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LEARNING, EVALUATION, AND ANALYSIS PROJECT- II (LEAP-II)

Evaluation of the Beyond Advocacy Fund (BAF)

August 2017

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Evaluation of the Beyond Advocacy Fund (BAF)

EVALUATION REPORT

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Cover photo: An Early Childhood Development center in South Africa for pre-school age children;
(credit: KYB Incubator team)

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ACRONYMS

ANA	Annual National Assessment
BAF	Beyond Advocacy Fund
BASA	Banking Association of South Africa
BBBEE	Broad-based Black Economic Empowerment
BLSA	Business Leadership South Africa
CoJ	City of Johannesburg (Municipality)
CSI	Corporate Social Investment
DSBD	Department for Small Business Development
DSD	Department for Social Development
ECD	Early Childhood Development
ED	Enterprise Development
GPG	Gauteng Provincial Government
IDG	International Development Group LLC
IDP	Integrated Development Planning
IoDSA	Institute Of Directors In Southern Africa
KII	Key informant Interview
KYB	Kago Ya Bana
KZN	KwaZulu Natal province
LEAP-II	Learning, Evaluation and Analysis Project-II
LED	Local Economic Development
M&E	Monitoring and Evaluation
MSME	Micro, small and medium size enterprise
NDP	National Development Plan
NECT	National Education Collaboration Trust
NPAT	Net Profit After Tax
NPO	Non-Profit Organization
PPPFA	Preferential Procurement Policy Framework Act
SED	Socioeconomic Development
SETA	Sector Education and Training Authority
SRI	Socially Responsible Investment
USAID	United States Agency for International Development
USD	United States dollars

EXECUTIVE SUMMARY

This Executive Summary highlights focal points of a rapid mini evaluation that took place over July and August of 2017 in Johannesburg and Pretoria, South Africa. The exercise focused on the Beyond Advocacy Fund (BAF), a matching grant that is administered by Business Leadership South Africa.

EVALUATION PURPOSE

This evaluation aimed to assess the effectiveness and efficiency of the BAF in achieving its goals. It also assessed BAF’s efforts to promote better government-private sector relations through funding small projects. BAF, a three-year project co-funded by USAID, was established through a November 2013 Memorandum of Collaboration between USAID and Business Leadership South Africa, (BLSA), a business association. Through partnering with government entities, BAF seeks to leverage the power of business to address common economic and social issues facing South African society. The findings are designed to inform adjustments and improvements to current activities and a second three-year funding phase.

PROJECT BACKGROUND

BLSA is an independent association of several of South Africa’s largest and well-known companies and a forum to create effective dialogue with key South African players, including civil society, labor, and government. BAF aims to promote partnership-based approaches between government and business to identify, test, and replicate innovative and lasting solutions to major development challenges the country currently faces. The Fund’s work is linked to South Africa’s development goals as expressed in the National Development Plan (NDP). To date, seven initiatives have been funded, the majority of which were reviewed by this evaluation:

	Project/Initiative Name	Main Partners
1.	Creation of a New Social Covenant	Barclays Bank, University of Stellenbosch
2.	National Education Collaboration Trust (NECT) Training	National Education Collaboration Trust BLSA
3.	Research papers (seven) on alternative pathways for managing energy and water	National Treasury, Municipal Governments
4.	Township economic revitalization project	Banking Association of South Africa Gauteng Provincial Government
5.	Early Childhood Development (ECD) Incubator	KYB, Municipal Governments in Lesedi, Johannesburg & Midvaal
6.	Finfind Phase 2	Finfind Pty Ltd Department of Small Business Development Banking Council of South Africa
7.	EOH Youth Job Creation Initiative	EOH, Services Sector Education and Training Authority (SETA)

EVALUATION QUESTIONS, DESIGN, METHODS AND LIMITATIONS

This is a small-scale performance evaluation using qualitative methods and a non-experimental design. Data collection methods consisted of a desk review, key informant interviews with project stakeholders and grant recipients, and field observations of two of the funded projects.

The evaluators were asked to address two overarching evaluation questions:

1. How effective and efficient is BAF's sourcing and selection process in identifying projects that advances the goals and objectives of BAF?
2. To what extent has BAF been able to unlock public and private sector institutional commitment and funds for social project execution?

The findings and conclusions of this report are framed around these questions and sub-questions. The primary audience for the evaluation is USAID and BLSA.

FINDINGS AND CONCLUSIONS

The findings and conclusions are organized under the key research questions and associated sub-questions.

1. How effective and efficient is BAF's sourcing and selection process in identifying projects that advances the goals and objectives of BAF?

1.1 What is the selection process for new projects? How are decisions made?

Findings: BAF activities are selected through a relatively informal process. BAF does not advertise or release requests for proposals (RFPs), and there is no set grant proposal format. Most proposals were initiated because the grantee learned about BAF through his or her professional or even personal network. To ensure that proposals are in line with BAF goals and principles, BAF management and USAID (as the approving co-financer) apply criteria which the proposal must meet.

Conclusions: BAF selection procedures, driven by informal connections and discussions, can be characterized as relationship-driven. The approach is welcomed by the applicants who were appreciative of the level and type of engagement that it entailed. In terms of time and effort, the submission process appears to be effective from the perspective of both grant applicants and BAF, insofar as both sides (BAF and the applicant) have an opportunity to ensure there is alignment of values and goals. However, there are some concerns from the wider perspective of potential BAF applicants and projects. First, by not advertising widely or marketing BAF, the program does not attract a large pool of applicants. Second, having more applicants and more interest would, in theory, generate competition and improve the quality of applications. Finally, the program would appear more equitable if all parties (in the business and public sector) were at least aware that such a fund exists.

1.2 How closely have projects aligned with the BAF objectives?

Findings: Understanding of BAF objectives varied. The wording on the BLSA-USAID cooperative agreement differed from that on the BLSA website. Differing understanding of objectives was provided by the various key informants. A comparison of projects funded by BAF to date found

that all have some element of cooperation or linkage between the public sector and private companies. However, the nature of that cooperation varies significantly.

Conclusions: Our review of the projects found that each indeed focuses on facilitating systemic change, freeing blockages, and acting as a catalyst for further growth and development. In this respect, they align clearly with a core BAF objective. We also found that the selection process and focus of BAF has evolved over time, with later projects showing a clearer and stronger case for private-public sector collaboration.

1.3 What opportunities exist for closer engagement between government and private sector?

Findings: There are clear opportunities for government-private sector cooperation. The projects reviewed have shown potential for systemic change to occur. However, a key success factor that emerged from reviewing individual projects is the importance of a third party to facilitate such collaboration. The evaluation team found that in almost every awarded project there was an entrepreneurial change agent facilitating the project.

Conclusions: While the facilitator role is clearly important, it is not a guarantor of ultimate success. The question over the longer-term is whether there is enough support to hold the various initiatives together and keep them moving forward – especially once/if the facilitator leaves. The grantees are usually the facilitators, but in some projects their long-term engagement is not assured. Projects are unlocking doors – but there are still more doors to open.

2. To what extent has BAF been able to unlock public and private sector institutional commitment and funds for social project execution?

2.1 What factors have constrained or encouraged private sector commitments?

Findings: On the positive side, BAF's management approach has encouraged private sector commitments, through its ability to link partners to its network. BAF administration was indeed found to be important in promoting BAF goals. On the negative side, companies' Corporate Social Investment (CSI)¹ budgets tend to be tied up in other commitments and they are unable or unwilling to use them for BAF co-financing. One question that remained unanswered is whether BAF is attempting to or is able to tap into CSI funding. A substantial number of funds are disbursed every year in CSI budgets, possibly one of the highest rates of giving in the world. There is a general agreement among interviewees that CSI expenditure is often not focused on development and driven more by marketing and public relations. As one of the BAF objectives is to increase businesses' engagement in addressing the country's social and economic opportunities differently, it would appear that the rational place for increasing support for development would be in challenging companies in regard to how they spend CSI. A discussion of CSI, however, is not explicitly stated in any of the BAF literature.

Conclusions: The benefits of the relationship with BAF extend well beyond providing funding. Having USAID and BLSA behind these initiatives not only provides credibility, but access to a network of BLSA members, and a depth of experience from USAID. It can therefore be concluded that BAF is well placed within BLSA, and the BAF management team is well received by its partners. There is, however, an opportunity for improved communication of BAF intentions to

¹ Also commonly referred to in the US as Corporate Social Responsibility (CSR)

stakeholders. Given BLSA's reputation, and the positive case studies that are now emerging from BAF, it appears to be an ideal time for BAF to take a more explicit stand on CSI spending, and also to assert how greater collaboration and more thoughtful projects design could actually address systemic problems. BAF's approach could have a substantial influence on CSI's impact.

2.2 What are levels of trust within the partnership circles and can they sustain the process?

Findings: Trust between partners did not emerge as an issue or concern in any of the interviews. Almost all private sector stakeholders reported that relations with government had improved since the project activities began. Discussions with government partners also revealed a very positive engagement, and mostly high levels of appreciation for the work done by the partner and the financial assistance provided.

Conclusions: A lack of trust, or underlying tensions in relationships was not mentioned in any discussions held with partners. The overall sentiment was that the projects had helped to improve relationships and, at times, even the functioning of some government departments or relations between government entities.

2.3 What evidence is there of program outcomes to date?

Findings: Although outside the scope of the review, the evaluators still sought to make some preliminary assessments as to what types and levels of effects had been generated by the projects to date. The line of inquiry sought to ascertain what potential impact might be seen in the future, based on early indicators. This required a critical review of each project's potential for catalytic or systemic impact, the extent of the collaboration formed between the public and private sector, and the project's relevance to the National Development Plan. Table 1 at the end of this Executive Summary provides a high-level summary of the projects' key features and performance against various criteria. Projects are at different stages of completion. This, along with the specific nature of project types requires an assessment of their overall potential for effect to be assessed on an individual basis, rather than aggregated.

Conclusions: BAF funded projects rate highly in terms of relevance. Although the focus of projects has evolved, most have demonstrated, or show the potential to demonstrate, ways in which partnering between the public and private sector has addressed complex barriers which have to date curtailed South Africa's development. On the whole, there is a clear alignment between BAF objectives and the funded projects, although some align more clearly than others. Those that cannot demonstrate a strong alliance are filtered out early in the process, and are generally not submitted to the adjudication committee for approval.

2.4 To what degree is private sector interest and awareness in BAF related to internal factors vs. external factors?

Findings: Big business in South Africa is currently in a difficult position. Corporates are often seen as adversaries of government, and have been accused of going on an "investment strike," i.e. refusing to invest capital in South African operations out of opposition to the government. Traditionally, the private sector's role in engaging with 'communities' is through CSI and enterprise and supplier development (ESD). For many, however, CSI is described as more of a marketing exercise than an effective instrument for economic development. BLSA wishes to position BAF as more than signing a check – to go beyond advocacy and the self-interests of the individual company to the facilitation of realistic projects in areas most likely to affect systemic change.

Conclusions: BAF has been able to show that there are private sector players willing to engage in a new approach to South Africa's development challenges. They realize their contribution cannot simply be a donation and photo opportunity arranged by the marketing department. To date, a number of partners have also been willing to put substantial amounts of money and effort behind this. All the partners seem clear about the current shortcomings of the approach by big business to CSI, and it is understood that BAF aims to do things differently.

RECOMMENDATIONS

- **BLSA should engage in awareness raising activities for BAF, especially among government partners.** BAF would benefit from greater clarity and general awareness raising, especially among government partners.
- **BLSA should develop a detailed mission statement, hierarchy of objectives, and strategy for the BAF.** The lack of clarity of purpose also manifests as a lack of intentionality regarding the program. While it might be clear what individual projects are trying to achieve, it is not always clear what BAF as a whole is trying to achieve. The program could also benefit from clearly mapping out the theory of change that it hopes the BAF initiative will achieve. This would be a useful exercise for BLSA and BAF management to help clarify the direction the Fund should go in.
- **BAF should consider moving to a more formal selection process, and combine this with efforts to increase awareness (in tandem with clarifying its purpose).**
- **BLSA should draft a statement or position piece on how BAF fits in within the new BLSA strategy.**
- **BLSA should make a more conscious effort to engage with the government partner in the conceptualization of projects.** In some cases, the government is unaware of BLSA/BAF, or kept at arm's length. BLSA should consider whether an explicit level of commitment from the government partner should be included in the proposal.

INTRODUCTION

EVALUATION PURPOSE

The purpose of this evaluation is to assess the effectiveness and efficiency of the Beyond Advocacy Fund (BAF), a three-year project co-funded by USAID and BLSA, in achieving its goals. The BAF was established through a November 2013 Memorandum of Collaboration between USAID and Business Leadership South Africa, (BLSA), an association representing the largest firms operating in the country. BAF seeks to leverage the power of business to address common economic and social issues facing South African society, through partnering with government entities.

The Fund is co-financed by matching commitments of US\$1.5m each from USAID (in cash) and BLSA (in cash or in-kind contributions) to fund projects in line with the Fund's purpose, principles, and criteria. It was designed to operate for an initial period of three years, and is being considered for extension.

The evaluation assessed BAF's efforts to promote better government-private sector relations through specific projects and whether such a model is effective.

CONTEXT

BAF was launched at a challenging time for South Africa, as social and economic conditions have worsened (even in the context of the global recovery from the financial crisis), and relations between government and the private sector have become adversarial. Recent phrases entering the political rhetoric, such as the need for "radical economic transformation" and blaming the country's ills on "white monopoly capital" have exacerbated these tensions. The emergence of the Economic Freedom Fighters – a far-left political party formed in 2014 and already the second largest opposition party in parliament – is based on a platform of land expropriation without compensation, and nationalization of mines and banks. This platform has caused concern in the business community and is spurring action to improve government-private sector relations.

Although South Africa has seen both political and economic improvements since the end of apartheid, progress on both fronts has been slow, and in recent years indicators have turned negative as the country has been gripped by a series of political and corruption scandals, resulting in the increasing ineffectiveness of policy making and implementation. South Africa is classified by the World Bank as an upper-middle income country, but its economy is currently in crisis. Access to basic services has risen and levels of absolute poverty have fallen, but high unemployment rates and worsening socio-economic inequality have persisted.² South Africa's total unemployment rate has steadily increased from 22.6 percent in 2006³ to its current rate of

² Jessica Piombo and Cherrel Africa, "Has South Africa Lost Its Way?," *Foreign Affairs*, May 12, 2016, <https://www.foreignaffairs.com/articles/south-africa/2016-05-12/has-south-africa-lost-its-way>.

³ World Bank, "Unemployment, Total (% of Total Labor Force) (Modeled ILO Estimate)," 2017, <http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?end=2016&locations=ZA&start=2006&view=chart>.

27.7 percent.⁴ Also, at 52.3 percent in 2016, the youth unemployment rate was at its highest ever, up from 50.1 percent in 2015.

South Africa's GDP has fallen sharply in nominal terms from an all-time high of USD 416.4 billion in 2011 to USD 294.8 billion in 2016.⁵ GDP growth in real terms has been anemic in the past three years – growing by just 1.6 percent in 2014, 1.3 percent in 2015, and 0.5 percent in 2016.⁶ In addition to weak GDP growth, South Africa's inflation rate jumped to 6.8 percent in 2016 – its highest level since 2010.⁷ Through the end of 2016, the food inflation rate also increased, exacerbated by severe drought, growing by nearly 12 percent.⁸ Food inflation has since declined, but remains a significant risk as the drought persists.

Recent government spending on education as a percentage of GDP has increased marginally from 5.1 percent in 2006 to 6.1 percent in 2014. However, although South Africa spends more on education than any other African country, it remains consistently low in global rankings. In 2015, OECD ranked South Africa in 75th place out of 76 wealthier countries. Meanwhile, 27 percent of South Africa children who attend school for six years cannot read and only 37 percent of children who start school pass the matriculation exam to advance to college.⁹

In 2014, 48 percent of health spending in South Africa was publicly funded, much lower than the OECD average of 72 percent.¹⁰ South Africa has recently prioritized healthcare, seeking to attain health-related goals such as a life expectancy of at least 70 years and a reduction in the level of HIV-infections in individuals under 20.¹¹ Between 2006 and 2014, public expenditure on healthcare South Africa as a percentage of GDP increased from 3.36 percent to 4.24 percent, respectively.¹²

EVALUATION QUESTIONS

The evaluators were asked to address two overarching evaluation questions. For each question, the evaluators developed sub-questions in discussion with USAID/Southern Africa. The findings and conclusions of this report are framed around these questions.

⁴ Republic of South Africa, "Work & Labour Force," *Statistics South Africa*, July 24, 2017, http://www.statssa.gov.za/?page_id=737

⁵ The World Bank Group "GDP (Current US\$)," 2017, <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2016&locations=ZA&start=2000&view=chart>.

⁶ The World Factbook - South Africa; *Central Intelligence Agency*, August 1, 2017, <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/sf.html>.

⁷ The World Bank Group, 2017

⁸ Mfuneko Toyana, "South African Inflation Slows as Food Price Rises Ease," *Reuters*, April 19, 2017, <http://af.reuters.com/article/africaTech/idAFKBN17L0SR-OZABS>.

⁹ The Economist, "South Africa Has One of the World's Worst Education Systems," January 17, 2017, <https://www.economist.com/news/middle-east-and-africa/21713858-why-it-bottom-class-south-africa-has-one-worlds-worst-education>.

¹⁰ OECD, "Health Statistics 2014: How Does South Africa Compare?" , 2014 <http://www.oecd.org/els/health-systems/Briefing-Note-SOUTH-AFRICA-2014.pdf>.

¹¹ National Treasury: Republic of South Africa "Budget Review 2016", February 24, 2016), <http://www.treasury.gov.za/documents/national%20budget/2016/review/FullReview.pdf>.

¹² The World Bank Group "Health Expenditure, Public (% of GDP)." <http://data.worldbank.org/indicator/SH.XPD.PUBL.ZS?end=2014&start=2006>.

3. How effective and efficient is BAF's sourcing and selection process in identifying projects that advances the goals and objectives of BAF?

1.1 What is the selection process for new projects? How are decisions made?

1.2 How closely have projects aligned with the BAF objectives?

1.3 What opportunities exist for closer engagement between government and the private sector?

4. To what extent has BAF been able to unlock public and private sector institutional commitment and funds for social project execution?

2.1 What factors have constrained or encouraged private sector commitments?

2.2 What are levels of trust within the partnership circles and can they sustain the process?

2.3 What evidence is there of program outcomes to date?

2.4 To what degree is private sector interest and awareness in BAF related to internal factors (e.g. program design, marketing) vs. external factors (e.g. business-gov't relations, economy)?

PROJECT BACKGROUND

Business Leadership South Africa (BLSA) has a long history of engagement in the South African business sector. Originally founded in 1959 and known as the ‘South Africa Foundation,’ it changed its name to ‘Business Leadership South Africa’ in 2005. It is an independent association comprising some of South Africa’s largest and well-known companies. It acts as a forum to promote an effective dialogue with key South African players, including civil society, labor, and government. BLSA’s aim is to create a better and more inclusive South Africa which:

- Advances a modern, inclusive, and growing economy;
- Upholds the constitution and protects the integrity of the state;
- Views business as a national asset – one that plays a central role in addressing poverty, unemployment, economic injustice, racism, and a transformed workplace¹³.

BAF was conceived as a tool to help address South Africa’s development challenges by catalyzing BLSA’s members to work with the Government of South Africa on collaborative projects that address South Africa’s most pressing development challenges.¹⁴ BAF is a funding mechanism embedded in and administered by BLSA management, with one dedicated full-time staff person and one part-time. The Fund aims to promote partnership-based approaches between government and business to identify, test, and replicate innovative and lasting solutions to the major development challenges the country confronts. The Fund’s work is linked to South Africa’s development goals as expressed in the National Development Plan (NDP). It is seen as an instrument for supporting efforts by businesses to make “a more coherent and systemic contribution” to the country’s development objectives. Collaboration leading to building trust is seen as a key element of the Fund’s mandate.

According to BLSA, projects eligible for support are public-private collaborations expected to lead to substantial socio-economic benefits for South Africa, and which usher in new approaches to public-private cooperation. Projects eligible for funding belong to following pillars:

- a) Basic education, promoting better linkages between business and technical and vocational education and training colleges (FET colleges),

Box 1. Other key players

In addition to BLSA, two other bodies play a leading role in government / private sector relations: NEDLAC (National Economic Development and Labor Council) and BUSA (Business Unity South Africa). NEDLAC was established in 1994 as a negotiating forum for government, business, organized labor, and community organizations to strengthen cooperative mechanisms for addressing the major economic challenges facing the new democratic dispensation. Specifically, it aims to address sustainable economic growth, greater social equity, and increased participation of all major stakeholders in economic decision making. The Council works on a consensus basis, and its positions are used to formulate economic policy, including fiscal and monetary policy, socio-economic programs, trade and industrial policy, and labor policy. BUSA, of which BLSA is a member, is a non-profit company that represents organized business in South Africa. It consists of 36 organizational members. It was formed in 2003 and is the apex body of all organized business. BUSA is the formally recognized representative of business at NEDLAC.

¹³ BLSA website: <https://www.blsa.org.za/about-us/vision-and-mission/>

¹⁴ USAID – BLSA Memorandum of Collaboration: II Background, p.1.

- b) Support for youth employment,
- c) Promoting integrity and combating corruption in the public and private sector, and
- d) Coordinating the long-term infrastructure build in priority areas.

Projects funded by the BAF should generally comply with as many of the following criteria as possible:¹⁵

- a) Have the potential to demonstrate constructive partnerships between business, government, and other social partners;
- b) Target systemic change, through initiatives that sustainably impact jobs, growth, youth employment, education/skills, gender, disability, effective public management, and/or infrastructure;
- c) Be pragmatic and feasible in design, so that it is possible at the outset to define in some detail the practical steps that, if taken, will result in success;
- d) Generate the support for implementation and success amongst social partners; and
- e) Result in a clear plan for implementation, including a mechanism for sustainable funding of the initiative and identification of an institution (or institutions) that can be tasked with delivery.

At present, seven grants have been made: two have been completed, one was cancelled, two are underway, and two that are just being initiated. Based on our current understanding, there is no formal application or selection process. Opportunities are identified by BLSA and its members, and project proposals are developed jointly. Government partners can come from any of the three levels of government – national, provincial, and municipal/metro.

The projects listed below were assessed as part of the evaluation. Brief case studies of six projects were carried out and can be found in Annex VI.

Table 1: List of Funded Initiatives

#	Project/Initiative Name	Main Partners	Dates
1.	Creation of a New Social Covenant	Barclays Bank, University of Stellenbosch	2015 – March 2016
2.	National Education Collaboration Trust (NECT) Training	National Education Collaboration Trust BLSA	2015 – December 2016
3.	Research papers (seven) on alternative pathways for managing energy & water	National Treasury, municipal governments	2015 – Present
4.	Township economic revitalization project	Banking Association of South Africa Gauteng Provincial Government	August – December 2016
5.	Early Childhood Development (ECD) Incubator	KYB, Municipal governments in Lesedi, Johannesburg & Midvaal	March 2017 to present

¹⁵ BLSA website: <https://www.blsa.org.za/about-us/beyond-advocacy-fund/>

6.	FinFind Phase 11	Finfind Pty Ltd Department of Small Business Development Banking Council of South Africa	March 2017 – Present
7.	EOH Youth Job Creation Initiative	EOH, Services Sector Education and Training Authority (SETA)	August 2017 – Present

All activities funded by BAF have been completed (as of the end of July 2017). The only outstanding activity is that which has been aligned to funding from the Banking Association of South Africa. The project is on track for completion by end September 2017.

EVALUATION METHODS & LIMITATIONS

DATA COLLECTION METHODS

The following data collection methods were used:

- 1) **Desk review of project documentation.** The evaluators reviewed documents relating to BLSA and BAF strategy and management, quarterly and annual reports, selection criteria, project proposals, and background reports.
- 2) **Key informant interviews (KIIs)** with key project stakeholders and grant recipients. The interview format was semi-structured and was based on a set of prepared questions (the guides), which were used to explore various themes that relate to the evaluation questions. The prepared questions were used as a starting point, and additional probing questions were added during the course of the interview (please see Annex II for the guides).
- 3) **Field observations.** For two projects (ECD and Youth Employment) the evaluators visited sites where the projects are active in order to better understand project issues, and assess potential project effects. For other projects, there were no physical locations to visit (Finfind, research papers) or work had not yet begun (TER).

METHODOLOGY

This is a small-scale performance evaluation using qualitative methods and a non-experimental design. Although less extensive than many evaluations, the evaluators still followed all evaluation principles and good practice in conducting the work.

The evaluation was based on comparing projects' responses of different stakeholder groups (government, private sector, grant-recipients, and BAF/BLSA management) on a predetermined set of questions relating to projects themselves and larger themes of private-sector-government relations. Combined with a review of project documentation, data collected this way allowed the evaluators to assess the validity and reliability of responses. The evaluators took notes and reviewed responses to the questions using expert judgment to produce the analysis.

Onsite data collection to conduct interviews and field visits took place in Johannesburg and Pretoria between July 22 and August 3, 2017.

LIMITATIONS

The key limitations to the evaluation were i) time constraints (three days to conduct background research, prepare evaluation design, and research instruments before beginning data collection in country, and 11 days of fieldwork), ii) the wide range of sectors which made generalization difficult; and iii) the absence of observable socio-economic effects. These factors pointed toward a streamlined methodology approach as the most feasible. However, given the small-scale of the projects (7 projects, of which one consisted of multiple papers) for \$3 million, up to half of which were in-kind, it is doubtful whether a larger-scale evaluation would have been warranted or appropriate at this time.

FINDINGS & CONCLUSIONS

1. HOW EFFECTIVE AND EFFICIENT IS BAF'S SOURCING AND SELECTION PROCESS IN IDENTIFYING PROJECTS THAT ADVANCES THE GOALS AND OBJECTIVES OF BAF?

1.1 What is the selection process for new projects? How are decisions made?

Findings

BAF activities are selected through a relatively informal process. BAF does not advertise or send out requests for proposals (RFPs). Although some proposals/applications are submitted to BAF unsolicited, the most common method is for a private sector partner (often a BLSA member) to approach BAF management with an idea for an activity, as well as a proposed partner.

The activity proposal is then discussed and developed further with BAF, including exploration of mutual alignment between the goals and approach espoused by the activity and that of BAF/BLSA. The final product is a grant proposal prepared by the private partner. There is significant background preparation and review with BAF engagement. For more recent activities, the proposal is vetted by BAF management before being presented to the BAF Selection Committee, which includes the BLSA CEO, BAF staff, and USAID. Final approval is made by USAID.

There is no set grant proposal format. The level of detail and length do not follow a uniform format or template. Proposals reviewed by the evaluation team varied in length from 4 to 33 pages. The simple application and proposal process is welcomed by grantees, who compared it favorably to typical procedures for applying to funds.

Most proposals were initiated because the grantee learned about the BAF through his or her professional or even personal network. Although some project proposals are submitted 'blind,' i.e. without prior discussion with BAF, these reportedly do not often (i) support BAF goals of promoting private-partner partnership, (ii) fall into one of the four pillars, or (iii) have the potential to address inclusive growth. BAF reports that approximately 5-7 proposals are received annually.

To ensure that proposals are in line with BAF goals and principles, BAF management and USAID (as the approving co-financer), apply criteria which the proposal must meet. The question of how well the selection process works in terms of choosing projects that are appropriate and in alignment with BAF goals is addressed below under 'Project Effects'

Conclusions

BAF selection procedures, driven by informal connections and discussions, can be described as relationship-driven. The approach is welcomed by the applicants who were appreciative of the level and type of engagement that it entailed.

In terms of time and effort, the submission process appears to be effective from the perspective of both grant applicants and BAF, insofar as both sides (BAF and the applicant) have an opportunity to ensure there is alignment of values and goals. From the applicant perspective, the process is attractive because of the minimal administrative burden. However, from the wider perspective of potential BAF applicants and projects, there are three issues which raise concerns.

First, by not advertising widely or marketing BAF to its target audience of private sector and government entities, the program does not attract a large pool of applicants, and it is therefore likely that some worthwhile projects will never get funded simply because potential applicants are unaware of BAF. By relying on relationships and a small number of applicants, BAF cannot ensure that the best concepts for possible projects are being reviewed. Second, having more applicants and more interest would, in theory, generate competition and improve the quality of the applications. Finally, there is the issue of transparency – it would be more equitable if all potential applications (in the business and public sector) were at least aware that that such a fund exists.

We recognize that BAF is at an early stage in its development and still learning what types of projects work best. It is also true that BAF funds are limited, and could not meet a demand that is very much higher than the present funding levels. However, these are not necessarily obstacles to introducing changes in the selection process. There are options, short of moving to a formal, intensive application process, that could work well. They are discussed under Recommendations, below.

1.2 How closely have projects aligned with the BAF objectives?

Findings

This question assumes that BAF objectives are clear, and that it can be therefore determined whether projects align with them. However, objectives are not always clear.

The BLSA-USAID Corporate Agreement describes BAF's goals as follows:

“...to catalyze good ideas, which will be explored and tested and taken to the point of readiness for implementation. The Fund will facilitate the production of evidence based strategies and plans, and build committed partnerships for project execution. In some instances, the products necessary for project implementation will be developed, and proof of concept processes funded.”¹⁶

At the time of the evaluation, BAF was described on the BLSA website¹⁷, as follows:

“*Beyond Advocacy*’ speaks to the opportunity that...BLSA can catalyze and enable systemic change, involving a larger set of contributions from business, in ways that can have a sustainable impact by building meaningful partnerships with others. Fundamentally this is about business being truly committed to making change happen for a greater, better common societal good, partnering with stakeholders across sectors including government and other social partners.”

Interviews with BAF and BLSA personnel and partners have revealed additional possible aims. Based on both documentation and interviews, the evaluators identified a considerable number of additional objectives:

- i. Improving efficiency and effectiveness of public and private sector resource allocation
- ii. Supporting National Development Policy objectives (and demonstrating that business is willing to do so)

¹⁶ USAID-BAF Cooperative Agreement, p. 15

¹⁷ BLSA website

- iii. Promoting public-private collaboration (the most common perception of BAF goals as expressed by private sector partners),
- iv. Promoting positive government-private sector relations,
- v. Promoting systemic social and economic changes,
- vi. Demonstrating that government-private sector collaboration can be effective,
- vii. Pushing corporate social investing (CSI) expenditures to be more effective, with more systemic and long-term impacts

A comparison of projects funded by BAF to date (see Table 2), found that all have some element of cooperation or linkage between the public sector and private companies involved. However, the nature of that cooperation varies significantly. In some cases, there is a genuine partnership between business and a government entity where the linkage is critical for opening up a bottleneck. This was the case with Finfind and the Department for Small Business Development, and to a lesser extent with TER. In other cases, the partnership, as viewed from government, was not seen as involving a private sector player, which was particularly the case for KYB, who viewed their support more as that offered by an NGO. This is understandable, given that KYB does not generate sales or income for its services. While it was clearly understood that the program is about the support and development of small enterprises, these are program beneficiaries, not partners. In other cases, BAF supported projects, like EOH, where the government appeared (in the form of Services SETA) to be only peripherally involved.

BLSA is about to launch a new strategy on August 23, 2017. A new, high-profile communications director has recently been appointed to help build the public profile and positioning of BLSA. The new strategy outlines three key pillars, namely:

1. Drive inclusive economic growth and transformation
2. Protect and strengthen key state institutions
3. Position business as a national asset

None of the strategy documents explicitly mention BAF, although it would clearly sit under their 'drive inclusive economic growth and transformation' pillar. This is not necessarily a criticism, as BAF reflects only a small share of BLSA's budget. The evaluators believe that it would, however, be beneficial for BLSA to articulate where and how they see BAF fitting into their new strategy.

Conclusions

Our review of BAF projects found that each project has, in fact, focused on facilitating systemic change, freeing blockages, and acting as a catalyst for further growth and development. In this respect, they align clearly with a core BAF objective.

The evaluators also found that the selection process and focus of BAF has evolved over time. Earlier funded projects tended to be more analytical and less focused on practical ways to address problems. While all of the above goals are worthwhile and interlinked, and the projects reviewed addressed critical development issues, greater clarity and focus by BAF could strengthen its ability to deliver on its promise. Depending on the perspective of the parties involved, or the nature of the project, BAF has been described as a mechanism for CSI to be more impactful; about job creation; about encouraging greater collaboration between the public and private sector; and addressing the national development plan. While these goals are not mutually exclusive, they do seem to pull BAF in different directions. There appears to be a lack of intentionality and a clear understanding about what success looks like. This applies to both the individual projects, and to the overall fund. The subject of CSI came up frequently during discussions, which seems to have

a very mixed reputation in South Africa regarding how it is used and whether it has any impact. (See Box 2.)

Box 2. Corporate Social Investing in South Africa

CSI originated from the idea that private sector companies should operate not only in the interests of their *shareholders*, but also in the interests of all *stakeholders*, which extends from a company's employees to the communities they affect. CSI is intended to bolster the health and social well-being of the communities in which businesses operate. Over the past two decades, CSI has been integrated into the corporate governance structures of South African companies both voluntarily and through various regulatory requirements. CSI is guided, in part, by the Broad-Based Black Economic Empowerment (BBBEE) Act of 2003 and subsequent legislation obligates South African companies to engage in socially responsible business practices or risk negative ratings on their BBBEE Scorecard, which affects their ability to win government contracts.

Based on Trialogue estimates, spending on CSI and South Africa grew steadily from around USD 158 million in 2001 to USD 648 million in 2016. CSI expenditure in South Africa is spread across various sectors, including education, social and community development, health, food security, and agriculture, environment, and natural disaster relief, among others. Education, however, is the sector that has consistently received the highest level of support.

Criticism of CSI in South Africa concerns misleading reporting on positive effects and successes. Development projects backed by private-sector funding are often said to be poorly managed and lack oversight of publicly-funded projects. While CSI projects are generally undertaken with good intentions, they are often weak in terms of implementation, monitoring, and consistent and long-term commitment. Nonetheless, while CSI spending on M&E has yet to grow substantially, corporate interest in measuring impact has increased considerably over the past ten years

1.3 What opportunities exist for closer engagement between government and private sector?

Findings

There are clear opportunities for government-private sector cooperation and the projects reviewed have shown potential for systemic change to occur. However, a critical success factor that emerges from reviewing BAF projects is the importance of a third party. The evaluation team found that in almost every awarded project an entrepreneurial change agent played a critical role in facilitating the project. It was apparent that, although the respective public and private sector partners were willing and interested in the project, they still needed a facilitator to 'unlock' the partnership's potential. Government was usually not the initiator in seeking to address the systemic problem, nor the primary mover in seeking out a solution. The main partners lacked the available resources to make projects happen. This is where BAF enters the equation, by providing financial resources to support a catalyst (the direct project grantee) to do the work.

The key resources necessary for partnerships are not just funds to pay for the development and initiation of projects, but also management skills and technical knowledge. In addition, the facilitator may play the role of project champion. This was found to be the case with the KYB incubator in the ECD project, Atios Consulting in the TER project, and Finfind Pty in the Finfind project. In each project, these entities represented a nimble, highly motivated, and entrepreneurial party essential to promoting the project goals. A similar dynamic was also seen with Inca Portfolio Managers and EOH.

In terms of a theory of change, BAF identifies potential partnerships, enables them to develop an initiative through funding a facilitator, who in turn takes this idea into a proof of concept, enabling a project's implementation.

Conclusions

While the facilitator role is clearly important, they are not a guarantor of ultimate success. The question over the longer-term is whether there is enough support to hold the various initiatives together and keep them moving forward – especially once/if the facilitator leaves. The grantees are usually the facilitators, but in some projects their long-term engagement is not assured. Projects are focused unlocking doors – but more doors remain. To be opened This should be taken into consideration when designing projects to ensure their sustainability. Because the facilitators are not acting in a pro bono capacity, but are grant-recipients, long-term project success is not guaranteed. Long-term success would be more likely if an actor is mandated to play an ongoing facilitating role. BAF may want to consider requiring the government partner to demonstrate a certain, minimum level of commitment at the beginning of the project, before funds are disbursed.

2. TO WHAT EXTENT HAS BAF BEEN ABLE TO UNLOCK PUBLIC AND PRIVATE SECTOR INSTITUTIONAL COMMITMENT AND FUNDS FOR SOCIAL PROJECT EXECUTION?

2.1 What factors have constrained or encouraged private sector commitments?

Findings

On the positive side, the key factors which have encouraged private sector commitments include how the BAF is managed by BLSA, combined with its ability to link partners to a network of private sector partners. On the negative side, companies' CSI budgets tend to be tied up in other commitments and they are generally unable or unwilling to use them for BAF co-financing.

BAF management and networking potential

A key factor in BAF's ability to unlock public and private sector commitments relates to how the fund is being administered, and its networking power, being located within BLSA. Key informants who had engaged with BAF and BLSA were therefore asked how they found working with BAF staff, whether there was any scope for improvement in management and administration of the fund, and how BAF compared with similar initiatives they may have engaged in. The response from informants was overwhelmingly positive. It was noted by one BAF partner that the BAF manager was proactive in approaching BLSA members to establish what work they are already doing in the sector and how they could be networked into existing initiatives. BAF was said to be instrumental in facilitating meetings, and stimulated activities and created engagements that were very helpful to their work. They described the BAF team as open, friendly and supportive and, to them, it felt more like a partnership than simply a donor/recipient relationship.

Another BAF grantee, when asked how they found working with BAF/BLSA, used the word "phenomenal" to describe their experience. They felt that BAF staff immediately understood the problem they were working with and had a genuine interest in how their work affects beneficiaries. They stressed the advantages of being linked to the BLSA network and noted how BAF helped them with networking and opening doors. As result of the experience, the grantee is even considering applying for donor funding elsewhere, something they had previously not considered. They noted that as a result of BAF financing, a range of opportunities had opened up and relationships with the government had improved. Additionally, they noted that the existing relationship with USAID has helped in many instances in getting 'a place at the table' and that the value of this relationship has extended far beyond the monetary value of the award.

There were, however, a few instances where some of the partners reported being unaware or only marginally aware of the fund, its name or acronym. In these cases, they were familiar with BLSA and understood the funding to have come through the association; the funding mechanism of BAF was simply less significant. They were more likely to recall the funding as coming from USAID, and were pleased to find that USAID was willing to simplify the process to access funding, and that they did have to ‘change course’ in order to get it. This grantee noted their gratitude that there was not an additional administrative burden of expecting a separate accounting system, and that USAID was willing to fit into an existing design and did not seek to influence it. Additionally, for them, the value of having the support and name of USAID and BLSA behind their efforts goes beyond the RAND contribution. As the CEO stated: “Our voice depends on the number of people behind us.” A similar sentiment was also expressed by another two grantees who noted the non-financial leverage that their relationship with USAID and BLSA created.

In the case of a local government partner, they were completely unaware that some of the funding for KYB Enterprise Development came from BAF – and therefore were not aware of what the fund was trying to achieve. From the interviews, government partners were least likely to know ‘BAF’ and what it aims to achieve. This is not entirely unexpected, especially when the relationship with the partner was already in place beforehand and the contribution from BAF is only a small component. Additionally, the government partner is not necessarily involved in the application and fundraising process.

CSI budget

The lack of resources for CSI among BLSA members may seem surprising, given that BLSA members belong to the largest companies operating in South Africa, and the country’s public sector is the best paid in Africa (and among the largest in the world). However, private firms face several constraints. In most cases, their funds for social causes are earmarked for CSI, which is typically already allocated, and, in the short-term at least, not easily redirected to initiatives such as BAF. This will require a shift in mindset. For a fuller discussion of CSI, see Section 2.4 and Annex VII.

One question that remained unanswered and unclear, is whether or not redirection of CSI funds is what BAF is attempting to do. A substantial amount of funds are disbursed every year in CSI budgets, possibly one of the highest rates of giving in the world. There also seemed to be a general agreement among interviewees that CSI expenditure is often not developmental in nature and driven more so as a marketing and public relations exercise. As one of the BAF objectives is to increase businesses’ engagement in addressing the country’s social and economic opportunities differently, it would appear that the rational place for this to begin would be in challenging companies with regards to their CSI spending. This however is not explicitly stated in any of the BAF literature. The present level of ambiguity makes it unclear as to what exactly BAF’s position is. If BAF, and by extension BLSA, perceive themselves as leaders in this sphere, then it is an ideal time to begin such a dialogue more earnestly.

Conclusions

BAF administration was indeed found to be important in promoting BAF goals. Project stakeholders speak highly of BAF management and describe it as helpful, responsive, and engaged. The benefits of the relationship extend well beyond providing funding. Having USAID and BLSA behind these initiatives not only provides credibility, but access to a network of BLSA members, and a depth of experience from USAID. As described by the deputy chairman of BLSA “USAID has brought a discipline, rigor, and structure that the fund wouldn’t have without it”.

It can therefore be concluded that the BAF is well placed within BLSA, and the BAF management team is well received by its partners. There does however appear to be an opportunity for improved communications and greater ‘marketing’ of the BAF intentions to the government stakeholders. While BAF might not at this juncture be looking for a flood of new applications from government, one of BLSA’s core objectives is to improve government’s perception of the private sector – so it is important that they are able to ‘join the dots’.

Additionally, given the reputation that BLSA has, and the positive case studies that are now emerging out of BAF, it appears to be an ideal time for BAF to position itself more explicitly on where it stands in regard to CSI spending, and how greater collaboration and more thoughtful design of projects that actually address systemic problems, could make a substantial contribution to CSI’s impact.

2.2 What are levels of trust within the partnership circles and can they sustain the process?

Findings

Trust between partners did not emerge as an issue or concern in any of the interviews. In the case of KYB, municipalities reported that their own internal functions and level of cooperation between departments had improved as a result of the program.

Almost all private sector stakeholders reported that relations with the government had improved since the project activities began. Discussions with government partners also revealed a very positive engagement, and mostly high levels of appreciation for the work done by the partner and the financial assistance provided.

With Finfind, a certain level of frustration was expressed in that the Banking Association of South Africa (BASA) had not been able to provide the full contribution as originally planned. BASA likewise expressed frustration that the partners did not fully appreciate why they were not in position to fully fund their initial program contribution. In any case, these issues did not derail the process and the situation has been resolved. For TER, both Atios and BASA noted that they were pleasantly surprised at the level of responsiveness from the government partners and their commitment to push through and find solutions to challenges as they arose.

Conclusions

A lack of trust, or underlying tensions in relationships was not mentioned in any discussions held with project partners. It can be concluded that the projects had helped to improve relationships and, at times, even the functioning of some government departments or relations between government entities.

2.3 What evidence is there of program outcomes to date?

Findings

Although outside the scope of the review, the evaluators still sought to make preliminary assessments as to what types and levels of effects had been generated by the projects to date. They assessed what potential impact might be expected in future, based on early indicators. This required a critical review of each project’s potential for catalytic or systemic impact, the extent of the collaboration formed between the public and private sector, and the project’s relevance to the National Development Plan.

We review the projects below. Small case studies which go into greater depth are included in Annex IV. There is little uniformity among the funded projects, as each is unique in its own right,

which makes it difficult to draw overarching conclusions. However, three broad types of funded initiatives did emerge:

- Research papers produced in response to the Presidential Business Working Group;
- Discrete interventions to unlock one stage of an on-going process involving public and private collaboration;
- Funding of larger-scale, longer-term work to lower barriers to opportunities (especially for beneficiaries) and cooperation between partners.

Table 2 below provides a high-level summary of the projects' key features and performance against various criteria. Projects are at different stages of completion. This, along with the specific nature of the project types requires any assessment of their overall potential for effect to be assessed on an individual basis, rather than aggregated.

Research Papers

The first group of projects are a series of policy-oriented research papers produced in 2014 and 2015. Together they form the first wave of projects funded by BAF. These papers were largely in response to an emerging crisis the country was facing at the time in relation to energy security, and a still-unfolding crisis of waste-water management at municipal level. While both initiatives meet the criteria of public-private collaboration, BAF has since moved away from funding these types of initiatives. The energy papers have not led to any tangible outcomes – primarily due to major political shifts within the National Treasury. The waste-water and sanitation paper also has not produced any tangible outcomes, although, unlike the energy papers, it still appears to hold some potential – as the paper is currently under consideration with the Cities Support Program at National Treasury. At the very least, BLSA has joined the policy dialogue around water supply and sanitation (WSS) and energy reforms and would be able to draw on these when this particular policy window opens again.

The research paper (and others like it) represents a proactive initiative by BLSA members concerned with the crisis in the country's WSS sector, and the government's response, or lack thereof. The end goal of the paper is to propose structural solutions involving private sector engagement to help municipalities and their utilities overcome pressing challenges. As such, they are policy papers intended to inform debate on the sector, and eventually lead to government (at municipal level) and private sector cooperation. As analytical and policy-oriented work they have potential value, but this is different from the anticipated type of partnership that focuses on a project, demonstrating synergies while generating goodwill.

NECT

The funding to NECT to support the training of curriculum coaches and district officials, and the provision of resource materials, came to a close in December 2016. There is currently no other funding that is taking place in the education sector. While the funding of NECT is described below as a 'discrete activity,' in that it funded a very specific intervention over a short period of time, NECT itself is seen as a large-scale long-term initiative that seeks to have a systemic impact. In terms of tangible outputs, the most recent Annual Report claims an improvement in the percentage of the curriculum that teachers were able to complete of 30 percent, as a result of the intervention. (Previously, on average, teachers were only getting through 30 percent of the curriculum for each year in the foundation phase, and this has now increased to 60 percent).

NECT was already well established before BAF and will continue to operate in the same vein without BAF funding support. While the design of NECT meets many of the criteria that BAF seeks

to support, the evaluation team is not convinced that the contribution of BAF was catalytic or innovative. The activities would most likely have occurred without BAF's support.

Township Economic Revitalization (TER)

The role of the BAF funding in the TER project was also a discrete activity which sought to unlock a particular door at a particular stage of an ongoing effort. In the narrowest sense, the outcome has been the production of a concept paper which outlines the design of townships in industrial hubs in the automotive, construction, and agro-processing sectors. More specifically, a site for the first automotive hub has been identified, along with potential beneficiaries (small businesses such as auto-mechanics, repair shops, panel shops) Negotiations with a local municipality to make the premises available are underway. Atios Consulting, the consulting firm who undertook the study, has very much been the facilitator and the 'glue' that has held the interested parties together, and kept the process moving forward. Their role as funded partners has come to an end, and there is a question as to who will be responsible for keeping this initiative moving forward. Atios Consulting believes that, given the substantial investment already made to date, and the strong desire for provincial and local government to demonstrate an impact, there is sufficient interest to keep it moving forward. The project's success will likely depend on the enabling environment, local conditions, and learning from the mistakes of previous similar efforts. BAF contribution to the BASA-GPG partnership was in the form of a moving the TER concept closer to reality through detailed strategy for a pilot project.

Finfind

Although Finfind itself is a large-scale, long-term initiative that has the potential to address systemic blockages MSMEs face in accessing finance, the funding provided by BAF was for a specific, discrete activity. The activity involved funding the back-end technology required to create a lender portal so that lenders can access applications. Phase 2 is currently in a pilot stage involving a commercial bank, a government provider, and two private providers. It is not yet possible to observe any outcomes from this funding, but it is expected that once the pilot is completed, this phase will continue into implementation.

The Finfind design appears to offer a valuable and catalytic technology interface that has the potential to clear a blockage in terms of access to the finance market. This is a problem which has plagued the sector for decades. The high volume of traffic the portal (80,000 MSME visits) has already generated is a testimony to the level of demand that was previously going unmet. It is important to recognize that this was made possible due to the in-depth and expansive research that was conducted prior to its launch. The five-year multi-million dollar Financial Sector Program was a critical initiative that the private sector would most likely never have funded.

Finfind represents an interesting and unique example of government, the banking sector, and donors supporting and developing a privately owned commercial entity that appears to have enough 'carrots' to keep all stakeholders interested and committed. It also must be noted that the Finfind CEO, Darlene Menzies, is an IT expert and dedicated entrepreneur, whose enthusiasm and commitment to the project is a key and vital ingredient in the likely success of this initiative.

KYB Enterprise Development

The 'top-up' funding provided to KYB Enterprise Development to support ECD centers to become registered is in full swing, and to date 20 centers have benefited from upgrades. This has helped them to move closer to receiving assistance, but they are still not yet registered and therefore unable to access the grant subsidies earmarked for them. As the process of becoming a registered ECD center requires multiple steps and multiple engagements with local authorities, the progress made to date can be considered commendable. Other members of the KYB team

are responsible for working closely with municipal authorities to streamline their processes to better serve the ECD sector and to speed up the time taken to become registered.

The KYB Enterprise Incubator program is perhaps one of the better examples of what BAF represents and is trying to achieve. It has a strong social development focus in the crucial area of preparing children for formal education. It is a model that seeks to empower women to develop sustainable businesses and increase their incomes, and it does the hard work of addressing government inefficiencies and reducing barriers, so that municipalities can better serve this sector. It has already demonstrated the ability to generate sustainable and systemic change in government service delivery in Midvaal Municipality. It is in many ways a case study of how CSI could have greater impact. It also strongly aligns with the BLSA strategic goal of contributing to inclusive growth.

While KYB has a clear and strong working relationship with three municipalities, the municipalities have not, however viewed the relationship as a public-private collaboration. Instead, the relationship is rather viewed by them as a non-profit (Hollard Foundation) working to address a problem, the bureaucratic bottleneck facing small entrepreneurs (ECD centers). This is not a criticism of the project per se, which is clearly doing valuable work. However, it is a somewhat different model from what the BAF vision seems to be aiming for.

EOH Youth Job Creation

With regards to the EOH Youth Job Creation Project, this initiative was only officially launched in August 2017, so it is too early to make any specific comments on effects or potential outcomes. The design does appear to tackle many of the multiple barriers that make it difficult for young people to gain employment and which has contributed to the burgeoning youth unemployment crises that the country currently faces.

Initiatives to train and employ youth are extremely important and strongly supported by both the business community and government policy. At the same time, some questions arise with respect to the project's approach. One of these is whether it can be described as a true government-private sector partnership, given that Services SETA (the government counterpart) is only marginally involved. Its engagement is limited to the co-financing which it provides through a dedicated fund. Another observation is that demand in the two fields which the project targets – English language instruction and laying fiber cable – is very high. It is thus unclear why 12-month subsidies are needed, especially given that trainees are said to become proficient at their work in a matter of weeks.

Conclusions

BAF funded projects rate highly in terms of relevance. Although the focus of projects is evolving over time, all of them have demonstrated, or show the potential to demonstrate, ways in which partnering between the public and private sector has addressed some of the complex barriers which have curtailed South Africa's development. On the whole, there is a clear alignment between BAF objectives and the funded projects, although some align more clearly than others.¹⁸ Those that cannot demonstrate a strong alliance are filtered out early in the selection process, and are generally not submitted to the adjudication committee for approval.

¹⁸ An exception should be made at this stage in relation to the research papers, which have not aligned as strongly and are distinctly different in nature than the other funded initiatives.

Funded projects clearly support the aspirations of the National Development Plan, again confirming their relevance (and assuming the NDP's relevance to development). The projects vary greatly in size and nature but all are compelling and worthwhile in their own right. They have demonstrated the potential for a catalytic affect, creating additionality, and adding value. They all seek to tackle challenges characterized by multiple obstacles requiring the support and commitment of numerous stakeholders. All show the potential for systemic change and potential sustainability.

Table 2: Summary of Key Project Features and Performance

	Energy Research Papers	Water Sanitation research paper	& National Education Collaboration Trust	Township Economic Revitalization	Finfind	KYB Enterprise Incubator	EOH Youth Creation Program	Job
Intervention Type	Research	Research	Discrete intervention	Discrete intervention	Discrete	Large-scale, long term	Large-scale, long term	
Activities	Consultants engaged to produce papers Presented to National Treasury & Presidential Working Group	Consultant engaged to develop funding and maintenance model	Part funded a training intervention for subject advisors and district officers	Funded a consultant to develop a proof of concept	Funded the development of technology for the pilot of phase 2	Funding the upgrade of ECD centers to help reach compliance	Will train 500 young people and place in internship for 1 year	
Systemic change	Not likely	Potential; depends on gov't uptake	High potential	Medium potential	Very high potential	Very high potential	Unclear	
Link to NDP	Appears to be more in response to pending crisis	Appears to be more in response to pending crisis	Strong	Strong	Strong	Strong	Strong	
Level of gov't engagement	None at present	Sitting with National Treasury, awaiting response	Closely engaged with Department of Basic Education	Closely linked to provincial and local government	Ongoing engagement but weak commitment from gov't may jeopardize future	Working very closely with local and provincial government	Unclear – Services SETA appears to be engaged, but at a distance	
Part of CSI or ESD	No	No	Is a conduit for CSI – but not fully utilized	No	No	Yes, via Hollard Foundation	No	
Fostering Inclusive Growth	Moderate potential	Not directly	Indirectly, not directly	Very high potential	High potential	High potential	High potential	
Sustainability	Unclear	Moderate	In the long run	High – dependent upon government following through	High as based on a commercial model	High – local government starting to amend systems as a result	High chance interns should find employment after internship completed	
Scalable	Unclear	High potential	High potential	Moderate potential	Very high – internationally transferrable	High potential – can be adopted by all municipalities	High potential – but would require business to start paying	
Based on Pre-existing relationship	Indirectly	Indirectly	Strong, and well established	Yes – built upon existing initiatives	Yes – following on from a previous initiative	Yes, working for several years on issue	Yes	
Leverage	Unclear	None as yet	Matched 2:1	Matched 1:1	Matched 0.5:1	Matched 1:5	Matched 1:5	

2.4 To what degree is private sector interest and awareness in BAF related to internal factors (e.g. program design, marketing) vs. external factors (e.g. business-gov't relations, economy)?

Findings

Big business in South Africa is currently in a difficult position. The corporate sector is often seen as an adversary of the government, and has been accused of going on an “investment strike”, i.e. refusing to invest capital in South African operations out of opposition to Government. The position of BLSA is that this rhetoric of ‘business as the enemy’ cannot and must not continue. BLSA’s objective is to position business as a “national asset.” It is accepted that the private sector needs to play a more visible role. BAF thus can play a critical role finding pragmatic solutions to social-economic problems, while simultaneously demonstrating that the government and the private sector can work together to address them.

Traditionally, the private sector’s role in engaging with ‘communities’ is through CSI and enterprise and supplier development (ESD). For many, however, CSI is apparently more of a marketing exercise than an effective instrument for economic development. BLSA wishes to position BAF as more than signing a check – to go beyond advocacy and the self-interests of the individual company. The goal behind BAF was described as “getting your hands dirty with less glory.” One concern was that the three-year duration of the fund was not sufficient to promote systemic change, or demonstrate that BAF is a viable instrument for doing so. In general, CSI staff do not have much wriggle room to respond to the BAF opportunity, for institutional reasons and which have led to longer-term partnerships between a business and the beneficiary(ies) of its CSI spending. “CSI isn’t about long-term outputs” noted one key informant.

One key informant described the current status quo as having, on the one hand, a development-oriented government that is short on capacity in terms of skills, time, and resources to do what they want, and on the other, a private sector that has rolled all of its developmental commitments into its Broad-based Black Economic Empowerment (BBBEE) scorecard objectives (in part through CSI commitments). As a result, large business (often referred to as “corporates”) conducts its activities in silos – because corporates are competitive, they do not want to collaborate, even if they are engaged in similar activities. This is quite obvious in the banking sector, where banks would actually do better if they were to share beneficiaries. As a result, CSI and Enterprise Development and has evolved to become more about compliance and ticking boxes rather than solving problems. There is a substantial amount of money available, but it is not necessarily getting to the root causes of problems.

Another criticism of CSI and the BBBEE system is that there “too much stick and not enough carrot.” The general response has been focused on complying with the system to get the necessary points issued. There is said to be minimal incentive to outperform or much encouragement for businesses who want to do the right thing. Additionally, there is little incentive in the system for firms to be innovative – such as finding ways to better serve the ‘bottom of the pyramid.’ While the new BBBEE codes were seen as an attempt to do this, as they have lacked credibility and were not well received.

During interviews, respondents, especially those in the private sector, were asked what they believed their role was. NECT believes moving towards a mindset of ‘collaboration’ and away from the typical ‘donor’ relationship that is exercised in traditional CSI relationships will be a substantial challenge. They felt that it is important that the private sector, especially through their CSI activities, exercise discipline and invest in a way that does not undermine the government’s constitutional responsibilities – especially in relation to education. For them, CSI is often exercised as a marketing imperative, whereby contributors have failed to appreciate the complexity of the system and their efforts do little to strengthen that system. The government is also considered at fault for not providing stronger leadership by defining needs and setting priority areas.

A meeting with the Gauteng Provincial Government (GPG) on TER noted that the government has recognized the need to build networks with the private sector and to take this more seriously. The key informant noted “government needs to open up and get involved – asking business to help address key problems.” BASA already has a working relationship with the GPG. According to one respondent, BASA does not want to be seen as the people to call when money is needed, but rather they wish to be involved from the beginning. The work on TER was to go beyond taking the easy path and to commit to tackling each of the bottlenecks that exist as they work through the system. Their approach to addressing the challenges that exist is that it must be market-linkage driven and that market access should be the primary focus of TER efforts. The other core approach of the work was to partner with individuals and companies who were already working in the sector, such as Filpro, a non-profit which supports township-based mechanics. The team saw their role as one of continually asking the question “what is the hard thing to do in this space that hasn’t been addressed.”

One reflection by a private sector partner concerning the main challenges of partnering with government was getting the different government departments and entities to work together – something they are reportedly not used to doing.

Conclusions

What then has been the responsiveness of the government – in relation to the opportunities created by BAF? It is difficult to provide a generalized response to this question. The government is large and unwieldy, and operates at three different tiers – local, provincial, and national. The hope of BAF is that the government generally would be more interested in becoming involved because BLSA and USAID are behind the project. BAF staff has noted that the government has generally been responsive when approached by BAF or one of the project partners. The reason for this, they believe, is that projects are presented as well-designed and tightly packaged. Most importantly, projects almost always start with a pre-existing relationship of parties who are already working on an issue (usually with an established partner in government) and already understand how the institution (i.e. government) works.

BAF has to date been able to demonstrate that there are private sector players willing to engage in a new way to approaching South Africa’s development challenges. They realize that their contribution cannot simply be a donation and photo opportunity arranged by the marketing department. To date, a number of partners have also been willing to put substantial amounts of money and effort behind this new approach. All the partners seem clear about the current shortcomings of the approach by big business to CSI (and to some extent ESD), and it is distinctly understood that BAF is about doing things differently.

RECOMMENDATIONS

BLSA should engage in awareness raising activities for BAF, especially among government partners. Understanding of what BAF is about and what it is trying to achieve appears to be mixed. As a funding model and catalyst, BAF would benefit from greater clarity and general awareness raising, especially among government partners. Their general lack of knowledge concerning BAF means that BLSA and USAID are missing out on communicating one the fund's key messages, i.e. *that the private sector is willing and able to work alongside government to address complex challenges facing the country.*

BLSA should develop a detailed mission statement, hierarchy of objectives, and strategy for the BAF. The lack of clarity of purpose also manifests as a lack of intentionality regarding the program. While it might be clear what individual projects are trying to achieve, it is not always clear what BAF as a whole is trying to achieve. If it is about a demonstration effect, then a communication plan to showcase success stories would be advisable. But this leads to a further question – how will success be measured? Who will change the status quo and what will be done differently as a result of learning about BAF? Currently, the program is based on the assumption that by doing X (BAF-type activities), corporates will stop (or start) doing Y. But what is Y? Is it:

- A new and better way of doing CSI to reflect true collaboration and systemic change?
- To encourage the government to see the private sector as a partner to help solve complex problems?
- BLSA's contribution to inclusive economic growth and transformation?
- Or some combination of the above?

Related to the above point, the program would benefit from creating a hierarchy of objectives, with one clear overarching objective. The program could also benefit from clearly mapping out the theory of change that it hopes the BAF initiative will achieve. This would be a useful exercise for BLSA and BAF management to help clarify the direction the Fund should go in.

Monitor BAF projects and applications more systematically. BAF should consider creating a monitoring framework which would track key indicators related to its objectives and project implementation. Such a framework, if used as a tool for operations, would enable BAF and BLSA managers to better understand how the projects they fund are contributing to BAF objectives. By including indicators on applications, it would also provide data and an overview of what types of public-private collaborative issues are popular, even if they are not always in line with BAF objectives. It could also provide a sense of how (and how well) applicants understand BAF.

BAF should consider incorporating a more formal selection process. We believe it is worthwhile to establish a more formal selection process. This would not require an overly onerous application process or significantly increasing the management burden. While keeping the informal nature of the current selection process, as a second stage a two-step procurement process could be instituted. For example, requiring interested parties to submit requests for information (RFI) or expressions of interest (EOIs) which could be simple and short, such as a standardized form. This would help BAF to filter out weak or unrealistic project ideas. The next step could be similar to the current approach whereby BAF helps the selected applicants to develop their ideas and proposals in line with BAF guidelines. This two-step approach would potentially be more equitable, generate more and hopefully better projects, while still retaining the benefits of the current approach. It should be combined with awareness raising of the fund, at the very least to BLSA members.

BLSA should draft a statement or position piece on how BAF fits in within the new BLSA strategy. Such an exercise would help clarify BAF's role. It does not need to be a lengthy or detailed document, but something that clearly and succinctly positions BAF within the new BLSA strategy and draws out how the two mutually support each other.

BLSA should make a more conscious effort to engage with the government partner in the conceptualization of projects. In some cases, the government is unaware of BLSA/BAF, or kept at arm's length. BLSA should consider whether an explicit level of commitment from the government partner should be included in the proposal. Further, if BLSA is committed to helping the government translate policy into actionable programs, then BAF should be open to allowing the government to initiate proposals. BAF could then help match them with suitable BLSA partners. The same rigor in terms of assessing a program's potential for systemic impact would still be applied. This exercise in itself would be valuable, in terms of challenging the basis for many programs that government engages in, which are sometimes poorly conceived.

BAF should take measures to increase awareness about the project. Recognizing that it is still in the process of developing the concept, and that funds are limited (even with a three-year extension), it would be worthwhile for BAF to share its experience and approach more broadly. This could lead to greater interest, and potentially other co-financing sources.

ANNEXES

ANNEX I: CONCEPT NOTE BEYOND ADVOCACY FUND (BAF) EVALUATION (PREPARED BY USAID)

Background

The Beyond Advocacy Fund (BAF) was established in terms of a Memorandum of Collaboration signed between USAID and Business Leadership South Africa (BLSA) in November 2013. The Fund, which is co-financed by matching commitments of US\$1.5m each from USAID (in cash) and BLSA (in cash or in-kind contributions), will operate for an initial period of three years, which is extendable depending on the performance of the Fund, the availability of resources and initiatives which reflect the purpose, principles and criteria that underpin its operation.

The BAF was conceived as a tool to help address South Africa's major development challenges by catalyzing BLSA's members (private sector businesses) to work with the Government of South Africa on collaborative projects that address SA's most pressing development challenges. The Fund aims to promote partnership-based approaches between government and business to identify, test and replicate innovative and lasting solutions to major development challenges in South Africa. The work of the BAF is closely aligned to the development and poverty reduction goals and approaches outlined in the National Development Plan, with the specific focus areas of basic education, promoting better linkages between business and FET colleges, projects to support youth employment, promoting integrity and combating corruption in the public sector and coordinating the long-term infrastructure build in priority areas.

Purpose

The purpose of this activity is to conduct a mini-evaluation of how effective and efficient the Beyond Advocacy Fund (BAF) is in achieving its goals. The evaluation will be used by USAID to inform the potential extension of BAF, specifically as it relates to operational efficiency and the management of the activity

The evaluation team will include the following positions: Evaluation Team Leader, M&E Specialist, and Analyst.

Evaluation

Questions

1. How effective and efficient is BAF's sourcing and selection process in identifying projects that advances the goals and objectives of BAF?
2. To what extent has BAF been able to unlock public and private sector institutional commitment and funds for social project execution?

The evaluation team will generate sub-questions after reviewing key project documents.

Methodology

The evaluation team will determine the methodology during the desk review phase of the evaluation. The draft Design Matrix is presented below. The final version will be submitted prior to the fieldwork.

DESIGN MATRIX TEMPLATE (MORRA IMAS AND RIST VERSION ¹⁹)

Evaluation Name: Beyond Advocacy Fund (BAF) Evaluation

Evaluation Purpose: To conduct a mini-evaluation of how effective and efficient the BAF is in achieving its goals.

General Evaluation Approach: The evaluation will consist of a desk review and two weeks of field data collection. The methodology will be determined during the desk review.

1. Question	2. Sub-question	3. Data Source	4. Data Collection Instrument	5. Data Analysis
1. How effective and efficient is BAF's sourcing and selection process in identifying projects that advances the goals and objectives of BAF?	TBD	Desk review documents Key informant interviews (KIIs) with USAID, BLSA management, grant recipients, other stakeholders	KII questionnaires (to be drafted during desk review)	Qualitative – identification of trends in KIIs and triangulation of data collected from desk review and KIIs
2. To what extent has BAF been able to unlock public and private sector institutional commitment and funds for social project execution?	TBD	Desk review documents including data on funds generated KIIs with USAID, BLSA management, grant recipients, and other stakeholders	KII questionnaires (to be drafted during desk review)	Qualitative – identification of trends in KIIs and triangulation of data collected from desk review and KIIs Quantitative – analysis of funds generated

¹⁹ Adapted from Morra Imas, Linda G., Ray C Rist. 2009. The Road to Results: Designing and Conducting Effective Development Evaluations. The World Bank Group, Washington DC., p.243.

Deliverables

The table below presents the deliverables for the evaluation assuming a start date of July 19. We propose that the field data collection take place July 24-August 4.

Deliverables	Target Completion Date
In Brief with USAID	July 24, 2017
Out Brief with USAID (Presentation of Findings and Conclusions)	August 4, 2017
Draft Evaluation Report	August 11, 2017
Final Evaluation Report	August 25, 2017

Work Plan

Task	July											August																														
	19	20	21	22	23	24	25	26	27	28	29	30	31	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25				
Preparation for Field Work and Desk Review																																										
Conduct a review of relevant documents																																										
Develop evaluation methodology																																										
Prepare and submit evaluation design matrix																																										
Generate list of KIIs																																										
Draft data collection instruments based on methodology																																										
Schedule KIIs and FDGs																																										
Field Work																																										
In-brief with USAID/South Africa																																										
Conduct KIIs/site visits/FDGs																																										
Out-brief with USAID/South Africa																																										
Data Analysis and Report Writing																																										
Conduct analysis of data and evidence																																										
Prepare and submit Draft Evaluation Report																																										
USAID review of Draft Evaluation Report																																										
Revise and submit Final Evaluation Report based on USAID feedback																																										
*Deliverables are in bold																																										

ANNEX II: DATA COLLECTION INSTRUMENTS

Key informant interviews: Main Partners: BLSA

- 1) How many applications have been submitted to the BAF? What is their quality? What were reasons for rejected applications?
- 2) How was the BAF introduced to the members, and what interest have they shown in it so far?
- 3) How do you go about advertising the BAF and encouraging your members to consider becoming involved?
- 4) How would you describe the support of the BLSA board to the BAF?
- 5) Are there any other initiatives that the BAF competes with, or is perceived to be similar to?
- 6) Is momentum (interest, awareness, etc.) behind BAF growing?
- 7) Do the focus areas of the program (education, youth unemployment, small business development etc.) still resonate with BLSA members, or are there other, emerging issues that concern members more?
- 8) What factors have constrained or encouraged private sector commitments?
- 9) What steps would enable BAF-type activities to become institutionalized within the BLSA?

Key informant interviews: Implementers: NECT, BASA, KYB, FinFind, EOH Youth Employability

- 1) How did you become aware of BAF?
- 2) What do you understand to be the main objectives on the Beyond Advocacy Fund?
- 3) What was your attraction/interest in applying to the BAF? What did the process of engagement entail?
- 4) How would you describe your experience in working with the BLSF/BAF?
- 5) What were the main challenges involved in working with your government department partner?
- 6) What do you see as the main achievements to date in working with the gov't partner?
- 7) In what ways could the selection process be improved?
- 8) In what ways could the cooperation / implementation be improved?
- 9) In general, how do you see the role of the private sector in addressing South Africa's developmental challenges?
- 10) How does BAF compare (positively or negatively) with similar initiatives that you are aware of?
- 11) Do you believe this initiative has improved relations with government?

Key informant interviews: Government Partners: Gauteng Provincial Government, Department of Small Business, National Treasury, KZN & Limpopo Department of Education

- 1) What do you understand to be the main objectives of the Beyond Advocacy Fund?
- 2) In regards to your sector (education / small business development) – what do you see as the main challenges faced in terms of contributing to / achieving the aspirations of the NDP?
- 3) What role do you believe the private sector could and should play in assisting you in addressing these challenges?
- 4) How relevant do you believe BAF is in addressing development issues? How does this compare with the private sector in general?

- 5) What has been your experience in working with the private sector implementing partner? What were the highlights, what were the challenges?
- 6) Have you had any experiences working with the private sector on another similar initiative? If so, how does BAF compare (positively or negatively) with similar initiatives?
- 7) If you were to attempt this again, what would you do differently?
- 8) What have been the main achievements of the program, as far as you are aware?
- 9) In what way do you expect the positive impacts of the initiative to last, and why? What would make the results more sustainable?
- 10) What would be required to take this to scale, and for this to become 'business as usual' within your department?

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ANNEX IV: CASE STUDIES

Finfind

Project Description

Finfind is an online portal which seeks to match seekers and providers of small business finance. It is a mechanism freely available to MSME owners, and includes online tools for them to improve financial literacy and financing readiness. It is the only portal that contains a comprehensive database of all MSME finance products available in South Africa, as offered by both public and private lenders.

The current version of Finfind is well geared to address the problem of MSMEs finding suitable finance offerings. It does not however, address the problems faced by lenders. The project is now entering phase two, commencing with a pilot. Phase 2 will focus on assisting lenders to reduce the volume of inappropriate loan applications (or at least applications from businesses with a high chance of being ineligible) they receive and increase the pipeline of finance ready viable businesses, by passing on leads directly to providers. This phase will also gather data on entrepreneurs, what type of finance they are seeking and what challenges they face in getting finance. The pilot phase will involve four lenders – one from the banking sector, one from government, and two private sector lenders. The system will be tested with a variety of different loan types and criteria.

Context

In 2008, USAID funded a five-year program known as the Financial Sector Program (FSP). The program undertook extensive research to identify the main causes for the failure of small businesses to access finance. The research found that small businesses had insufficient financial literacy and readiness; and that they were unaware of the various lenders that were available, how to access them and what lenders required from them. Lenders also faced many challenges, including poor quality leads that did not match their lending criteria. They were overburdened with large volumes of applicants who were not finance ready, and therefore had to reject up to 80% of applications. The sorting and rejection of such a large volume of applications is resource-intensive and drives up the cost of small business finance provision.

At the end of the five-year contract, USAID transferred ownership and the intellectual property generated by the research to 'The Development House' (TDH), enterprise which was awarded the contract via a competitive bid. TDH created a new entity – naming it Finfind Pty Ltd. The portal itself was launched in October 2015. At the time of writing, it has over 200 lenders in its lender database and over 360 loan products, including government grants and offerings. MSMEs are provided with the details of matching lenders, the lenders themselves do not currently receive these leads. To date Finfind has received 80 000 MSME visits and facilitated over 19,000 loan leads.

Rationale for BAF support

In the 2016/17 BAF work plan, Key Results Area #1 was changed to “Find replicable models for business and government to cooperate in support of small business development”. The aspirations of Finfind align very closely with this key priority. MSMEs are seen as key vehicles for promoting economic inclusion and jobs, thereby addressing the current unemployment crisis. The NDP sets an expectation that by 2030, 90% of all jobs will be created by this sector. For funding for the pilot of Finfind Phase 2, BASA was approached by the Department of Small Business Development. The original expectation was that BASA would contribute R1.2m and BAF would match this. However, BASA was not willing to pay this amount as the functionality of the proposed

Phase 2 would not suit banks as well as it would other non-bank service providers. Finfind wanted to evaluate and conclude deals with banks, who would still need to undertake their own vetting of applications. The value proposition for them was thus not as strong as originally envisaged. As a result, BASA dropped their support to R600,000 and BAF increased its contribution to make up the difference.

Implementation

The award to Finfind was approved in March 2017 and will continue until September 2017. The funds made available are for the specific purpose of developing and testing the next phase of technology. The following are being developed:

- End user interface – an amendment to the current portal which will allow users to immediately apply for funds, should they meet the criteria.
- Lender interface – a separate lender portal to enable lenders to manage finance products, performance dashboard and loan applications.
- Fund scoring system to cater for multiple categories of lenders and lending criteria for the different fund types.
- Document repository – an online repository to electronically store required documentation to save applicants uploading the same documents for different lenders.

Once the technology has been developed it will be tested with the nominated pilot lenders.

Government-private sector partnership

There are multiple private and public sector partners involved in Finfind. The main government partner is the Department for Small Business Development (DSBD), and two of its agencies – SEFA – the Small Enterprise Finance Agency, and SEDA – the Small Enterprise Development Agency. DSBD supports Finfind by paying an annual licensing fee of R2m. This helps cover Finfind's operational expenses – thereby ensuring the portal is free, and in return Finfind provides the DSBD with valuable data on MSMEs that the portal generates. There is, however, a risk that DSBD may not be able to meet its commitment of its R2m subscriber fee, which has not yet been approved by the Treasury.

Critique/Reflection

The Finfind design appears to offer a valuable and catalytic technology interface that has the potential to clear a blockage in terms of access to the finance market, a problem which has plagued the sector for decades. The high volume of traffic the portal has already generated is a testimony to the level of demand that was previously going unmet. It is important to recognize that this was made possible due to the in-depth and expansive research that was conducted prior to its launch. The five-year multi-million dollar Financial Sector Program was a critical initiative that the private sector would most likely never have funded on its own.

Finfind represents an interesting and possibly unique example of government, the banking sector and donors supporting and developing a privately owned commercial entity that appears to have enough 'carrots' to keep all stakeholders interested and committed. It also must be noted that the Finfind CEO – Darlene Menzies is an IT expert and dedicated entrepreneur, whose enthusiasm and commitment to the project is a key and vital ingredient in the likely success of this initiative.

National Education Collaboration Trust

Project Description

The National Education Collaboration Trust was founded in July 2013, following a dialogue with prominent members of South Africa's business community, civil society, and government to discuss the challenges of the education sector and how to put the NDP into action. Its goal is to see 90 percent of all learners pass with at least 50 percent in math, sciences, and languages with at least 50 percent by 2030. It seeks to both support and influence the agenda for reform of education. It is a true collaboration between vested parties, with trustees drawn from business, government, trade unions and civil society. BLSA is one of the founding partners and current funders. Its ambitions are operationalized over six main themes, namely:

- Professionalization of the teaching service.
- Supporting courageous leadership.
- Improving government capacity to deliver.
- Improving the resourcing of education.
- Involving parents and communities in education.
- Enhancing support for learners and promoting their well-being.²⁰

Context

The poor state of South Africa's education outcomes in basic education has long been identified as an impediment to economic growth and a major contributor to the country's high level of unemployment. The diagnostic report of the National Planning Commission (a pre-cursor to the NDP) identified nine key challenges the country faces, with the second being "the quality of school education for black people is poor". The resultant NDP identified three priorities that are paramount:

- 1) Raising employment through faster economic growth,
- 2) Improving the quality of education, skills development and innovation, and
- 3) Building the capability of the state to play a developmental, transformative role²¹.

Despite education having a place of prominence in the NDP and the education budget (including Higher Education and Training) being the largest of all line departments, educational outcomes are well documented as being below standard. The 2015 Annual National Assessments (ANAs) found that 58 percent of grade four learners could not read for meaning, while 28% could not read at all. Substantial differences were also found across provinces²². Underlying causes for these outcomes have been identified as: the poor socio-economic status of many of the learners; poor subject knowledge and pedagogic skills of educators; a deficit of leadership and management competencies of school principals; and an inadequate supply of learning and teaching materials²³.

An additional source of frustration for the private sector has been the large sums of CSI money that have been poured into this sector without education indicators showing improvement. An acknowledgement of inefficiencies and poor levels of coordination between the different stakeholders was one of the key factors behind forming NECT. NECT was designed to serve as a conduit for the private sector funding.

²⁰ See <http://nect.org.za/about/about>

²¹ RSA. (2013). *The National Development Plan 2030*. Pretoria: Government of the Republic of South Africa.

²² UNICEF. (2016). *Budget Briefs: Children and South Africa's Education Budget*. Pretoria: International Budget Partnership & Unicef.

²³ BAF (2015). *Beyond Advocacy Annual Work Plan 2015-16*. Johannesburg, Business Leadership South Africa

Rationale for BAF support

In line with the NDP goals and aspirations, from the outset BAF identified “Strengthening management and training in Basic Education” as one of its three original Key Results Areas. It is clear that the NECT model of collaboration to address a complex and systemic challenge within a priority NDP sector would be an obvious partner and potential beneficiary of the Fund. In the light of NECT’s overall budget (R183m), the contribution of BAF – R481,000 is quite minor (the matching amount of R963,000 came from BLSA). While it may have been possible for NECT to identify the necessary funds elsewhere, it was felt that the support of USAID adds to NECT’s collective voice, strengthening its position and relationship with other stakeholders.

Implementation

The funds provided to NECT were intended to fund a particular activity falling under its ‘District Improvement Program’. The funding provided by BAF was for a 12-month period to train district officials and subject advisors who mentor and support educators in the foundation and intermediate phase literacy and numeracy. The intervention took place in two districts in KwaZulu-Natal and in one district in Limpopo. The funds also supported the printing of training toolkits. Quarterly training provided educators with lesson plans to assist them in breaking down learning outcomes into manageable sizes and to sequence learning activities and tasks in appropriate ways. The provision of classroom-based support focused on an instructional coach who would demonstrate new practices, to monitor what is happening in the classrooms and to observe and evaluate the implementation of new practices by educators. In total, 56 curriculum coaches and 64 district officials and administrators were trained. Additionally, 560 resource materials in the forms of lesson plans, trackers, learner activity books and other support material was provided.

Support for NECT ended in December 2016 and no provisions for funding in basic education was made for in 2017.

Government-private sector partnership

While all of the implementation work is undertaken by NECT, which works hand-in-hand with educators, schools, and district management, the private sector is not directly engaged in day-to-day operations and implementation. The monetary contribution of the private sector to NECT is substantial, however, and equally important is the oversight role that it plays in sitting in, and leading the NECT board (the NECT chairman is from the private sector).

Critique/Reflection

NECT was already well established before BAF was established and will continue to operate in the same vein without BAF funding support. While the design of NECT ticks many of the boxes that BAF seeks to support, the evaluation team is not convinced that the contribution of BAF was catalytic or innovative. The activities would most likely have occurred without BAF’s support.

KYB Enterprise Incubator

Project Description

KYB Enterprise Incubator is a partner company to Kago Ya Bana (which translates as “building together for our children”), a social program of the Hollard Trust, which serves to support Early Childhood Development in Midvaal and Lesedi Municipalities and the City of Johannesburg. While Kago Ya Bana (KYB) has focused on a change model that encourages municipalities to customize bylaws and facilitate the registration of ECD centers, KYB Enterprise Incubator supports this work by directly assisting in three distinct ways. Recognizing that one of the barriers to compliance for many centers is lack of capital to invest in infrastructure, KYB Enterprise Incubator assists by providing one-off infrastructure grants of up to R20,000 to upgrade structures in order to reach

the minimum required standards for ECD centers. Money can also be spent on purchasing working capital (i.e. toys and materials for children). The program also seeks to develop the capacity of practitioners via support in business development, management and reporting capabilities, administration and compliance requirements, and improving skills, customer service and outcomes for children. The third type of assistance provided is seed funding to start up new ECD enterprises.

Context

The NDP includes an ambitious goal that by 2030 “all children should start their learning and development at early childhood development centers.” These centers should be set up and properly monitored.²⁴ Early Childhood Development remains a key policy priority for the South African government. The Department of Social Development (DSD), the government department responsible of ECD provides a subsidy of R15 per child per day to registered ECD centers. This subsidy can make a substantial difference to these enterprises, most of which are run by women and often operate adjacent to their homes in the backyards of township stands. Compliance requires meeting onerous standards of various departments within municipalities, including health, safety, building regulations and land use. Achieving registration status with DSD is a near impossible task for these centers which draw very modest fees from the children that use the services. A recent audit of ECD centers in the City of Johannesburg found that 70-80% were non-compliant.

Rationale for BAF support

In the 2016/17 BAF work plan, Key Results Area (KRA) #1 was changed to “Find replicable models for business and government to cooperate in support of small business development.” The KYB Enterprise Incubator falls under this KRA. Funding approval was granted in July 2016 and extends until June 2018. The contribution commitment by BAF was R2m, with the Hollard Family Trust contributing R10m. As the ECD sector is expected to grow, and as many are run by women entrepreneurs, support of township-based ECD businesses is a highly viable and promising option for micro entrepreneurs. The proposal submitted to BAF sets the ambitious goal of having 500 ECD centers compliant by June 2018.

Implementation

KYB Enterprise Incubator was already in operation for 10 months before it received funding from BAF. According to BAF quarterly reports, project work began in March 2017 and deliverables to date have been:

- Facilitation of 300 health permits issued between March – June 2017 in the City of Johannesburg (CoJ)
- 240 sites identified for infrastructure support
- Gap analysis completed for 141 sites
- 61 infrastructure upgrades completed

Government-private sector partnership

The way in which local government currently operates means that ECD center operators that wish to be compliant and become registered have to deal with four or more departments and obtain certificates from each one. These include health certificates, fire and safety certificates, land use approval and building plans. The process can cost hundreds of Rands and require multiple visits

²⁴ RSA. (pg 300 2013). *The National Development Plan 2030*. Pretoria: Government of the Republic of South Africa.

to municipal offices. These high cost barriers make it almost impossible for centers to achieve compliance. For this reason, KYB has a change management team that works closely with municipalities, encouraging them to adopt their systems to be more user-friendly and better coordinated.

In Lesedi municipality, where KYB have been operating for three years, the municipality has worked to remove the bottlenecks, with the compliance procedures now taking a relatively quick approximately six months to complete. There has been a reported improvement in internal systems and relations in the municipality and ECD center owners are now happy to approach the municipality and start the process of registration. In the past, they avoided the municipality in the fear that they would get 'caught' running such a business. The municipality now focuses on assisting with compliance, rather than closing down such enterprises. The municipality is now in the process of establishing an ECD unit, and for the second year running they have an ECD line item on the annual budget.

Critique/Reflection

The KYB Enterprise Incubator program is perhaps one of the better examples of what BAF represents and is trying to achieve. It has a strong social development focus in the crucial area of preparing children for formal education; it is a model that seeks to empower women to develop sustainable businesses and increase their incomes; and it does the hard work of addressing government inefficiencies and reducing barriers, so that municipalities can better serve this sector. It has already demonstrated the ability to generate sustainable and system change in government service delivery. It is in many ways an ideal case study of ideal way in which CSI should look like. It also strongly aligns with the BLSA strategic goal of contributing to inclusive growth.

At the same time, there is not a clear government-private sector collaborative arrangement, in which a business and government entity combine their comparative advantages to solve a problem. Instead, the relationship is rather of a non-profit (Hollard Foundation) working to address a problem, the bureaucratic bottleneck facing small entrepreneurs (ECD centers). This is not a criticism of the project per se, which is clearly doing valuable work. However, it is a somewhat different model from what the BAF vision seems to be aiming for.

Research Paper Delivery and Management of Municipal Water and Waste Water Services

Project objective

In July 2015, BAF approved a series of research projects in water and electricity. Among these was analytical work on the 'Delivery and Management of municipal water and waste water services,' the subject of this case study. The goal was to inform the policy dialogue on policy and reforms relating to a sector deemed critical to South Africa's economic and social sustainability and functioning.

Context

Through a deterioration in governance and management at municipal water authorities, which manifested itself in neglect of maintenance issues, South Africa's cities face a water and wastewater and environmental crisis. Recognizing the importance of well-run water services, and environmental risks associated with sector problems, both to their own operations and to society more broadly, BLSA members decided to produce policy-oriented notes on key water and wastewater sector issues with a view of bringing private sector solutions to the table.

Rationale for BAF funding

The results area focuses on identifying and investigating models for the generation and delivery of electricity, and addressing the problems experienced by the private sector through addressing issues related to water wastage, quality and supply. The focus on water relates specifically to the need to address these challenges and reduce their negative impact on the economy and on workers and their families. A concern in the business community was that the government's response to municipal utility problems was mainly focused on raising tariffs, and did not address the root of the problems. The diagnosis of the problems related to mismanagement, poor governance, and weak capacity.

Government/private sector partnership

The project did not result in a government-private sector partnership, although it envisioned it at the municipal level.

Project Description

During BAF's first year, eight energy and water projects were approved for funding. The Delivery and Management of municipal water and waste water services project was one of eight similar projects covering a range of water sector and energy issues (e.g. electricity sector restructuring options, tariff impact of electricity supply industry reform and Eskom asset restructuring, an Integrated Resource Plan for Electricity, Water security challenges). These early projects differed from subsequent BAF projects in that they were analytical and policy-oriented, rather than operational.

The project was implemented by the Infrastructure Task Team, and contracted out to Inca Portfolio Managers, a firm which regularly advises government on complex infrastructure transactions, especially on partnerships between public and private sector.

Critique/Reflections

The research paper (and others like it) represents a proactive initiative by BLSA members concerned with the crisis in the country's WSS sector, and the government's response, or lack thereof. The end goal of the paper is to propose structural solutions involving private sector engagement to help municipalities and their utilities overcome pressing challenges. As such, they are policy papers intended to inform debate on the sector, and eventually lead to government (at municipal level) and private sector cooperation. As analytical and policy-oriented work they have potential value, but this is different from the anticipated type of partnership that focuses on a project, demonstrating synergies while generating goodwill.

Development of a Multi-Sector Township Revitalization Strategy and Implementation Plan

Project objective

The *Multi-Sector Township Revitalization Strategy and Implementation Plan* was a piece of analytical work completed in 2016. BAF provided support to the Gauteng Provincial Government (GPG) and Banking Association of South Africa (BASA) for the development of economic hubs to aid the government's Township Economic Revitalization (TER) strategy and support MSME development more broadly. BAF funds (R460,000), with a matching contribution from BASA, were used to develop a conceptual model for an automotive hub, which would demonstrate how private capital could be 'crowded in.' The project was implemented between 1 August 2016 and the end of December 2016.

As per the activity request submitted for USAID approval, the project sought to:

“refine the existing automotive hub concept, customizing it for implementation across other sectors, identifying and approaching potential private sector value chain partners and evaluating potential combinations of sectors and location for implementation, also taking into consideration Gauteng Province’s corridor approach.”²⁵

A proof of concept was developed focusing on the development of an automotive hub in Chamdor, Mohlakeng (where a 10-hectare triangle site suitable for the hub’s purposes), where a number of automotive sector MSMEs are active. The contractor is to refine an existing automotive hub concept, which would subsequently be customized for implementation across other sectors, and approaching potential value chain partners.

Part of the concept involved identifying and approaching potential private sector value chain partners. It includes evaluating potential combinations of sectors and location for implementation, while taking into consideration Gauteng Province’s corridor approach.

Context

The Gauteng Provincial Government’s Township Economic Revitalization (TER) Strategy (2014-19) focuses on reducing deficits in infrastructure, skills, market access and financing which constrain business potential. The Department of Economic Development has overall responsibility for implementing the TER. Many MSMEs in the townships are unable to compete or expand their businesses in the current economic and policy environment. They face difficulties in entering supply chains and taking advantage of government procurement opportunities. Furthermore, black-owned enterprises have face hurdles in accessing government resources designed to support them.²⁶ The TER seeks to redress this deficit by promoting black-owned SMEs, helping them access support, and guaranteeing a market for their services through government procurement. In fiscal year 2014/15, GPG spent some R14 billion on procurement-related goods and services and construction-related activities, yet only 5 percent of these expenditures went to township-based enterprises. The share of township based suppliers registered in the GPG procurement database is only 6 percent (1,072 out of approximately 18,000 total suppliers).²⁷ The project seeks to rectify this by promoting the creation of enterprise clusters. The rationale is that these would allow for concentration of public and private support through various mechanisms, including preferential procurement, supplier development, private sector partnerships, and strategic sourcing. GPG initially set a goal of 30 percent procurement from township-based enterprises by 2030 (from a baseline of 4.5 percent). The goal was later increased to 40 percent.

The idea of developing a business hub (a cluster of businesses in the same sector who can benefit from support by being collocated) is not new. Gauteng Province reportedly has 13 such hubs, but all are said to be in a state of disrepair.

Three sectors have been selected – automotive, construction and maintenance, and agro-processing – based on the most attractive combination of developmental impact and sustainable.

²⁵ BLSA Activity approval No. 3, July 2016.

²⁶ Gauteng Province. Gauteng Township Economy Revitalisation Strategy 2014-2019.

²⁷ Gauteng Provincial Treasury. (2015), Procurement Strategy To Support Township Economy Revitalization – Phase 1. October 2015. Presentation.

Implementation

Atios Consulting was contracted by BASA to operationalize the MOU between BASA and GPG. This involved producing a strategy document, business case and implementation plan for the automotive hub, with the goal of linking the TER policy framework of to a “pipeline of actionable development opportunities.” Atios’ role was very much that of a facilitator, working together with the parties to develop its concept and report involved consulting with them, which promoted dialogue and a stronger partnership.

Rationale for BAF support

The question arose why BASA could not fund the project itself, using the considerable resources of its members. The explanation given by BASA was that members’ funds are typically tied up in CSI and ED initiatives, on the one hand and, on the other, members are said to be less interested in funding social initiatives through an association, as opposed to in the individual bank’s name. Although they belong to an association, banking is an inherently a competitive sector.

Government-private sector partnership

The core government-private sector partnership for this project was between Gauteng Provincial Government (GPG) and BASA. It was based on an MOU to promote development of SMEs, infrastructure and housing. (In 2015, a member of the GDG Treasury and Finance Executive Council contacted BASA to strengthen partnership with the private sector, leading to the signing of the MOU.) Beyond contributing financing, BASA was interested in playing an active role in implementation of the strategy. At GPG, the Gauteng Growth and Development Agency, and Provincial Treasury were the key responsible agencies. An additional stakeholder, Filpro, an organization which “develops motor mechanics operating in previously disadvantaged communities” and had been active for several years helped identify leading businesses as candidates for the hub.

While the main partners were GPG and BASA, the contractor, Atios Consulting appears to have played a crucial facilitating role beyond producing the strategy and implementation plan. This can be attributed to several factors:

- i. Atios had a contractual obligation to develop a model
- ii. An integral part of the work involved consulting with the program partners and service providers involved in the project
- iii. Atios has the technical and management consultant expertise

Government partners interviewed described the impact of BAF’s support in terms of bringing all stakeholders together from the start, i.e. planning stage, of the initiative, rather than just business entering late in the game, as is typical. They noted that it helped open up a dialogue with government.

Critique/Reflections

The TER represents a promising government-private sector approach, in line with BAF objectives. This assumes it can continue to move forward through subsequent implementation and operational phases, and avoid the challenges which have led to failure of other enterprise hubs.

Available evidence strongly suggests that neither the private sector (BASA, small service providers in the townships) nor the public sector partners have the resources to make the public-

private collaboration a reality on their own. In essence, the contractor (Atios) had to play the role of change agent, without which it is unlikely that the key players – GPG, service providers for the hub, or BASA members – would have been able to move forward.

EOH Promotion of Youth Employability

Project description

The EOH Promotion of Youth Employability project is designed to help youth ages 18 – 29 enter the labor market, equip them with work readiness skills, provide workplace learning and certificates. It addresses problems of unemployment, particularly among youth, poor quality education and mismatch between skills employers are looking for and those among job seekers.

The project model involves incentivizing – via training and stipend subsidies from BAF and Services SETA – the recruitment and training of youth in the three provinces of Gauteng, Western Cape and KwaZulu Natal, of which 95% are to be African and 54% women. BAF will subsidize the recruitment of 500 youth (under internships or “learnerships”), of which 300 will be trained and employed in call centers as Business Process Outsourcing (BPO) specialized skills workers (specifically, English language tutors), and of which 200 will be trained and employed to lay fiber cable as telecoms fiber splicers. In both fields, there is high demand for workers. Youth in the program will be paid a stipend during both the training and workplace learning for 12 months. The funding amount from BAF is 5.8 million rand, while the government partner, Services SETA (Sector Education and Training Authority) and the host employer. When the youth complete program, the assumption is that they will have the necessary professional and technical skills to be job ready, and future employers will not face the risk of having to invest in them.

The project aligns with the National Development Plan vision 2030 and a Department of Higher Education White paper on post school education & Training and National Skills Development Strategy III (NSDS III).

Context

Youth unemployment in South Africa is extremely high, at approximately 54%. This is in the context of job shedding, and skills shortages and mismatches between skills among youth and job requirements. The education system has been deteriorating and many students either fail to graduate (attain matric as it is known in South Africa), or leave school without basic skills. Meanwhile, unemployment levels in South Africa continue to rise.

EOH is a private firm and holding company with over 300 brands or subsidiaries. These include MPC Consulting, which has a call center from which language consultants provide online tutoring in English, and ClearlineS, an EOH subsidiary. Some of these firms engage in outsourcing. MPC Consulting operates call centers for English language tutoring in Cape Town, Durban and Centurion. In Centurion, MPC Consulting employs approximately 700 consultants. Based on early experience with attrition, it recognized the importance of work readiness skills and developed training to address that, which will be applied as part of the project. EOH reports that many companies are frustrated in their dealings with the SETA in order to access subsidies earmarked for training, and that EOH takes this burden off them.

The project began implementation on 1 August 2017, during the evaluation period, and thus effects could not be evaluated.

Rationale for BAF assistance

The rationale for BAF assistance is that the project targets one of its key pillars - youth employment, and links a private company (EOH) with a government partner (Services SETA). Companies are reportedly reluctant to take on the risk of hiring and investing in youth who lack work readiness and jobs skills. The project reduces that risk by building up the professional capacity of young people and reducing the costs associated with training and drop-outs. The value of BAF support comes not only from its co-financing but also from supporting a new concept to promoting youth employability.

Critique/Reflection

Initiatives to train and employ youth are extremely important and strongly supported by both the business community and government policy. At the same time, some questions arise with respect to the project's approach. One is whether it can be described as a true government-private sector partnership, given that Services SETA, the government counterpart, is only marginally involved. Its engagement is limited to the co-financing which it provides through one of its funds. Another observation is that demand in the two fields which the project targets – English language instruction and laying fiber cable – is high. It is thus unclear why 12-month subsidies are needed by a private firm, especially given that trainees are said to become proficient at their work in a matter of weeks.

ANNEX V: CORPORATE SOCIAL INVESTMENT (CSI) IN SOUTH AFRICA

Legislative and Regulatory Background to CSI in South Africa

The collapse of South Africa's apartheid government in 1994 greatly expanded economic opportunities for the country's citizens. However, the new government of South Africa (GOSA) recognized the challenges ahead for racial integration and the improvement of the country's socio-economic makeup. To facilitate this process, the GOSA has introduced various pieces of legislation over the past 23 years targeting the private sector and obligating the business community to account for social and community interests. This legislation has laid the groundwork for the integration of corporate social investment (CSI) policies into businesses corporate governance structures. CSI originated from the idea that private sector companies should operate not only in the interests of their *shareholders*, but also in the interests of all *stakeholders*, which extends from a company's employees to the communities they affect. CSI is intended to bolster the health and social well-being of the communities in which businesses operate. Over the past two decades, CSI has been integrated into corporate governance structures of South African companies both voluntarily and through various regulatory requirements. Legislation guiding corporate governance and CSI in South Africa includes:

- The Labor Relations Act 66 of 1995
- The Promotion of Access to information Act 2 of 2000
- The Broad-Based Black Economic Empowerment (BBBEE) Act of 2003
- Preferential Procurement Policy Framework Act (PPPFA)

Broad-Based Black Economic Empowerment Act

The most notable of these Acts is the BBBEE Act, which was introduced to encourage racial equality, expand black participation in the economy (especially black-owned and managed companies), and improve social investment in South Africa's communities. The BBBEE Act of 2003 was followed by the BBBEE Codes of Good Practice, issued in 2007. The BBBEE Act and the Codes of Good Practice have been amended and modified several times since their introduction, the Codes being most recently changed in June 2016. Company participation in complying with BBBEE is voluntary, but a BBBEE Scorecard rating system puts significant pressure on companies to comply. For example, the PPPFA requires the South African government to take into account the BBBEE Codes of Good Practices when seeking to procure services from private sector businesses.

The BBBEE legislation obligates South African companies to engage in socially responsible business practices or risk negative ratings on their BBBEE Scorecard, which are publicly available. Compliance with the BBBEE Codes of Good Practice not only improves a company's reputation with consumers (who are increasingly demanding more transparent and ethical business practices from the private sector), but also increases its chances of securing contracts with the government. To receive the maximum number of points on the BBBEE Scorecard, the revised BBBEE Codes require companies to spend 1 percent of net profit after tax (NPAT) on socioeconomic development (SED), 1 percent of NPAT on enterprise development (ED), and 2 percent of NPAT on supplier development.²⁸ In terms of the BBBEE Scorecard, SED is considered to be initiatives or projects that promote increased access to the economy for black South Africans. ED undertaken by companies is intended to facilitate the development and sustainability

²⁸ "The Trialogue CSI Handbook, 19th Edition" (Cape Town, South Africa: Trialogue, December 2016): 40.

of struggling or nascent enterprises, especially those that are black owned and operated. In South Africa, CSI is closely connected with the BBBEE Codes of Good Practice – non-profit organizations (NPOs), for example, look to BBBEE Scorecard requirements to secure funding from the private sector, especially in the area of SED.²⁹

The King Reports

Another major influencing factor on the evolution of CSI is the King Report, which guides corporate governance in South Africa based on international best practices. The Institute of Directors in Southern Africa (IoDSA) and the King Committee first published the King I Report in 1993, which has subsequently been replaced by King Reports II through IV. The King Code on Governance is legally non-binding, but in order to be listed on the Johannesburg Stock Exchange (JSE) companies are required to annually report on their compliance with the King Code or explain their non-compliance.

In 2004, the JSE launched the Socially Responsible Investment (SRI) Index, which aimed to identify and reward companies which uphold the principles of good corporate governance, specifically environmental, economic, and social sustainability. In 2015, in collaboration with FTSE Russell, the SRI Index was replaced with the FTSE/JSE Responsible Investment Index Series, which introduced a rating methodology to rank socially responsible companies. The Responsible Investment Index Series is split into two indices – one of which lists eligible companies with a rating of 2.0 or higher, and the other that lists only the top thirty highest ranked companies.³⁰ Once achieving top thirty status, there is no further ranking structure within the top thirty companies.

The King Code and JSE Responsible Investment Indices are intended to increase companies' incentive to improve social responsibility, sustainability, transparency, and community involvement, and are a major driver of CSI and its framework in South Africa.

FTSE/JSE Top 30 Index - June 2017	
1	African Rainbow Minerals Ltd
2	Anglo American
3	Anglo American Platinum
4	Anglogold Ashanti
5	Barclays Africa Group Ltd
6	Barlworld
7	BHP Billiton
8	British American Tobacco PLC
9	Clicks Group Ltd
10	Compagnie Financiere Richemont AG
11	Distell Group Ltd
12	EOH Holdings Ltd.
13	Glencore
14	Gold Fields
15	Grindrod
16	Impala Platinum Hlds
17	Investec Ltd/Investec PLC
18	JSE
19	Kumba Iron Ore
20	Life Healthcare Group Holdings
21	Massmart Holdings
22	Mondi Ltd/Mondi PLC
23	Nedbank Group
24	Netcare
25	Sanlam
26	Sasol
27	Standard Bank Group
28	Truworths International
29	Vodacom Group
30	Woolworths Holdings

Source: Johannesburg Stock Exchange

²⁹ "The Trialogue CSI Handbook, 18th Edition" (Cape Town, South Africa: Trialogue, November 2015).

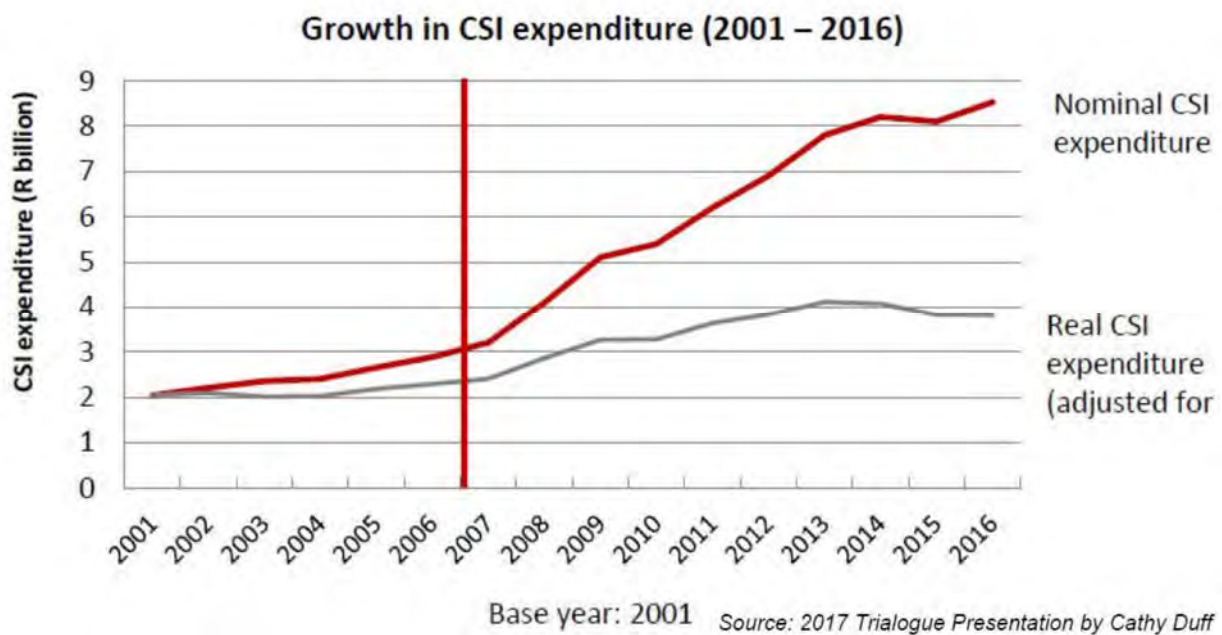
³⁰ "Johannesburg Stock Exchange," *Sustainable Stock Exchanges*, <http://www.sseinitiative.org/fact-sheet/jse/>.

Annual CSI Spending

Because the type of expenditure that qualifies as CSI is governed by different (and frequently changing) laws, regulations, and industry charters and codes depending on sector, calculating total annual CSI spending is increasingly complicated. The BBEE Scorecard, particularly with regard to SED, is one major component of CSI expenditure, but not the only component, and most companies exceed what is necessary to fulfill scorecard requirements.³¹ According to the Triologue 2015 CSI Handbook, corporate respondents reported exceeding the 1 percent net profit after tax requirement for SED, with an average expenditure of 1.7 percent, an increase from 1.4 percent in 2014. An additional component of CSI is local economic development (LED), which is a part of the Integrated Development Planning (IDP) that South African municipalities are required to undertake to achieve long-term integrated development at the local level. LED, as a part of the planning framework, is an inclusive strategy to decrease poverty and grow the local economy, especially targeting previously disadvantaged and marginalized communities.³²

Triologue defines CSI as follows: “a company’s total non-commercial contribution to society, which is not part of employee benefits or commercial sponsorships. This includes all SED initiatives, as defined by the BEE Codes of Good Practice, and most of what constitutes an LED programme, as set out in the Social and Labour Plan.”³³

Despite the complexity of calculating CSI expenditure, Triologue determines annual CSI spending based on year-on-year changes in expenditure from past research, publicly reported data,



³¹ Triologue, “Defining CSI,” October 22, 2013, <http://triologue.co.za/csi-definition-and-regulation/>.

³² Education and Training Unit, “Local Economic Development (LED),” n.d., <http://www.etu.org.za/toolbox/docs/government/led.html>.

³³ Triologue, “Defining CSI.”

comparison of combined CSI expenditure of the top 100 companies, and other factors.³⁴ Based on Trialogue estimates, spending on CSI and South Africa grew steadily in both nominal and real terms from around USD 158 million³⁵ in 2001 to USD 587 million in 2013. In 2014, spending grew in nominal terms to around USD 617 million, but fell slightly in real terms. In 2015, expenditure fell to USD 610 million, representing a decrease in both nominal and real terms. In 2016, nominal spending grew to approximately USD 648 million, but remained flat in real terms. According to the Trialogue 2016 CSI Handbook, companies report that increases in expenditure on CSI are largely the result of increased annual corporate profits, and likewise, decreases in expenditure are linked to decreased profits.³⁶

According to the 2016 CSI Handbook, the number of Trialogue corporate respondents receiving the maximum number of points for SED increased to 60 percent, up from 40 percent the year before. SED is most closely linked to CSI out of the three factors and there are guidelines for what type of spending qualifies for the 1 percent SED expenditure. SED contributions include:

- Current grant contributions to beneficiaries of SED contributions;
- Guarantees or security provided for beneficiaries;
- Preferential terms granted for the supply of goods or services to beneficiary communities;
- Training or mentoring, in the case of the CA sector capacity building of financial management skills, where the portion of salaries and wages attributable to time spent by staff as well as other expenses related to the training and mentoring activities would form part of the SED contributions;
- Payments made by Measured Entities to third parties to perform SED on behalf of the Measured Entity;
- Direct costs as well as overhead costs incurred by a Measured Entity directly attributable to SED contributions or incurred in assisting beneficiaries;
- Development capital advanced to beneficiary communities;
- Maintaining a SED unit by the Measured Entity – only that portion of salaries and wages attributable to time spent by the staff in, and other expenses related to, promoting and implementing SED Programs.³⁷

Trialogue's 2015 and 2016 CSI Handbooks also reported that companies are engaging in more strategic CSI, and over half of the companies responding to Trialogue research questions claim to be measuring the impact of their projects through monitoring and evaluation (M&E) processes.³⁸ Additionally, non-cash giving, such as employee volunteering time and other goods and services, increased from 6 percent of total CSI expenditure in 2011 to 13 percent in 2016.³⁹

³⁴ "The Trialogue CSI Handbook, 18th Edition."

³⁵ ZAR to USD conversion rates from Oanda.com using August 2017 exchange rate: USD 1 = ZAR 13.2726

³⁶ "The Trialogue CSI Handbook, 19th Edition."

³⁷ CA Charter, "The Socio-Economic Development (SED) Scorecard," n.d., <http://www.cacharter.co.za/DisplayContent.asp?ContentPageID=1141&Menu=&ContentPageName=&ContentPageParentId=842>.

³⁸ Ibid, 44.

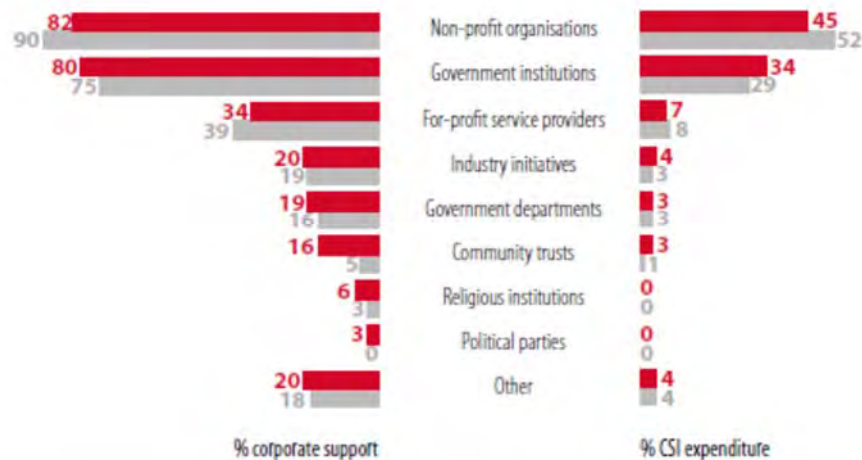
³⁹ Ibid, 32.

CSI Focus Sectors and Contributors

Companies in South Africa channel their CSI spending to multiple development sectors – an average of 4.6 sectors in 2015. In comparison, CSI spent in the United States is channeled to an average of 1.5 development sectors in the same year. South African companies also channel their CSI funding to multiple recipients, including NPOs, the government, religious institutions, political parties, community trusts, industry initiatives, for-profit service providers, and others. The three most popular funding channels as of 2016 are NPOs, the government, and for-profit service providers.

Although the primary recipients of CSI have historically been NPOs (through which projects in the target development sectors are funded), the proportion of companies channeling funds through NPOs has declined from 100 percent in 2014 to 82 percent in 2016. Conversely, support for government institutions (such as funding for schools, universities, hospitals, and clinics) has increased from 70 percent in 2014 to 80 percent in 2016.

17 CSI FUNDING CHANNELS



CORPORATE Multiple responses

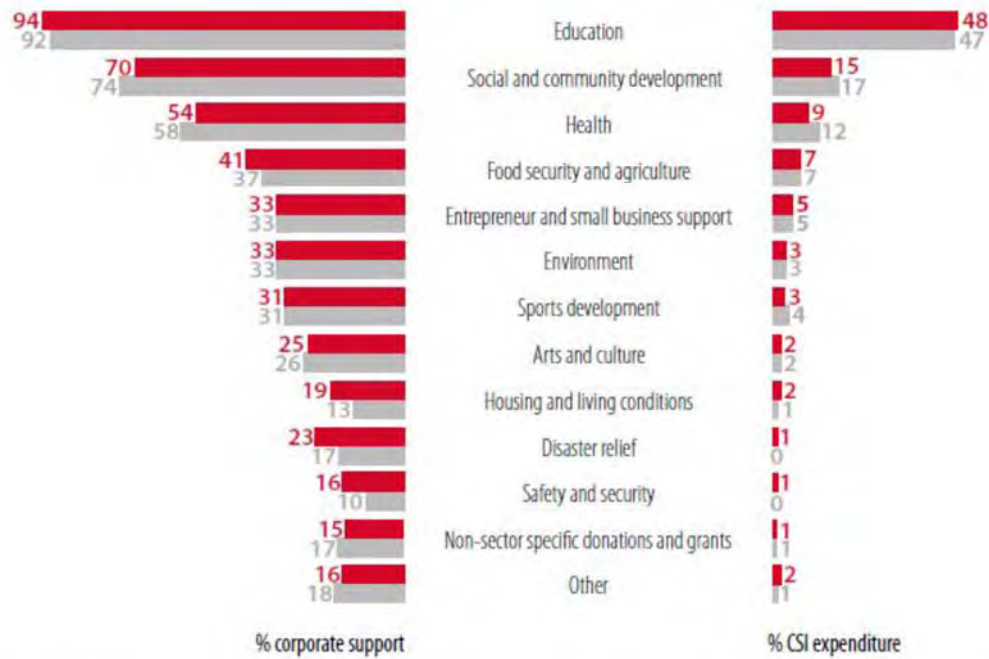
2016 n=79 2015 n=79

Source: 2015 CSI Handbook

Recipient Development Sectors

CSI expenditure in South Africa is spread across various sectors, including education, social and community development, health, food security, and agriculture, environment, and natural disaster relief, among others. The education sector, however, has consistently received the highest level of support, with 48 percent of total CSI spending by 94 percent of companies in 2016. Some less popular development sectors have experienced marginal increases in support, including disaster relief and housing and living conditions.

15 DISTRIBUTION OF CORPORATE SUPPORT AND CSI EXPENDITURE BY DEVELOPMENT SECTOR



CORPORATE Multiple responses

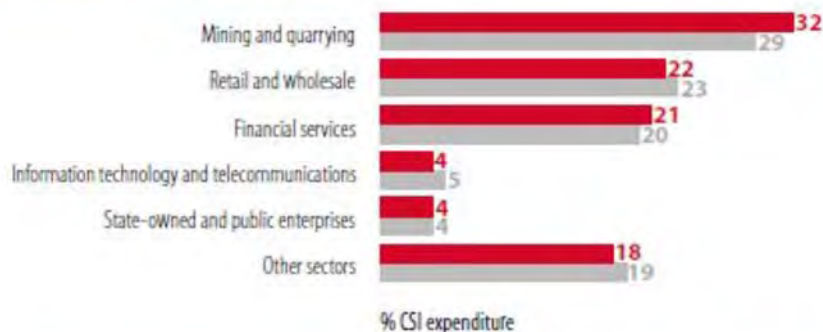
■ 2016 n=81 ■ 2015 n=78

Source: 2015 CSI Handbook

CSI contribution by industry

The economic sectors contributing the greatest percentage of annual CSI expenditure are mining and quarrying at 32 percent, retail and wholesale at 22 percent, and financial services at 21 percent. Larger companies within all sectors dominate CSI expenditure with 15 companies which each contribute USD 7.5 million, accounting for 57 percent of total spending.⁴⁰

9 DISTRIBUTION OF CSI EXPENDITURE BY INDUSTRY SECTOR



CORPORATE

■ 2016 n=166 ■ 2015 n=166

⁴⁰ Ibid.

Companies spending on CSI are becoming more strategic and focused in their giving, and industry sectors tend to target funding to projects related to their industries. For example, the mining and quarrying industry spends CSI largely on infrastructural development projects. Additionally, as consumers increasingly choose to support companies that are involved in social development projects and are transparent in their business practices, companies are focusing their investments to align with consumer demands.⁴¹

Major Corporate Contributors

The major CSI contributors in terms of total expenditure include:

Company	USD million
Rio Tinto Group	200
BHP Billiton	188
Anglo American	90
Sasol	49
De Beers Group	29.7
MTN Group	25
Old Mutual	22.6
British American Tobacco	15
Barclays	14
Tongaat Hulett	14
First Rand	13
Kuma Iron Ore	13
Standard Bank Group	13
Woolworths	12
Eskom Holdings	7.8

Source: Trialogue 2016 CSI Handbook

Critiques of CSI in South Africa

Criticism of CSI in South Africa concerns misleading reporting on positive effects and successes. Although companies have stated that M&E is an important aspect of their investments, only two percent of CSI funds were allocated for M&E and many companies have very few staff members focused on CSI.⁴² Building M&E processes into project design can be a complicated and lengthy process, and has often been omitted.

Development projects backed by private-sector funding are often said to be poorly managed and lack the oversight of publicly-funded projects. While CSI projects are generally undertaken with good intentions, without proper implementation, monitoring, and consistent and long-term commitment, the risk of exacerbating social problems increases. CSI in South Africa is largely a “top-down” approach to development, with the vision and values of corporate leadership driving project design rather than evidence and critical research.⁴³ In 2015, over half of companies

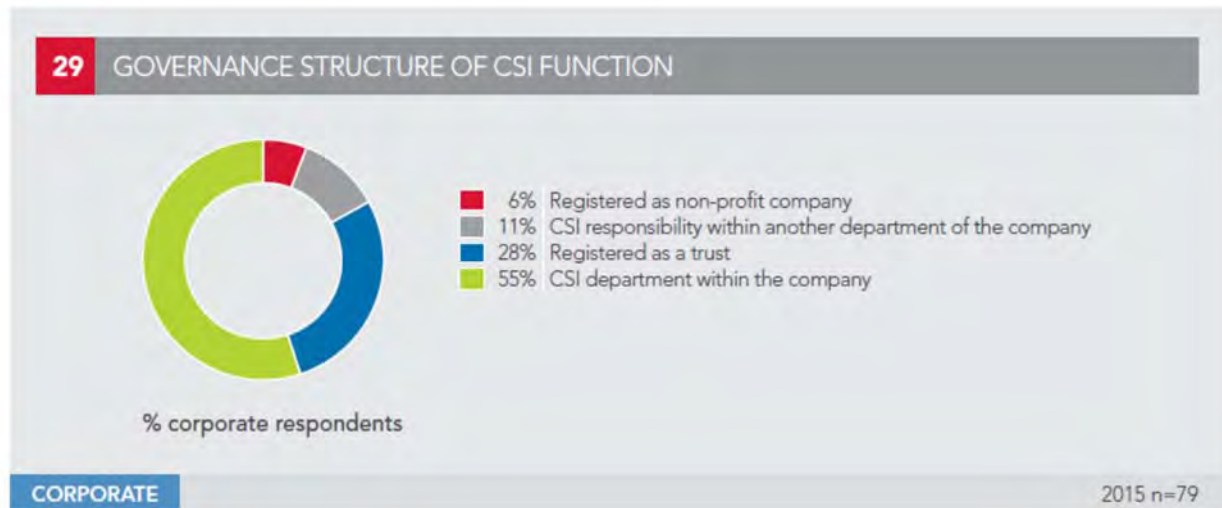
⁴¹ Mail & Guardian, “Shifts in Corporate Spending,” April 10, 2014, <https://mg.co.za/article/2014-04-10-shifts-in-corporate-spending>.

⁴² WHAM MEDIA, “South Africa’s CSI Reporting Often Misleads – Study,” December 17, 2014, <http://whammedia.co.za/south-africas-csi-reporting-often-misleads-study/>.

⁴³ Johann Barnard, “Is CSI Really Helping Women?,” *Mail & Guardian*, April 17, 2015, <https://mg.co.za/article/2015-04-17-00-is-csi-really-helping-women>.

interviewed in the annual Trialogue CSI study reported managing CSI through a separate department with an average of 6.6 employees within the company.⁴⁴

Source: *Triologue 2015 CSI Handbook*



Nonetheless, while CSI spending on M&E has yet to grow substantially, corporate interest in measuring impact has increased considerably over the past ten years. In 2006, only 45 percent of companies responding to Trialogue research questions reported engaging in M&E, while in 2016 that number climbed to 94 percent.⁴⁵

Third-Party Service Providers and Apex Bodies for CSI

Consulting Firms and Verification Agencies

In response to the BBBEE Act and Codes of Good Practice, various consulting and advisory firms and “verification agencies” have emerged in South Africa to increase companies’ compliance and improve BBBEE Scorecard ratings. The framework guiding CSI is linked closely with the BBBEE Act, and these verification agencies provide their corporate clients with information not only on BBBEE and Codes of Good Practice requirements and revisions, but also on engaging in CSI that will increase companies’ Scorecard ratings.

Triologue

Triologue is the leading source of information on CSI and their research is often cited in the South African media. Trialogue is a consulting firm focused on providing information and advice, and engaging in extensive research on CSI. Trialogue also seems to function as the leading apex organization specifically for CSI, bringing together companies for discussion forums and an annual business conference. Trialogue has also published a comprehensive annual handbook on CSI since the early 2000s.

⁴⁴ “The Trialogue CSI Handbook, 18th Edition.”

⁴⁵ Trialogue “Tracking a Decade of Trends and Forecasting the Future of CSI in South Africa,” *Triologue*, 2017, <http://trialogue.co.za/tracking-decade-trends-forecasting-future-csi-south-africa/>.

ANNEX VI: LIST OF PERSONS INTERVIEWED

NAME OF INTERVIEWEE	POSITION	NAME OF ORGANIZATION
Michael Harris	Director	Atios
Bianca Jagger	Automotive Business Development Manager	Automotive Industry Development Centre
Samuel Mooketsi	Business Development Officer	Automotive Industry Development Centre
Muzi Mhlambi	Senior Manager – Financial Inclusion Division	Banking Association of South Africa
Nazrene Mannie	BAF Manager	Business Leadership South Africa
Jurgens van Zyl	Infrastructure Coordinator	Business Leadership South Africa
Lorraine Lotter	BUSA Representative	Business Leadership South Africa
Bonang Mohole	Chief Executive Officer	Business Leadership South Africa
Adrian Enthoven	Deputy Chairman	Business Leadership South Africa
Wandile Zwane	Head: Social Development	City of Johannesburg
Mzi Memani	Director: Franchise & Enterprise Development	Department for Small Business Development
Michael Mann	Managing Director	EOH Workplace Learning
Darlene Menzies	Chief Executive Officer	Finfind
Madhanlal Ramkelawon	Director: Contract Management	Gauteng Provincial Treasury
Attie van Zyl	Chief Executive Officer	Inca Portfolio managers
Bianca Bozzzone	Enterprise Incubator Head	KYB Enterprise Incubator
Corrie Venter	Head: Social Development	Lesedi Municipality
Godwin Khoza	Chief Executive Officer	National Education Collaboration Trust
David Savage	Cities Support Programme	National Treasury
Allan Hackner	Regional Economic Growth Office - Head	USAID – Southern Africa
Jacques Swanepoel	Project Development Specialist	USAID – Southern Africa

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