

The Social and Solidarity Economy – A Pathway to Socially Sustainable Development

KAS-CONFERENCE ON THE PROSPECTS AND CHALLENGES OF THE SOCIAL ECONOMY IN SOUTH AFRICA

On the 3rd and 4th of September 2014 representatives from the government, economic sector and academic institutions gathered for a second time, on the invitation of the Konrad-Adenauer-Stiftung (KAS), to discuss and exchange ideas on the role of the social economy for South Africa's sustainable development. Presentations and panel discussions stressed the contentious questions of development, funding and the legislative framework for socially responsible corporations. Matthias Schäfer, head of the Economic Policy Department of KAS in Berlin, gave insight into the German model of the Social Market Economy.

The question whether to adopt a sustainable economic model arises against the background of high unemployment, especially among the youth, and mammoth inequality within the society. In times when the state is unable to provide social and economic protection, civil corporations come to the fore. On the 3rd and 4th of September, KAS in partnership with the Centre for Social Entrepreneurship and Social Economy (CSESE) at the University of Johannesburg (UJ), co-hosted a discourse regarding the possibilities and challenges of the social economy of South Africa, in order to critically and constructively highlight those points.

Prof. Daneel van Lill, Dean of the faculty of Management at the UJ, opened the event. The questions to financial cooperation between small businesses and social corporations, indicators for social values, as well as the academic discourses about social entrepreneurship posed by Prof. van Lill, guided the participants through the later presentations.

The Role of the Social Economy for Sustainable Development

As the representative for the newly established Governmental Department for Small Business Development, Jeffrey Ndumo, Chief Director for Cooperatives in the department of Trade and Industry, spoke about the role that cooperatives play in the development of democracy. Democratic principles are practiced in socially responsible cooperatives, and with a 60 percent of management positions held by women, these exemplify the success of female participation. However, there are a large number of registered cooperatives of which only 20 percent are functioning, which exhibits a very small success rate. Mr. Ndumo relates this back to a range of problems, which the government intends to tackle by providing funding, qualifications, training, and creating a support network for new small to medium enterprises (SMEs).

Furthermore, Mr. Ndumo points out that along with state support for social SMEs, it is also the duty of society to care for these enterprises and to do away with social grievances. Some challenges that social enterprises are confronted with in South Africa include the ac-

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quisition of investments and legislation, which is often unclear, that ultimately leads back to undefined responsibilities of governmental departments.

Do Grants lead to Market Distortion?

This controversial question is examined by Sadi Motsuenyane from the Department of Social Development (DSD), Gavin Anderson from the Seriti Institute, which supports community organizations in healthcare and economic development, and Neil Campher from Campher & Sebata Investments. Mr. Anderson and Mr. Campher describe the 'catch-22' situation for many social enterprises of untrustworthy banks that do not provide credit loans or grants, which would, however, in turn generate perpetual dependence. Ms. Motsuenyane, on the other hand, views grants as an important aid system that opens the door for SMEs into the markets. It is important, however, that a local business market is secured so that the grant money stays within the community.

Is Social Procurement the Answer to Uplifting the Social Economy?

In an energetic and critical panel discussion, representatives and experts from different organizations presented their opinions regarding social procurement of the public and private sectors. Marcus Coetzee from the African Social Entrepreneurship Network (ASEN) and Grania Mackie from the International Labour Organization (ILO) agreed that progress has been made on the supply and demand front of social procurement. In light of this, social enterprises must widen their efforts and outputs, and stakeholders of public and private sectors must establish trust in the abilities and importance of social corporations, because up until now skepticism and financially orientated procurement has been the norm. Ms. Mackie reported on her work in KwaZulu-Natal, where 70 percent of public mandates should be handed over to social enterprises, however, that the implementation will be hampered by a lack of awareness of the social economy and its socio-economic goals.



Foto: Marcus Coetzee, Dr. Susan Steinman, Grania Mackie and Bongani Mabuse

The danger of corruption within favored procurement schemes was addressed by Grania Mackie and Bongani Mabuse from the City of Johannesburg. To this topic participants analytically voiced their opinions and posed questions about the procurement by the young project, Jozi@Work, through which the City of Johannesburg wants to implement infrastructure, as well as provide public procurement to SMEs, with the aim of streamlining support for the enterprises. According to Ms. Mackie, a well-functioning system of checks and balances is imperative to prevent corruption. A contentious discussion was also held on the legislative framework for public procurement. The head of the CSESE, Dr. Susan Steinman, believes that social procurement is implementable by law, but, Mr. Coetzee describes the current condition of legislation as rather 'hostile' in relation to socially preferred procurement.

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However, all panelists agreed that the legislative framework is adequate enough, but that there is still a long way to go before the social economy, especially in the public sector, will have established itself. Good examples of social economy can make important contributions to this challenge.

The Social Market Economy in Germany – a Historical overview of a value-based Economic Model

Matthias Schäfer, head of the Economic Policy Department of KAS in Berlin, especially travelled to South Africa for the conference, to speak as an expert on essential political problems. Mr. Schäfer's presentation on the historic background of the German Social Market Economy was followed by the audience with great interest. The economic reorganizing of Post-war Germany and after the 1990 reunification was presented in light of a social and market related context. In explaining this, Mr. Schäfer highlighted the values and principles which lay the foundation for the social market economy in Germany. Many questions addressed the role of the state as a neutral 'referee' in the German economic model. The value orientation was especially positively accepted and was carried through to following presentations.



Foto: Matthias Schäfer and Dr. Holger Dix

The Future of Social Corporations

In a public presentation junior entrepreneurs presented their social entrepreneurship projects. There was great participation in discussing the future of social enterprises, and many opinions expressed that the values and principles Mr. Schäfer spoke of have to play an important role in the social market economy. Patmanathan Pillai, CEO of LifeCo UnLtd SA, one of the largest incubators in South Africa, feels that the passion of the young entrepreneurs is inspiring, but noted that this alone is not enough for the success of the social and economic spheres.

Discussion Rounds on Qualification, Cooperation and Marketing

In order to form closer interaction with participants over the two-day conference, two parallel discussion sessions took place after each panel discussion. With keen interest the participants took part in these sessions, posed thought-provoking questions and gave constructive comments. Of the six sessions all the discussion topics were received well, which was indicated by the equal distribution of participants.

Some discussions focused on business incubators in Africa. Prof. Clarke from Revolution Cycle, a successful South African incubator that cooperates, amongst others, with UJ, presented his analysis of the state of the social economy in South Africa. He criticized the population for lacking an entrepreneurial spirit and losing human and natural resources to other countries. In addition, innovations from the sciences are not being carried through into in-

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dustry. As a solution Prof. Clarke suggests the use of an "ecosystem-Model" in which research, production and development all occur in an enterprise. *Sustainable* growth should thus be prioritized over *fast* growth. Phindile Mthetwa from Shanduka Black Umbrellas, a non-profit organization incubator that supports specifically black SMEs, identified the cost advantages of mass production by large corporations and also that the ambiguity of credit-ing social enterprises is the biggest obstacle. The importance of having qualifications to suc-cessfully implement a social economy was emphasized by Ludwig Ehard from the German Cooperative and Raiffeisen Confederation (DGRV) in South Africa.

In order to better understand the creation of values by corporations, criteria were defined and examples of social enterprises used to illustrate solutions. A cause-based approach was preferred by both the panelists and the participants. Prof. Anton Senekal from UJ presented indicators which measure the functionality of interventions. These include, among others, the number of affected people, as well as the social perception of the problem.

In a further session the aspect of social marketing was explored using the example of Ken-tucky Fried Chicken's (KFC's) "Add Hope"-Initiative. Lauren Turnbull, CSR and Sponsorship Manager at KFC, explained the marketing strategy used by KFC and how the company im-plements the campaign. Ms. Turnbull stressed the importance of cooperation between cor-porates and Non-Governmental Organizations . Prof. Mercy Mpinganjira, head of research for Marketing Management at UJ, and Dr. Helen Duh, Lecturer for Marketing at UJ defined the social value of such a partnership. According to this the impact, capacity, sustainability and expectations of management are vitally important to the creation of social values.

A Discourse that brings all Actors together

On both days approximately 100 participants registered from both the KAS and the CSESE. For many participants this year's conference was a follow-on from the 2013 conference. The Audience, approximately 35 speakers, as well as the panelists viewed the event as a rare opportunity where like-mindedness from government, the economy and academics comes together to compare and exchange ideas, to learn from one another and to establish new networks. The KAS was thanked for its engagement and for the very successful conference.

Dr. Susuan Steinman from the CSESE praised the active participation and discussions of the participants and described that the conference provided for a way forward. She also thanked the KAS for the renewed and fruitful cooperation.