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SSACI

Swiss South African Co-operation Initiative

A Social Investment Initiative between SDC and the Swiss Private Sector
for Skill Development in South Africa

November 2004

Case study mandated by
Swiss Agency for Development Co-operation SDC,
Employment and Income Division

Authors

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SSACI sponsors

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Ciba Specialty Chemicals
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Swiss Re
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Xstrata
Holcim
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UBS

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Executive Summary

In February 2001, SDC together with Swiss private corporations, launched the Swiss-South African Co-operation Initiative (SSACI), as a long-term project designed to help improve educational and vocational skills in South Africa. As an innovative social investment initiative, SSACI combines a private investment fund with social goals and financial contributions to development programs. The Swiss corporate sponsors to SSACI are: Novartis, Holcim, Schindler, Ciba SC, Xstrata, Givaudan, Sika, Swiss Re, UBS and Credit Suisse. The joint initiative was prepared by SDC. On equal basis, the shares of SDC and the private sector sponsors for every year from 2001 to 2005 arrive to an annual disbursement of CHF 2 million.

What are the tangible results? By the end of June 2004, SSACI had committed a total of about 6 million USD to 40 youth development projects, of which 24 are currently active and 16 have run to completion. Through these projects:

- A total of 2'417 unemployed youths have been enrolled for training.
- 1'636 of these youths have completed their SSACI-funded training, of whom over 40% are now in wage-employment, 30% are self-employed, 6% are in further education or training and 5% are doing voluntary community service.
- 285 micro-enterprises have been started, employing not only the founding entrepreneurs but also an additional 85 people from the community at large.
- 120 start-up enterprises owned or operated by disadvantaged youths are receiving business development services aimed at enabling them to grow their operations and take on additional young employees.

The context: Youth unemployment is one of the most burning issues in South Africa. With unemployment rates at almost 50% in the age group 15 to 30, behind the figures there is an overwhelming economic and social challenge. Government has undertaken quite some reforms in the past few years to provide the legal framework and to improve the education system. While many of these reforms have not yet delivered the expected results, civil society and private sector actors are very much involved, be it as training or by the means of corporate social investments in favor of disadvantaged youths.

The motivation - why embark? The SSACI partnership is driven by a win-win strategy. But partnerships are not a quick fix. Both negotiation and management require trust and continuous dialogue about diverging expectations. In SSACI, corporate sponsors' motivation is driven by incentives of market access and image profile as well as by SA government pressure on corporate business to favoring social investment. For SDC, SSACI complies fully with the overarching goals of Millennium Development Goals and the applied strategies of the Country Programme. The win-win-situation is shaped by equal benefits each party – SDC and private sponsors – gets out of the agreed cooperation.

The vehicle – a trust fund: SSACI was established as a common trust fund, sponsored equally by SDC and the participating Swiss companies. It has established a sound and effective governance and management structure. The Board is equally composed of representatives of the Swiss Government, of the corporate sponsors and of the South African civil society. The Board approves the funding of projects identified, evaluated and proposed by the Programme Manager. The Programme Manager also monitors and advises the on-going projects and acts as a public spokesperson and fundraiser for SSACI. Effective management of the social fund provides profile and visibility.

Local partners: SSACI is funding innovative training projects that are operated by recognized local training service providers. The projects address the gap between training and employment for disadvantaged youths. Several examples and a cross-analysis of the funding portfolio show that SSACI funds quite a variety of service providers, both for reasons of innovation – testing the grounds in different ways – and risk management – avoiding to bet on a single horse.

Beneficiaries: The testimonies of trained young South African people show the overwhelming impact of a comprehensive skills training that integrates life skills and bridges over to real job placement, including assistance in establishing micro-enterprises. Arising potentials for scaling-up are: networking of service providers, replication of successful schemes in governmental and non-governmental organizations and exploring partnerships with Swiss businesses in other countries.

What are major lessons learned?

It works – also on the ground! The main lesson of this partnership is that it succeeded in the beginning and that the partners are even more happy with it after four years. The life stories of the final beneficiaries of SSACI show that the co-operation initiative not only works between the public and private sponsors, but actually it makes a real difference in the lives of the trainees. The joint effort strengthens not only the visibility, but leads also to innovative projects that are highly appreciated in South Africa. So why not upscale the experience in Southern Africa and even replicate it in other countries?

A conducive environment: South Africa government promoted a so-called learnership system that is a promising approach in bridging the gap between skills development and job placement.

Strong service providers: South Africa counts historically with a considerable number of well performing NGOs addressing youth unemployment and able to present and conduct result oriented projects.

Window of opportunity: For such an undertaking, on the SDC side, there is more openness towards the private sector in general and a specific policy on this kind of co-operation. On the private side, the awareness for corporate social responsibility, social investments of shareholders, corporate citizenship has certainly increased.

Complementary contributions: The business case shows that SDC competencies in terms of impact oriented social investment and fund management are highly regarded by the corporate sponsors. Most corporate sponsors would not consider themselves to be able to implement such a social investment program with similar efficiency and effectiveness. It exists a potential for this kind of complementary partnerships.

There is no free lunch! The argument of the win-win situation for the engaged partners must be repeated and proven on the ground. Sound and direct communication management is a must to gain and enhance confidence in the partnership.

Clear focus, simple set-up: To start, the concentration on one area – youth unemployment in this case – and a straight forward but effective management – in SA integrated into the SDC Cooperation Office – facilitates trust building among the partners and low transaction costs. Clear cut guidelines are a must and the fund management needs to be familiar

both with corporate world, SDC and the set-up and monitoring of social projects.

Innovation: SSACI has shown the value of being truly innovative to differentiate itself from other, larger players. This refers particularly to SSACI's innovative training schemes that include additional measures to bridge the training – job placement gap, usually lacking in government-supported schemes. This makes it attractive for the corporate sponsors and moreover, innovative training schemes open up opportunities for replication on larger scale, supported by other players.

Results-based management: By showing measurable results, SSACI has gained its current reputation with a consistent track record above average. It's easier to engage corporate sponsors and keep them on board if visible results in terms of employment rather than provision of training can be shown to them.

Smart portfolio management: Diversification in terms of intervention sectors and selection of partners makes sense. Putting all eggs into one basket should be avoided. In SSACI's case, a mix of established partners and others that need strong support is suitable to the market of service providers.

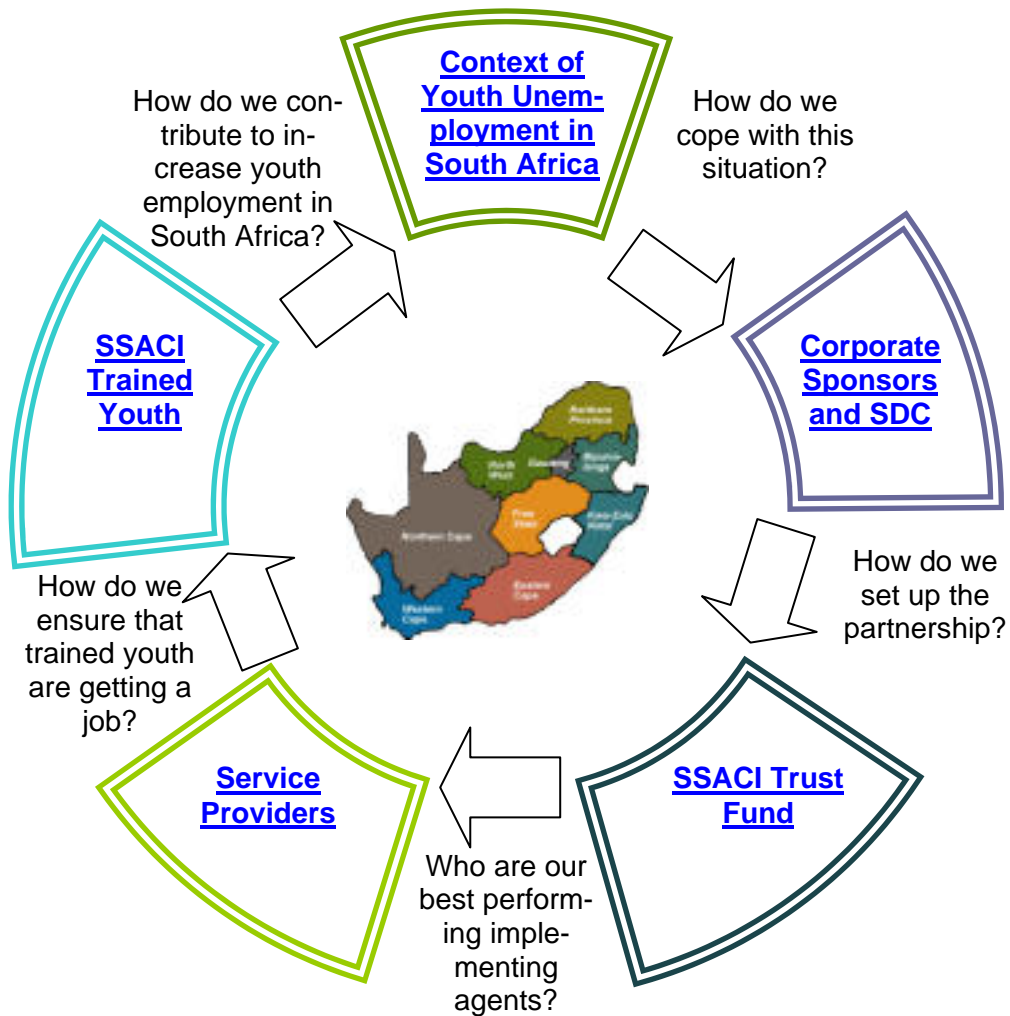
Networking and alliances for scaling-up: In order to reach an impact beyond the individual training programs, SSACI provides a potential to network service providers and build alliances with larger partners, who have access to larger resources.

Potential for outreach: The SSACI experience can be expanded to the Southern African region and even replicated beyond in other countries. Representatives of corporate sponsors signal that they would embark in other countries as well.

To create a social investment fund as a joint venture / partnership between Swiss industries and SDC, first, a sound exploration in possible host countries is a must. On the background of SDC's engagement for MDG's and Financing for Development this pre-investment is a typical SDC task. Once a rough potential analysis at hand, a core group of Swiss business headquarters should be addressed to explore their interest, the purpose of funding and pledging amounts in a mid-term perspective. In view of implementation, based on its experience in social investment, SDC is well placed to mount the fund management and can finally expect that its public investment in development is at least doubled.

Swiss South African Co-operation Initiative SSACI

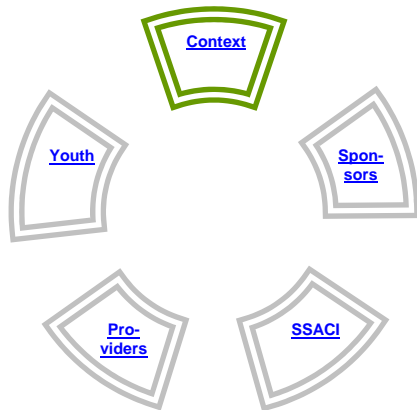
A Social Investment Initiative¹ with the Swiss Private Sector in South Africa



¹ The concept of social investment refers to the SDC position paper on “Cooperation with the Private Sector” (April 2004): a private investment fund with social goals and financial contributions to development programs

The Context of Youth Unemployment in South Africa

Addressing youth unemployment in South Africa – joint efforts by government, the private sector and NGOs



Youth unemployment is one of the most burning issues in the developing South African society and economy. With unemployment rates at almost 50% in the age group 15 to 30, there is no easy solution to this challenge. Government has undertaken quite some reforms (even too many?) in the past few years to provide the legal framework and to improve the training and education system. While many of these reforms have not yet delivered the expected results, civil society and private sector actors and institutions are very much involved, be it as training and other service providers, implementers of government-funded programmes or by the means of corporate social investments in favour of disadvantaged youths.

Perspectives of a young South-African school-leaver

Sipho is a 20-year-old teenager who completed his Grade 12 about two years ago. Sipho lives in the township with his mother and grandmother and three siblings, two brothers and a sister. Sipho is the oldest in his family. His mother was retrenched about two years ago and she received a retrenchment package. She also has been selling cool drinks to the community. Sipho’s grandmother also assists the family from her pension.

When Sipho was still at school he took science subjects because he wanted to go to the University of Cape Town (UCT) to study Mechanical Engineering. However, his matric results were not good enough, both his marks in science and maths were too low. He, however, could not return to school to upgrade the subjects because of his situation at home. For the past year Sipho has been looking for a job without any success. He is either told that he does not have enough qualifications or that he does not have the necessary experience.

Every attempt at finding a job has been unsuccessful and as a result Sipho is despondent and depressed. The biggest problem for Sipho is finding an entry point into the world of work.

A high number of new entrants into the job market

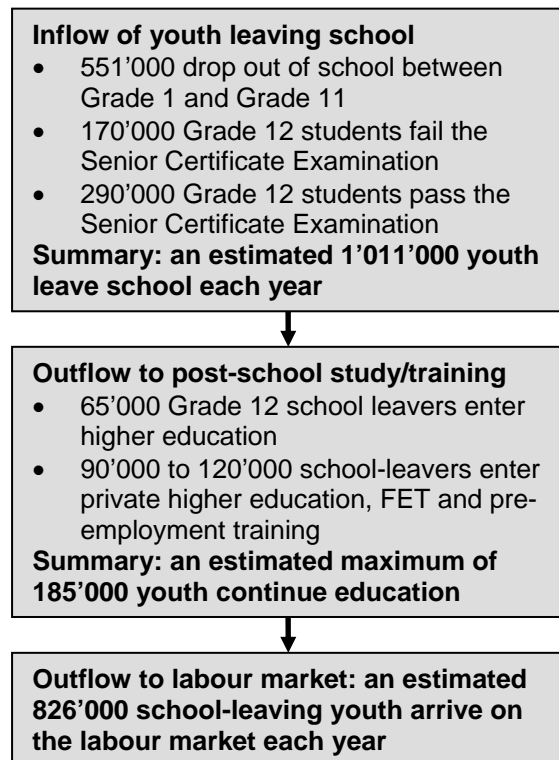
Since 1975, and particularly in the ten years since the advent of democracy in 1994, the South African government has made impressive progress in providing open access to public education for the majority of the population, as the following table indicates:

Enrolment in public education, 1975 - 2000		
Figure	Previous years	2000
Enrolment:		
Schooling	5'379'665 (1975)	11'374'848
Further Training and Education (FET) colleges	76'435 (1991)	350'465
Higher education	340'000 (1988)	611'000
Percentage of Africans:		
Schooling	83.0% (1975)	92%
FET colleges	32.3% (1990)	84%
Higher education	42.0% (1988)	72%

(Source: Human Resources Science Council Study)

This considerable increase in schooling provision has also led to an enormous growth of school leavers, who are looking

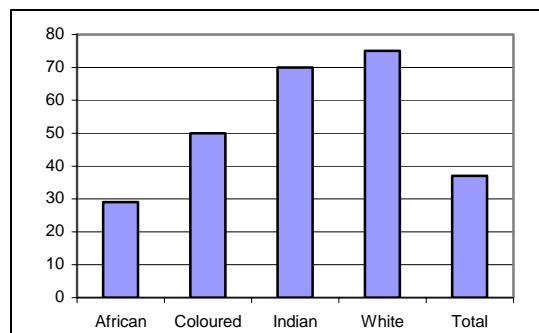
for a first entry into the job market, as shown by the following diagram.



(Source: Human Resources Science Council Study; estimated average annual figures 2000-2002)

Of these many young school leavers only a fraction actually finds a job:

Percentage of school leavers who find jobs:

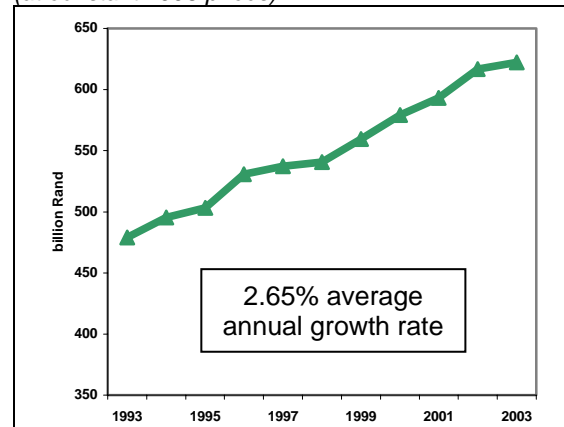


Number of school leavers per year who don't find jobs		
Population group	Percentage	Absolute number
African	71%	452'000
Coloured	50%	37'000
Indian	30%	7'000
White	25%	23'000
Total	37%	519'000

(Source: Human Resources Science Council Study; estimated average annual figures 2000-2002)

This might be surprising, looking at South Africa's continuous economic growth since 1994. In fact, the Gross Domestic Product (GDP) rose by an average annual rate of 2.65%.

South African annual GDP in billion Rand (at constant 1995 prices)



(Source: Statistics South Africa)

This considerable growth was so far and is still not creating enough new jobs. Actually there is "job-less growth" with an increase in unemployment at the same time. For example, South Africa's unemployment rate rose by 5 percentage points between February 2000 and September 2002. In the same period, heavy job losses took place in subsistence agriculture and domestic service, as well as in construction and mining. Economists predict that South Africa's GDP will have to grow at least by 3.5% for two or three consecutive years to produce a significant number of new jobs.

Moreover, there is not only a quantitative gap between the number of school leavers and the number of new jobs, but also a qualitative gap between skills supply and demand. Many dynamic private enterprises in growing sectors have an increasing demand in labourforce that is not met. In particular, there is a shortage of skilled workers like artisans, craftsmen and middle managers, showing the inability of the current education and training system to produce the "right" skills.

Opportunities and strategies

For all the above-mentioned factors, combatting youth unemployment is a key priority for the South African government. The last decade has seen the government

respond to this situation on a multitude of levels employing a range of strategies and approaches.

One of the key strategies has been to address the skills needs of both the workforce generally and in particular and youth who are eligible to enter the labour market.

Addressing the skills gap in the education system

Research has shown that there is a huge skills shortage in the country. There has been great concern that the levels of education, particularly for the historically disadvantaged, has not prepared them for higher education or the workplace.

A report by the Human Science Research Council (HSRC) mentions that "there is a mismatch between the outputs of schooling, the options for further and higher education or pre-employment training, and the actual employment opportunities available in the labour market".

The report also indicates that most learners in higher education (HE) are still not registering for what could be termed technical skills. For example, the report highlights that of about 88'000 graduates from the HE system in 2000, 76 per cent were from universities and 24 per cent from technikons. This is seen as a problem, since the latter largely offer technical skills.

Further training offered by the Further Education and Training (FET) system is also inadequate. The HSRC report mentions that "many of the students attending these colleges have already acquired Grade 12 and are required or volunteer to repeat courses equivalent to Grade 10 to Grade 12". It is also said that students volunteer to do this in the hope of improving their employment chances in the labour market. However, the qualifications they receive are no higher than those they had when entering the FET college.

Another problem associated with FETs has been around the issues of quality and industry-responsiveness. Findings from the Skills Gap Project show that "informant teachers and some lecturers in the FET sector have little industry experience and

are ill equipped to communicate industry expectations to students". The curriculum is also highlighted as a problem, since FET college standards vary and delivery is problematic. Of further concern is that the FET colleges are still racially and vocationally stigmatized, meaning that graduates from these colleges are less likely to be "snapped up for jobs because they are seen as second rate".

In response to the problems associated with the FET system, government education policy is has introduced a wide array of reforms. For example, there has been a merger of universities and technikons, FET colleges, teacher upgrading and science and mathematics improvement programmes, etc. The HSRC report indicates that sufficient time has not yet passed to ascertain whether these measures are successful and effective. Although it is too early to assess it is commendable that steps have been taken to address issues around further education and training.

Reforms of South Africa's legislation

As indicated above there is a level of skills shortage in the country. In response to the need to promote skills development, the South African government has passed a number of Acts which provide an institutional framework for skills development in the country.

Legislation provides nowadays a good framework for both training institutions and employers to operate from. The following box highlights the most important new legislation governing skills development and training:

South Africa's Legislation

- National Qualifications Framework (Act No. 58 of 1995)
- South African Qualifications Authority Act, 1995 (Act No. 58 of 1995)
- Skills Development Act (Act. No. of 1998)
- Skills Development Levy Act (Act No. 9 of 1999)

Legislation has been created to ensure that the skills level is addressed for both workers and those that enter the labour market. The most important steps were the creation of learnerships and Sector Education and Training Authorities (SETAs).

Learnerships

Learnerships were introduced for the first time in the Skills Development Act in 1998. Learnerships are modeled on the apprenticeship tradition, but unlike apprenticeships, they apply to any occupational ladder, not just to some trades.

There are many advantages to a learnership. For example:

- A learnership combines theory with relevant practice on the job;
- Learnerships are based on legally binding agreements between the employer, a learner and a training provider;
- Relevant training provided to people should lead to a skilled labour force;
- People will be qualified to work for someone else or for themselves.

In short, learnerships are meant to address the level of skill deficiencies as well as produce an efficient workforce. Learnerships are a good idea but there also have been problems around implementation. For example, employers are reluctant to take learners of whom they know nothing about. Of concern is that the majority of learnerships have gone to current employees whose firms wish to upgrade their skills in preparation for greater responsibility within the company.

Sector Education and Training Authorities (SETAs)

The Sector Education and Training Authorities (SETAs) were established in 2000. In total there are 25 SETAs for the different sectors of the economy. The main functions of the SETAs are:

- Develop and implement a sector skills plan within the framework of the national skills development strategy;

- Promote learnerships and register learnership agreements;
- Collect and disburse the skills development levies in its sector.

However, besides government's attempt to provide an enabling environment, implementation has been a problem. The SETAs are widely criticised for the slow pace of delivery resulting from overambitious plans, bureaucratic logjams and lack of managerial capacity.

Even the national Department of Finance raised concerns about the inefficiency surrounding the sector education and training authorities. Several press articles mention that the SETAs have not made a meaningful impact on the huge skills backlog, and the Department of Finance was concerned about their poor spending record. Moreover, a survey by the South African Chamber of Business showed a 13% decrease in the number of companies that claimed their skills levies from SETAs, mainly because the pay-out was not worth the effort involved and the administrative burden was too onerous.

Despite criticism leveled at the SETAs, it is commendable that the Minister Of Labour has publicly committed to addressing problems within the SETAs. The Minister has indicated that action would be taken on underperforming SETAs, by closing them down, merging or putting them under close supervision by the Minister.

The role of Non-Governmental Organizations (NGOs)

NGOs have played a crucial role in South Africa's struggle against apartheid. In particular, they became involved in research, service delivery and a wide range of activities to support the black population that apartheid deliberately under-served, and supporting the progressive movement. But not all NGOs were political in nature: some of the oldest are welfare-based organizations.

A 2002 study on the size and scope of the broader non-profit sector (i.e. including community based organizations) as part of the global study led by the Johns Hopkins

University team, argued that few would question the profound influence of non-profit organizations (NPOs) on the emergence, shape and nature of modern South African society, although a comprehensive history of non-profit organizational and associational life still needs to be written. By the same token, however, it is generally accepted that the formal NGO sector has been in a sustained period of crisis since 1994, when the new government came to power. Many former NGO leaders and staff moved to government; many donors switched funds from NGOs to government; and the sector has had to develop a new *raison d'être* that finds a path between advocacy, political mobilization, policy development and implementation.

The 2002 study estimated that there are about 98'920 non-profit organizations, of which 53% are less formalized, community based organizations. It is estimated that about 1024 organizations offer adult or continuing education. The study, however, does not provide details on the kind of service offered.

The role of these organizations could be important in skills development, especially because a legal framework has been created by government. NGOs could play a crucial role in partnering with government and addressing areas of skills development: the issue is whether they and government have 'found' each other and are able to create the synergies needed to have a real impact on skills development.

thorities should aim to reduce the administrative burden, clarify, simplify and speed up their internal processes. The training providers should put more accent on the employability and effective job placement of trainees rather than be solely focused on delivery of certificates.

Strong NGOs: South Africa has a historically strong NGO sector with many dedicated organizations and individuals. The NGOs should continue to play a major role in addressing youth unemployment in South Africa, be it as training or other service providers or as "sparing partners" to government in the reforms of its skills development policies.

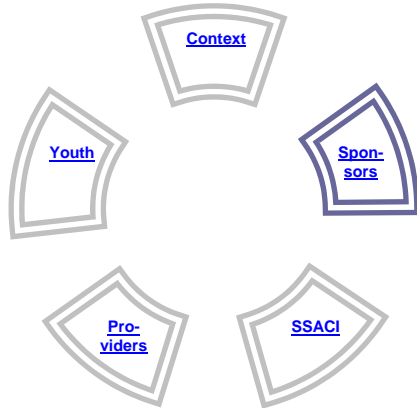
Key take-aways

There are two main opportunities and assets in the South African context that seem promising for addressing youth unemployment and thereby providing a fertile ground for a SSACI-like initiative in the given context.

Learnerships: The learnership system is a promising approach in bridging the gap between skills development and job placement. However, further progress needs to be made by all involved actors: The private sector should provide more and new learnership positions not to upgrade the skills of their existing staff but also to open up opportunities for previously unemployed youths. Government and the Sector Education and Training Au-

Corporate Sponsors and SDC

A win-win situation in a global development frame



The SSACI partnership is driven by a win-win strategy. But partnerships are not a quick fix. Both negotiation of objectives and process management of implementation pose formidable challenges and require trust and transparency, continuous dialogue about diverging expectations and a more or less symmetric commitment. In SSACI, corporate sponsors' motivation is driven by incentives of positioning and market access as well as by SA government pressure on corporate business to favoring social investment. For SDC, SSACI complies fully with the overarching goals of Millennium Development Goals and the applied strategies of the Country Programme. The win-win-situation is shaped by equal benefits each party – SDC and private sponsors – gets out of the agreed cooperation.

Corporate sponsors' motivation

Motivation building can turn itself into a hard job. The convincing **simplicity** of the basic idea – youth unemployment, a clear and well focused deed of trust and the set-up of a small but effective management were important ingredients to build up confidence among the partners and motivation for funding.

At the start the branches of potential Swiss corporate sponsors in SA showed mostly a rather positive attitude towards the new idea of a joint initiative. This positive estimation was reaffirmed by their head offices which finally had to take the decision to embark in social investment. Some of the Swiss corporate sponsors had already gained experience with single contributions to social projects, but the outlook to link such initiatives to other Swiss businesses and to join the fund with the experience of SDC in social investment obviously was a major favorable argument. In addition, by joining efforts a far stronger profile could emerge from the initiative.

Who are the Swiss Corporate Sponsors to SSACI?	
Company	Sector
Ciba SC	Chemicals
Credit Suisse	Banking
Givaudan	Cosmetics
Holcim	Construction
Novartis	Pharmaceuticals
Schindler Lifts	Industrial

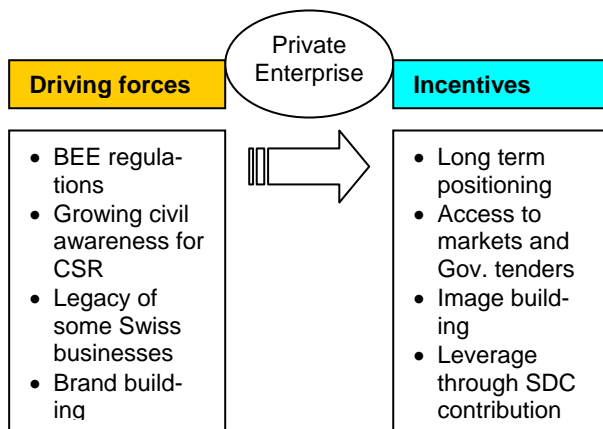
Sika	Chemicals
Swiss Re	Reinsurance
UBS	Banking
Xstrata	Mining & Metals

What are **driving forces** that foster the motivation for private businesses to cooperate with the public sector and to invest into social development?

- Corporate sponsors have already been active in funding community development projects through the Swiss Business Council of SA, e.g. supporting the community school in the township of Orange Farm.
- Pressures and incentives for corporate sponsors that stem from SA government policy based on Black Economic Empowerment / BEE which shapes an enabling environment for social investment.
- Long term positioning, market access and visibility of Swiss business in SA, image building and brand protection.
- Increasing civil awareness and demand for CSR measures, including peer pressure.
- Legacy of some Swiss businesses in SA due to their tight business relations with the apartheid regime; without downplaying this motivation factor, one has to note that it does not apply to all corporate sponsors and where it applies it would not be a sufficient moti-

vation for an investment in size and content.

- Leverage through SDC contribution in terms of money and know how.



Pressure from Black Economic Empowerment / BEE

A decade into South Africa's new democracy, black economic empowerment remains one of the most topical issues of the day. Both the public and private sectors have addressed themselves to the issue. But not surprisingly, management and labour have somewhat different views of what is possible and how agreed objectives can be attained. The ten-year record is patchy, but there seems to be growing consensus on ultimate objectives and the means to reach them. First, practically everyone agrees that the national wealth must be more widely and evenly distributed. Second, hardly anyone now believes that ownership and control of enterprises alone is an adequate measure of empowerment. In 2003, there were several substantial BEE transactions worth billions of Dollars, mostly in the mining sector, but two thirds of the value of those transactions involved companies controlled by two black entrepreneurs. The consensus is that real empowerment must be much more broad-based and far-reaching.

Based on the recommendations of the Black Economic Empowerment Commission (BEEC), at present the legislation set targets for how much land, how many shares and how much procurement should be owned by blacks within a certain time-frame. One avenue for encouraging and measuring empowerment is the estab-

lishment of sectoral charters, which set out empowerment objectives agreed to by management, the labour force and government. The mining and financial sectors have already concluded such agreements and discussions on other sectoral charters are in progress. The other avenue is an empowerment scorecard that is used to measure progress in an enterprise, comprising three basic components:

- Direct empowerment through ownership and management control
- Human resource development and employment equity
- Indirect empowerment through procurement, enterprise and social development

The SA government will apply the scorecard measure when granting licenses and concessions, selling assets, entering into partnerships or issuing tenders. As a consequence, also many of the Swiss businesses will have to comply with BEE norms, and their contribution to SSACI can be helpful for attaining targets and remaining in the SA market.

In the specific SA context, BEE measures towards equity can be understood as a set of rules and measures that are embedded in the general frame of Corporate Social Responsibility / CSR which is increasingly gaining ground in SA and globally.

In the era of globalization, we face an increasingly complex situation because innovation can sometimes lead to risks, costs, and imbalances that extend beyond national borders. We cannot solve these issues alone and so it aims to build partnerships with other stakeholders such as public institutions, international organizations, and the private sector. The cooperation with them can lead to a more sustainable development, which in this case means the more equitable sharing of the benefits of innovation.

(www.novartis.com, on corporate citizenship and stakeholder dialogue)

The wider view: Corporate Social Responsibility / CSR

Clients and the resulting markets, especially in industrialized countries, are increasingly more sensitive on social as well as environmental aspects of products and on enterprises delivering these products. Trade, product or production requirements are expressed e.g. in state regulations, voluntary codes of conduct or certification of products. The BEE scorecard, emphasizing equity, is an example for such regulations on a country's level while most CSR schemes apply on international level, e.g. the HACCP (Hazardous Analysis and Critical Control Point) regulations in the food industry, a wide variety of eco- and fair trade-labels or standards such as SA 8000².

Consumers are increasingly taking the living and working conditions of the producers into consideration when they decide what to buy. Were those flowers or coffee beans cultivated under sound conditions for the health of the workforce? Were the items of clothing manufactured under decent and just conditions in their countries of origin? Companies which cater towards these markets need to adapt their products, their production process and their management system to maintain and eventually broaden their position in these competitive markets.

Following transparent CSR rules and providing equity and decent work conditions entail a process that requires firms to tackle what is often seen as a trade-off between internal profit objectives and standards set by national legislation and universal principles such as those set out in the United Nations' Global Compact and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. CSR and international environmental conventions are thus driving forces towards more sustainable production modes. Companies – smaller and larger in size and in supply chains linked to CSR sensitive markets – which clearly position themselves in this manner thus gain a sustainable competitive advantage leading finally to better jobs, reduced poverty and increased welfare.

² SA 8000 is an international standard for social accountability initiated by CEPAA (Council on Economic Priority Accreditation Agency).

Why did SDC embark?

The overarching goals of the SDC strategy is set by the **Millennium Development Declaration** which affirms the commitment to "a more peaceful, prosperous and just world" and to "make the right to development a reality for everyone and to freeing the entire human race from want."

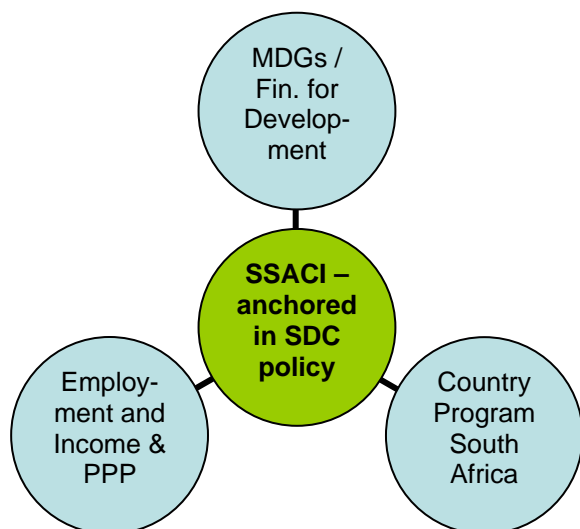
The respective Millennium Development Goals (MDGs) call for a halving of poverty by the year 2015. There is a broad consensus that this ambitious demand can be met only when the state, civil society and the private sector in both the North and the South **combine their efforts** and embark on new ways together. This collective responsibility is in particular expressed in the eighth Millennium Development Goal, calling for a new "Global Partnership for Development". In order to achieve a sustainable improvement in the situation of the poorest population groups, an increase in **resources from the private sector** is required. The same call for joining resources and efforts was put forward on the international Conference "Financing for Development" held in 2002 in Monterrey, Mexico.

Financing for Development

To open up new private financial resources and particularly social investment of the private sector is a key of the MDGs. The conferences in Monterrey (2002) and Johannesburg (also 2002) set out major development policy parameters that attached high priority to the question of financing for development. The Monterrey Consensus, to which the Swiss government is committed, specifies clearly the need to strengthen the financial sector and to open new sources of investment in social development. Limited public funds in many countries still pose a major development constraint. Apart from regulatory interventions by governments that hamper growth are indicative of this problem, e.g. frequent high transaction costs and lack of sufficient access to loans and other financial services, unstable framework conditions, random government interventions, financing gaps for micro, small and medium-sized enterprises and last but not least for workplace related education and training.

On this multilateral background SSACI turns into a pivotal position as an **innovative scheme of public-private financing for development**.

Looking closer at SDC's motivation, besides the multilateral goals, there are two more policy fields of SDC that sustain the decision: the Country Program and the thematic strategy of employment and income generation.



In the year 2000, it was foreseeable that development assistance from most bilateral donors to South Africa would be gradually reduced or phased out completely within the following five years. The SDC as well decided to phase out its **Special Programme for South Africa** until the end of 2004 – it's now being converted into a regional programme for Southern Africa.

Since this process was expected to leave a large number of experienced and well qualified South African development NGOs without foreign resources, the SDC was thinking about new ways of making South African NGOs less dependent on foreign government funding. The search for linking up development with new forms of private engagement and the capacity of South African NGOs were at the root of the idea which finally led to the creation of SSACI. At the same time, SSACI was being articulated within the SDC country strategy 2000 to 2004 for South Africa.

Since SSACI's inception in 2000/2001, quite some changes occurred at the SDC. On one hand, by the establishment of its Strategy 2010 and the reorganization of its thematic services, the SDC put a increased thematic accent to the access, creation and stabilization of employment and income. The new SDC division "Employment and Income" is directly promoting the link between vocational training, skills development and employment creation – the thematic focus of SSACI. On the other hand, SDC developed a new **position paper on the co-operation with the private sector** (finalized in April 2004). Within that, one of several forms of co-operation is **social investment**, exactly the form of the SSACI partnership.

The **choice of the sector** of intervention (education/skills training) was based on the importance of the issue in South Africa – extremely high unemployment rates, especially among the youth and historically disadvantaged groups – and the observation that unlike in other areas such as democratization, decentralization, etc. little progress was perceivable since 1994, while for SA government and the society as a whole the issue was burning.

All in all, it appears that SDC's policies and strategies are now better aligned with SSACI's than they were in 2000/2001. Moreover, SDC's engagement complies fully with its five principles of co-operation with the private sector:

SDC's five principles of co-operation with the private sector

- The SDC's services are carried out in accordance with its core mandate;
- The cooperation leads to a sustainable improvement in the living conditions of disadvantaged peoples;
- Economic growth benefits the poor population groups;
- Cooperation with the private sector uses the comparative advantages of all participants;
- The SDC delivers its services according to the principle of subsidiarity and within a determined period of time.

Win-win situation for SDC and corporate sponsors

- Mobilizing additional resources, doubling of outreach: SDC and corporate sponsors can double its investment, which is definitely an attractive option against a smaller single party financed programme.
- The small size and efficiency of SSACI and its focus on innovative training schemes provide to all partners a clear and positive profile.
- Both partners needed to make some concessions (e.g. in terms of management style or communications) but these were justified by the benefits of the partnership to each partner.
- Experience and competency of both partners complement each other. Corporate sponsors lack attractive alternatives in terms of efficiency and professional competencies for social investment, SDC has proven experience in social investment and the management of development programmes.
- Corporate sponsors can sharpen their profile and improve the Swiss label in South Africa while in other social investments funds (such as the National Business Initiative with mixed results) their contribution would be melted with other sponsors.
- SDC can capitalize its proven management competency and guarantees with its name for quality standards in development investment.
- Risks for both sides are limited to project failure – therefore both sides are equally interested in quality control and risk-minimizing measures, i.e. job placement support as integrated project component and close follow-up of projects by SSACI management.

Key take-aways

It works! The main lesson of this partnership is that it succeeded in the beginning and that the partners are still (or even more) happy with it after four years. The joint effort strengthens not only the visibility, but leads also to innovative projects that are highly appreciated in South Africa. So why not upscale the experience in Southern Africa and even

replicate it in other places?

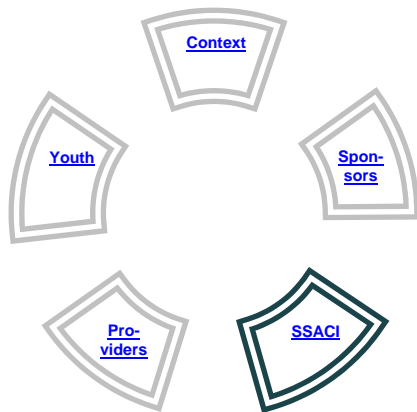
Window of opportunity: Since 2000, developments on both public and private side have increased the opportunities for such an undertaking. On the SDC side, there is more openness towards the private sector in general and a specific policy on this kind of co-operation. On the private side, the awareness for corporate social responsibility, “ethical investments” of shareholders, corporate citizenship, triple bottom-line etc. has certainly increased. Therefore, demand for a collaboration is also on the increase.

Balance of contributions: The case shows that SDC competencies in terms of programme management, development and field experience are highly regarded by the corporate sponsors in this concrete partnership. Most corporate sponsors would not consider themselves to be able to implement such a social investment programme with similar efficiency and effectiveness. We therefore see a potential that the financial contribution of the private sector could be higher than the one of SDC or even further in future: SDC could provide a sound management for social investment and the corporate sponsors the funding.

There is no free lunch! The argument of the win-win situation must be repeated and proven every year. Two tracks: Follow-up of projects and personal direct information of sponsors by the fund management.

SSACI Trust Fund

The delivery vehicle for the joint interests of private and public sponsors



SSACI was established as a common trust fund, sponsored equally by SDC and the participating Swiss companies. It has established a sound, efficient and very effective governance and management structure. The Board is equally composed of representatives of the Swiss Government, of the corporate sponsors and of the South African civil society. The Board approves the funding of projects identified, evaluated and proposed by the Programme Manager. The Programme Manager is also negotiating, monitoring and advising the funded projects. Moreover, he acts as a public spokesperson and fundraiser for SSACI, being the primary contact person for the sponsoring companies, but also for other interested stakeholders.

The history of SSACI's inception

In January 2001, the SDC, together with Swiss private corporations, launched the Swiss-South African Co-operation Initiative, as a long-term project designed to help improve educational and vocational skills in South Africa.

To prepare the Initiative, which was part of the SDC Strategy 2000-2004 for South Africa, SDC contacted the Swiss private sector in South Africa. In October 1999 and May 2000, the SDC held meetings with the Swiss Business Council of South Africa in Johannesburg. Some fifteen representatives indicated an interest in contributing to such a project. Several firms promised amounts of CHF 100'000 to 125'000 annually for five years. After contacting the headquarters of fifteen Swiss enterprises with interests in South Africa, just short of CHF 1 million in pledges were received for every year from 2001 to 2005. The SDC decided then to match private contributions up to CHF 1 million per year to bring the annual disbursements of the Initiative up to CHF 2 million.

After consultation with a South African lawyer and the SDC Legal Services, it was decided to put the Initiative under the legal form of a South African Trust with tax exemption.

The Deed of Trust was formally signed in February 2001 and registered with the Pretoria High Court in April that year. On March 1st, 2001, SSACI officially opened its doors for business.



SSACI's governance structure

The "constitution" of the partnership is given by the Deed of Trust, determining the Trust's name, objectives and assets, as well as the Board of Trustees' composition, appointment procedures and powers. Moreover, procedures for minutes and accounts, meetings, alterations to the Deed and for winding up the Trust are fixed in the deed.

Lessons on the Deed of Trust

SSACI's Deed of Trust mixes constituent factors – name, objectives, assets of the Trust, the role of the Trustees – with "rules and regulations"-type provisions. E.g., there is a condition that projects cannot be donated more than ZAR 800'000 (equivalent to about USD 130'000) for a year. Later, one would have liked to change this restriction for different reasons. However, changing the Deed of Trust is very difficult, since all alterations must be registered with the Pretoria High Court. Instead of putting the provision into the Deed of Trust, it could have been put into the "rules and regulations", on which alterations can be done by decision of the Board.

The SDC acted as the founder of the Trust with an initial donation of four million South African Rand, then equivalent to about one million Swiss francs. The corporate sponsors followed by contributing their annual

donations to the Trust, some through their South African subsidiaries, some directly from their Swiss Head Offices.

The Board of Trustees consists of six members. An eminent South African person acts as president and primus inter pares of the Trust. Since 2001, Mrs. Ruth Segomotsi Mompoti, formerly the South African ambassador to Switzerland and a member of the nation's first democratically-elected parliament, is holding this position. Two Board members of South African nationality represent the corporate sponsors (currently Terry Hime of Schindler Lifts and Glen Poole of Ciba Specialty Chemicals). The Swiss Ambassador to South Africa and the SDC Country Director in South Africa are Board members from the "public" side of the partnership. As another representative of the South African community at large, Mr. Monvabisi Vika, Managing Director of Klipstone Transport, serves on SSACI's Board of Trustees.

The Board meets generally four times a year, discussing both project proposals and broader strategic issues for SSACI. All project proposals are identified, screened and evaluated by the Programme Manager, while the decision on approval remains exclusively with the Board.

Lessons on the differentiation of decision making level

While the composition and functioning of SSACI's Board is generally seen as balanced and efficient, careful consideration should be given to the division of decision making between Board and management. Policy and strategic decisions are clearly the Board's responsibility. It should frame a clear strategic orientation of SSACI, allowing for relatively flexible management within this frame. Operational decisions should be left to management. There is a risk of "loosing the big picture" when the Board is deciding on every individual project proposal.

In SSACI's case, strategic issues are more and more frequently tabled at Board meetings. Recent examples are the selection of growth sectors to invest in, wage-employment vs. self-employment, cost-benefit analysis of different project approaches, etc. This trend could be further enhanced, providing grounds for a sound funding strategy which then

serves as a basis for the portfolio management.

At the same time, discussions about selected individual projects are still useful to keep the board members "on board" and clear about what's happening on the ground.

SSACI's funding strategy

SSACI's Deed of Trust describes its overall objective as being: "To advance educational opportunities for disadvantaged young South Africans in order to enable them to obtain employment". This is in line with one of the South African government's own priorities, namely to tackle the critical problem of youth unemployment.

In its basic strategy, SSACI concentrates on technical and vocational training and on job creation for out-of-school youths. To bridge the transfer gap between training and the job market, SSACI insists that every project must include training in work-related life skills and a post-training support programme aimed at assisting successful trainees to find jobs or create their own. For the same reason, SSACI focuses on sectors of the economy that are growing and creating job opportunities (as opposed to "jobless growth sectors") especially for young people. That means that they should require relatively low skills and little experience at entry level. Based on these criteria, a research review led SSACI to identify about twenty "best-match" sectors.

"Best-match" sectors for SSACI

Agriculture (incl. poultry & market gardening), automotive repairs, brick-making & concrete products, business services, catering, cleaning services, clothing & footwear, electrical appliance manufacture & repair, engineering, food & beverage processing, furniture manufacturing, landscaping & garden services, leather products, metal fabrication, printing & paper products, tourism and hospitality, transport, storage and communications, wholesale & retail trade.

Based on three different research reports and SSACI estimates on skills level requirements..

A key question in a partnership like SSACI is the extent to which the funding strategy should be linked to the corporate sponsors' interest within the area of intervention. In SSACI's case, almost no projects have originated from corporate sponsors' ideas nor are any of them directly aimed at providing the skills in demand of the sponsoring firms themselves. So far, no trainee out of a SSACI funded project has been employed by one of the corporate sponsors. The following table shows a few arguments to this issue in the SSACI case. In any given case and context, these and other arguments will need to be weighted carefully in order to make a conscious decision on the overall funding strategy.

Should the funding strategy be close(r) to the (corporate) sponsors direct interests?	
Pro	Con
<ul style="list-style-type: none"> • possible direct benefit to corporate sponsors • higher probability of employment for some trainees 	<ul style="list-style-type: none"> • specialized skills demand of corporate sponsors • few opportunities (jobs) at corporate sponsors • potential pressure to fund "non-core" projects (e.g. out of sector focus)

SSACI's management

It is an explicit objective of SSACI to keep management and administration as lean as possible. This has proven feasible and effective – SSACI's staff consists of one Programme Manager, a Programme Officer (since 2003) and some secretarial support. Moreover, it uses external consultants for specific tasks (evaluations, research, etc.). Overall, SSACI's operating expenses as percentage of total expenses since 2001 has been 7.9%. SSACI's offices are located at the premises of the SDC Country Office in Pretoria, from which it obtains as well infrastructure and secretarial support. The question about moving out to an own office location will be taken up in the upcoming discussions

about a possible second phase of the SSACI Initiative.

The Programme Manager's profile was initially described as being a mature personality, creative, dynamic, and committed to make the Initiative's operations work well. S/he should be of South African nationality, age 35 to 45, with at least ten years of experience in development work, of which some in the education or job creation sector. S/he should be an able manager and a good communicator.

The Programme Manager's main duties are to identify, select and negotiate project proposals, propose projects in line with the funding strategy to the Board for approval, make payments, and monitor the progress of funded projects. Particularly welcome by the Service providers is the fact that the Programme Manager would significantly contribute to further develop the initial project proposal and to challenge the service providers business plan. Moreover, the Programme Manager's continuous relationship with the projects is way deeper than just progress monitoring. Several project implementers highlighted the fact that they would get valuable input and advice from the Programme Manager on a range of matters from strategy over networking to financial management. This is to be compared to (the negative extreme of) other funding organizations, where the service providers wouldn't receive a single visit from the funders during a multi-year project.

The sponsors' and service providers' view on SSACI

According to the interviewed service providers, sponsors and other resource persons, the following aspects represent the major strengths of SSACI, compared to other funding organizations in South Africa:

- SSACI's funding strategy has a clear focus, is transparent and consistently applied (there is no "hidden agenda").
- The outcome-orientation of SSACI (success is measured by employed rather than by trained youth) is quite unique.
- SSACI is very efficient, with reasonable administrative procedures. The inter-

viewed sponsors agree that they would not be able to implement a such effective and efficient social investment program on their own.

- Direct contact with the Programme Manager is highly appreciated and effective. Particularly valuable for the service providers' is his in-depth knowledge about education, skills development and job creation.
- Overall, SSACI ranks clearly above average or even as "exceptional" as donor organization (from the service providers' point of view) or as social investment fund (from the sponsors' point of view).

Communications

Generally, the Board and the Programme Manager have the duty to make continuous efforts to let media and the government know about the initiative, its projects and the names of the sponsors. The Programme Manager acts as primary public spokesperson of SSACI and relationship manager for the sponsors, which includes fundraising through approaching new potential sponsors.

Both for reporting and communication purposes, bi-annual reports of SSACI are produced and distributed to the South African Government, to the media, to the corporate sponsors, as well as to the SDC. All corporate sponsors are invited to attend an enlarged Annual Board meeting which is also serving as pledging conference. Mirroring this sponsors' meeting in South Africa, there is an annual consultation meeting in Switzerland between sponsors (representatives from Swiss head offices), supporting organizations, and the SDC. The SSACI Programme Manager is present at this meeting as well.

Moreover, sponsors and projects are kept informed through a quarterly newsletter. It contains both individual project descriptions and background information on issues in the fields of education, training and skills development that affect SSACI's work. Finally, a website is accessible for the broad public (www.ssaci.org.za).

Despite of these considerable communication efforts, there are opportunities to tar-

get these activities even more clearly. On the one hand, SSACI funded projects, particularly with similar focus (sector or approach), could be brought into contact in order to share experiences and knowledge. So far, the individual projects generally do not seem to be very well informed about other SSACI funded projects. On the other hand, some (more) financial resources of SSACI management and/or the individual projects could be allocated to allow for documentation of "success stories". These could then be used on different levels – project, SSACI, sponsors – to show visible results to funders, government, and other interested parties and therefore enhance opportunities for scaling-up, dissemination and/or further funding of the successful approaches.

Key take-aways

Small is beautiful: The small size of the SSACI organization induces many benefits for both sponsors and projects. First, it keeps overhead and coordination costs minimal – efficiency makes both SDC and the corporate sponsors happy. Second, this allows for high flexibility and speedy processes, an important comparative advantage against larger organizations. Third, it is highly valued by sponsors and projects to have direct access to a decision-maker and to take advantage of his in-depth knowledge of the targeted intervention area.

Clear focus, simple set-up: To start, the concentration on one area (youth unemployment) and a straight forward but effective management – in SA integrated into the SDC Cooperation Office – facilitates trust building and communication among the partners. Clear cut guidelines are a must and the fund management needs to be familiar both with corporate world, SDC and the set-up and monitoring of social projects.

Innovation³: SSACI has shown the value of being truly innovative to differentiate itself from other, larger "mainstream" players. This is the only way it can remain attractive for the corporate sponsors, SDC and projects that share the same innovation spirit. Moreover, a conscious "innovation management" opens up

³ We refer here particularly to SSACI's innovative training schemes that include additional measures to bridge the training – job placement gap (usually lacking in government-supported schemes).

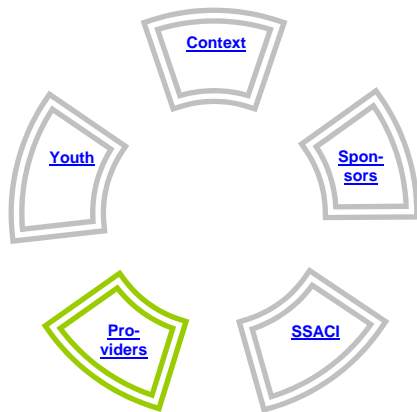
opportunities for replication of successful projects on larger scale, supported by other players.

Results-based management: It's hard to proclaim to be innovative without showing measurable results. SSACI has gained its current reputation with a consistent track record of achieving results clearly above average. It's easier to engage corporate sponsors and keep them "on board" if visible results can be shown to them.

Communication: Communication efforts can never be overemphasized in such a partnership. First, there are many organizations involved with quite different levels of interaction and information. Second, there is a potential for cross-fertilization between organizations of the same kind (e.g., project to project) or of different nature (e.g., sponsor to project).

Service Providers

Delivery of innovative training schemes through smart portfolio management



SSACI delivers its mission through funding of innovative training approaches and projects that address the gap between education, training and employment for disadvantaged youths. With a higher investment per trainee, the return in terms of success on the job market can be significantly enhanced. Several examples and a cross-analysis of the funding portfolio show that SSACI funds quite a variety of service providers, both for reasons of innovation – testing the grounds in different ways – and risk management – avoiding to bet on a single horse. At the same time, this implies also a differentiated interaction with the projects – some will need close follow-up and advice, others networking with similar organizations and projects.

The mode of delivery of the SSACI Trust is through funding of projects that are proposed by intermediary organizations. Usually, these are established NGOs, training institutions or similar service providers who have been running other projects in the past.

The identification of possible projects is mainly done through active screening and networking by the Programme Manager. Only once in four years a public call for proposals had been issued. Through the SSACI Website, any organization is invited to apply for funding of their project. There is no fixed deadline for proposals, they can be handed in at any time.

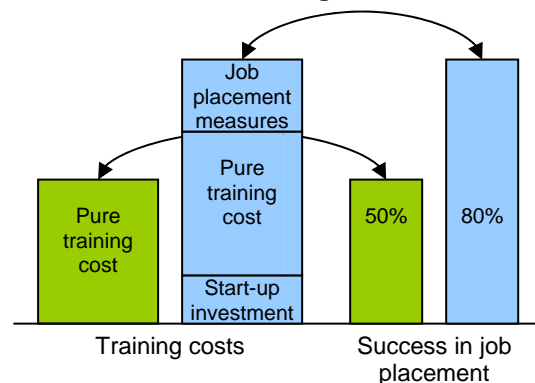
Bridging the gap between training and job placement

SSACI's main funding philosophy is founded in the conviction that there is a need for new approaches to successfully bridge the gap between education, training, and employment. Therefore, SSACI is explicitly funding projects that are developing new training concepts, curricula, etc. However, SSACI is not funding the start-up costs of new service providers.

Obviously, the cost of development of new training offers adds up to the pure training implementation costs. Moreover, some costs for setting up infrastructure (e.g., a call center for practicing purposes) might incur as well. Since most service providers,

even well-established ones, are not in a position to generate enough cash to finance such investments by their own capital (nor have they access to usual commercial credits), there is a need for start-up financing by institutions like SSACI.

Illustration of costs and success ratio of usual and SSACI training schemes



Finally, all additional measures to bridge the transfer gap between training and job placement increase the cost of per trained youth: training of life skills (basic social and communication skills necessary to obtain and retain any job), support for job placement, training of entrepreneurial skills, Business Development Services, mentoring, etc. add up as well.

On the benefits' side, these "extra-costs" must be weighted against the higher success ratio in terms of job placement and the quality and security of jobs obtained. Within the spirit of an outcome-based approach, one should not measure the cost

per trained person, but rather the cost per successfully obtained wage-employment.

After the start-up phase with one-off investments, the running cost for an innovative training scheme is expected to go down, however still being above average due to the additional job placement measures. In many cases, an analysis of the benefits will show that these costs are well invested. The following example shows how such a calculation could turn out.

Illustrative example

Let's compare two training schemes, a "usual" scheme A with USD 2'000 cost per trainee and an "innovative, SSACI-like" scheme B, including job placement efforts amounting to an additional cost of 20% per trainee. Further we assume that the success ratios of finding a job are 50% for A and 80% for B.

For 100 trainees in each scheme we get:

- A costs USD 200'000 for 100 trainees of which 50 find employment.
- B costs USD 240'000 for 100 trainees of which 80 find employment.

Looking at the cost per trainee, the "usual" scheme A would appear to be more cost-efficient, B being 20% more expensive.

Looking at the cost per successfully employed trainee, we find that it amounts to USD 4'000 under A and to USD 3'000 under B. That is, A is actually less cost-effective, by 33%!

Obviously, these figures and examples are only illustrative. In any given case, the cost-benefit analysis of comparing two different approaches should be validated carefully.

Diversity of SSACI's portfolio

The following case examples provide an insight into the spectrum of service providers SSACI is or has been funding. However, it obviously cannot show the full variety of the portfolio.

Case example 1: Dynamic Business Start-Up Project (DBSP)

Project focus

The project is to train at least 140 young people from five separate geographic ar-

reas in practical entrepreneurial skills. The DBSP training programme runs for four weeks, full time, and is government accredited. At least 70% of the trainees should start-up own micro-enterprises that provide a long-term livable income after 24 months. Another 25 additional jobs should be created by some of the trainees employing additional members of the community.

Moreover, the project provides business development services to selected enterprises already established with SSACI funding in an earlier phase, with the objective to move at least 20 (out of originally 160 trainees) from the informal to the formal sector.



An ex-trainee of the Dynamic Business Start-up Project in front of his Barber Shop, employing four more hairdressers after one year of operations

Profile of service provider

The Dynamic Business Start-up Project (DBSP) has been in business since 1997 as a training and development organization. It concentrates on providing business start-up training and aftercare to people from economically marginalized communities. Once being a "one-trainer-organization" it grew its team by developing ex-trainees into trainers. All trainers work part-time for DBSP and most of them continue to run their own business. Wherever it is active, DBSP also enters into a partnership with a local community-based organization, from which a suitable person is selected to be trained as a business support agent.

Sustainability and replication potential

DBSP aims to tap local government resources (reserved for poverty alleviation

and/or job creation) by establishing contact from the start, running pilot programmes with external funding and convincing local government to take over by showing concrete results. Since in many rural areas there's less lack of resources than of project implementation capacity, this route seems promising and is being tested in the Vryburg area (North-West Province).

Case example 2: Athlone Association for the Blind



A visually impaired call center trainee at Athlone

Project focus

The project entails the development and trialing of a “fast-track” learnership in call-centre operations. By virtue of its rapid growth and (global) competitiveness of South Africa, the call-centre industry offers an increasing number of entry-level job opportunities, as well as attractive career paths. Only part of the trainees are blind or visually impaired, which allows for a more efficient training operation (e.g. through “buddy training”, non-impaired trainees supporting the visually impaired or blind). On completion of the internship, trainees are assisted to find jobs within the call-centre industry.

Profile of service provider

The Athlone Association for the Blind is well organized and established – it dates back to 1927 and has been offering vocational training, assistance with job hunting and other forms of support for many years. Its ability to develop high-quality training offers is clearly demonstrated and confirmed by an recent external evaluation.

Sustainability and replication potential

The original plan to establish an own call center to generate funds through services of trainees as outsourced call-centre agents has so far not been fully successful. Even if it generated USD 20'000 from several small contracts in 2004, no large contracts have been obtained up to now. On the other hand, a new opportunity for revenue generation opened up: Athlone got into an agreement with the Services Sector Education & Training Authority (SETA) to train call centre agents that will generate nearly USD 200'000 of revenues in 2005.

Case example 3: Furntrain



A Furntrain trainee with her workshop products

The NGO runs a skills training programme which revolves around skills training in the furniture manufacturing industry. The learnership training includes entrepreneurial and small business development, leading to either job placement or self-employment. The programme is accredited by the Furniture- “SETA”. An average of 100 learners annually is a 50/50 gender balanced intake with some coming from the disability and substance and alcohol abuse backgrounds. A 2002 partnership with SSACI opened up a new chapter in training for creating opportunities for employment for youth from the informal settlements around the city of Brits. Almost 90% of those trained during the last three years have been absorbed in the furniture business sector.

Profile of service provider

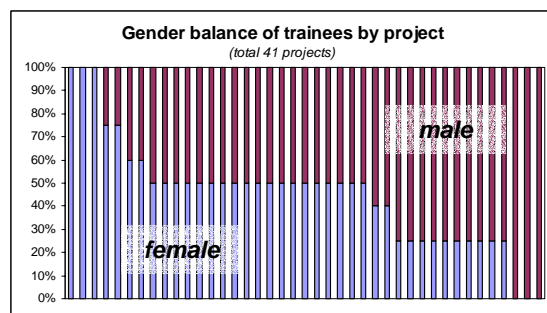
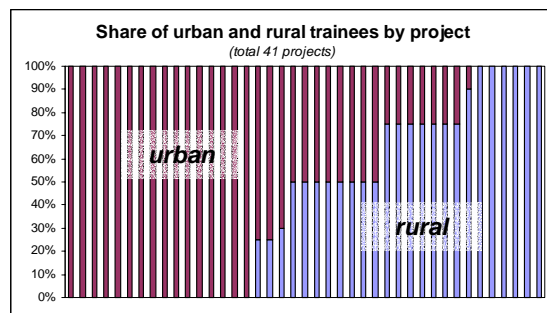
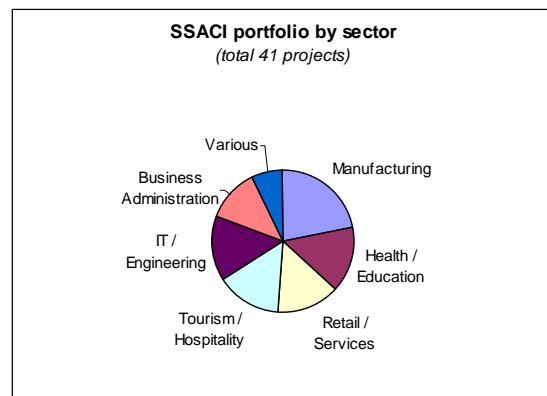
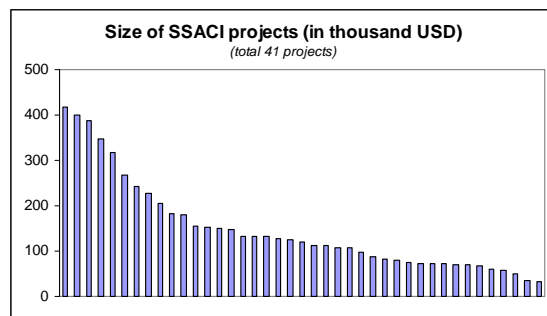
Established as an NGO since 1999, Furntrain is a progressive youth training and development project. In the five years that it has been operational, Furntrain has established partnerships with the North-West provincial government (through the previous and current premiers), engaged Tshwane Metro for extending services into Hammarskraal and joined the “Shintsha” Project as part of the National Skills Development Fund for funding of learnerships. It is currently engaging medium and big businesses in the province for increased youth placements. The visit by SSACI’s Board of Trustees provided the impetus for Furntrain to market itself more aggressively.

Sustainability and replication potential

The partnership with “Dipakanyo Furniture cc”, through the assistance of Tshwane Metro will greatly increase the income levels of Furntrain, as the project will be training youth for employment into Dipakanyo over the next three years. Furntrain has the potential of establishing an on-going partnership with FIETA as it has already demonstrated the ability to work closely and effectively with the SETA. The new provincial premier has been a keen supporter of this project and Furntrain needs to exploit this relationship for further enhancement of its operations (for continued financial support).

SSACI portfolio analysis

SSACI's overall portfolio is characterized by a variety of size (in terms of funding and number of trainees), sectors, skills levels, etc. within the clearly defined area of intervention (youth training). Below, we show a selection of representations of SSACI's portfolio according to two key dimensions.



The case examples and the portfolio overview show that the range of supported organizations is quite wide. There are several reasons to it. The following first four arguments shows why this diversification in terms of sectors and approaches is adequate. The next two arguments shows that the market of potential service providers, while being huge at the outset, is restrained by several factors, and thereby the “quality hurdle” for supported organizations cannot be put too high.

A diversified portfolio within the clear orientation "youth training"

- *Risk management:* Betting on only one or two "growth sectors" is quite risky. Not only can the growth prospects change quickly, but also competition can become quite fierce in some sectors (e.g. IT training), leaving little room for innovative niche-players like SSACI.
- *Evolving strategy:* SSACI started with a clear preference for job placement, that is, with a perspective of wage-employment for the trained youth. However, there is a shortage of jobs in the formal sector. It is estimated to absorb only about 5% of the young entrants to the job market. This led SSACI to look more into job creation, first in the informal sector through the start-up and growth of micro-enterprises. More recently, SSACI has tried to identify more opportunities for self-employment in the formal sector, e.g. through Business Development Services, franchising, etc.)
- *Internal rules and regulations:* The restriction on a maximal funding of USD 130'000 per year and project implies that the project portfolio has to remain relatively scattered and the number of supported service providers to be relatively high. In fact, it has prevented SSACI from supporting some potentially good projects that would have required a higher level of funding or a longer term commitment than is permitted by its standing regulations.
- *Testing the grounds:* SSACI was trying different avenues for success in its initial phase. Lately, the lessons from these first experiences – what works, what doesn't – have led to a clearer focus.

Restrictions in the provider market

- *Limited number of innovative, outcome-driven providers:* There seems to be no abundance of well established service providers that are as outcome-driven – targeting employment rather than training – as required by SSACI. Some proposals got withdrawn as soon as SSACI wanted to fix the ratio of successfully employed trainees into the contract. As long as many large donors (government, NGO and private sponsors) provide supply-side incentives to training organizations, there is little hope for change.

- *Legislation on tax exemption:* In terms of a new tax regime implemented in South Africa in 2000, only donations to public-benefit organizations approved by the South African Revenue Services are tax deductible for donors. The criteria for receiving this so-called '18A status' are quite restrictive and have precluded many reputable service-providers in the non-profit sector. Moreover, there has been a serious bottleneck in the processing of applications for 18A status within Revenue Services, with delays of 12-18 months in some cases. As a result, SSACI, which has 18A status and is obliged to restrict its grants to other 18A organizations or risk losing the tax relief that it can offer to corporate donors, has had to turn down a number of good project proposals from well-established service-providers with excellent credentials.

Interaction with service providers

All of the above factors together make it almost impossible for SSACI to be just a "hands-off" investment fund. That is, it's not sufficient to screen project proposals, to select the "best few" for funding, and to monitor progress by reading reports.

First, it means that the market of potential providers must be actively screened, a very resource-intensive task. In fact, one of the main motivations for corporate sponsors to engage with SSACI is that they are not in a position – neither by resources nor by competency – to screen this market by themselves in an effective way.

Second, SSACI also funds service providers that are in start-up or reorganization phases, not only because of a lack of alternatives, but as a contribution to a positive development and capacity building of the South African NGO sector as a whole. These service providers might need more intensive follow-up, coaching or mentoring during a longer time period. Also, external evaluations of individual projects have been useful learning opportunities for both SSACI and the service providers. Again, this is resource-intensive and needs competencies that not every fund manager can provide.

Third, there is an opportunity to bring different SSACI-funded service providers together to enhance knowledge sharing and peer learning. More experienced service providers might support less established ones in the same sectors, thereby freeing up some resources of the Programme Manager.

Key take-aways

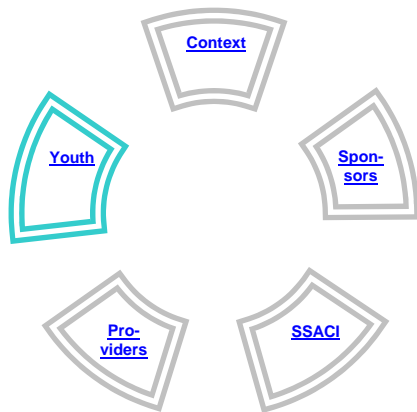
Focus on outcome: A key recipe for SSACI's success is its focus on outcome in terms of employment rather than supply in terms of training. This restricts the number of potential service providers since they have to take on risks beyond their immediate control.

Smart portfolio management: Diversification in terms of intervention sectors and selection of partners makes sense. "Klumpenrisiken" ("putting all eggs into one basket") should be avoided. In SSACI's case, a mix of established partners and others that need strong support is suitable to the circumstances (market of service providers).

Addressing the quality of service provision: In order to improve the service provision and limit the individual project risks with innovative training schemes, different measures can be taken. Three examples from the SSACI case are: Competent follow-up and professional advice by the Programme Manager (requiring the corresponding competencies); selective external evaluations of individual projects; networking and peer support between the different funded projects (this could be further strengthened in the SSACI case).

SSACI Trained Youth

Action speaks louder than words: up-trained youth with a job



Innovation is the key and quality makes a real difference. The testimonies of trained young South African people show the overwhelming impact of a comprehensive skills oriented training that integrates life skills, entrepreneurial training and assistance in establishing micro-enterprises. Effective management of the social fund provides profile and visibility. Arising potentials for scaling-up are: networking of service providers, replication of successful schemes in governmental and non-governmental organizations and exploring partnerships with Swiss businesses in other countries.

Tangible results at aggregate level

By the end of June 2004, SSACI had committed a total of 36'248'800 Rand (equivalent to about 6 million USD) to 39 youth development projects, of which 24 are currently active and 15 have run to completion. Through these projects:

- A total of 2'417 unemployed youths have been enrolled for training.
- 1'636 of these youths have completed their SSACI-funded training, of whom 702 (43%) are now in wage-employment, 342 (31%) are self-employed, 92 (6%) are in further education or training and 77 (5%) are doing voluntary community service.
- 285 micro-enterprises have been started, employing not only the founding entrepreneurs but also an additional 85 people from the community at large.
- 120 start-up enterprises owned or operated by disadvantaged youths are receiving business development services aimed at enabling them to grow their operations and take on additional young employees.

Comparative advantages of SSACI projects: bridges across the transfer gap

The effectiveness of rapid and workplace related training is determined to a large extent by the transfer into practice, i.e. that the trainee is capable to apply acquired skills without getting further support. Therefore, a core task of training involves bridging the gap between the learning during a training process and the practical application of what has been learned. Since SSACI seeks to get youths into sustain-able long-term employment, it concentrates on projects striving for crossing the gap between training and workplace. Without claiming completeness, those projects try to:

- develop learning activities that match the real work situation, involving a high proportion of practical skills development through exercises, problem-solving activities and case studies.
- promote all forms of practice-oriented learning based on the assessment of required competencies, practical exercises, in-service learnerships and practicals in enterprises.
- integrate life skills training, entrepreneurial training and assistance in establishing micro-enterprises into technical skills training.
- provide in every project post-training mentorship to facilitate finding jobs or setting up micro-enterprises.
- stimulate the sense for progress through joint evaluations.

Biographies of young (ex-)trainees

At the age of 21, Roy (now 23) returned from his exile in Zimbabwe to South Africa looking for his parents. He discovered that they had passed away and he had nowhere to live but the streets of Pretoria. With little support from his uncles he lived literally from hand to mouth with no plans going beyond the next day.



Moving to Mamelodi, Roy met Peter, a teacher at the “Dynamic Business Start-up Project (DBSP)”. Peter was just doing a follow-up visit to one of his ex-trainees who had founded a tuck shop. Roy was interested in starting his own business as well and asked Peter for advice. The recommendation was to apply for the next training programme, to which Roy was admitted. At the training, Roy was introduced into basic financial management and entrepreneurial skills. The latter included identifying business opportunities in the community, conducting research on the opportunity, writing up a business plan and starting the business itself.

The trainees financial contribution to the training was an amount of USD 10, which at the same time served as start-up capital for their business. Roy wrote his business plan about selling cigarettes, not only to individual users, but primarily to resellers (shop owners, liquor stores etc.). His competitive advantages should be service quality (delivery to customer, reliable every-day service) and diversity of offer (selling more brands than the competitors).

Eight months after completing the programme, Roy is selling up to 20 cartons (10 boxes each) of cigarettes a month with a margin of USD 3.3 per box. This gives him a monthly income of USD 400 to 800, making him a proud owner of an own house, a bed, and a bright future.

LIFE STORY of Ntombizikona Mantanga, Alumni of the Business Skills Development Center (BSDC)

I joined BSDC in 1998 from January to June. I heard about BSDC from Veliswa Zimema who studied in 1997. I wanted to go to the Technikon to further my studies but I couldn't afford the fees. Veliswa advised me to enroll at Business Skills for the six months course, she recommended BSDC and mentioned that I won't regret. I was accepted on the course.

I studied and graduated in July but I had to leave before my graduation day for Transkei because my uncle who was a business owner was killed. That is when things started to be difficult for me, I didn't have time to go for interviews as we were preparing for his funeral.

I tried my luck after the funeral to get the job but was unsuccessful. I decided to come back to Cape Town in 1999, visited BSDC and told them about my situation. This year (1999) the person who paid for my fees whilst I was at Business Skills passed away.

I lost hope because she was everything to me. I had to go back to Transkei again and decided to come back towards the end of 1999. I knew if I visited BSDC they would help, they were like my family to me. I started looking for a job again until one afternoon when I received a call from BSDC, they wanted to interview me for a position as a Receptionist. I couldn't believe that.

I arrived at BSDC on the day of the Interview that was on Friday. I waited for the call after the interview, and the Manager told me that my interview was successful. Everything changed from then, I started working for the BSDC on the 24/01/2000 to date. I started as a Receptionist but I was promoted. I am now working as a Recruitment Consultant and I am busy with the Labour Recruitment learnership at Services SETA. I also paid for my other family members who enrolled at BSDC and they are also working now. I don't regret coming to BSDC, its really a home for everyone.

Regards, Ntombizikona Mantanga



Dumisani Gumede, Physiotherapist and Alumni from the Mosvold Hospital Trust

Dumisani Gumede (22), France Nxumalo (24) and John Mkhumbuzi (24) were all born and raised in the Ingwavuma district of northern KwaZulu-Natal, a remote area of over 2100 km² in the Lubombo Mountains on the borders of South Africa, Mozambique and Swaziland. This deep rural district is extremely poor and has high rates of malaria and HIV infection, and a 70% unemployment rate. Schools are critically under-resourced and, until the Mosvold project began visiting them in 2000 to recruit top achievers for medical scholarships, few learners made it to tertiary education and fewer still to medical school. The few youngsters who made it to college usually settled in the city for good, leading to a chronic outflow of talent from the Ingwavuma area and thus exacerbating social problems.

Dumisane, France and John all went from school to study a health science under the Mosvold scheme, financed since 2001 by SSACI. Today, all three are back in their home district working at Mosvold hospital and its satellite clinics. France has set up the first ever optometry unit at the hospital. John is its first fully-qualified dental therapist. France now serves on the project steering committee. All three are active in counselling local youths on HIV/AIDS and make regular visits to local schools to encourage responsible behaviour, peer counselling and wise career choices.

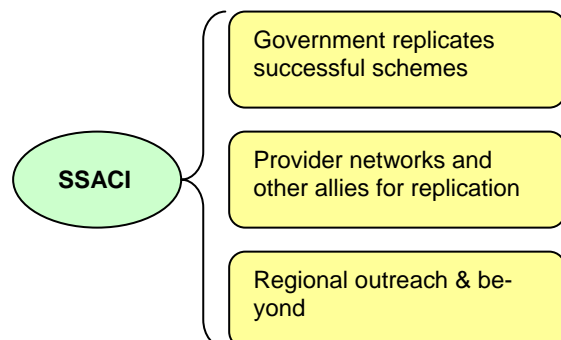
The significance of this project is threefold. Firstly, it has retained talent in a deep rural district by training local youths to staff essential services. Secondly, it has provided an important source of role-models for other youths in the area by showcasing the success of their peers in careers previously considered unattainable. Thirdly, it has brought about a shift in the thinking of provincial health departments and medical schools towards rural youths who were previously largely excluded from training in the health sciences.

View of the wider context: the potential for scaling up

The track-record of SSACI in terms of achieving its objectives of employment and self-employment of its trainees is impressive. However, about 1.200 new jobs in the formal and informal sector are still a tiny drop into the sea of unemployed youth, amounting to about 3 million people in South Africa. Therefore, an inevitable question must be raised about the possibilities for replication of SSACI's innovative training schemes on a larger scale.

It is highly unlikely that multiplying the size of SSACI by a factor of 10 (or 50) would be a promising recipe for successful replication. As shown above, the small size and efficiency of SSACI has many benefits: small overhead, flexibility, direct contact between the Programme Manager and service providers. This comparative advantage would be threatened when the organization would multiply its size – as shown by other, larger South African organizations with a similar mission such as the National Business Initiatives / NBI. Moreover, the sponsoring base of SSACI would need to be considerably enlarged and possibly lose its profile.

Nevertheless, on the basis of a sound knowledge management and documented success cases, SSACI can enhance its range of impact. Given that SSACI cannot multiply itself, there remain basically three main avenues for reaching a greater part of the overall unemployed youth in South Africa:



Government replicates successful training schemes

The innovative aspects of SSACI-funded projects – development of new learner-

ships, opening up of new pathways to employment for youths – have not gone unnoticed by the Government, in particular the Department of Labour or the Sector Training and Education Authorities (SETA). For instance, the Tourism and Hospitality SETA is considering abandoning its existing entry-level training curriculum for hotel employees in favour of the curriculum being used in a SSACI project (School Leavers' Opportunity Training). Services SETA's recommended curriculum for the training of call-centre operators is a combination of those developed by two SSACI funded service providers (Athlone and I-Fundi). Another SSACI project (National Peace Accord Trust) developed an entirely new job category – wilderness therapy guides – now recognized by the Tourism and Hospitality SETA. Moreover, SSACI itself has pioneered the model of integrating life skills training, technical skills training and post-training support (in the form of job placement or enterprise development) into every project. The Department of Labour is now urging the SETAs to adopt a similar model. Thus, SSACI can claim to be achieving some systemic impact which goes beyond its relatively small number of trainees.

Since the SETAs have quite some financial resources available for the so-called "Learnerships", they are a preferred partner for SSACI in order to overtake and "mainstream" some of its innovative training schemes. Unfortunately, there are also quite some management problems with many of the SETAs. They are currently under rising pressure from the Minister of Labour, the South African press and many other institutions involved with education and training. In SSACI's and its projects' dealings with SETAs, very bureaucratic attitudes and cumbersome processes, high staff turn-over and lack of clear division of responsibilities between the different SETAs are hampering an important relationship. E.g., since 18 months (and still ongoing) a SSACI funded project tries to find out whether the training offered within an enterprise active in computer refurbishing and reselling is to be accredited with the SETA dealing with IT, wholesale/retail, or services.

Provider networks and other allies for replication

Usually the providers of SSACI funded projects work also for other governmental and non-governmental funding institutions. The wide range of these service providers can be linked up to learning networks, exchanging experiences and improving their implementing capacity.

Other than the government partners for replication, there are quite large and well resourced South African organizations that are active in the same or similar fields as SSACI. Among these are the Umsobomvu Youth Fund, the National Development Agency, the National Business Initiative and the Business Trust. Within this case study, we were not able to make a well-founded judgment on these institutions as possible partners for SSACI, but the impressions we got are nonetheless worth sharing. To some extent the National Business Initiative / NBI, the Business Trust and the Umsobomvu Youth Fund are potential up-scaling partners. For example, there might be a collaboration on the government's expanded public works programme (with which both Umsobomvu and the Business Trust are closely involved) or in other programmes operated by provincial authorities. However, it might be useful to keep in mind some limitations.

Umsobomvu's funding programme, being allocated USD 160 million from South African Government, focuses on: a business development services voucher programme, contact information and counseling for youth searching employment, a national youth service programme, and other specific job-creation projects.

Umsobomvu Youth Fund

The Umsobomvu Youth Fund's mission is to facilitate and promote the creation of jobs and skills development for South Africa's young people. Its strategy is built around four key areas:

- To create and design job creation programmes
- To outsource the implementation of these programmes to service providers
- To support and work with existing youth initiatives

- To support capacity building for service providers

One of SSACI's projects has been able to source suitable trainees for its call-center project through the information and counseling centers. SSACI also had discussions with Umsobomvu on its plan for a national youth service programme, which might create opportunities for further co-operation in the future. On the other hand, Umsobomvu has been criticized in the media and by some NGOs for its cumbersome administrative procedures and slow delivery, and has even had to face calls from political groupings such as the African National Congress Youth League for its dismantling.

The case of the National Development Agency / NDA, another government-funded organization that provides financial and non-financial support to civil society organizations, is even worse. It has been underperforming during the last years, but is still being allocated about USD 15 million a year. Its problems culminated in a forensic investigation by the Auditor-General at the time of this research.

Regional outreach to neighbouring countries and beyond

SDC has decided to phase out its Special Programme for South Africa until the end of 2004 and will simultaneously establish a regional programme for Southern Africa. In the light of this development, the SSACI experience could be the platform for a regional outreach. In order to prevent from blurring the profile of SSACI, it would be recommendable to set up a second regional funding line that can be managed with the support of SSACI and eventually by a regional liaison office.

Furthermore and beyond the Southern African region, there are a number of countries (such as India, China, Thailand, Vietnam, Indonesia, Peru, Ecuador, Central America, Brazil, Chile) where Swiss industries and businesses are well established. Even in countries where SDC does not have an established Co-operation Office, it might be useful to explore the potentials to set up a similar service facilitating social

investment with the Swiss private sector engaged in these countries.

Key take-aways

It works – also on the ground: The stories of the final beneficiaries of SSACI show that the co-operation initiative not only works between the public and private sponsors, but actually it makes a real difference in the lives of the trainees.

Bottleneck in implementation: As shown by the potential allies of SSACI for scaling-up (governmental and non-governmental), the main bottleneck in South Africa is not the lack of resources, but rather the lack of capacities to implement larger programmes with similar effectiveness as on smaller scale.

Networking and alliances for scaling-up: In order to reach an impact beyond the individual training programmes, it is necessary to network service providers and build alliances with larger partners, who have access to larger resources.

Potential for outreach: The SSACI experience can be expanded to the Southern African region and even replicated beyond. To create a social investment fund as a joint venture / partnership between Swiss industries and SDC, first, a sound exploration in possible host countries is a must. On the background of SDC's engagement for MDG's and Financing for Development this pre-investment is a typical SDC task. Once a rough potential analysis at hand, a core group of Swiss business headquarters should be addressed to explore their interest, the purpose of funding and pledging amounts in a mid-term perspective. In view of implementation, based on its experience in social investment, SDC is well placed to mount the fund management and can finally expect that its public investment in development is at least doubled.