto has been able to provide subsidised training services to the underprivileged population while also growing its core retail and internet-cafe business.</p>

## **8.4 Expanded Public Works Programme (EPWP)**

The EPWP (Extended Public Works Programme) seeks to address unemployment by creating job opportunities through state and non-state entities that focus on public and community needs.

<b>Policy overview</b>	<p>During its first phase of the programme, a target of one million jobs was set. The goal of the second phase of the EPWP is to create two million full-time equivalent jobs for poor and unemployed people. These efforts are in a bid to halve unemployment by 2014.</p> <p>The difference between the first and second phase of the programme is the inclusion of the non-state sector in the second phase. Municipalities made a commitment to bringing together NPOs to participate in the non-state sector as well as in the Community Work Programme (Nxesi, 2011).</p>
<b>Relevance</b>	<p>One of the critical success factors of the EPWP II programme is the mobilisation of non-state capacity to create employment for EPWP target groups.<sup>24</sup> NPOs and CBOs who create work for EPWP target groups will be provided with wage incentives.</p>
<b>Opportunities</b>	<p>As the EPWP seeks to address public and community needs, NPOs are well placed to navigate communities where such needs are prevalent. With the majority of South African NPOs working in social services, they are likely to have an understanding of needs and have previously worked on strategies to address them. This experience could serve as a crucial element to the government's endeavour to meet a mutually beneficial goal – meeting social needs and creating employment opportunities.</p> <p>The Department of Public Works expressed the view that rapid growth is expected in the non-state sector as programmes are already in existence and growth could be catalysed by wage incentives. Targets for the work opportunities in the non-state sector are as follows:</p> <ul style="list-style-type: none"><li>• 2011/12 - 96 000 jobs</li><li>• 2012/13 - 176 000 jobs</li><li>• 2013/14 – 300 000 jobs</li></ul>

**“To succeed...  
You need to find something to hold on to,  
something to motivate you,  
something to inspire you.”**

- Tony Dorsett

<sup>24</sup>EPWP Phase II Implemented by KZN Department of Public Works, Presentation

## 8.5 Jobs Fund

In 2011, President Zuma announced the creation of a fund of R9 billion to support public, private and non-governmental organizations aiming to create jobs.

<b>Policy overview</b>	The vision for the Jobs Fund is not to duplicate or take the place of current government job initiatives but serve as a compliment to these. The fund is dedicated to serve four areas, namely enterprise development, infrastructure, support for job seekers and institutional capacity building.
<b>Relevance</b>	Under the window of enterprise-development funding, applicants are divided into private and public-sector applicants. Profit-oriented applicants are required to meet a matching funds ratio of 1:1. Public-sector applicants such as NGOs and research agencies are eligible under a reduced matching contribution of 20c to every R1 (Development Bank of Southern Africa (DBSA) and Department of National Treasury, 2011).
<b>Opportunities</b>	<p>The Fund aims to disburse a sum of R2 billion during the 2011/2012 financial year. According to a research study conducted in 2002, the estimate jobs created in the non-profit sector stood at 7.6 per cent of the total non-agricultural workforce in South Africa. This is higher than the mining and public sectors (Swilling and Russel, 2002).</p> <p>The Fund's Chief Executive Officer stresses that the Fund is looking for projects that provide value for money, are innovative and sustainable and have implementation capacity (DBSA, 2011).</p> <p>One recipient of funding from the Jobs Fund's first call for proposals is SANBI (South African National Biodiversity Institute). The organization coordinates research and monitors reports on the state of biodiversity in South Africa.<sup>25</sup> Its capacity-building project, valued at R 300 000, will place 800 matriculants and graduates in the biodiversity sector. Over a period of two and a half years, the project will give preference to candidates from rural communities, and it will work alongside 21 partners from the public and non-profit sector willing to host matriculants and graduates.</p>



<sup>25</sup>South African National Biodiversity Institute <http://www.sanbi.org/>

## **8.6 Small Enterprise Development Agency (SEDA)**

Established in 2004 as an agency of the Department of Trade and Industry, SEDA aims to implement government's small-business strategy. Its aim is to devise and implement a national delivery network aimed at social enterprises that also integrates small-enterprise support agencies at all government levels.<sup>26</sup>

<b>Policy overview</b>	<p>According to the Small Business Act, No. 102 of 1996 a small business is defined as 'a separate and distinct business entity, including co-operative enterprises and non-governmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is, predominantly carried on in any sector or sub sector of the economy (RSA, 1996).</p> <p>According to SEDA's communications and liaison manager, the organization aims to provide its services to all individuals looking to start businesses. Even though these services are available to all, they are rarely accessed by NPOs. The representatives from SEDA commented that most of their training is focused on finance and that NPOs may not see value in this because the NPOs focus largely on securing grants.</p> <p>In regards to government collaborating with NPOs in providing social services, government recognises that there are a number of benefits in such collaborations. Firstly ,non-profits providing social services are established and therefore have trust within the community. Secondly ,non-profits hold great potential to serve as vehicles for the implementation of government objectives.</p> <p>Aside from SEDA, the NYDA is another government entity gear towards assisting businesses at different stages of development. It specifically targets youth development, looking to decrease youth unemployment while promoting social cohesion.</p>
<b>Relevance</b>	Social enterprises bridge sectors with a business prerogative with those perceived to focus on social or welfare activities (Igglesden, 2010).The middle ground between these extremes is where social enterprises are able to contribute in the areas of wealth creation, economic development (largely through job creation) and innovation.
<b>Opportunities</b>	SEDA provides support to businesses at start and build and grow their enterprises. Among the services provided are business-planning, access to financial capacity-building systems and co-operative support.

**"No one has a right to sit down and feel hopeless. There is too much work to do."**

- Dorothy Day

<sup>26</sup>SEDA <http://www.seda.org.za/Pages/Seda-Welcome.aspx>

## 8.7 Free State Growth and Development Strategy (FSGDS)

All the policies mentioned above have focused on national strategies whereas the FSGDS zooms in on approaches envisaged by the Free State Provincial Government. Through the FSGDS, the provincial government seeks to

provide a framework to support sustainable growth and economic development (Free State Provincial Government, 2012). The plan also serves as a measure of the provincial government's progress for the period 2004 through 2012. It outlines six growth and development pillars with each pillar linked to a number of drivers.

<b>Policy overview</b>	<p>In accordance with national legislation, each province is required to have a single planning instrument which explains the development agenda as well as strategic direction of the respective province's Executive Council. The Free State Strategy is centred on six growth and development pillars. Each of these pillars has a number of drivers. The outlined pillars are:</p> <ul style="list-style-type: none"> <li>• inclusive economic growth and sustainable job creation</li> <li>• education, innovation and skills development</li> <li>• improved quality of life</li> <li>• sustainable rural development</li> <li>• building social cohesion</li> <li>• good governance.</li> </ul> <p>Five drivers are listed under the first pillar which addresses inclusive growth and sustainable job creation. These drivers relate to the expansion of agricultural development and food security, harnessing mining potential, increasing and diversifying manufacturing opportunities , taking advantage of transport and distribution opportunities as well as increasing tourism potential and opportunities.</p>
<b>Relevance</b>	<p>NPOs and social enterprises can potentially serve as key agents in meeting provincial development agenda as some of their current activities can fall under several of the pillars the province seeks to address.</p>
<b>Opportunities</b>	<p>The Free State Growth and Development Strategy identified a number of areas as having the potential to generate economic development and jobs in the province. The strategy acknowledges that a large portion of social services has been outsourced, mainly to NGOs and CBOs. This development is viewed as a job-creating opportunity. Additional efforts by the provincial department to address unemployment is through the expansion of basic infrastructure and meeting social needs, including home-based care and early-childhood development interventions.</p> <p>The agricultural sector was highlighted as one of the drivers of inclusive economic growth and job creation. The province aims to expand and diversify sustainable agriculture production through agriculture-related Local Economic Development (LED) projects as well as to improve access to inputs for small-scale agriculture. The Free State Development plan states that LED is one of the key development options for the province.</p> <p>The provincial government acknowledges the advantage of its location, which is central in relation to other provinces in the country and therefore a throughway for travellers and tourists. A tourism study conducted by the Free State Premier's Economic Advisory Council made the following recommendation regarding developments in the Free State's tourism sector:</p> <ul style="list-style-type: none"> <li>• that nature-based tourism focusing on rural areas be developed</li> <li>• that tourism products within rural-focused routes be developed</li> <li>• rural-based tourism offers opportunities for emerging social enterprises to empower rural communities.</li> </ul> <p>An example of this (not in the Free State) is Bulungula Lodge located on South Africa's Wild Coast. Bulungula lodge serves as an ethical tourism spot. The lodge was established in 2004 with the idea of supporting and growing the local economy through money spent by tourists coming to the area. Following on from the lodge, Bulungula established an incubator as anNPO which assists the small businesses in the area that provides services to tourists. It has further expanded by adding programmes that address education, nutrition and health.</p>

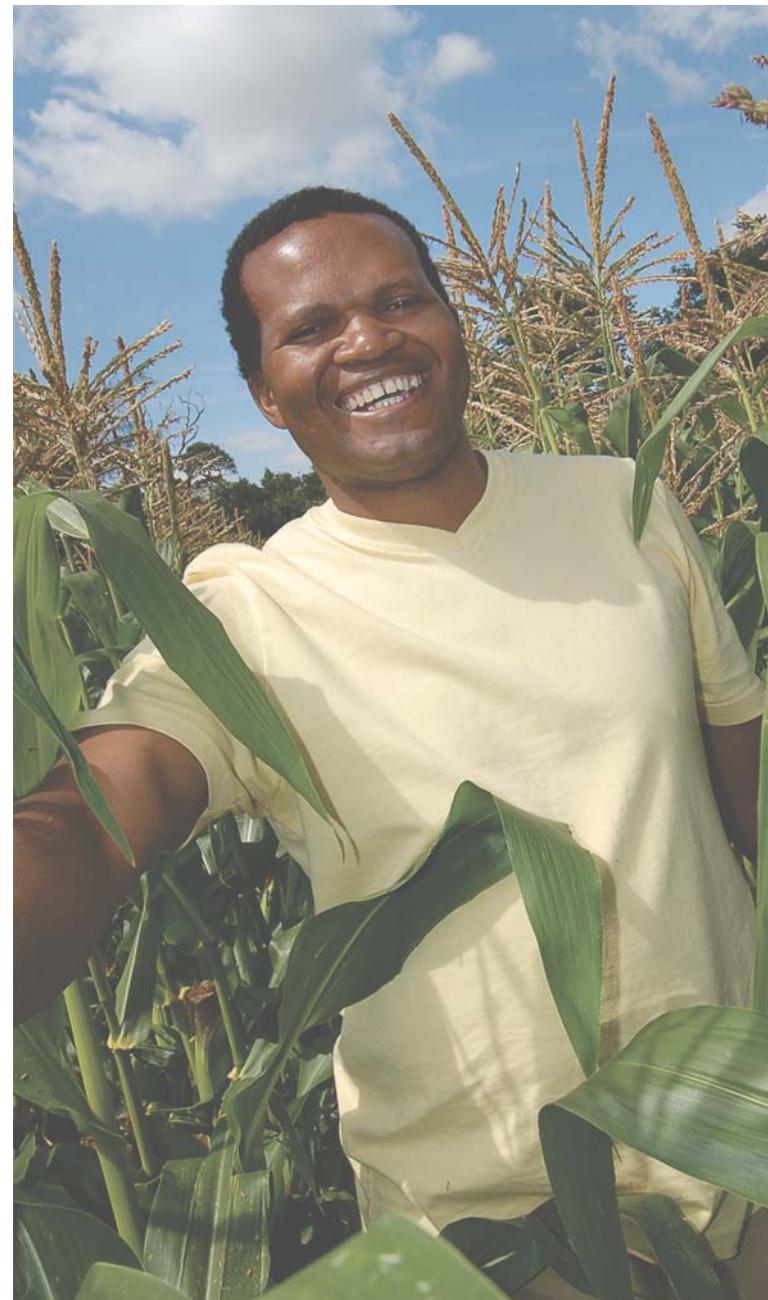
## 9. FINDINGS: THE STATE OF SOCIAL-ENTERPRISE DEVELOPMENT IN MANGAUNG AND MATJHABENG

The research has shown that there are a number of problematic areas affecting the state of social-enterprise development, as shown below.

### 9.1 The relationship between NPOs, the provincial government and the private sector

It is well known in the Free State that the relationship between the non-profit sector and certain departments of the provincial government is not always very good. Apart from the fact that a group of the organizations are engaged in a court battle<sup>27</sup> against the Free State Provincial Department of Social Development, when asked about the relationship, responses were generally not very positive. There were of course exceptions where organizations have had good relationships with the provincial departments. These organizations received support and easy access from the government officials in the Free State Provincial Departments of Social Development and Health. This has been nurtured over time, with the NGOs and government services working hand-in-hand (for example, foster care). The rest of the organizations have either given up on attempting to obtain funding or are exasperated at the bad service that they receive from the Free State Provincial Government. Claims like “the department does not know what important work we are doing and therefore it is easy to reduce funds”, “the department lacks ground activity” and “there are wonderful policies but the implementation is lacking” were made during the focus-group sessions with NPO managers and/or board members. The Policy on Financial Awards<sup>28</sup> (Department of Social Development, 2011b) recognizes the significance of partnerships and strives for the improvement and clarification of the relationship between the Department of Social Development in the Free State Province and the NPO sector. This document acknowledges that partnerships will allow for a level of consultation and negotiation that would ensure that services are delivered equitably, effectively and efficiently. The relationship that the policy proposes could also assist in building networks of NPOs that will do more than merely deliver services but build the sector and make the connections stronger.

This network should be enhanced especially at a district level where it is the most important. The NPOs do not have a networking system in place amongst themselves. They commented as follows: “We need to network. We do not know much about each other. We need to get together and help each other out never mind working with the government networks and systems”.



<sup>27</sup>National Association of Welfare Organizations and Non-Governmental Organizations and Others vs the Member of the Executive Council for Social Development, Free State and Others. Case no: 1719/2010. Free State High Court.

<sup>28</sup>This policy was introduced to the research team at a late stage in the fieldwork and not during the desk-top study conducted at the beginning of the research project. It is also deemed that it originates from the Free State Provincial Department of Social Development because of the relationship-building process that has to take place after the court case between the NGOs and the department has been completed.

A relationship that really has not featured throughout the research is the relationship between the NPOs and the municipality in their area. The NPOs are after all doing work on the ground, and the ward committees or community-development workers seem not to be working with NPOs to strengthen the area in which both operate. The Department of Social Development tries to make use of ward councillors in their municipal area to assist NPOs in delivering effective services. However, this is not always effective enough because the ward councillor does not have to report to the department – lessening accountability and responsiveness.

The type of relationship that has been established between the private and the NPO sector is one of charity. NPO managers in the focus groups noted that the private sector is used to “donating money to the charities” instead of working with these organizations. Contracts should be shared with the private sector. Where else could NPOs find better allies from whom to learn entrepreneurial skills? Building these networks will help the NPO sector not only to ask for donations but also to apply for business transactions by accessing business contracts through the corporate social responsibility of large firms (Bentley, 2012). Business Development Service (BDS) providers also need to understand the NPO context in terms of the type of business or the NPO registration that will influence the organization's tax implications.

Perhaps social entrepreneurship could not only be the answer to allow NPOs to become more sustainable but also the answer to a new way of building relationships between the NPO sector and the government departments, as well as with each other and the private sector.

## **9.2 The promotion of opportunities by government to encourage social enterprise development**

NPOs are of the opinion that there has been no support from the Provincial Government for the promotion of opportunities to encourage social-enterprise development. During the focus-group discussion, the representatives from the NPOs in the Free State felt that the government “would probably reduce their funding even more if we move in the social-enterprise direction”. “Silence and shaking of heads” is the only reaction they come across. The Department of Social Development, for their part, denoted that, apart from the funding they provide for the NPOs, they also provide skills-development and capacity-building opportunities in terms of governance, financial training and monitoring- and evaluation-reporting systems.

The NPO managers further noted that “business skills and proposal writing are still lacking” in many of the NPOs and that SEDA and other government networks are used to assist NPOs or to allow them to attend training sessions. The Department of Social Development wants NPOs to become less dependent on subsidies so that other organizations and, in turn, other communities can also be assisted. They would like to encourage NPOs to become more self-sustainable, but in certain instances, dependency has become the norm.

Because NPOs have no relationship with the municipality in which they operate, municipalities do not support these NPOs at all. The integration of services from NPOs should be encapsulated within the integrated development plan (IDP) of the local as well as the district municipality. The government tries to centralise power, but the NPO managers recommended that the government should make use of people that are on the ground (“use the people that work in the communities like the NPOs”). Municipalities should play a stronger role in the provision of services to the community in which they work.

There seems to be no synergy between relevant departments, municipalities and NPOs in addressing this new opportunity in a coordinated manner in an effort to ensure that their approach to social enterprise is mutually supporting. It is clear that both governmental and NPOs operate with a clear understanding about the need for moving in the direction of social enterprises. However, reluctance on both sides to try untested waters is impacting negatively on both sectors. NPOs are reluctant to be adventurous and are mindful of the financial impact that such a move could have on their current activities while the government, though in favour of lessening NPOs' dependence on government grants, are not sure how to go about the proposed change.

## **9.3 Restructuring NPOs in order to increase job creation in the NPO sector**

NPOs are convinced that the opportunity for the creation of job opportunities within their sector by social-enterprise activities does exist. The essential services that the NPOs deliver still need to continue, and therefore the NPO managers noted during the focus-group discussion that “another leg of the organization will have to be created for these social enterprise opportunities”. More employment opportunities will be a natural consequence of these activities because they need to be managed and developed by human capacity. Employment opportunities will be the natural spin-off in terms of these enterprises.



Because this is another avenue of work, the usual “social-work professionals” that provide essential service in the welfare sector will not be the only means of extended employment opportunities, but other professions like marketers and business-oriented (financial and strategic management) professions will also be needed in this sector.

NPOs are well aware of the fact that they will not all be able to be involved in social-enterprise activities while retaining only their current staff as it could impact negatively on service rendering, and their current staff often do not have the skills to act in an entrepreneurial manner. Social-entrepreneurial approaches by NPOs will necessitate the creation of new activities and jobs to drive the entrepreneurial activities and will thus affect the current staffing structures and human-resources component of NPOs.

**“The ultimate competitive advantage of your enterprise comes down to a single imperative - your ability to grow and develop leaders as fast as your competition.”**

- Robin Sharma

# 10. Conclusions & Recommendations

The findings of the research has shown that, although agreement exists that the NPO sector do have the potential to create growth in job opportunities, various factors can act as impediments in hindering the creation of such job growth. The following recommendations endeavours to show the way forward in combining the findings of the “field research” done in the Mangaung and Matjhabeng municipalities and the “desktop research” undertaken regarding the South African Policy environment.

The following section provides the findings of the study with general recommendations. This is broken down into three sections – the South African Policy environment, sectoral relationships and moving towards an enterprising NPO.

## 10.1 The South African policy environment

Social enterprises do not play a prominent role in South Africa's developmental policies and legislation. Increased knowledge sharing is needed about the positive impact of social enterprises (as in the UK or the USA context) not only on the sector itself but also on government entities, the private sector and traditional NPOs. The lack of an accepted definition and a dedicated legal form for social enterprises is preventing the sector from growing and from fulfilling its potential to contribute to economic growth, job creation and service delivery. Social enterprise and income generation can be a means to increase, expand and sustain the social impact that an NPO can deliver. NPOs often have expertise, skills and resources that, when looked at from a different viewpoint, can be used to generate income.

While South Africa's lack of a conducive legal environment and regulatory framework for social enterprises has deterred the growth of the sector to some extent, some organizations have succeeded despite of the limitations. Considering the outlined legislation for PBOs, enterprises that are set up as voluntary associations, trusts and non-profit companies (former section-21 organizations) can receive tax exemptions if their trading activities are within the parameters set out by the SARS.

The policy review shows that there is scope within the South African context for NPOs to access income-generating, entrepreneurial and job-creating opportunities. The Jobs Fund is an example of such opportunities. While the specific legal structures for social enterprises are still not in place, this has not stopped the creation and growth of social enterprises. However, an enabling environment for social enterprises will increase their prevalence and impact.

## 10.2 Sectoral relationships: Government vs. NPOs vs. the private sector

The research has clearly shown that the relationships between NPOs and the applicable provincial government departments are not healthy at all. This is true for the municipalities targeted in the research but could well be projected onto the entire Free State province. It is of crucial importance that the relationship between the two sectors be addressed as a matter of urgency and that communication is better informed and structured – even against the background of the on-going legal wrangling. A common understanding of the concept of social enterprise and the opportunities and challenges that it brings is crucial for the creation of synergy and a positive move towards job creation. The creation of such common understanding can be initiated through the constructive sharing of the findings of this research within NPO and governmental circles in the province in order to improve communication and encourage a move towards co-operation. This is also applicable to the improvement of relations between NPOs and local-government actors.

The NPO managers in the focus groups commented that the “re-engineering and reorganization” of the community and co-operation between government departments would be a step in the right direction. Municipalities should of course also become involved in this collaboration because they are closer to the people and networks on the ground as far as relationships with business and community are concerned. Government actors should not try to centralise power but should make use of people that are on the ground - “use the people that work in the communities like the NPOs” (comment from NPO manager in focus group). Municipalities should play a key role in the provision of services and access for large businesses to use their corporate social responsibility in order to strengthen the social-enterprise approaches of NPOs.

In the Free State, 98 per cent of NPOs are registered as voluntary associations. Furthermore, the majority of these work in social services. While the sectoral focus of these organizations is an advantage to access partnership opportunities with government, the skills pool found among staff members of NPOs working in welfare often lacks the financial acumen needed to run a social enterprise. Discussions with SEDA show that assistance is available to anyone seeking to establish or grow a business. Business development and support services need to be made accessible to assist such organizations looking to transition into an enterprising venture.

Training these NPOs in business skills that is truly lacking in this sector is also essential. Even though some NPOs may decide not to venture into becoming a social enterprise, they will all benefit from adopting some dimension of business management like strategic planning and funding strategies.

Only when the private sector has also been included in a triumvirate of partners will the move towards a social-enterprise approach be fully inclusive and effective. NPOs should be encouraged to partner with the private sector to obtain these essential skills.

### **10.3 Moving towards an enterprising NPO**

NPOs noted that the decision to move towards self-sustainability should not allow the government to become even more placid and not provide essential services to the community. Even though the non-profit sector can start making a profit from certain services they provide and this money could be used to provide services in the disadvantaged communities, the government should still take responsibility for providing communities with essential (statutory) services. Income-generating activities and social-enterprise development should be a means of independence and allow an organization to grow out of a “survivalist mode” and serve the community effectively, not having to depend on funding to be able to do the essential work they do.

Understandably, NPOs are reluctant to venture into untested waters, and they cannot be blamed for this reluctance, taking into consideration the number of challenges they face on a day-to-day basis. However, the financial challenges are continuously becoming more serious, meaning that NPOs need to jump in at the deep end and “try and try and try again.”<sup>29</sup> Entrepreneurs often fail a number of times before making a success, and therefore social enterprises “have to take the leap and just do it!”<sup>29</sup> Many NPOs have several ideas and ideals but do not always know how to make the leap or have the financial investment to do so. Below are a number of important issues to be addressed in their leap:

- Firstly, “a mind shift” should take place within the non-profit sector. This will allow them to devise plans that are more sustainable and not dependent on funding or grants. The initial difficulty would be to convince the staff and board members to all take the step together.

The board members are often cautious for the NPO to move into social enterprises as they are financially responsible for the NPO and may not approve of the crisis that can be caused. The governance of a social enterprise, if incorporated well, helps safeguard the mission of the enterprise while allowing the management team to meet the demands of such various stakeholders as investors, employees, clients and beneficiaries and to comply with public policies and regulations (Noble & Mayer, 2012). Yet few social enterprises use governance as a means to reach their highest potential. No one governance mechanism fits all social enterprises. Rather, governance should be dynamic and adapt to the changing needs of the management team, the operating and regulatory environment and the larger goals and vision of the social enterprise over its lifespan. It is recommended that specific training is designed to educate NPO managers and Board members about the implications of taking on income-generating activities and/or changing their legal structure to adopt a social-enterprise approach, especially from the point of view of governance controls and financial liabilities.

- This will then also enable the public (beneficiaries and donors) to notice that the non-profit sector “means business” and will support their endeavours. A government official furthermore mentioned that “the ideology of an NPO should be changed because people should start seeing a crèche as a business that can make money but still focuses on its main mission”. The mind-shift does not only have to take place within the organization, but general awareness that NPOs are becoming more entrepreneurially inclined will have to be created.
- The importance of NPOs is especially felt when they get into financial difficulty and are forced to cease operations with the associated detrimental effect on those who benefited from their work and those who worked with the organization (Conradie, 1999:291). Funding and donations are not always consistent. If this is withdrawn, the organizations that do not have reserves in place may not be able to continue. If there is proper diversification of funding and not reliance on a couple of funders, organizations should not collapse.

<sup>29</sup>All the words in “ ” and italics are exactly the words that was reported by the participants (either interviews or focus-group sessions)

They might need to reorganise, shrink or put future programs on hold (which is not ideal, which explains the aspiration to generate income), but for well-capacitated organizations, this should not become a problem of survival.

- Various government officials noted that the NPOs should not be so dependent on government funding and that it is better to redirect these organizations to other means of income opportunities and funding. Therefore, information sharing about access to funds is essential. Government could encourage this by incentivising income generation among NPOs through policies, training and support programmes.
  - Training and exposure is also critical. A government official from the Department of Social Development commented that the concept of social enterprise should be introduced early, and the “youth are ready for fresh ideas”. This ideology should be encouraged at school already by promoting social-enterprise days and not only entrepreneurship days. This could be done in terms of business-modelling and project-management skills but also for writing proposals and seeking funding.

NPOs could also learn from one another, and sharing examples and good-practice experiences would encourage these organizations to note that there is hope and a way forward. Some of the NPOs suggested that social-enterprise development should be promoted, and skills to move in this direction should be advocated and enhanced. By understanding this concept and making it a legal format, more of the people working with this sector will acknowledge it as a “way to approach the future”.

- “Starting small but thinking big” is the answer that came from the emerging social entrepreneurs within the NPO sector in the Free State. Each organization willing to take the leap should endeavour in market research in their community. Social enterprises should be approached in the same way as an entrepreneur deciding on his next venture. Research in a community is essential – if there is no unique need and relevance for a product or service, it will not sell (“demand and supply”). This can be seen as a feasibility study of what the organization has available, what is needed in the community and what the organization can then do to bridge this gap.



## 10.4 Process suggestions

<b>Public sector</b>	<b>Civil-society sector</b>	<b>Private sector</b>
<b>Policy environment</b>		
A regulation or policy structure needed to address social enterprises – this is not available in South Africa. Specific policy issues to consider: <ul style="list-style-type: none"> <li>• formally defining “social enterprise” and creating a specific legal framework for it;</li> <li>• incentivising the inclusion of social enterprises in corporates’ value chain through the B-BEEE legislation;</li> <li>• further analysing the implications of the social-enterprise model for the economy in the context of anti-competitive business practices as well as unionised economic sectors.</li> </ul>	Aspiring social enterprises should carefully consider which legal form is most conducive to carrying out their social enterprise activity <sup>30</sup> .	The private sector should be further informed and educated about this emerging sector so that income generation by NPOs is understood as a sign of financial sustainability.
CoGTA could make use of NPOs as a platform to deliver services in the Community Works Programme (CWP) according to the New Growth Path.	NPOs should explore collaboration opportunities with the government in the Community Works Programme (CWP).	
Tax regulations should be adjusted in favour of social enterprises as well as other stakeholders involved in social enterprises.	NPOs and aspiring social enterprises should know their ED and SED eligibility, and if eligible, how to target finance providers that are looking for qualifying organizations to raise their B-BEEE status.	Private companies should also consider opening their value chains and procuring systems to existing social enterprises.
The Expanded Public Works Programme (EPWP) has a target for non-state sector of 300,000 jobs by 2013/14. By working with NPOs within the community, social needs and employment opportunities could be met.	NPOs should review the EPWP’s focus areas to assess their alignment with these and thereby determine their eligibility in participating in the initiative. Organizations focused on social services are likely to fall under the institutionally based programmes set.	Business associations should strive to enlighten the broader community about the social-entrepreneurial approach and the policy environment in which these enterprises operate.
The Jobs Fund is looking for projects that provide value for money and are innovative, sustainable and have implementation capacity. Many of the NPOs already have these qualities. This Fund should be promoted to NPOs, and training to apply should be	Not many NPOs in the Free State applied to the Job Fund for funding. Co-funding could be a problem, but opportunities should be gained from collaboration with other larger organizations.	

<sup>30</sup>The “Legal Form for Social Enterprises in South Africa” released by the ILO and researched by the Legal Resources Centre is a valuable tool in this regard.

<b>Public sector</b>	<b>Civil-society sector</b>	<b>Private sector</b>
<b>Relationships and networks</b>		
Government should oversee the accountability and functioning of NPOs but respect and promote the independence of civil society.	NPOs should strengthen their transparency and accountability, especially in the area of financial position by making this information more widely available to the public.	Business should build long-term relationships with local NPOs and social enterprises because they know what are the real needs of the local community and what complimentary services/products can be provided by business.
Set up a multi-stakeholder dialogue platform where all stakeholders in social enterprise could iron out problems that everybody is experiencing.	Set up a multi-stakeholder dialogue platform where all stakeholders in social enterprise could iron out problems that everybody is experiencing.	Set up a multi-stakeholder dialogue platform where all stakeholders in social enterprise could iron out problems that everybody is experiencing.
Provide support and easy access to information for NPOs in the areas of economic opportunities, tendering processes, as well as training in relevant legal, governance and business-management matters.	Build relationships and partnerships with government (especially Department of Social Development and Department of Health).	Businesses and Business Development Services need to understand the context in which NPOs work.
Nurture relationships and partnerships with NPOs who are extensions for the statutory work that needs to be completed by government.	Build an understanding of what is needed and what the NPO sector can provide to government.	
Make more use of NPOs venturing into social-enterprise activities when procuring.	NPOs should ensure that their procurement status is up to date and that they adhere to all criteria in this regard.	
Municipalities should build relationships with local NPOs and social enterprises to enable collaboration in the community and meet social needs more effectively.	NPOs and social enterprises should build relationships with local municipalities to enable collaboration in the community and meet social needs more effectively.	
	Partner and build networks with local business to build business skills and access business contracts that are not within the reach of NPOs.	The private sector could be enticed to "adopt" NPOs in order to share their business acumen with them. NPOs should also join business forums in order to interact with business

<b>Public sector</b>	<b>Civil-society sector</b>	<b>Private sector</b>
<b>Towards enterprise non-profits</b>		
Change the mind-set within this sector about NPOs to encourage self-sustainability. Provide training on legal, governance and business-management matters that empowers NPOs to explore income-generation and social-enterprise models.	Change the mind-set about NPOs to encourage self-sustainability, not charitable cases.	Change the mind-set about NPOs to encourage self-sustainability so that they do not fall into the mind-set of being charity cases. Teach them business acumen.
	NPOs should diversify and not only rely on funding from specific funders.	
A communication campaign should be co-developed by all sectors to enlighten government officials and the public about social enterprise.	A communication campaign should be co-developed by all sectors to enlighten NPOs and the public about social enterprise.	A communication campaign should be co-developed by all sectors to enlighten business and the public about social enterprise.
Government officials need training to obtain a deeper understanding of what social entrepreneurship is and how the government can better assist these types of NPO.	NPO managers as well as board members need training to obtain a deeper understanding of what social entrepreneurship is and how NPOs can become more enterprising in their current activities.	The business sector needs training to obtain a deeper understanding of what social entrepreneurship is and how they can better assist these types of NPO.
Social-entrepreneurship days should also be launched at schools, not only entrepreneurship days.	NPO managers and board members should be capacitated to build their confidence in abilities to use business skills to enhance the organizations' sustainability	Social entrepreneurship should be encouraged amongst the youth—not only “traditional” entrepreneurship.
Government should be encouraged to develop an infrastructure for service provision to support enterprise non-profit organizations.	NPOs should be encouraged to start small with enterprise ideas but grow into more activities as their organization becomes larger.	
Government should make all relevant information available to NPOs that want to conduct feasibility studies for social-enterprise development within their communities.	A feasibility study should be done by the NPO to research what the community need is that they will be able to cover in terms of their enterprise – just as an entrepreneur will experiment with a new venture.	Businesses should make all relevant information available to NPOs that want to conduct feasibility studies within their communities for social-enterprise development not in competition with such businesses – even complementing such businesses.
Relevant government departments should make available all relevant information to NPOs that want to initiate social-enterprise development in the areas of waste management, tourism and agriculture.	In the Free State, NPOs are encouraged to become involved in waste management, tourism and agriculture where the potential for social enterprise is positive. .	Businesses should make all relevant information available to NPOs that want to initiate social enterprise development in the areas of waste management, tourism and agriculture, where such enterprises are not in competition with these businesses – even complementing such businesses.

## Social enterprise/entrepreneurship

**African Social Entrepreneurs Network (ASEN):** [www.asennetwork.org](http://www.asennetwork.org)

**Ashoka Entrepreneurs Network:** [www.ashoka.org](http://www.ashoka.org)

**Endeavour South Africa:** [www.endeavour.co.za](http://www.endeavour.co.za)

**Unltd. South Africa:** [www.unltdsouthafrica.org](http://www.unltdsouthafrica.org)

**Technoserve:** [www.technoserve.org.za](http://www.technoserve.org.za)

**Guide to Finance for Social Enterprises:** [www.greatercapital.co.za](http://www.greatercapital.co.za)

**Guide to Legal Forms for Social Enterprises:** [www.greatercapital.co.za](http://www.greatercapital.co.za)

**NPO Directorate Registered NPOs in the Free State** ([www.npo.gov.za](http://www.npo.gov.za))

## Enterprise development and assistances for business

**BEE-related:** BEESA [www.beesa.co.za](http://www.beesa.co.za)

**Raizcorp:** [www.raizcorp.co.za](http://www.raizcorp.co.za)

**Relativ:** [www.relative.co.za](http://www.relative.co.za)

**The Guide to Business and Investment in the Free State Province:** <http://www.freestatebusiness.co.za/>

## Academic and research institutions

**Centre for Development and Enterprise:** [www.cde.org.za](http://www.cde.org.za)

**University of Johannesburg Department of Entrepreneurship:**

<http://www.uj.ac.za/EN/Faculties/management/departments/CSE/Pages/home.aspx>

**“There's no luck in business. There's only drive, determination, and more drive.”**

- Sophie Kinsella

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**Part I of the Ninth Schedule to the Income Tax Act, 1962:**

**Section 30 approved public benefit activities.**

**1. Welfare and Humanitarian**

- (a) The care or counseling of, or the provision of education programmes relating to, abandoned, abused, neglected, orphaned or homeless children.
- (b) The care or counseling of poor and needy persons where more than 90 per cent of those persons to whom the care or counseling are provided are over the age of 60.
- (c) The care or counseling of, or the provision of education programmes relating to, physically or mentally abused and traumatized persons.
- (d) The provision of disaster relief.
- (e) The rescue or care of persons in distress.
- (f) The provision of poverty relief.
- (g) Rehabilitative care or counseling or education of prisoners, former prisoners and convicted offenders and persons awaiting trial.
- (h) The rehabilitation, care or counseling of persons addicted to a dependence-forming substance or the provision of preventative and education programmes regarding addiction to dependence-forming substances.
- (i) Conflict resolution, the promotion of reconciliation, mutual respect and tolerance between the various peoples of South Africa.
- (j) The promotion or advocacy of human rights and democracy.
- (k) The protection of the safety of the general public.
- (l) The promotion or protection of family stability.
- (m) The provision of legal services for poor and needy persons.
- (n) The provision of facilities for the protection and care of children under school-going age of poor and needy parents.
- (o) The promotion or protection of the rights and interests of, and the care of, asylum seekers and refugees.
- (p) Community development for poor and needy persons and anti-poverty initiatives, including—
  - (i) the promotion of community-based projects relating to self-help, empowerment, capacity building, skills development or anti-poverty;
  - (ii) the provision of training, support or assistance to community-based projects contemplated in item (l); or

(iii) the provision of training, support or assistance to emerging micro enterprises to improve capacity to start and manage businesses, which may include the granting of loans on such conditions as, may be prescribed by the Minister by way of regulation.

- (q) The promotion of access to media and a free press.

**2. Health Care**

- (a) The provision of health care services to poor and needy persons.
- (b) The care or counseling of terminally ill persons or persons with a severe physical or mental disability, and the counseling of their families in this regard.
- (c) The prevention of HIV infection, the provision of preventative and education programmes relating to HIV/AIDS.
- (d) The care, counseling or treatment of persons afflicted with HIV/AIDS, including the care or counseling of their families and dependants in this regard.
- (e) The provision of blood transfusion, organ donor or similar services.
- (f) The provision of primary health care education, sex education or family planning.

**3. Land and Housing**

- (a) The development, construction, upgrading, conversion or procurement of housing units for the benefit of persons whose monthly household income is equal to or less than R7500 or any greater amount determined by the Minister of Finance by notice in the Gazette after consultation with the Minister of Housing.
- (b) The development, servicing, upgrading or procurement of stands, or the provision of building materials, for purposes of the activities contemplated in subparagraph (a).
- (c) The provision of residential care for retired persons, where—
  - (i) more than 90 per cent of the persons to whom the residential care is provided are over the age of 60 and nursing services are provided by the organization carrying on such activity; and
  - (ii) residential care for retired persons who are poor and needy is actively provided by that organization without full recovery of cost.

- (d) Building and equipping of—
    - (i) clinics or crèches; or
    - (ii) community centres, sport facilities or other facilities of a similar nature, for the benefit of the poor and needy.
  - (e) The promotion, facilitation and support of access to land and use of land, housing and infrastructural development for promoting official land reform programmes.
  - (f) Granting of loans for purposes of subparagraph (a) or (b) and the provision of security or guarantees in respect of such loans, subject to such conditions as may be prescribed by the Minister by way of regulation.
  - (g) The protection, enforcement or improvement of the rights of poor and needy tenants, labour tenants or occupiers, to use or occupy land or housing.
- 4. Education and Development**
- (a) The provision of education by a "school" as defined in the South African Schools Act, 1996, (Act No. 84 of 1996).
  - (b) The provision of "higher education" by a "higher education institution" as defined in terms of the Higher Education Act, 1997, (Act No. 101 of 1997).
  - (c) "Adult basic education and training", as defined in the Adult Basic Education and Training Act, 2000, (Act No. 52 of 2000), including literacy and numeracy education.
  - (d) "Further education and training" provided by a "public college" or "private college" as defined in the Further Education and Training Colleges Act 2006, (Act No. 16 of 2006).
  - (e) Training for unemployed persons with the purpose of enabling them to obtain employment.
  - (f) The training or education of persons with a severe physical or mental disability.
  - (g) The provision of bridging courses to enable educationally disadvantaged persons to enter a higher education institution as envisaged in subparagraph (b).
  - (h) The provision of educate or early childhood development services for pre-school children.
  - (i) Training of persons employed in the national, provincial and local spheres of government, for purposes of capacity building in those spheres of government.
  - (j) The provision of school buildings or equipment for public schools and educational institutions engaged in public benefit activities contemplated in subparagraphs (a) to (h).
- (k) Career guidance and counseling services provided to persons attending any school or higher education institution as envisaged in subparagraphs (a) and (b).
  - (l) The provision of hostel accommodation to students of a public benefit organization contemplated in section 30 or an institution, board or body contemplated in section 10(1)(cA)(i), carrying on activities envisaged in subparagraphs (a) to (g).
  - (m) Programmes addressing needs in education provision, learning, teaching, training, curriculum support, governance, whole school development, safety and security at schools, pre-schools or educational institutions as envisaged in subparagraphs (a) to (h).
  - (n) Educational enrichment, academic support, supplementary tuition or outreach programmes for the poor and needy.
  - (o) The provision of scholarships, bursaries, awards and loans for study, research and teaching on such conditions as may be prescribed by the Minister by way of regulation in the Gazette.

## **5. Religion, Belief or Philosophy**

- (a) The promotion or practice of religion which encompasses acts of worship, witness, teaching and community service based on a belief in a deity.
- (b) The promotion and/or practice of a belief.
- (c) The promotion of, or engaging in, philosophical activities.

## **6. Cultural**

- (a) The advancement, promotion or preservation of the arts, culture or customs.
- (b) The promotion, establishment, protection, preservation or maintenance of areas, collections or buildings of historical or cultural interest, national monuments, national heritage sites, museums, including art galleries, archives and libraries.
- (c) The provision of youth leadership or development programmes.

## **7. Conservation, Environment and Animal Welfare**

- (a) Engaging in the conservation, rehabilitation or protection of the natural environment, including flora, fauna or the biosphere.
- (b) The care of animals, including the rehabilitation, or prevention of the ill-treatment of animals.

- (c) The promotion of, and education and training programmes relating to, environmental awareness, greening, clean-up or sustainable development projects.
- (d) The establishment and management of a transfrontier area, involving two or more countries, which—
  - (i) is or will fall under a unified or co-ordinated system of management without compromising national sovereignty; and
  - (ii) has been established with the explicit purpose of supporting the conservation of biological diversity, job creation, free movement of animals and tourists across the international boundaries within the peace park, and the building of peace and understanding between the nations concerned.

## **8. Research and Consumer Rights**

- (a) Research including agricultural, economic, educational, industrial, medical, political, social, scientific and technological research.
- (b) The protection and promotion of consumer rights and the improvement of control and quality with regard to products or services.

## **9. Sport**

The administration, development, co-ordination or promotion of sport or recreation in which the participants take part on a non-professional basis as a pastime.

## **10. Providing of Funds, Assets or Other Resources**

### **The provision of—**

- (a) funds, assets, services or other resources by way of donation;
- (b) assets or other resources by way of sale for a consideration not exceeding the direct cost to the organization providing the assets or resources;
- (c) funds by way of loan at no charge; or
- (d) assets by way of lease for an annual consideration not exceeding the direct cost to the organization providing the asset divided by the total useful life of the asset, to any—
  - (i) public benefit organization which has been approved in terms of section 30;

- (ii) institution, board or body contemplated in section 10(1)(cA)(i), which conducts one or more public benefit activities in this part (other than this paragraph);
- (iii) association of persons carrying on one or more public benefit activity contemplated in this part (other than this paragraph), in the Republic; or
- (iv) department of state or administration in the national or provincial or local sphere of government of the Republic, contemplated in section 10(1)(a) or (b).

## **11. General**

- (a) The provision of support services to, or promotion of the common interests of public benefit organizations contemplated in section 30 or institutions, boards or bodies contemplated in section 10(1)(cA)(i), which conduct one or more public benefit activities contemplated in this part.
- (b) The bid to host or hosting of any international event approved by the Minister for purposes of this paragraph, having regard to—
  - (i) the foreign participation in that event; and
  - (ii) the economic impact that event may have on the country as a whole.
- (c) The promotion, monitoring or reporting of development assistance for the poor and needy.
- (d) The provision of funds to an organization—
  - (i) which is incorporated, formed or established in any country other than the Republic;
  - (ii) which is exempt from tax on income in that other country;
  - (iii) the sole or principal object of which is the carrying on of one or more activities that would qualify as public benefit activities listed in Part I of this Schedule if carried on in the Republic; and
  - (iv) that carries on each of its activities—
    - (aa) in a non-profit manner;
    - (bb) with altruistic or philanthropic intent;
    - (cc) in a manner which does not directly or indirectly promote the economic self-interest of any fiduciary or employee of the organization other than by way of reasonable remuneration; and
    - (dd) or the benefit of, or widely accessible to the general public of that country including any sector thereof (other than small and exclusive groups).

# Appendix II

## Part II of the Ninth Schedule to the Income Tax Act, 1962:

### Section 18A approved public benefit activities.

#### 1. Welfare and Humanitarian

- (a) The care or counseling of, or the provision of education programmes relating to abandoned, abused, neglected, orphaned or homeless children.
- (b) The care or counseling of poor and needy persons where more than 90 percent of those persons to whom the care or counseling are provided are over the age of 60.
- (c) The care or counseling of, or the provision of education programmes relating to physically or mentally abused and traumatized persons.
- (d) The provision of disaster relief.
- (e) The rescue or care of persons in distress.
- (f) The provision of poverty relief.
- (g) Rehabilitative care or counseling or education of prisoners, former prisoners and convicted offenders and persons awaiting trial.
- (h) The rehabilitation, care or counseling of persons addicted to a dependence-forming substance or the provision of preventative and education programmes regarding addiction to dependence-forming substances.
- (i) Conflict resolution, the promotion of reconciliation, mutual respect and tolerance between the various peoples of South Africa.
- (j) The promotion or advocacy of human rights and democracy.
- (k) The protection of the safety of the general public.
- (l) The promotion or protection of family stability.
- (m) The provision of legal services for poor and needy persons.
- (n) The provision of facilities for the protection and care of children under school-going age of poor and needy parents.
- (o) The promotion or protection of the rights and interests of, and the care of, asylum seekers and refugees.
- (p) Community development for poor and needy persons and anti-poverty initiatives, including—
  - (i) the promotion of community-based projects relating to self-help, empowerment, capacity building, skills development or anti-poverty;
  - (ii) the provision of training, support or assistance to community-based projects contemplated in item (l); or

- (iii) the provision of training, support or assistance to emerging micro enterprises to improve capacity to start and manage businesses, which may include the granting of loans on such conditions as, may be prescribed by the Minister by way of regulation.

(q) The promotion of access to media and a free press.

#### 2. Health Care

- (a) The provision of health care services to poor and needy persons.
- (b) The care or counseling of terminally ill persons or persons with a severe physical or mental disability, and the counseling of their families in this regard.
- (c) The prevention of HIV infection, the provision of preventative and education programmes relating to HIV/AIDS.
- (d) The care, counseling or treatment of persons afflicted with HIV/AIDS, including the care or counseling of their families and dependants in this regard.
- (e) The provision of blood transfusion, organ donor or similar services.
- (f) The provision of primary health care education, sex education or family planning.

#### 3. Education and Development

- (a) The provision of education by a "school" as defined in the South African Schools Act, 1996, (Act No. 84 of 1996).
- (b) The provision of "higher education" by a "higher education institution" as defined in terms of the Higher Education Act, 1997, (Act No. 101 of 1997).
- (c) "Adult basic education and training", as defined in the Adult Basic Education and Training Act, 2000, (Act No. 52 of 2000), including literacy and numeracy education.
- (d) "Further education and training" provided by a "public college" or "private college" as defined in the Further Education and Training Colleges Act 2006, (Act No. 16 of 2006).
- (e) Training for unemployed persons with the purpose of enabling them to obtain employment.
- (f) The training or education of persons with a severe physical or mental disability.
- (g) The provision of bridging courses to enable educationally disadvantaged persons to enter a higher education institution as envisaged in subparagraph (b).

- (h) The provision of educate or early childhood development services for pre-school children.
- (i) The provision of school buildings or equipment for public schools and educational institutions engaged in public benefit activities contemplated in subparagraphs (a) to (h).
- (j) Programmes addressing needs in education provision, learning, teaching, training, curriculum support, governance, whole school development, safety and security at schools, pre-schools or educational institutions as envisaged in subparagraphs (a) to (h).
- (k) Educational enrichment, academic support, supplementary tuition or outreach programmes for the poor and needy.
- (l) Training of persons employed in the national, provincial and local spheres of government, for purposes of capacity building in those spheres of government.
- (m) Career guidance and counseling services provided to persons attending any school or higher education institution as envisaged in subparagraphs (a) and (b).
- (n) The provision of hostel accommodation to students of a public benefit organization contemplated in section 30 or an institution, board or body contemplated in section 10(1)(cA)(i), carrying on activities envisaged in subparagraphs (a) to (g).
- (o) The provision of scholarships, bursaries, awards and loans for study, research and teaching on such conditions as may be prescribed by the Minister by way of regulation in the Gazette.
- (ii) has been established with the explicit purpose of supporting the conservation of biological diversity, job creation, free movement of animals and tourists across the international boundaries within the peace park, and the building of peace and understanding between the nations concerned.

## **5. Land and Housing**

- (a) The development, construction, upgrading, conversion or procurement of housing units for the benefit of persons whose monthly household income is equal to or less than R7 500 or any greater amount determined by the Minister of Finance by notice in the Gazette after consultation with the Minister of Housing.
- (b) The development, servicing, upgrading or procurement of stands, or the provision of building materials, for purposes of the activities contemplated in subparagraph (a).
- (c) Building and equipping of clinics or crèches for the benefit of the poor and needy.
- (d) The protection, enforcement or improvement of the rights of poor and needy tenants, labour tenants or occupiers, to use or occupy land or housing.
- (e) The promotion, facilitation and support of access to land and use of land, housing and infrastructural development for promoting official land reform programmes.

## **4. Conservation, Environment and Animal Welfare**

- (a) Engaging in the conservation, rehabilitation or protection of the natural environment, including flora, fauna or the biosphere.
- (b) The care of animals, including the rehabilitation, or prevention of the ill-treatment of animals.
- (c) The promotion of, and education and training programmes relating to, environmental awareness, greening, clean-up or sustainable development projects.
- (d) The establishment and management of a transfrontier area, involving two or more countries, which—
  - (i) is or will fall under a unified or co-ordinated system of management without compromising national sovereignty; and

## Appendix III

### NPO-sector questionnaire

<b>A. Contact details</b>											
1. Name of organisation											
2. Municipal area in which they work		Mangaung Metro				1	Matjhabeng Local			2	
3. Town/area where they are situated											
4. Other areas in which they operate											
5. Contact person:											
6. Contact number		Cell:						Office:			
7. Email address:											
<b>B. Type of legalregistration</b>		Voluntary association				1	Section 21 (NPC)		2	Trust	3
8. Other forms of legal registrations (specify)											
9. Are you registered as a non-profit organization (NPO)?						Yes			No		
10. Are you registered in terms of Sec 18 A?						Yes			No		
11. Main type of service rendered:											
<b>C. Main beneficiaries</b> (can be more than one)											
12. Children	1	Youth	2	Women	3	Aged	4	People with disabilities	5	Persons with HIV/AIDS	6
Other (specify)											
<b>D. Governance/management structure</b>											
13. Number of members on board of management				External		Internal		Males		Females	
<b>E. Total number of personnel</b>											
14. Male		Females		Admin/tech staff				Project manager/co-ordinator			
Social workers			Health professionals			Auxiliary social workers				Care workers	
Volunteers		Trainers		Others (specify)							
<b>F. Income/revenue sources</b> (can be more than one)											
15. Department of Social Development		1	Department of Health		2	Other government funding			3		
National Federation funding		4	National Lottery		5	Donations			6	Other grants	
International funding		8	Specify other grant/donations/international options								
16. What is your opinion on generating your own income?											
17. Do you have any means/services that generate income for the organization?										No	Yes
18. If <b>YES</b> , please provide more information about what income-generating services you are providing?											
19. Do you think that your organization would be able to generate your own income through rendering a service or selling a product?										No	Yes
20. If <b>YES</b> , suggest more details of how the organization can generate an income by providing services or products?											

**THANK YOU SO MUCH FOR YOUR CO-OPERATION!**

### **Interview questionnaire government officials**

The Centre for Development Support (CDS) at the University of the Free State and Greater Capital were approached by the International Labour Organization (ILO) to manage a research project about the non-profit organizations working in the Free State. The ultimate objective of the research is to determine the potential for non-profit organizations (NPOs) in the Free State to apply a social-enterprise approach. The ILO would like to assess the feasibility of supporting existing and new NPOs in the Free State that practice this approach.

#### **Definitions used in this questionnaire**

Non-profit organization (NPO): means a trust, company or other association of persons —

- (a) established for a public purpose; and (b) the income and property of which 'me not distributable to its members or office-bearers except as reasonable compensation for services rendered (NPO Act 71 of 1997).

Social economy: System that includes a myriad of non-for-profit institutions that provide goods and services, including co-ops, non-governmental organizations (NGOs) and stokvels" (Economic Development Department).

Social enterprise: An organization that is run like a business but has a social purpose. It has two distinct characteristics, namely:

- The delivery of social value as the principal aim as opposed to maximising profit for the owners/shareholders; and
- The production of goods or the provision of services on an ongoing basis with a view to generating an income that covers costs and potentially allows for a surplus. (ILO)

<b>A. Contact Details</b>				
1. Name of Department / sub-Department				
2. Name of Official				
3. Position				
4. Area in which they work	Only Mangaung Metro	1	Other parts of Free State Province	3
	Only Matjhabeng Local	2	Entire Free State Province	4
5. Contact number	Cell:		Office:	
6. E-mail address:				

#### **B. Introduction: Department services for socio-economic development**

7. Give a brief description of the services that your department/sub department render?

8. What specific programmes / services is your department directly implementing in the following areas?

8.1 Delivery of basic social services	
8.2 Job creation	
8.3 Poverty alleviation	

9. What are the biggest challenges for the department to implement these services?
10. Does the NPO sector play a role in the implementation of the above mentioned services? If, yes, please, describe what their role is.
11. How do you out source the delivery of services to NPOs (tenders, direct contracts due to previous collaboration, in which social service areas etc.)?
12. How does your department/ sub-department collaborate with NPOs in the implementation of the above mentioned services?

### C. Opportunities for NPOs

13. Do you see a role for NPOs with income -generating activities to address socio-economic developmental issues in the province?
14. If yes, what is required to encourage increased and effective involvement?
15. What does the department / sub-department understand by the term <i>social economy</i> ?
16. What does the department / sub-department understand by the term <i>social enterprise</i> ?
17. Do you know of any NPO in the Free State operating as a social enterprise?
18. Is your department / sub-department promoting any specific opportunities to encourage the creation of social enterprises in the province? (Y/N)
18.1 If yes, please, briefly describe what they are.
18.2 If yes, how does the NPO community have access these opportunities? Briefly, discuss.
18.3 If no, has your department / sub-department ever considered promoting opportunities to encourage the creation of social enterprises by NPOs? Briefly discuss.

**D. Available supportfor NPOs**

21. What departmental/sub-departmental programmes and incentives are available to assist NPOs to access income-generation opportunities and become more sustainable?

a. Skills and capacity building

b. Business-development services

c. Finance and investment

d. Resources

e. Legal frameworks and tax incentives

f. Other (specify)

22. In your opinion, do you think that these programmes could increase job creation in the NPO sector in the Free State? (Y/N) Give further details.

23. What do you see as key areas/future opportunities for NPOs in the province to generate an income— including in social service delivery?

**THANK YOU SO MUCH FOR YOUR CO-OPERATION!**



## Appendix V

### List of government officials interviewed

Free State Provincial Department	Position	Name
Department of Social Development	Executive Manager: Corporate Services and Finance	Mr Wessel Lindstrom
	Executive Manager: Early Childhood	Mrs P. Ndaba
	Senior Manager: NPO Development and Support	Mr Simon Letsoko
	Manager: Sustainable Livelihoods	Mrs KekeMelamu
	Manager: Poverty Alleviation (Motheo District)	Mrs LindiweMahlangu
	Manager: Social Welfare (statutory) Services (Motheo District)	Mrs Wilona Petersen
	Assistant District Manager: (Lejweleputswa District)	Mr MosamaiMaikgosha
Department of Health	Community Development Supervisor: Lejweleputswa	Mrs Maki Ramasilo
	Manager: Partnerships for PHC incl HIV/AIDS (European Union)	Mrs PulengMonaisa
	Provincial Partnerships	PM Muhapi
	PDOH Partnerships	NG Mkhosi
	Partnerships: Xhariep District	MH Rantsane
	Programme Manager: Xhariep District	LM Lebaka
	Partnerships: Mangaung Metro	P Molahloe
Department of Education	Assistant Manager: Partnerships Lejweleputswa District	Mrs MtsoakiMayekiso
	Partnerships in Education	Mr David Phutsisi
Department of Economic Development, Tourism and Environmental Affairs	Manager: LED and Co-operatives Integrated Economic Development	Mr DikgwadiMoja
Mangaung Metro Municipality*	Senior Community Development Officer	Mr Doctor Kemele
Harmony Mining Company*	Corporate Affairs Manager	Mr LebohangShabe

\*These participants are not from Free State Provincial Government Departments but were interviewed as important stakeholders

### Focus-group questions – NPO Sector

<b>Questions to be asked</b>
<b>INTRODUCTION:</b> Tell us more about your organization? What does your organization do?
1. What challenges do NPOs experience in the Free State?
2. From which sources does your organization's funding come?
3. On how many funders does your organization rely for the majority of the annual funding requirements? (percentage breakdown of where funding comes from)
4. Is there a need for an increase in income-generating activities by NPOs in the Free State? Elaborate.
5. In what kind of income-generating activities is your organization involved?
6. What do you understand by the term social economy?
7. What do you understand by the term social enterprise?
8. What is needed for any NPO in the Free State to be able to practice as a social enterprise?
9. What is the relationship between the NPOs in the Free State and the provincial government?
10. Does the provincial government promote any opportunities to encourage the creation of social-enterprise development?
11. How do you get access to these opportunities?
12. Do you receive any support from the government in terms of income-generating activities (SE approach)? Elaborate
a. Training
b. Capacity building
c. Financial
13. Have you engaged with other social entrepreneurs or other role players in this regard?
14. Do you think that NPOs in the Free State are able to establish social enterprises?
15. Do you think that NPOs who become established in the social-enterprise approach will be able to create more jobs opportunities in doing so?

## Appendix VII

### List of NPOs in focus-group session - Mangaung

Name of organization	Contact person
Bloem Shelter	Chris Engelbrecht
	IzakBotes
Child Welfare BFN and Childline	MameloPhakoe
	Marietta Johnson
VrystaatNasorgsentrum	S. Vosser
VrystaatVersorging-in-Aksie	Miranda van Tonder
Cheetah Experience	Sophia Sellick
Lebone Village	AvrilSnyman
T&P Training and Support	BoemoTukula
Lesedi La Setjhaba	MakaloKhetla
Thabita Centre	HlubiNongogo
REACH	V van Bellins
	Patrick Kaars
Mosa Maria	Dusty Mabule
	KelebogileDitema
Towers of Hope	Delatlapele Rue
APD	Hendrien de Klerk
ENGO	Magda van Niekerk
Naledi Hospice	DikelediLeinaeng
	KatlegoKgaile

## Appendix VIII

### List of NPOs in focus-group session - Matjhabeng

Name of organization	Contact person
House of Hope	Lynette Du Preez
	Aanlie Schmidt
AmariSkool	Gerda Schoeman
FAMSA – WELKOM	Coba Swart
KANSA – WELKOM	Francois Pretorius
Re JalaPeo	DikelediNchoba
	PalesaMoeti
	NtombifikileMadikizela
	Mr Moeti
Rethabile After School Care	SarelMolete
	SeboleloBua
	Matladi C. Phumo
	Maleshwane J. Hloba
	Monantsi E. Marumo
	Marobi. M. Phumo
	Godfrey Bulwana
Lifeline Free State	MphoRalepeli
Morning Star	Joan Adams
	Joshua Bolaji

## AIDS Mission Outreach Trust

Trust registration: IT2340/99

Non-Profit registration: NPO 008-761 trading as



### OVERVIEW

When dire statistics of AIDS orphans started making the rounds in the late 1990s, it became more and more apparent to Jaine and Tim Rist that no or very little provision was made to tend to children after the death of infected parents. In 1999 The AIDS Mission Outreach Trust (AIDSMO, now trading as Lebone Village) therefore embarked on a programme to meet these children's needs by opening Lebone House (meaning Light in Sesotho) for 15 children. After the acquisition of a property [a 50 acre (17 hectare) plot] in 2002, the story of hope slowly but surely blossomed into Lebone Land, a faith based care centre that would provide the children with a loving environment and attend to all their physical needs. Since 2010, together with their staff, Willem (Project Manager) and Avril (Administrator) Snyman can boast with the development of the different sections of Lebone Land, now known as Lebone Village.

### SOCIAL PURPOSE

**Who benefits?** Vulnerable children affected by HIV and AIDS, their families and persons affected by poverty in the immediate area.

Lebone Village is dedicated to bringing hope, dignity and support by providing holistic care to all their beneficiaries. They aim to achieve this by:

- identifying children in need and providing them with the basic essentials that ensure their development as individual and unique human beings with a healthy sense of his or her own 'self-worth';
- striving to provide an alternative setting that approximates that of their own family when there is no family;
- providing access to education and life skills programmes to empower them;
- providing care, support, social assistance, skills transfer, training to the families and the surrounding disadvantaged community;
- facilitating community based care by transferring skills and training families/volunteers;
- training and assisting people to survive; and
- giving people a "future", security and self-worth.

## BUSINESS MODEL

<b>Product and / or Service</b>	The main services are health and social development related as described above. It goes further however. Lebone Skills Centre transfers skills to people while ensuring its own sustainability by means of agricultural production (tunnel vegetable farming), husbandry (broiler chickens, eggs, pigs); nursery (trees, flowers), lumber, woodwork, venue hire and IT classes/internet facilities.
<b>Target Market</b>	The community of Bloemfontein and Lebone Village beneficiaries through services and products
<b>Financial Model</b>	<p>Based on the model created in 2010, Lebone Village hosts a number of income-generating initiatives through the production and sale of a number of products. The initiatives in turn also support the skills transfer and empowerment of impoverished persons living in the surrounding area.</p> <p>With a cross-subsidising model, the children as the main beneficiaries of Lebone Village are cared for and the people living in poverty are supported while core income is earned through projects and donations and grants from corporates and foundations.</p> <p>Lebone Village currently receives no governmental grants or financial allocations.</p>
<b>Proportion of earned income</b>	38%
<b>Business Form</b>	<p>The AIDS Mission Outreach Trust was registered in 1999. Because of the considerable growth of needs in the community, the faith-based non-profit non-governmental organisation has developed into a hybrid model consisting of: Lebone House, Lebone Counselling, Lebone Edu-Centre, Lebone Skills Centre and Lebone Agriculture – all housed within the structure of the trust.</p> <p>Lebone Skills Centre and Lebone Agriculture transfer skills to the beneficiaries while providing food and income for the sustainability of the entire organisation – children at Lebone Village are to an extent fed with food produced at Lebone Village.</p> <p>The AIDS Mission Outreach Trustees oversees the work of the Management Board who makes sure the social activities of the organisation are not compromised.</p>
<b>Replicability</b>	<p>Diverse projects are implemented to assist the empowerment of the people in poverty and provide care and support to the vulnerable children.</p> <p>This is exactly what many organisations accomplish. What makes this hybrid model different is that all projects start out of a social need and then progress into the upliftment of people and finally make a profit that can be used to assist more beneficiaries in need.</p>

## QUICK FACTS:

**Number of Staff:** 53

**Location:** Bloemfontein, Bloemfontein

**Geographic footprint:** Mangaung Metro Municipality

**Annual Turnover:** R3.8 million (2011)

## REACH, SCOPE AND IMPACT

Since opening in May 2000 Lebone Village continues to expand, develop and prosper because of its positive image in the community and because of the extended community involvement. People already realise that Lebone Village is a place where people are helped and the stewardship is witnessed. In its first ten years, Lebone Village has received the "Bloemfontein Institution of the Year" award; launched a partnership programme with Social Development on Community Based Orphan Care; was chosen by Social Development and various schools and organisations as a Model in the Free State for practical and community service. Local businesses also use Lebone Village for counselling, support and training of their staff, with the University of the Free State utilising Lebone Village as a locality for practical student training. During 2011 only, 15 002 beneficiaries were assisted at Lebone Village, with social workers evaluating the service delivery at Lebone Village by means of continuous interviews.

## CHALLENGES

The persons that Lebone Village works with have very low levels of education, morale and empowerment. The responsibility each person that works in and with Lebone Village has towards themselves, the community and Lebone Village itself, is difficult to explain and therefore are not always taken seriously. This goes with the fact that staff turnover is high because Lebone Village cannot pay market related salaries (only supply meals and transport grants as extra benefits). It is difficult to get experts (nursery and agriculture) to assist in the development of sustainable projects. Theft of stock (chickens) and tools and materials (skills transfer section) is a big problem in this crime-ridden area.

## LONG-TERM PLANS

The initial vision of a mini-village type of set-up, where children can stay permanently in "family units" will always be strived towards. Willem and Avril Snyman would like Lebone to be self-sustainable and therefore not dependant on funding and grants. They dream of developing Lebone Village to meet most of the needs of the community by marketing each section and its unique services and merits and getting more people involved.

## BEST PRACTICE AND LESSONS LEARNT

1. Faith in God to provide all needs
2. Always be honest and transparent to show what you are achieving
3. Do not depend on the world (authorities/government / corporates) – keep working on own plans.
4. Stick to principles and values (do not diversify to be able to get more money).
5. Never give up!

**"Giving light to those in darkness and without hope..."**

## A SUCCESS STORY

Dill (an aged woman) contacted Lebone Village with the notion that she had always donated items to Lebone Village through her church but never saw what really happens at Lebone Village and wanted to get more involved. Willem Snyman invited her for a visit to the premises and also convinced her to bring along her husband (Bob) who had to make use of medical oxygen several times daily.

While Willem was showing the couple the Lebone Village Skills Centre, Bob noted that he was impressed and asked what he could do (as a frail old man) to assist. Willem requested Bob to train Mandela (old man from Botshabelo) to weld and construct fencing for the Lebone Village. Mandela often brought his son (Boy) along to work and Bob taught Boy to weld as well. Soon afterwards, Boy matriculated passing Mathematics and Physical Science. When trying to apply for employment, Boy was rejected several times because he did not have the necessary certificates of qualification. He once noted that they should provide him with a piece and steel and he will prove his worth. He now works as a chief welder for a prominent construction company in Bloemfontein.

Bob and Mandela have both passed away. Boy is now married and has his own son. He still returns to Lebone Village during holidays and long weekends to assist with steel constructions that are needed. He does not charge for the work because "he is part of the family".

### For more information, contact:

Avril Snyman

051 526 1442

[info@lebonevillage.com](mailto:info@lebonevillage.com)

[www.lebonevillage.com](http://www.lebonevillage.com)

## NG WelsynVrystaat trading as NeGeMaDi.

Reg: 1996/015757/08



### OVERVIEW

In 1922 the Commission for Poor Relief was created by the Dutch Reformed Church(NederduitsGereformeerdeKerk) to see to the needs of members of congregations who were in dire material need. In 1934, the first secretary of the Poor Relief, Rev. Pienaar, was appointed in the Free State. In 1988 the first social workers were appointed in Bloemfontein, Welkom and Kroonstad. This is when the organisation's name changed to Kerklike Maatskaplike Dienste (KMD) (Church Social Services), a subsidiary programme of Nederduits Gereformeerde Maatskaplike Diens (NGMD). In 2010, NGMD's trading name changed again to Engo with offices in 13 different small towns in the Free State. This Christian faith-based organisation gives assistance and creates hope in the lives of children, the elderly, families, persons with disabilities and patients in need.

Engo provides prevention, protection, care, education, development and treatment programmes to individuals, families and communities. Services now also include a social entrepreneurial training facility NeGeMaDi (Nederduitse Gereformeerde Maatskaplike Dienste).

### SOCIAL PURPOSE

Who benefits? Children, elderly, persons with disabilities  
In order to attain the objectives of the organisation, they have the following aims:

- To obtain the funding and equipment, provide the facilities and appoint suitable staff members for the effective execution of the programmes.
- To conduct research and gather information that is necessary for the planning, execution and development of the programmes.
- To look for constructive cooperation with the Dutch Reformed Church in the Free State, other churches, government on national, provincial and local level, other welfare organisations and non-governmental organisations, the private sector, individuals and any other national and international organisations for the funding and advancement of the programmes.
- To appoint management teams and empower them to execute the programmes.
- To maintain the necessary managerial and monitoring systems in order to ensure professional and administrative excellence.

**“A business has to be involving, it has to be fun, and it has to exercise your creative instincts.”**

- Richard Branson

## BUSINESS MODEL

<b>Product and / or Service</b>	Training in Social Auxiliary Work and Ancillary Health Care
<b>Target Market</b>	NeGeMaDi provides training to employees and other persons who wishes to obtain an accredited qualification
<b>Financial Model</b>	Although NeGeMaDi operates under the Chief Director of Engo, it is run on business principles and pays for all the services provided by the main organisation (for example facilities, staff hours and car rental). Income is generated through student fees, which covers all the expenses for the training. Profits are not distributed but surplus funds are transferred to reserve funds. These funds are then utilised for future training expansions and projects.
<b>Proportion of earned income</b>	No real profits have been earned of yet as the enterprise are very new and still in a growing phase. Initial profits will be ploughed back into the enterprise for future expansion. No proportion can thus yet be calculated in this regard.
<b>Business Form</b>	Engo is a registered welfare organisation (NPO 002-671). NeGeMaDi, as a social entrepreneurial venture, is a joint venture training institution of the Engo and KwaZulu-Natal Christian Social Services. This was registered as a Section 21 Company in 2010 as a training provider .
<b>Replicability</b>	Most organisations can develop training materials and present training. It however entails a long process to be accredited by the Health and Welfare (HW) SETA as well as the South African Council for Social Service Professionals and for the training to be approved. Assessors and moderators are also registered with the HWSETA

### QUICK FACTS:

**Number of Staff:** Engo has 1170 permanent staff. NeGeMaDi has no permanent staff but hours of administrative and professional staff are bought out from Engo. Additional assessors and moderators are contracted to render individual services as needed

**Location:** Wilgehof, Bloemfontein (Head Office)

**Geographic footprint:** 13 Small towns in Free State have offices of ENGO but Training is presented by NeGeMaDi in the Free State, KwaZulu-Natal, Northern Cape and Mpumalanga.

**Annual Turnover:** R1 575 000 (NeGeMaDi in 2011)

### REACH, SCOPE AND IMPACT

Persons at risk or in need of care now have access to the services of social auxiliary or ancillary Health Care Workers, where in the past this proved to be difficult.

Other non-profit organisations (NGO) and government department's training needs in terms of these workers are addressed – a dire need in the light of a chronic shortage of social auxiliary or ancillary Health Care Workers. Since 2010, approximately 300 social auxiliary workers and 90 Ancillary Health Carers have been trained. Furthermore, students who have completed the qualification can be employed and the training intervention can thus lead to job creation. After completing the course, a large number of these learners have found permanent employment in non-profit organisations or government departments. This therefore means that more underprivileged or underserviced communities would now also have access to these services. Such monitoring can also prove the positive impact of NeGaMaDi as an organisation.



**“Hire character.  
Train skill.”**

– Peter Schutz

## CHALLENGES

Managing rapid growth is the main challenge that NeGeMaDi is faced with. This means that there are greater infrastructure needs, limited mentors have been trained and the assessors and moderators are not always available to be contracted. Finding workplace placement where students can do their practical sessions is difficult.

## LONG-TERM PLANS

The team at NeGeMaDi would like to expand their scope of practice by offering a wider range of training courses for the Health and Welfare SETA.

## BEST PRACTICE AND LESSONS LEARNT

1. Comply with all the statutory requirements from the start.
2. Be familiar with the training sector you are in.
3. Ensure that the training materials you wish to present, are accredited.
4. Focus on continuous development.
5. Manage your financial responsibilities and keep track of the financial progress.

**“Eternal hope...”**

## A SUCCESS STORY

Mpho<sup>1</sup> registered in 2010 at NeGeMaDi to study social auxiliary work. He did not have permanent employment. At various stages of his life, he was unemployed and worked at hospitals to receive a stipend. His dream was to study social work but never had the necessary funds to accomplish his vision. Through his casual work at the hospital, he made contact with the social worker who recognised his potential. She approached NeGeMaDi and possibilities were investigated. NeGeMaDi is learner was determined and even though he experienced difficult situation at his workplace, he undoubtedly wanted to succeed in his studies. He worked hard and decided that nothing was going to undermine his goal. Through hard work and determination, he was rewarded with good results. Mpho is now qualified as an auxiliary worker and currently works in a permanent position at an organisation. For the first time in his life, he is financially more secure and enjoys what he does every day.

### For more information, contact:

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051 407 7200

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[www.engo.co.za](http://www.engo.co.za)

<sup>1</sup>Not the learners real name

## Fielia Funds Cheetah Breeding Project trading as:



### OVERVIEW

After working full-time for the Department of Justice for 22 years, Riana Van Nieuwenhuizen resigned and decided to follow her dream – what she considered her calling in life. In 2006, she used a loan to buy her first cheetah (Fielia) with no clear plan as to what the way forward would be. Riana then had to relocate to a game farm (now Cheetah Experience) where she worked all sorts of jobs. She realised that she needed to dream big but start small and Fielia was her inspiration. Riana did what she knew best, she raised cubs to bring in an income. She has always been involved with hand-raising cubs and her first encounter in doing so were for Friends of the Zoo where she earned a very good name for herself – subsequently more farmers, breeders and institutions trusted her with their cubs. Eventually she now has eight cheetahs and several other animals that are permanent residents at Cheetah Experience.

- Educate the public about the fact that everybody is responsible for conserving planet earth and its creatures;
- Educate the public about the wild animals at the centre and provide facts and visual aids so that the 'danger' connotation associated with certain cats can be 'lifted';
- Continue to be one of the few places in South Africa that allows children under the age of 12 years an opportunity to interact with the cats;
- Lead by example and believe that the volunteers act as good role models to visitors; and
- Stimulate or challenge visitors to ask questions and think about long term goals in making a difference.

### SOCIAL PURPOSE

**Who benefits?** Cheetahs and other endangered species (like lions, leopards, servals, caracals and wolves)

Riana's Cheetah Breeding project operational and Cheetah Experience has begun an International Volunteer Programme. Their main goal is to promote and fund the conservation of the Cheetah and other endangered species through captive breeding, behavioural research and public awareness. Cheetah Experience aims to:

- Educate the public on saving and conserving endangered animal species like the cheetah and serval;
- Focus specifically on raising awareness about habitat loss, insensitive farming practises - creating a sense of empathy and respect towards the animals;
- Educate visitors about making a difference together so that the future generations can see cheetah and other big cats in the wild and not only read about them in books and on Google;



## BUSINESS MODEL

<b>Product and / or Service</b>	Hosts tours for the public of about 45 minutes each with a tour guide where visitors have a chance to interact with the animals at the centre. Runs an international Volunteer Programme to 'spread the word' of these species abroad.
<b>Target Market</b>	Larger Bloemfontein community International cat lovers'
<b>Financial Model</b>	In order to raise money for the non-profit organisation, the Cheetah Experience has opened its doors to the public for daily tours and to the world for volunteer opportunities. There is also a curio shop where tourist can purchase Cheetah Experience merchandise. The income generated by tours on offer is used primarily to feed the animals, pay veterinary bills and ensure the upkeep of the enclosures. Riana van Nieuwenhuizen (owner and founder of Cheetah Experience) also raises abandoned cubs for neighbouring game farms, as she has a very high success rate in doing so, which brings in a minuscule income. The Fielo Fund is a separate entity where the income from donations and sponsors are recorded. These entities are kept separate.
<b>Proportion of earned income</b>	73.5% (2010)
<b>Business Form</b>	Cheetah Experience was registered in 2006 as a non-profit organisation. Three directors and four other members as advisory members govern the NPO. The organisation is managed by two of the directors on a 24/7 basis and decisions are made by the person on duty.
<b>Replicability</b>	Cheetah Experience is replicable. The success of the project lies in the passion of the personal and those involved with the project on a 24/7 basis. This cannot be considered as work but a lifestyle because the needs of the animals are always prioritised.

## QUICK FACTS:

**Number of Staff:** 3 staff and 5 volunteers (permanent)  
**Location:** Bainsvlei, Bloemfontein  
**Geographic footprint:** South Africa  
**Annual Turnover:** R408 176 (2010)

## REACH, SCOPE AND IMPACT

Cheetah Experience started small and is still reasonably unknown compared to what it can become, if marketed well.

For the Free State, and especially for Bloemfontein, the Cheetah Experience is becoming an important tourism attraction. The international volunteer programme also attracts several international visitors to Bloemfontein. Approximately 3000 visitors partake in tours at the organisation per year, of which 200 are international volunteers. There are seven cheetah cubs and six serval cubs that were born in the breeding project.

## **CHALLENGES**

The owner and founder of the project did not have any previous experience and knowledge of breeding projects or the care these animals needed while in captivity. Every day is thus a learning experience. Funding is a challenge that the organisation faces daily. Cheetah Experience relies solely on the public for income, donations and sponsorship to provide for the very expensive and rare veterinary services. The team often has to travel to Pretoria for expert advice. This is expensive and the sick animals are difficult to transport. When a cub is on drip, they have to be monitored for 24 hours on end. It is also a very "closed" sector because people do not share knowledge and experience in fear of competition. Cheetahs are a very timid species and endangered, therefore the organisation needs to be professional in all its actions.

## **LONG-TERM PLANS**

The intention is to release the cheetahs and other endangered species back into a 'protected wild', where they will be interfered with as little as possible by humans, yet will still be monitored closely by vets and researchers in order for to gain better insights into the lives of these magnificent creatures. The introduction of a new bloodline while breeding with cheetahs is also on the wish list.

## **BEST PRACTICE AND LESSONS LEARNT**

1. To start something like this – experience is important - so first volunteer with another similar project. It is a learning experience to understand how enclosures have to be built, what sicknesses the cats are prone to and how to vaccinate against these illnesses. It is also important to have background information on de-worming and food preparation.

2. The needs of a project like this are large and specialised and thus similar projects should be embarked on for the right reasons – conservation and not to make money.
3. Draw DNA test from all the animals and work with professionals to breed in the correct way to be able to improve the bloodline of the animal.
4. Patience is the answer and the willingness to change your lifestyle and circumstances to suit the cats is paramount. Cheetahs you have tamed will remain your responsibility for the rest of your life.

**"Adopting a "wild child" for yourself as a meaningful gift"**

## **A SUCCESS STORY**

Bibi (the cheetah) was born on 17 December 2007. She was born with only a portion of a tail. Although this is not abnormal it is quite rare. The mother sensed this defect and rejected Bibi. She was approximately 7hrs old and weighed only 270g. Her front leg was deformed and Riana (owner and founder) corrected it by placing it in a splint. The splint was only a half of a Magnum ice cream stick. Bibi can run, play and climb trees, but will not be able to hunt successfully. She is fully grown, but will always be smaller and thinner than a normal cheetah because she did not suckle from her mother and did not receive essential colostrum and vitamins that she needed. Bibi has the nicest personality of all the tame cheetahs and she sometimes sleeps in the house on the bed. Bibi is the only fully grown cheetah allowed to roam free during tours.

### **For more information, contact:**

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**"People are definitely a company's greatest asset.  
It doesn't make any difference whether  
the product is cars or cosmetics.  
A company is only as good as the people it keeps."**

- Mary Kay Ash

Non-Profit registration: NPO 002-775 trading as



## OVERVIEW

The founding of Child Welfare Bloemfontein dates back to 1914 and was in response to a serious need for welfare services. The first social worker was appointed in 1938 to address the needs of families through the rendering of rehabilitation services, supplementary to offering social relief by means of handing out grants and food parcels. The organisation was registered as a Non-Profit Organisation in 2001. In 2005 Child Welfare Bloemfontein and Childline Free State merged.

Child Welfare Bloemfontein (CWBfn) and Childline Free State (CLFS) has taken a leading role in the welfare field in Bloemfontein and is a well-known, respected and sustainable organisation with a healthy reputation. The organisation renders a complete child protection service that includes prevention services, pre-statutory and early intervention services as well as statutory services and the coordination of temporary safe care for youths at two safe houses.

The business oriented component of the organisation is housed within the Marketing and Fundraising team. In 2007 CHILL (Cherish, Honour, Insight, Love and Learn) was established as a funding generating initiative.

It is envisaged that this initiative will provide training and general child assessment services to the public and therefore be able to generate extra income for CWBfn and CLFS.

## SOCIAL PURPOSE

Who benefits? Families and children at risk of abuse

The vision of the organisation is "to be a world-class child protection organisation through the rendering of professional social work services." They aim to achieve this by:

- Empowering and capacitating children, their parents and their communities through awareness campaigns and prevention services;
- Investigating cases where there is reasonable evidence to suspect that the child is in need of care and protection;
- Taking prevention or protection measures where necessary; and
- Ensuring that each child's needs are met in on-going case management.

**“You must be the change you wish to see in the world.”**

- Mahatma Gandhi

## BUSINESS MODEL

<b>Product and / or Service</b>	The organisation renders a complete child protection service that includes prevention services, school awareness campaigns, pre-statutory, early intervention services as well as statutory services. <sup>1</sup>  CHILL specialises in conducting and workshops and training on “hot” topics like bullying, social networking, discipline, divorce, sexual behaviour; clinical child assessments; and children’s play therapy.  They also promote employee support programmes and focus on relationships and conflict management and mediation.
<b>Target Market</b>	24/7 toll-free line is available throughout the Free State Province for youth in need of counselling and reference services.  Intervention and statutory services are rendered to allocated communities in the Mangaung Metro Municipality.
<b>Financial Model</b>	CHILL is the income-generating arm of CWBfn and CLFS. The money that is generated with these income projects subsidises 50% of the marketing budget and the rest is ploughed back into the social welfare projects. Other income used in the organisation is accumulated from donations, grants, the National Lottery, subsidies from the Department of Social Development and other fundraising initiatives.
<b>Proportion of earned income</b>	14% (This includes the Project and Other income)
<b>Business Form</b>	CWBfn, as a voluntary association of persons, was registered as an NPO in 2001 and is affiliated to Child Welfare SA and Childline SA as a member that is self-sustainable in terms of capacity and funding. No financial support is received from the national network organisation.  Therefore, CHILL as a social entrepreneurship approach is incorporated in the marketing and fundraising team. The staff that works under the CHILL factor is also integrated in the social worker services, training, and marketing teams.  The staff of CWBfn and CLFS are supervised by operational managers and the organisational director. The Governing Board oversees and shares their expertise (financial management, marketing, fundraising, legal advice, human resource management, strategic planning) with no remuneration forthcoming.
<b>Replicability</b>	Any applicable and capable organisation will be able to replicate the services CWBfn and CLFS delivers., but what makes this organisation different is that they render a complete child protection service with training and assessment to any public person and not only statutory clients – thereby broadening their impact area and amplifying their effect.

<sup>1</sup>Services that have to (by law) be provided to communities like social welfare (child, aged, disabled and frail)

## **QUICK FACTS:**

**Number of Staff:** 27

**Location:** Mangaung Metro Municipality

**Geographic footprint:** Free State Province

**Annual Turnover:** R8.4 million (2011)

## **REACH, SCOPE AND IMPACT**

Extensive statistics are kept in order to report annual service plans to the Department of Social Development. Monthly, quarterly and six-monthly progress reports are compiled for this reason.. Outputs for child protection services, victim empowerment services and HIV and AIDS services that report on each of the service plan objectives are recorded comprehensively. A total of 29 138 children were assisted during 2011/2012 through protection services, the crisis line, after hours and after school programmes, early childhood development (ECD) centres, as well as domestic violence and rape victim support and counselling. Furthermore, community careers, community members, ECD centres, families and service providers also benefited from the effective service delivery CWBfn and CLFS provided. The 24-hour toll free telephone line serves as initial point of intake when social work related matters are reported. This has provided an effective referral system to all stakeholders and service providers. There were 1315 calls counselled and referred for services out of 17723 calls received during 2011/2012. Furthermore, 234 calls were referred for immediate assistance.

## **CHALLENGES**

It is challenging to market the business because the abuse of children is not a concept that people discuss everyday and pictures of abuse cannot really be shared. People still see and treat non-profit organisations as charity cases. This should not be the case, but they should rather be viewed as potential social entrepreneurial businesses. This is a difficult concept to sell. With the economic climate, less corporates as well as individuals have extra income to share with welfare. The Free State has even less opportunities in terms of funding and donors because national head-offices of corporates make financial and funding decisions. A paradigm shift in every person should take place because people should realise it is not only Child Welfare's problem to care for the future of our children but it is every individual's responsibility.

## **LONG-TERM PLANS**

The organisation would like to be recognised as the leading welfare organisation in the Free State.

In terms of the marketing and fundraising team and CHILL - they dream of becoming the sole fundraising agent for all non-profit organisations (NGOs) in the Free State – centralising fund-raising through a few large projects that can be of benefit to all the NGOs in the area. "Begging" is therefore no longer necessary but "negotiating" then becomes the essence of sustainability.

## **BEST PRACTICE AND LESSONS LEARNT**

1. Transparency (Donor money should be used as stipulated and the evidence should be clear)
2. Tend to all your staff's needs (healthy staff members will endorse your business).
3. Nurture relationships with beneficiaries, donors and clients because if they feel special your business will be promoted.
4. Results never just happen overnight – it takes time to establish the work that the organisation is doing.
5. Being a social entrepreneur is hard work and thinking out of the box is necessary.

### **"Reach Children before they Reach Us"**

## **A SUCCESS STORY**

Thapelo is a 13-year-old boy. His parents were divorced and the mother raised Thapelo, his older brother and sister. The father lost contact with the family. The mother passed away when Thapelo was in Grade 4. Thapelo was therefore left with his 22-year-old sister who was studying at university, and his 16-year-old brother who is an extroverted, rough boy and a soccer player.

It was difficult for Thapelo to overcome the loss of his mother. He did not easily talk about his emotional experiences and did not know how to express his frustrations. After the loss of the mother, the extended maternal family decided that Thapelo and his brother must be placed in the full-time care of their sister.

Thapelo ended up in a flat with a sister who was occupied with her studies because she had received a bursary, a brother who got rid of his feelings through bullying and himself being caged with his own emotions of sorrow and frustrations.

During a General Child Assessment intervention that was paid for by the sister and a caring lecturer of the sister, Thapelo could express his feelings and again gain control over his life. The sister received parental guidance, so that she could understand him better and they were assisted in obtaining a foster care grant to reduce the financial burden.

The sister has reported that their situation has improved and that they had regained control over their lives. Being raised as an orphan has many challenges, but through the General Child Assessment Thapelo could be helped.

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The South Africa SME Observatory is a public-private-partnership established to inform evidence based advocacy and policy making for SME development. The Observatory is located at the Centre for Development Support at the University of the Free State

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