



# CIVIL SOCIETY PARTICIPATION IN INCOME GENERATING ACTIVITIES IN SOUTH AFRICA

MARCH 2013



## NDA

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## ACRONYMS

ACF	Action against Hunger (Action Contre le Faim )
ANC	African National Congress
ASGISA	Accelerated Shared Growth Initiative South Africa
BRAC	Building Resources Across Communities
CAF	Charities Aid Foundations
CASP	Comprehensive Agricultural Support Programme
CGAP	Consultative Group to Assist the Poorest
CSI	Corporate Social Investment
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CRDP	Comprehensive Rural Development Programme
CWP	Community Work Programme
DC	Development Caravan
DRDLR	Department of Rural Development and Land Reform
DRC	Danish Refugee Council
EIG	Employment and Income Generation
EPWP	Expanded Public Works Programme
GEAR	Growth Employment and Redistribution
GEP	Gauteng Economic Propeller
GHS	General Household Survey
HSRC	Human Sciences Research Council
IDRC	International Development Research Centre
IDT	Independent Development Trust
IGP	Income Generation Projects
ILO	International Labour Organisation

IGVGD	Income Generation for the Vulnerable Group Development
ISRDS	Integrated Sustainable Rural Development Strategy
LCS	Living Conditions Survey
LFS	Labour Force Survey
MCP	Microcredit Programme
MDG's	Millennium Development Goals
M & E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework
NARYSEC	National Rural Youth Services Corps
NDA	National Development Agency
NDP	National Development Plan
NGP	New Growth Path
NPC	National Planning Commission
NYDA	National Youth Development Agency
PSC	Public Service Commission
RECAP	Land Reform Recapitalisation and Development Programme
RDP	Reconstruction and Development Plan
SANPAD	South Africa Netherlands Research Programme
SAWID	South African Women in Dialogue
SAWs	Social Auxiliary Workers
SEDA	Small Enterprise Development Agency
SEF	Small Enterprise Foundation
SETA	Sector Education and Training Authority
SGBI	Strengthening Grassroots Business Initiative
SIDA	Swedish International Development Agency
SMES	Small and micro-enterprises

SMMEs Small Medium and Micro Enterprises  
TCP Tšhomisano Credit Programme  
USAID United States Agency for International Development

## EXECUTIVE SUMMARY

### Purpose and scope of the project

The purpose of the research was to conduct a desktop analysis on income generating initiatives in South Africa with a focus on the role of civil society organisations' (CSOs) in supporting income generating activities in South Africa, highlighting the successes, challenges and opportunities that can still be explored in this sector. The outcome of the project would be to contribute to defining the income generation strategy of the National Development Agency (NDA), which focuses in supporting CSOs' participation in income generating activities. Further, the outcomes would encourage policy debates on, and identify areas for more research in order to have a holistic understanding of CSOs' role with respect to income generating activities in South Africa.

The scope of the research was to explore the following areas:

1. Definitions of income generating activities and recent initiatives in South Africa
2. Government role in ensuring and improving income generation for the poor
3. Review of existing studies on income generation
4. The role of other relevant stakeholders in ensuring and improving access to income generation initiatives

To address the objectives of this research, the analysis presented is based on detailed review and discussion of relevant scientific literature and a scan of grey literature (policy documents, reports, web resources, etc. including resources provided by the NDA Research Unit). In addition, the project used international published data on income generating activities, models of income generating interventions for the poor, etc. The research process involved continuous sharing, and meetings between the HSRC research team and the NDA Research Unit.

### Key Findings and Recommendations

*Definition of income generating activities:* The definition focuses on the need to create opportunities for poor communities that can productively use locally available resources to develop less state and aid dependent, more self-reliant households and communities who are able to care for themselves. Income generating activities contribute to poverty reduction; improving the wellbeing of the communities as well as empowerment, self-reliance and community development. Income generating activities range from agricultural production (crop, livestock), agricultural wage employment, non-agricultural wage employment, non-farm enterprises, transfers and non-labour income sources. Poor rural and urban communities often experience various challenges in their own unique settings including lack of income generation opportunities; high levels of poverty, unemployment and inequality; low education levels; limited access to socio-economic services, etc. These challenges often require households to find alternative sources of income. When income is an important dimension of livelihood systems, income generating activities provide a key source of recuperating and/or strengthening these systems. In such situations, income generating activities can help vulnerable communities generate income to address their basic needs in a sustainable manner.

#### Recommendations:



1. Selection and mix of income generating activities depend on local context and all parties, particularly CSOs involved in designing and implementing such activities should critically consider the local circumstances of each target community. In addition, the CSOs need to ensure that their interventions in income generating activities assist vulnerable communities to secure income through their own efforts.
2. Capacitating communities in entrepreneurial skills and their traditional skills and knowledge provide an opportunity for active participation in income generating activities to create jobs in the community. CSOs need to focus on transferring practical skills focused on building and expanding existing knowledge, skills and resources.
3. Access to assets plays an important role in determining the household's ability to connect to poverty reducing incoming generating activities, particularly focused on addressing the income dimension of poverty.

*Government Policies contributing to Income Generation:* At the macro level, there is no specific policy on income generation activities, although the South African government's commitment to poverty reduction and to creating a better life for its citizens has been articulated in international, national, provincial and local policies and obligations. Since 1994 national government has instituted various policies, programmes and strategies to address unemployment and to advance economic development particularly targeting poor people. Policy development in respect of poverty alleviation and job creation has evolved, first with the adoption of the Reconstruction and Development Programme (RDP), followed by the Growth, Employment and Redistribution Strategy (GEAR) and more recently with the formulation of the New Growth Path (NGP) and the National Development Plan (NDP) Vision 2030.

Although with varying degrees, the focus has been, to address poverty and inequality through growing the economy and job creation, particularly given the unprecedented levels of unemployment in South Africa. Government policy and programmes to support income generation have included strategies to:

1. Promote labour absorption in the formal economy, both by stimulating economic growth and investing in the development of human resources;
2. Support more remunerative employment in small or micro-enterprises;
3. Promote self-employment through the creation of and/or support to income generating projects;
4. Promote land-based livelihoods or enterprise through land and (*agrarian*) reform, with particular focus on land redistribution (author addition); and
5. Creating short-term employment through public employment programmes.

The South African government's income generation policies and programmes span across many sectors including among others: agriculture, retail, manufacturing, tourism, services and crafts. A wide range of government departments, institutions and parastatal bodies are involved in various interventions related to job creation and support for enterprise development. There is concern regarding the duplication across these different programmes.

Government's support for small medium and micro enterprise (SMME) is aimed at assisting small businesses to become economically independent and is supported by a range of institutions and government departments at national, provincial and local level. The role of SMMEs in poverty alleviation has remained controversial with a concern that most of the SMME interventions in South Africa have focused on middle and higher end entrepreneurs and not on those in the survivalist sector. Evidence show that few of these initiatives have remained sustainable particularly after government support has terminated (PSC, 2007). Research

findings suggest that in comparison with other developing countries at a similar stage to South Africa, entrepreneurial activity is very low in South Africa.

Despite these many government supported interventions to promote SMME's these have not had the desired impact of addressing poverty in a significant way. The SMME policy framework has been unable to provide appropriate support to the majority of SMMEs most of whom operate in the survivalist sector, particularly those in rural communities. The lack of access to such support by rural communities is due to the urban bias in the delivery of such support as well as the lack of access to finance, markets and training opportunities that rural dwellers typically experience. Despite the establishment of institutions to coordinate programmes related to SMME's this area remains uncoordinated and with duplication of services.

South African government has implemented public employment programmes such as the Expanded Public Works Programme (EPWP) and the Community Work Programme (CWP) based on the recognition that policies to address unemployment and create decent work will take time to reach people living in marginalised areas with few opportunities. The CWP, initiated in 2009 serves as an employment safety net supplement existing livelihood strategies by providing a basic level of income security through work.

Participation in EPWP and CWP has grown significantly in South Africa with over 1 million people having participated in the EPWP as at 2008 (Meth, 2011) and approximately 90 000 participants in the CWP as at 2011, (MoF, 2012), and government intends to grow participation in these programmes by 2015 to 2 million (DRDLR, 2012). Concerns have been noted over the extent to which these interventions enable the poor to achieve sustainable livelihoods over time and ultimately to exit social protection programmes. This is termed "sustainable graduation" whereby people move off social protection into resilient and productive households. A key challenge in realising "graduation" is to ensure a coordinated approach to linking social objectives of development with economic objectives and goals. Very little is known about the potential of Public Employment Programmes (PEPs) in enabling participants to transition into sustainable livelihoods.

#### Recommendations:

1. Targeting of interventions particularly focussed on poor and vulnerable populations in the lower deciles needs to be carefully addressed. Many of the instruments and interventions implemented appear to assume self-targeting which is evidently not being realised. Self targeting implies that those who are the poorest and in need of such interventions will seek out and participate in such programmes. Targeting rural dwellers and women more specifically must be addressed. Although most of these programmes have identified women and youth as key beneficiaries the design of the programmes does not take into account the gender dynamics.
2. Measuring impact is almost non-existent with inadequate data available on the scale of income generating activities and the effectiveness of such interventions in creating pathways out of poverty. Evidence suggests that the failure rate of SMMEs in South Africa is high, with estimates of 50% of enterprises failing in the first year (PSC, 2007). This also requires establishing benchmarks for defining what a "successful" intervention is.
3. The multiple role players both within and outside of government (particularly civil society) engaged in livelihoods enhancing activities is welcomed. What is required is for a national framework on sustainable livelihoods to be developed which integrates job creation, social protection and livelihoods development which will shape policy and

programmes. In addition an institutional arrangement which facilitates coordination is also required.

4. The level of engagement between relevant stakeholders needs to be increased significantly. It is of concern, given the extent of poverty and unemployment, that the total numbers of those benefiting from either government or externally supported income generating activities is relatively small. If we are to achieve the NGP or NDP target of between 5 and 11 million jobs created by 2020 and 2030 respectively then the role of Income Generating Projects (IGP's) becomes significant. A better understanding is required as to the constraints to scaling up income generation interventions namely fiscal, institutional and/or programme design.

*Income Generation Models:* Numerous models of income generation are used by CSOs in their efforts to improve standards of living of the poor. These models depend on the context of each activity as well as target participants and beneficiaries. CSOs involved in income generating activities need to carefully consider some of these factors in designing appropriate models aimed at improving incomes and livelihoods of poor communities. The basic principles that need to be considered for income generating activities especially targeted for the poor and marginalised groups include but are not limited to: protection and strengthening of livelihoods; sustainability; coordination; community participation; support for local initiatives; accompaniment and technical assistance; attention to gender issues.

#### Recommendations:

1. It is critical for CSOs' income generating activity models to ensure that they address the needs of the target beneficiaries as well as empower them to be agents of their own development.
2. CSOs income generating activities need to focus on establishing sustainable and self-reliant communities, embracing both bottom-up and top-down approaches and avoiding imposing activities on target beneficiaries.
3. Active involvement of beneficiaries in designing and implementing income generating activities models increases their chances of improving the incomes and livelihoods of the target groups. Target communities have rich knowledge of their immediate circumstances, their economic environments and the countless complex constraints that could result in the failure of the initiatives.
4. Income generating activities for the poor need to initially focus on strengthening capacity and livelihoods and gradually develop communities into larger income generating activities as their capacity and resources grow.

#### *The role of other relevant stakeholders in ensuring and improving access to income generation initiatives:*

Various stakeholders contribute towards income generation activities within communities, and these include CSOs, government and the private sector. The role of CSOs have been prominent in many ways and some of their interventions include the provision of services such as capacity enhancement through training, facilitation of access to credit, advice and small grants to SMMEs, among others. Several projects at community level include micro finance programmes like the Small Enterprise Foundation (SEF) targeting women and the Development Caravan of poverty eradication by SAWID, among others. However, while CSOs are key players in poverty eradication at the community level, they face several challenges that need to be addressed for the role to have a significant impact. Some of the challenges are lack of finance, relevant skills and effective coordination among themselves and between them and government.

The role of the private sector in income generation is mainly through Corporate Social Investment (CSI), which include access to funding for specific community projects, or facilitating access to credit, infrastructure development for specific projects, like renewable energy for poor urban and rural communities, to mention a few. According to Trilogue (2012), South African companies invested R6.9 billion in social projects in the 2011/12 period, recording an 11% increase from R6.2 billion in 2010/2011, with a 10% annual average growth recorded over the past five years. This is a significant contribution to civil society and communities' wellbeing with expected impacts at the community level. The amount of CSI covers all financial contributions to communities as well as infrastructure spend and in-kind donations of products and services (NGO-Pulse, 2012). However, the CSI expenditure is highly concentrated among 32 companies accounting for half of the total estimated CSI, which raises the need for all corporate South Africa to play a role.

Other institutions involved in income generation include international development institutions like the World Bank, the Swedish International Development Agency (SIDA), and the United States Agency for International Development (USAID), the International Development Research Centre (IDRC), OXFAM, etc. These organisations mainly provide finance to and businesses. These institutions have and continue to contribute to knowledge development and dissemination on local and international practices and in providing expert advice and support in the design and implementation of relevant programmes.

#### Recommendations:

1. There is need for regular dialogue and exchange of information between civil society and government with regard to policy and legislation in order to make an impact on poor communities, like the experience from Brazil.
2. Capacity building and enhancement programs for communities. There is need to develop strategies and programmes that increase the poor's organisational experience, so that they can be actively included in policy planning and engagement processes with government.
3. The provision of incentives and financial support to CSOs. Funds should be made available for support CSO with community income generating activities and to assist under-resourced groups in civil society, so that they can fully participate in collaborative and constructive community development efforts. Facilitation of access to credit and other sources of funding could strengthen CSO's capacity to assist needy communities with access to funding. This can also be used as a platform for civil society to make government aware of their funding needs and those communities they serve to ensure its commitment towards funding of relevant projects for poor communities.
4. Strengthening coordination at all levels and among the relevant stakeholders at community level. Civil society co-ordination is essential for bringing diverse partners together to collectively effect social change and to strengthen coordination between well-resourced and poorer or needy organisations.

# 1 BACKGROUND AND INTRODUCTION

The South African government has since 1994 prioritised the involvement of the previously disadvantaged groups of our society into the mainstream economy by creating mechanisms through policy and structures that would assist in creating economic opportunities for this group of our society. One of the major areas that were identified was the development of small and medium sized enterprises as drivers for job creation and this was supported by a number of organisations who were geared towards fulfilling this objective. These included Small Enterprise Development Agency (Seda), Umsobomvu Youth Fund which was later changed to National Youth Development Agency (NYDA) and other provincial bodies like Gauteng Economic Propeller (GEP) whose main objectives are to provide support to small and medium sized organisations.

As part of efforts to address the significant challenges of poverty, unemployment and inequality, the South African government developed and adopted the National Development Plan (NDP) in 2012, as a blueprint to eliminate poverty and reduce inequality by 2030. The NDP seeks to build capacities of people, grow an inclusive economy, enhance the capacity of state and promote leadership and partnership throughout society. The NDP and many other government policies such as the New Growth Path (NGP) offer great opportunities for income generation activities for the poor rural and urban communities. There is great scope to conceptualise the National Development Agency income generating activities programme or enterprise development within these government policies.

There have been a number of studies that have been conducted to gain understanding of the income generation sector and its performance. The National Development Agency (NDA) has identified income generation as one of the drivers of its strategy and is interested in gaining more insight into this sector of the economy. With this background, the NDA is committed to conducting a desktop research of the nature of income generation initiatives in South Africa with a focus on government interventions, highlighting the successes, challenges and opportunities that can still be explored in this sector. The research is focussed on providing recommendations on how best to assist Civil Society Organisations (CSOs) to play a functional role in the income generation sector and contribute to the fight against poverty and inequality in South Africa.

## 2 TERMS OF REFERENCE FOR THE STUDY

### 2.1 Objectives of the study

The main objective was to conduct desktop analysis on income generating initiatives in South Africa with a focus on role of civil society organisations participation in income generating activities in South Africa highlighting the successes, challenges and opportunities that can still be explored in this sector. The outcomes of the project would contribute to defining the income generation strategy of the NDA which is focused on supporting civil society organisations participation in income generating activities. Furthermore, the outcomes would encourage policy debates on income generating activities and identify areas for more research in order to have a holistic understanding of CSO's role with respect to income generating activities in South Africa.

Specific objectives include:

1. To undertake research that address key priority areas in policy formulation and stakeholder engagement for civil society organisations participation in income generation programs.
2. To participate together with the NDA Research Unit in consolidating the different areas of the status of the report.
3. To make presentations together with the NDA Research Unit to the Technical Team and Reference Groups on the specific areas on the status of income generating activities report.

## 2.2 Scope of the study

The scope of the research was to explore the following areas:

1. Definitions of income generating activities and recent initiatives in South Africa
2. Government role in ensuring and improving income generation for the poor
3. Review of existing studies on income generation
4. The role of other relevant stakeholders in ensuring and improving access to income generation initiatives

## 3 STUDY APPROACH AND METHODOLOGY

To address the objectives of this research, the analyses presented were based on detailed review and discussion of relevant scientific literature and a scan of grey literature (policy documents, reports, web resources, etc. including resources provided by the NDA Research Unit. The analyses were also based on literature from previous HSRC research projects and publications. In addition, the project used international published data on income generating activities, models of income generating interventions for the poor etc. The research process involved continuous sharing, exchanges and meetings between the HSRC research team and the NDA Research Unit.

## 4 OVERVIEW OF INCOME GENERATING ACTIVITIES

### 4.1 Definition of income generating activities

Income generating activities refer to activities focussed on creating opportunities for communities to productively use locally available resources to develop less state dependent, more self-reliant households and communities able to care for themselves. Income generating activities focus on productively using locally available resources to the benefit of the entire community (van Niekerk and van Niekerk, 2009). In addition, income generating activities provide additional benefits that include: contributing to reduce poverty; improving the wellbeing of the communities (Mehra, 1997) as well as empowerment, self-reliance and community development.

Income is defined by the International Labour Organisation (ILO)'s Resolution concerning household income and expenditure statistics as follows: "Household income consists of all receipts whether monetary or in kind (goods and services) that are received by the household or by individual members of the household at annual or more frequent intervals, but excludes windfall gains and other such irregular and typically onetime receipts. Household income receipts are available for current consumption and do not reduce the net worth of the household through a reduction of its cash, the disposal of its other financial or non-financial assets or an increase in its liabilities" (ILO, 2003; page 2). In addition, Carletto et al (2007) consider income as receipts that (i) recur regularly; (ii) contribute to current economic well-being; and (iii) do not arise from a reduction in net worth.

Davis et al (2010) identified seven basic categories of income: (1) crop production; (2) livestock production; (3) agricultural wage employment, (4) non-agricultural wage employment; (5) non-agricultural self-employment; (6) transfers; and (7) other. The first three categories make up agricultural activities and the latter four represent non-agricultural activities. In addition, non-agricultural wage employment income and non-agricultural self-employment income can be further disaggregated by industry (e.g. (1) Agriculture, Forestry and Fishing; (2) Mining; (3) Manufacturing; (4) Utilities; (5) Construction; (6) Commerce; (7) Transportation, Communications and Storage; (8) Finance and Real Estate; (9) Services; and (10) Miscellaneous) (Carletto et al., 2007). Therefore, income generating activities include agricultural production (crop, livestock), agricultural wage employment, non-agricultural wage employment, non-farm enterprises, transfers and other non-labour income sources.

Generally, income generating activities assist vulnerable communities to secure income through their own efforts. Examples of income generating activities include small business promotion, cooperative undertakings, job creation schemes, sewing circles, credit and savings groups and youth training programmes.

## 4.2 Perspectives on income generation activities

Poor rural and urban communities often experience various challenges in their own unique setting including lack of income opportunities; high levels of poverty and inequalities; low education levels; limited access to socio-economic services etc. These challenges often require households to find alternative sources of income. Capacitating communities in entrepreneurial skills and also using their traditional skills and knowledge can provide an opportunity for active participation in income generating activities to create jobs in the community. Therefore, income generating activities need to focus on transferring practical skills focused on building and expanding existing knowledge, and resources.

Access to assets play an important role in determining the household's ability to connect to poverty reducing incoming generating activities, particularly focused on addressing the income dimension of poverty (Zezza et al., 2009). When income is an important dimension of livelihood systems, income generating activities provide a key source of recuperating and/or strengthening these systems. In such situations, income generating activities help vulnerable communities generate income to address their basic livelihood needs in a sustainable manner. In addition, they contribute to improving the economic situation of the household through increased purchasing power (ACF, 2009). Furthermore, income generating activities require that the households and or individuals that take part in the activities be able to work and meet a minimum level of participation (ACF, 2009). Income generating activities can span local

economic growth and improve the availability of certain products in the market, lead to job creation etc.

Small, medium and micro-enterprises (SMMES) are often used to address unemployment challenges in communities and or to provide a source of alternative and/or additional income for households. SMMES provide additional benefits that include coherence, networking, social integration, emotional support and social participation in the target communities (van Niekerk and van Niekerk, 2009). There is a strong relationship between development and participation that assumes community ability to participate in their own development (Emmett, 2000).

- *National Development Agency Mandate*

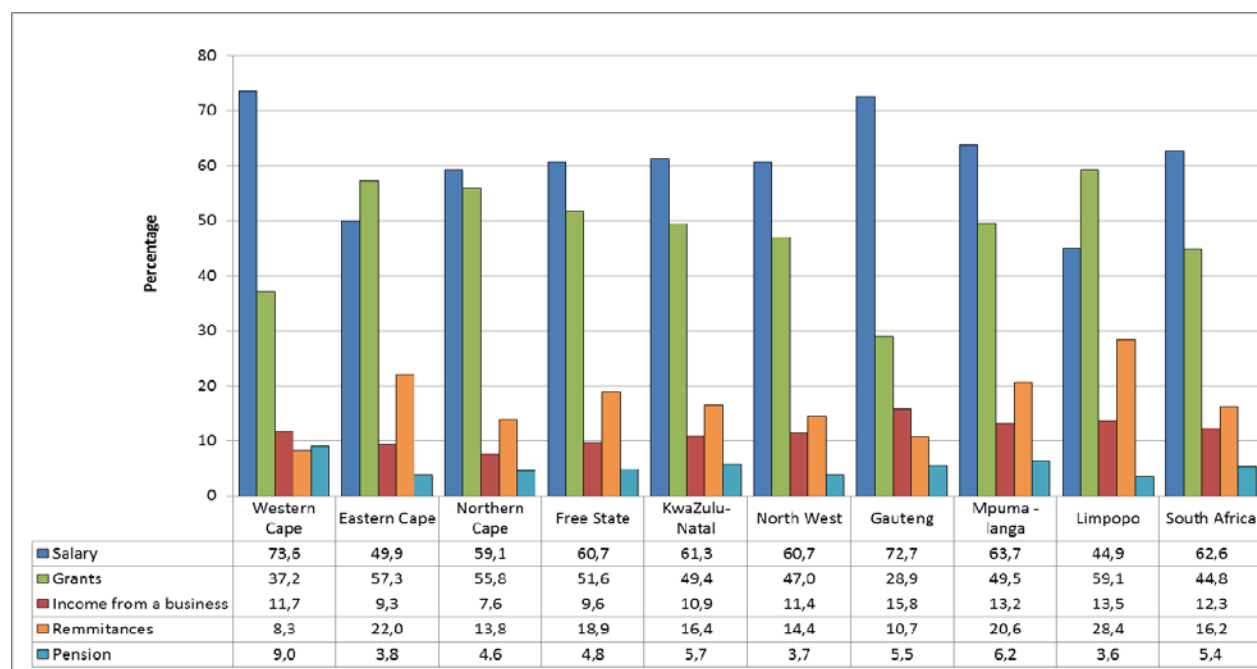
Broadly defined, the NDA's mandate is to promote developmental interventions which seek to eradicate poverty through grant funding and research which will support and inform civil society organisations in implementing developmental programmes (NDA, 2012). The mandate stresses the need to focus on poverty reduction interventions and support for CSOs in implementing the income generating interventions. The primary target market of the NDA has been the rural poor who are generally semi-skilled (or even unskilled) with a low capital base. With this background, the income generating activities by the NDA typically focused at sustaining the participants and if possible generate some profit for distribution. The NDA has been funding income generation programmes and projects mostly in the "traditional sectors" that either required limited capital input (comparatively) and/or a low skills base. Examples of the projects include: sewing, primary agriculture (crop & livestock), brick-making, arts and craft, tourism, bakery, and some hydroponics. An important characteristic of these projects is the low skills base required for poor communities to run them. This provides access and opportunities for poor communities with very little expert knowledge to actively engage in such activities and generate employment and income for themselves to improve their well-being.

#### 4.3 Profile and sources of household income levels in South Africa (rural/urban)

Figure 1 summarises various sources of income reported by households in the 2011 General Household Survey (GHS). Results show that; at the national level the main source of income reported by households include salaries (63%) and grants (45%). Few households reported remittances (16%); income from business (12%) and pension (5%) as sources of income. At the provincial level, the largest percentage of households that reported salaries as main source of income were from Western Cape (74%) and Gauteng (73%). Limpopo (59%) and Eastern Cape (57%) reported the highest percentages of grant income. These two provinces also have the highest poverty levels in the country. Remittances were reported as one of the important sources of income in most provinces, especially in Limpopo (28%), Eastern Cape (22%) and Mpumalanga (21%). Based on these results, the challenges that are faced in the employment sector with people losing their job, for example in the mining sector, have serious implications on household income security, especially for the poor.



Figure 1: Percentage distribution of sources of household income by province, 2011



Source: Stats SA, GHS, 2011: A specific household can have more than one source of income. %ages therefore do not total 100%

Empirical evidence shows that income levels for the majority of South African households are low with many surviving on an estimated average income of less than R 1000 per month (Labadarios et al., 2009). According to the 2005 Labour Force Study (LFS), 65% of working people earn less than R 2500 per month and income inequality in South Africa is among the highest in the world (Altman, 2007). In 2005 the labour force distribution reflected that 40% of the workforce was in permanent employment in the formal sector, while 14% were engaged in informal work, 7% were domestic workers and 10% were temporary workers (Altman, 2007). The Living Conditions Survey (LCS) 2008/09 data revealed that 38.9% of poor households had no adult employed compared with the national average of 25.5% of adults in a household who were employed. From the results there is great need to provide income generating activities especially targeted to the poor rural and urban communities.

Agricultural employment levels in South Africa are reportedly low at just under 600 000 in 2012 compared with 1.8 million employed in 1971 (NPC, 2012). Approximately 38% (19.14 million) of the country's population reside in rural areas, a decrease of 10% since 1994 (World Bank, 2012) mainly as a result of migration from rural areas to small towns and cities. South Africa's unemployment rate is amongst the highest in the world with an expanded unemployment rate of 40%<sup>1</sup> and with women bearing a higher unemployment burden (46%) compared with men (34%). In some rural areas unemployment is as high as 70% compared to 46% nationally (Jacobs, 2010). In addition, an estimated four million people engage in smallholder agriculture in

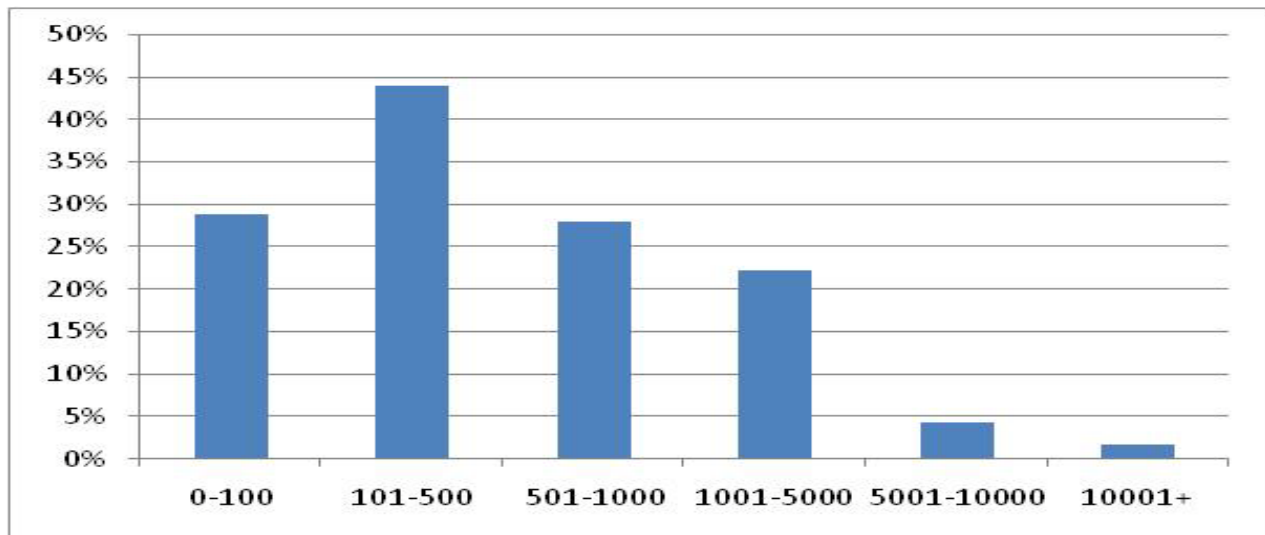
<sup>1</sup>Unemployed (expanded definition): Persons who did not work, but were available to work in the reference period.

South Africa, majority of whom are to be found in the former homeland areas. Agriculture contributes 15% of total household income in black households with access to agricultural land, but for the poorest quintile the contribution stands at 35% (Aliber, 2005). The most common reason given for engaging in agriculture is procuring ‘an extra source of food’. The number of people engaged in agriculture as an extra source of income has increased over time at the expense of the reason given for engaging in agriculture as a ‘main source of food’ or purely for subsistence. However, agricultural incomes for most households especially smallholder farmers are not very high as very small quantities of produce are sold.

In terms of the informal economy, NIDS data indicates that there were just over 2.5 million workers in the informal sector, with another 1.45 million informally employed in formal sector firms, most of whom would be concentrated in urban areas. South Africa’s informal enterprise sector makes up a very significant fraction of South Africa’s economy, comprising 22% of all national employment and with informal workers inside the formal sector counted, it rises to 36% (Davies & Thurlow 2009). Informal sector employment is mainly self-employment and although there are higher end informal sector enterprises which generate large incomes, most of the entrepreneurs in this sector are survivalist and with women tending to predominate. In the survivalist sector, profitability is very low relative to formal business expectations (SALDRU, 2008).

Figure 2 below reflects that the informal economy does not provide sustainable incomes with over 70% of all informal businesses reporting a profit of less than R 500 per month illustrating the survivalist nature of the sector. Informal businesses offer poor returns, require long hours of labour and are precarious by nature as they are prone to risks. In addition to low income levels, workers in this sector are not afforded protection against illness nor do they enjoy employment benefits such as leave provisions, income protection or unemployment benefits. While generating more employment is necessary it must be accompanied by efforts to enhance the quality of work through establishing minimum wage floors and regulation of employment conditions.

**Figure 2: Profit from informal sector enterprise (ISE) activities**



Source: National Income Dynamics Study (2008)

## 4.4 Implications

The definition of income generating activities focused on poor communities emphasises the need to focus on creating opportunities for communities to productively use locally available resources to develop less dependent, more self-reliant households and communities able to care for themselves. In addition, income generating activities provide additional benefits that include: contributing to reducing poverty; improving the wellbeing of the communities as well as empowerment, self-reliance and community development. Income generating activities range from agricultural production (crop, livestock), agricultural wage employment, non-agricultural wage employment, non-farm enterprises, transfers and non-labour income sources. Poor rural and urban communities often experience various challenges in their own unique setting including lack of income opportunities; high levels of poverty and inequalities; low education levels; limited access to socio-economic services etc. These challenges often require households to find alternative sources of income. When income is an important dimension of livelihood systems, income generating activities provide a key source of recuperating and/or strengthening these systems. In such situations, income generating activities can help vulnerable communities generate income to address their basic needs in a sustainable manner.

### Recommendations:

1. Selection and mix of income generating activities depends on local context and CSOs involved in designing and implementing such activities should critically consider the local circumstances of each target community. In addition, the CSOs need to ensure that their interventions in income generating activities assist vulnerable communities to secure income through their own efforts.
2. Capacitating communities in entrepreneurial skills and their traditional skills and knowledge provide an opportunity for active participation in income generating activities to create jobs in the community. CSOs need to focus on transferring practical skills focused on building and expanding existing knowledge, skills and resources.
3. Access to assets play an important role in determining the household's ability to connect to poverty reducing incoming generating activities, particularly focused on addressing the income dimension of poverty.

## 5 GOVERNMENT ROLE IN ENSURING AND IMPROVING INCOME GENERATION FOR THE POOR

### 5.1 Overview of Government policies on income generation

This section is focused primarily on government policy in supporting income generation interventions particularly targeted at poor and vulnerable populations. As noted in section 4 above, an evaluation conducted by the (PSC, 2007, p. 8) identified various ways in which income can be generated for poor and vulnerable communities:

1. Promoting labour absorption in the formal economy, both by stimulating economic growth and investing in the development of human resources;
2. Supporting more and more remunerative self-employment and employment in small or micro-enterprises;
3. Promoting self-employment through the creation of and/or support to income generating projects;

4. Promoting land-based livelihoods or enterprise through land and (*agrarian*) reform, with particular focus on land redistribution (author addition);
5. Creating short-term employment through public employment programmes.

South Africa's commitment to poverty reduction and to creating a better life for its citizens has been articulated in international, national, provincial and local policies and obligations. Poverty is manifested in various forms such as lack of income, lack of skills and education, service poverty and asset poverty. The Constitution of South Africa is the overarching legal framework informing the efforts to address poverty and inequality in the country, in particular the Bill of Rights in Chapter Two of the Constitution (RSA, 1996). This framework together with South Africa's commitment to international agreements and obligations such as the Millennium Development Goals (MDGs) target of reducing by half the number of people living in extreme poverty by 2015 provides the basis for South Africa's response to poverty reduction. In addition, interventions such as income generating activities form part of government efforts to address the challenges of poverty, unemployment and inequality and to contribute to meeting the targets and goals such as MDGs.

Since 1994, the South African government has instituted various policies, programmes and strategies to address unemployment and to advance economic development particularly targeting poor people. Policy development in respect of poverty alleviation and job creation has evolved since 1994. For example, the Reconstruction and Development Programme (RDP) (ANC, 1994) adopted by government in 1994 had as its main focus poverty reduction and redressing inequalities persisting among South African citizens. The core focus of the RDP was on meeting basic needs of people including jobs, housing, water, land, education, health care and social welfare among others. The RDP provided a socio-economic policy framework for linking growth, development, reconstruction and redistribution as integral components of a post-apartheid South Africa. The RDP was replaced by the Growth Employment and Redistribution (GEAR) strategy, launched by government in 1996, aimed at job creation and economic growth. GEAR was based on the premise that higher economic growth rates would trickle down to the poor and that enabling private sector investments in South Africa was the key to economic prosperity (DoF, 1996). The Accelerated and Shared Growth – South Africa (ASGISA) initiative which accompanied the adoption of GEAR set a goal of halving unemployment and poverty by 2014 targeting women and youth with a focus on expanding participation in public works programmes, increasing participation in agriculture and creative industries, expanding opportunities for training and skills development and enabling access to finances (RSA, 2006). The focus of these policies intrinsically included focus on creating income generating opportunities for the poor through its focus on ensuring that the poor have jobs, education, and resources such as land, water etc.

The 1995 White Paper on National Strategy for Development and Promotion of Small Business in South Africa identified SMMEs as a vehicle to respond to the unprecedented high levels of unemployment in South Africa. The motivation for this is the potential labour-absorptive capacity of SMME's and the role they play in enhancing self-help initiatives for people to meet their own basic needs (DTI, 1995). In particular, reference is made to the micro-enterprise component characterized by survivalist activities for which the entry barriers are low, especially for those with low educational levels, limited or no work experience and school leavers searching for their first employment.

Importantly, the role of local government in promoting economic growth, job creation and alleviation of poverty has been expressed in a plethora of policy and legislative frameworks formulated by the South African government including the *White Paper on Local Government*

(RSA, 1998) which indicated four developmental imperatives amongst which maximisation of social and economic growth is key. An important initiative to support local economic development is the growth and development of cooperatives. Cooperatives are a collective of people united voluntarily around a social or economic objective either to produce goods, provide a service or to sell individually produced goods jointly in order to generate income. South African government has developed legal and policy framework aimed at promoting cooperative development as it is recognised as important in promoting entrepreneurship in South Africa.

In 2001 the Integrated Sustainable Rural Development Strategy (ISRDS) was introduced designed to achieve the vision that would “*attain socially cohesive and stable rural communities with viable institutions, sustainable economies and universal access to social amenities, able to attract and retain skilled and knowledgeable people, who equipped to contribute to growth and development*”(RSA, 2000, p1).The key aim of the strategy was to coordinate existing government initiatives targeting rural communities with the strategic objective of ensuring that by 2010 rural areas would have achieved “*internal capacity for integrated and sustainable development* ”(RSA, 2000, p1). The strategy was to be implemented in pilot nodal sites across the country and subsequently scaled up nationally. The strategy outlined specifically the need to explicitly target poor people living in remote areas. Complementary to the ISRDS implementation would be adopted emphasising the important role of a comprehensive land reform programme and a community based income generation programme in rural development. The community based income generation programme was focussed on identifying and supporting potential economic activities in rural areas which would service farming communities such as small scale agro – processing and road side markets for fresh produce and crafts (RSA, 2000).

Rural development has received renewed focus since 2009 with the implementation of the Comprehensive Rural Development Programme (CRDP)(DRDLR, 2009). The CRDP has three phases namely an incubator phase where the focus is predominantly on meeting basic needs. This is followed by the entrepreneurial phase with large scale infrastructure development as a driver of development and the third phase focuses on industrial development driven by small, micro and medium enterprises. Central to this programme is job creation with the roll out of the National Rural Youth Service Corps (NARYSEC), whose goal is to recruit and support rural youth in performing community service. The expectation is that these youth will transition into learnerships and other skills training opportunities in order to assist them take up entrepreneurship opportunities or enter the formal labour market.

More recently the New Growth Path (NGP) identified the need to promote “decent work” through attracting investment and job creation initiatives. The microeconomic package in the NGP includes a focus on enterprise development: promoting small business and entrepreneurship and eliminating unnecessary red-tape. The NGP strives to strengthen and consolidate initiatives to support small and micro enterprises and has set a target of 5 million jobs created by 2020 by lowering the costs of running businesses through targeted micro-economic reforms in transport, telecommunications, public services and food (RSA, 2009).

In addition, the National Development Plan (NDP) 2030 launched in 2011 seeks to build on the NGP plan by creating 11 million jobs by 2030 through creating jobs for unemployed, enhancing skills development, strengthening rural livelihoods and promoting growth in specific sectors (NPC, 2011). The approach to achieving this is by promoting employment in labour-absorbing industries, raising exports and competitiveness, strengthening government’s capacity to give leadership to economic development and mobilizing all sectors of society around a national

vision. The NDP also emphasises government focus on creating income generating activities through attracting investment and job creation activities.

Furthermore, job creation and creating economic opportunities for poor has been identified as strategic priorities for the 2009 – 2014 administration as reflected in several of the 12 agreed priority outcomes (The Presidency, 2009) including:

1. Improved quality of Basic Education;
2. Decent employment through inclusive growth;
3. A skilled and capable workforce to support an inclusive growth path;
4. Comprehensive rural development.

However, it is critical to understand the extent to which these opportunities will be targeted at the poor rural and urban communities which are the target of the NDA. For example, it would be of imperative importance to the NDA to see how the implementation of the NGP includes the poorest of the poor not yet at the small and micro enterprise level. The NDP and its strategic priorities emphasise creating opportunities for the poor which resonates with the mandate of the NDA. It is therefore important that the NDA in revising their focus on income generating activities takes note of the policy developments and identify areas of synergy and complementarity with government interventions.

## 5.2 Institutions involved in income generation projects at different levels of government (nationally and provincially)

Various government Departments and institutions are engaged in promoting and/or directly supporting income generating activities, although not all are focused on the lower end poorer sectors of society. These include all spheres of government from national to local government as well as parastatals and institutions established by government to fulfil its mandate in relation to poverty eradication, job creation and economic development.

The primary Departments focussing on the poor in relation to income generation and economic development include:

1. The *Department of Social Development* whose social policy mandate is to contribute to poverty reduction by ensuring that programmes and services offered are aligned with many of the national development priorities and ensuring the sustainability of social spending through the improvement of job creation in the economy (DSD, 2009). The Department of Social Development also provides funding to the NDA, which plays a key role in providing support and financing for poverty reduction programmes including income generating activities.
2. The *Department of Labour*: In partnership with line functions of various Departments (e.g. Department of Social Development, Department of Water Affairs, and Departments of Environmental Affairs) this department implements the Expanded Public Works Programme (EPWP). Public Employment Programmes (PEP's) such as the EPWP have gained popularity globally and in South Africa as "safety nets" to protect poor and vulnerable people against shocks. Generally introduced during "crisis times" PEP's were generally short term (time-bound) and mainly focussed on development of infrastructure. The EPWP programme was introduced in the mid 1990's and initially involved mainly infrastructure related work. Since the mid 2000's there have been significant innovations in the design of such schemes towards meeting longer term objectives of poverty

eradication and inequality reduction, typically around the nature and type of work performed, the implementation models, the duration of the programme and importantly the sustainability of the intervention. Typically EPWP programmes include work in programmes such as Land Care, Working for Water and Working for Fire. It has been recognised as a key vehicle for creating employment opportunities (although mostly short term) and for providing a career path for low skilled workers (DPW, 2009). This is especially true for women and rural dwellers in respect of the social sector EPWP. A unique feature of South Africa's EPWP and subsequently with the CWP has been the introduction of social sector work, namely early childhood development and home and community based care. The value of this innovation lies in its contribution to gender equity in that much of care work is undertaken by women as unpaid work or at low levels pay. The value of this innovation lies in its contribution to gender equity in that much of care work is undertaken by women as unpaid work or at low levels of pay.

3. *Department of Cooperative Governance and Traditional Affairs:* More recently the Community Work Programme (CWP) was launched nationally in 2009. The CWP together with other public employment programmes (PEP's) implemented by South African government were given a major boost with an additional R 4.8 billion allocated over the 2012 MTEF period, making its total contribution to just under R 78 billion (MoF, 2012),. More than two thirds of this (R 3.5 billion) was earmarked for the Community Work Programme (CWP) introduced in 2009 as an employment safety net in response to the unprecedented levels of unemployment, poverty and inequality in South Africa. The CWP is a type of employment guarantee scheme (although not legally enforceable) which provides access to a maximum of 100 days employment annually at two days per week at a nominal rate of R 50 per day. As at March 2011, the programme had recruited approximately 90 000 participants in approximately 70 sites, urban and rural across South Africa (MoF, 2012). The increased allocation of funds to CWP will enable it to increase the number of participants to over 320 000 in 2014/15 with a firm commitment from government to further increase the target to over 1 million participants over time. This development forms part of the growing national recognition of the need for targeted scalable interventions to address unemployment and reduce poverty (MoF, 2012). Evidence suggests that, if well designed, public employment programmes can draw in semi or unskilled people who have never been part of the workforce, thereby increasing their employability and or facilitating their entry into the labour market (Altman, 2008). More importantly PEP's present an opportunity to achieve multiple developmental policy objectives such as income transfer, asset accumulation and delivery of essential public services.
4. *Economic Development Department (EDD) and Department of Trade and Industry (DTI):* In theory SMME's have the potential to create jobs and uplift people out of poverty. Government's role in SMME's is aimed at assisting people to become economically independent and is mainly supported by institutions created under DTI since 1995 such as the Small Enterprise Development Agency (SEDA) established in 2004 and the Small Enterprise Finance Agency (SEFA) established in 2012 (a merger of a number of number of previous bodies supporting SMME's). SMME's are also supported through national and provincial Economic Development Departments and through Local Economic Development (LED) programmes at local government level. SMME activity is also supported by other government departments such as DRDLR's role in NARYSEC which was outlined earlier and the National Youth Development Agency which works to fast-track the empowerment of formerly disadvantaged youth into business entrepreneurship. Support for SMME's is through provision of loan funding, training and

capacity building and through creating an enabling regulatory environment for the function of SMME's.

The role of SMME's in poverty alleviation has remained controversial with a concern that most of the SMME interventions in South Africa have focused on middle and higher end entrepreneurs and not on those in the survivalist sector and that few of these initiatives have remained sustainable particularly after government support has terminated (PSC, 2007). Research findings suggest that in comparison with other developing countries at a similar stage to South Africa, entrepreneurial activity is very low in South Africa. This is measured via a measure known as Total Entrepreneurial Activity rate (TEA) which is a measure of the % of individuals between 18 and 64 years who are involved in starting up or operating a new business. According to Mahadea et al (2008), South Africa's TEA rate actually decreased from 9.43% in 2001 to 5.29% in 2006 and although it rose again to 9.1% in 2011, it remains lower than the global average of 14,1%. If a measurement was available to assess the extent of such activity, particularly targeting those in the lower deciles it is likely to find that entrepreneurial activity is also very low in relation to the scale of the unemployment and poverty. Most of these institutions and programmes have mainly focussed on the medium and large entrepreneurs and not on the survivalist sector.

5. *Department of Agriculture, Fisheries and Forestry (DAFF) and Department of Rural Development and Land Affairs (DRDLR)*: Government has introduced a number of initiatives to enhance land based livelihoods initially focussing on securing land tenure rights through land redistribution and restitution as well as on enhancing the productive capacity of available land for livelihoods. Through the implementation of a range of programmes such as Comprehensive Rural Development Programme (CRDP), Comprehensive Agricultural Support Programme (CASP) and the Land Reform Recapitalisation and Development Programme (RECAP) the state aims to increase agricultural productivity, improve farming methods, provide support for accessing input supplies and equipment, enable access to markets and thereby increase on and off farm incomes through value added beneficiation processes (Jacobs et al, 2010).

The above discussion showcases the multiple interventions related to income generating activities/programmes that are implemented by various government Departments and institutions. The primary focus of these interventions is to assist poor communities to become economically independent and thus shift their reliance away from social assistance programme. A Public Service Commission (2007) identified income generating activities in many sectors as summarised in Table 1 below. The list excluded activities undertaken as part of public employment programmes. The results show that most of the income generating activities focused on the primary sector of agriculture. Although agriculture is a key sector for ensuring both food security and income opportunities through selling surplus produce, more efforts are required to support diverse income generating options for poor rural and urban communities.

**Table1: Sectors in which IGP's are active**

Sector	Share (%)
<b>Agriculture</b>	78
<b>Agro-processing</b>	4
<b>Crafts and manufacturing</b>	9
<b>Retail</b>	1



<b>Services</b>	3
<b>Mixed</b>	1
<b>Business support</b>	1
<b>Unknown</b>	4
<b>Total</b>	100

Source: Public Service Commission (PSC), 2007

Furthermore, analysis by the PSC (2007) indicated that government was the key role player in initiating public works related income generating activities while in all other types of income generating activities it was community/beneficiary initiated as Table 22 below illustrates.

**Table 2: Who initiated the project?**

Entity	Public works (%)	Land reform (%)	Income Generating Projects (%)	Social Development (%)	Active (%)	Inactive (%)
Community/beneficiaries	11	47	41	62	41	32
Government	50	21	33	20	29	48
Parastatal	1	7	3	2	3	2
NGO	8	2	0	0	3	0
Unclear	30	24	24	17	24	18
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: PSC, 2007

### 5.3 Relevance and effectiveness of such policies

Despite the plethora of policies and programmes focussing on job creation, economic development and income generation towards poverty alleviation these have not had the desired impact of addressing poverty in a significant way. The SMME policy framework has been unable to provide appropriate support to the majority of SMME's most of whom operate in the survivalist sector. Of particular concern has been the inability to reach rural communities. Despite the establishment of institutions to coordinate programmes related to SMME's this area remains uncoordinated and with duplication of services. An example of this is the various government institutional initiatives targeting youth unemployment and entrepreneurship such as NARYSEC, EPWP and the NYDA.

The land based livelihoods focus of the CRDP and the Land Reform Programme has also not been able to generate the jobs as per the ambitious targets established nor have they been able to ensure that securing land tenure would translate into economic prosperity for rural dwellers. There are many reasons for this failure, including the lack of support for small scale farmers, rural – urban migration patterns and the lack of an enabling environment for entrepreneurship in rural areas, both on and off farm. Although agriculture is an important source of livelihoods it is not the main source for most rural dwellers. Despite access to accurate data on rural livelihoods, particularly among land reform beneficiaries, the general perception is that a small proportion of agricultural-based projects remain self-sustainable post-transfer.

The supply of quality education and post schools skills development remains a challenge – reflecting an apartheid legacy. Rural skills are traditionally associated with workplace and occupational profiles in natural resource-dependent sectors (Jacobs et al, 2012). With the changing demographics of rural areas employment in off farm activities has increased and this is not well matched in terms of skills development programmes. In a recent review of the CRDP, Hart (2010b) found that certain skills were in short supply in rural area. He noted that in many instances construction contractors came from outside the area. More importantly he noted that developing local capacity may not be sustainable as the demand for such services may not be sufficient and will encourage out migration.

#### 5.4 Public education and awareness campaigns/programmes on income generation initiatives and their impact on poverty eradication

Overall, there does not appear to be a comprehensive communication plan for creating awareness of available income generating programmes to appropriate target groups. Some interesting developments to ensure better communication and information on job seeking include the Gauteng Department of Social Development plan to establish job centres to address unemployment and poverty and the national Department of Labour’s plan to launch a road show with buses to roam the country to register unemployed job seekers.

Other awareness raising initiatives include the SEDA which has a specific mandate to create entrepreneurship awareness. SEDA sets out to fulfil this mandate through its national footprint which includes SEDA Branch offices, Incubator sites; enterprise development centres mobile units, electronic information kiosks and co-location points at 42 local municipalities. According to a SEDA report to parliament the network annually was accessed by over 150 000 people over a three year period (SEDA, 2012). In addition, institutions such the National Youth Development Agency use radio, TV and print media to communicate their programmes. The EPWP and CWP employment programmes are advertised by implementing agents either in specific geographical areas or sectors.

#### 5.5 Potential gaps and areas for improvement in promoting access to income generation

Targeting of interventions particularly focussed on poor and vulnerable populations in the lower deciles needs to be carefully addressed. Many of the instruments and interventions implemented appear to assume self targeting which is evidently not being realised. Targeting rural areas and women more specifically must be addressed. Although most of these programmes have identified women and youth as key beneficiaries the design of the programmes does not take into account gender dynamics.

Measuring impact is almost non-existent with inadequate data available on the scale of income generating activities and the effectiveness of such interventions in creating pathways out of poverty. Evidence suggests that the failure rate of SMMEs in South Africa is high, with estimates of 50% of enterprises failing in the first year (PSC, 2007). There is also need to establish benchmarks for defining what a “successful” intervention is.

The multiple role players both within and outside of government (particularly civil society) engaged in livelihoods enhancing activities is welcome. However, the lack of an overarching framework to inform how such programmes are implemented and the lack of coordination

between stakeholders (especially amongst government stakeholders) has the potential for duplication, inefficient use of resources and poor targeting.

The scale of engagement needs to be increased significantly. It is of concern given the extent of poverty and unemployment that the total numbers of those benefiting from either government or externally supported income generating activities is relatively small. There is need to ensure better understanding among various government Departments and institutions of their role in meeting targets established in the NGP and NDP (e.g. creating 5 and 11 million jobs respectively). In this case, various government Departments should clearly identify income generating activities for the poor which can contribute to these targets.

## 5.6 Implications and challenges for civil society organisations

The capacity to innovate and implement income generating poverty reduction programmes is extremely limited in government. CSOs have a very important role to play in implementing, together with government, various income generating activities. For example, many of the youth employment interventions currently being implemented by government were initially designed and piloted by civil society institutions. Government and CSOs need to partner in designing and implementing income generating activities focused on creating opportunities for the unemployed youth.

Successful provision of support to income generation activities requires strong partnerships between government, CSOs, beneficiaries and the private sector. There are many examples of such partnerships between government, civil society organisations and the private sector who often serve as intermediaries in the roll out of these programmes. An example of this is the Department of Public Works implementation of the EPWP which has relied heavily on CSOs to act as service providers in assisting government through implementing the Non State Sector EPWP Programme as well as to enable government to reach its EPWP targets for training provision. Lessons from these programmes can be taken to support comprehensive partnerships between government and CSOs in providing income generating opportunities for poor rural and urban communities.

Furthermore, knowledge dissemination on good practices and lessons learning is key to delivering projects efficiently. Initiatives such as the Greater Good South Africa Trust Social Investment Exchange (SASIX) and the SA Institute for Entrepreneurship are important platforms for advancing knowledge and thought leadership on income generation activities. In addition, supporting community champions can go a long way in disseminating knowledge, opportunities etc. focused on income generating activities. In addition, sharing such lessons among implementers of income generating activities help minimize inefficiencies and scaling up and replication of interventions.

## 6 REVIEW OF EXISTING STUDIES ON INCOME GENERATION

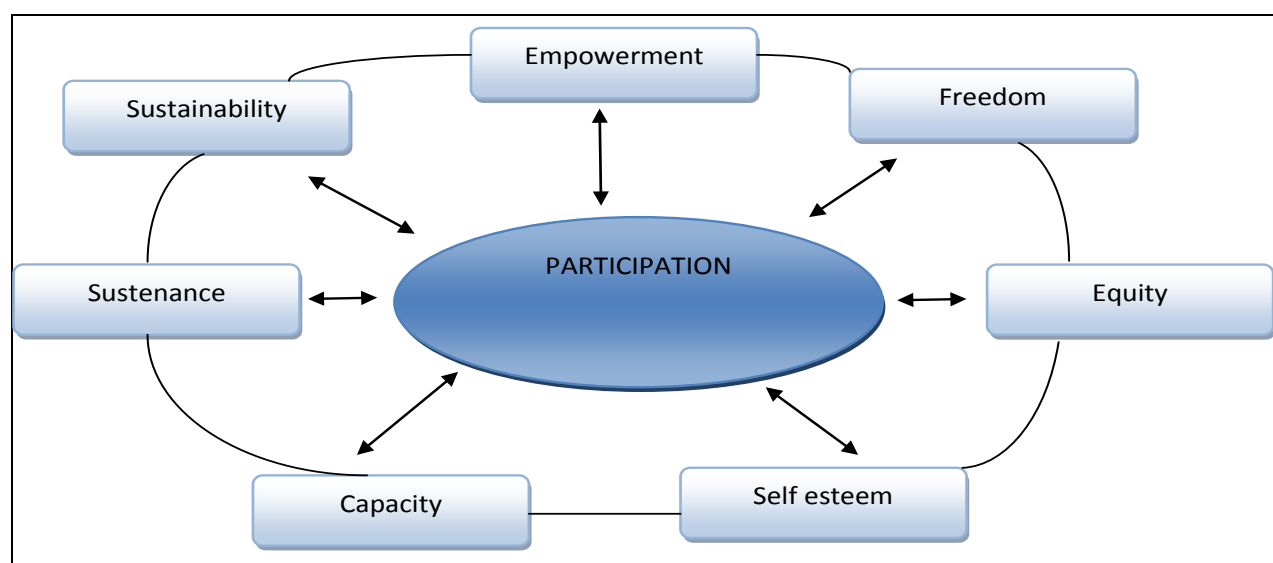
Income generating activities are recognised as a vital means of improving the lives and the standards of living of those that are involved in them, especially the poor. Over the years different organisations, including CSOs have designed and implemented a number of income generating activities using different models with the focus of increasing the incomes of individuals and communities. For example, in South Africa, the NDA has supported a number of income generating activities focused on the “traditional sectors” that require relatively small

capital and a low skills base, which include but are not limited to primary agriculture, bakery, brick-making and arts and crafts. However, such initiatives need to be evaluated to determine to what extent they have really contributed to helping communities improve their incomes and livelihoods. In addition, there is need to evaluate the design and implementation structures of these activities and draw lessons that can be used for future design and implementation of similar activities focused on empowering the poor communities with limited skills, resources. As noted earlier, different models of income generating activities have focused on other social outcomes in addition to income such as social empowerment, particularly that of economically marginalised groups such as women in most developing countries (Hurley, 1990; Ismail, 1997; Steglich and Bekele, 2009). Future models and efforts aimed at improving incomes and livelihoods of poor and marginalised should encompass local social empowerment of such groups to enable them to be agents of their own development. Steglich and Bekele (2009) argue that social empowerment emanating from income generation projects such as training of women enhances the indirect impact of those projects within communities at large. Furthermore, Hurley (1990) argues that the poor are faced with a wide range of difficulties that negatively impact on their efforts to improve their livelihoods such as interrelated social, political and economic disadvantages. It is very important for designers and implementers of models of income generation activities targeted on the poor and marginalised, such as the NDA, to take cognisance of the above factors in order to strengthen the poor's social networks, organisation within communities and improve participants' individual circumstances.

Furthermore, an extensive study on income generation initiatives for the poor by organisations (especially CSOs) around the globe by Hurley (1990) showed that active involvement of beneficiaries in designing and implementing income generating activities increased their chances of improving the incomes and livelihoods of the target groups. The study further showed that best income generating models are those that use participants' knowledge of their immediate economic environments. The justification for the above argument is that poor people have rich knowledge of their immediate circumstances, their economic environments and the countless complex constraints that could result in the failure of the initiatives. In addition, the target groups know the resources and time they would be able to dedicate to proposed income generating activities all of which are critical for sustainability of such initiatives.

Clearly, providing beneficiaries with opportunities to be actively engaged and in identifying the above concerns provides important information and ideas (e.g. information about gaps in the market etc.) that are critical in ensuring success and sustainability of the income generating activities and models used. Trollip and Boshoff (2001) depicts this using Wetmore and Theron (1998)'s model that shows the importance of active local participation of target groups to development values and outcomes (. Basically, this model shows the connection between member (beneficiary) participation and their empowerment, as well as projects' sustainability among other outcomes.

**Figure 3: Participation related to development in income generation models**



Source: Own construction from Wetmore and Theron's, 1998, cited in Trollip and Boshoff, 2001

### 6.1 International models of income generation intervention for the poor

As mentioned before, there are a great number of income generation models used by different organisations to meet their objectives. Action Against Hunger (ACF International) (2009: pages 18 -19) summarised basic principles to be considered when starting income generating models (Table 1). The basic principles that need to be considered for income generating activities especially targeted for the poor and marginalised groups include but are not limited to: protection and strengthening of livelihoods; sustainability; coordination; community participation; support for local initiatives; accompaniment and technical assistance; attention to gender issues. These are elaborated in Table 3 below.

**Table 3: Basic principles for income generation models**

Principles	Description
Protection and strengthening of livelihoods	<p>Interventions must not put the population, their resources or livelihood mechanisms in danger, creating dependency.</p> <p>It is necessary to be aware of the potential negative impacts, weigh their importance compared to positive results expected. All attempts should be made to reduce the potential negative impacts and when the expected positive results are greater than the potential risks, the programme should be considered.</p>

Sustainability	Even in cases in which the interventions are designed to be carried out within a short time period, it is essential to think of the long-term sustainable impact of the activity. The sustainability can be increased by involving the population from the initial assessment and identification phases and collaboration with other organisations and actors present in the zone.
Coordination	Coordination with other organisations, entities and public authorities, will create a more adequate response and facilitate a greater impact by taking advantage of common efforts.
Community participation	In all phases of the programme, from assessment to implementation, participation is one of the pillars on which IGA are built. Motivation and local initiative must be promoted and should be supported whenever viable, as this is the best mechanism for responding in a sustainable manner.
Support for local initiatives	The social viability and sustainability of the interventions will always be stronger if the IGA supported form part of local initiatives initiating from the beneficiary communities themselves.
Accompaniment and technical assistance	Especially in cases involving organizational aspects, creation of new initiatives or strengthening of productive or commercial aspects, accompaniment and technical assistance during the programme implementation can be essential in order to guarantee a good impact.
Attention to gender issues	Through the promotion of IGA, it is possible to work towards the improvement of women's situation in terms of promotion of equality, and at the same time this effort will have positive repercussions in terms of food security.

*Source: ACF International, 2009 :The role of multinationals and development institutions*

There is insufficient evidence that demonstrates the role of multinational organisations in income generating activities in South Africa directly. It is possible that such activities are embedded in those carried out by CSOs under their donor funding mandates in communities. Nevertheless, multinational organisations, international development institutions and other development agencies could play a role in facilitating access to finance for poor communities and small businesses through various means. Examples of such organisations include the World Bank, the Swedish International Development Agency (SIDA), the United States Agency for International Development (USAID), the International Development Research Centre (IDRC), OXFAM, among others.

For instance, the World Bank has several programs that assist with microfinance in order to improve access to income generating initiatives for the poor through assisting institutions with funding. Two of those programs are mainly aimed at supporting small businesses which incorporate very poor and marginalized people as suppliers, customers, partners and/or beneficiaries. The programs are called Consultative Group to Assist the Poorest (CGAP) and Strengthening Grassroots Business Initiative (SGBI). The box below presents the CGAP.

**Box 12: World Bank Consultative Group to Assist the Poorest (CGAP)**

The CGAP contributes to innovative delivery of sustainable microfinance and financial services to the very poor by improving the capacity of microfinance institutions (MFIs) and networks. The programme is offered to institutions with potential to provide innovative delivery of financial services and reach massive numbers of poor clients in a sustainable manner. Source: <http://web.worldbank.org>

The program on Strengthening Grassroots Business Initiative (SGBI) is a joint initiative of the International Finance Commission (IFC) and is summarised in the box below.

**Box 13: Strengthening Grassroots Business Initiative (SGBI)**

The IFC and The World Bank have launched an initiative to support businesses that create sustainable economic opportunities for poor and marginalized people. Grassroots business organizations (GBOs) are expected to approach communities or those at the low end of the income pyramid as partners, suppliers, consumers and/or beneficiaries. These businesses provide income, employment and training for disadvantaged people, bridging the gap to the global marketplace. SGBI supports all kinds of GBOs whether for-profit or not-for-profit, and has two core criteria for eligibility: (1) Grassroots Benefits: Generates substantial economic benefits at the grassroots level in a developing country, involving very poor and marginalized people as partners, suppliers, consumers and/or beneficiaries; (2) Business Opportunity: Supports a business opportunity, defined as the sale of products or services. Sustainability, capacity for growth and performance will also be some of the other criteria for selection.

Source: <http://ifchq14.ifc.org/ifcint/qbo.nsf/>

Similarly, Bangladesh established the well-known micro-financing model, known as Building Resources Across Communities (BRAC<sup>2</sup>) in 1974. This finance model is presented in the box below.

**Box 14: The BRAC Microfinance Model – Bangladesh**

The BRAC is an NGO in Bangladesh and its microfinance model has been replicated in many developing countries and proven to be successful to a large extent. The organisation provides collateral free credit for investment in income-generating activities for the majority of the landless poor (marginal farmers and vulnerable small entrepreneurs most of whom are women). It also provides a platform for poor women in villages to gather and form village organisations (VOs), each with 30–40 women, where they can access the microfinance. The loans are customised to the varying needs of the borrowers, based on the credit-plus approach. The BRAC model uses social enterprise interventions like financial assistance, skills development and measures which strengthen the supply chains of their clients' output to improve access to quality inputs and markets. The program also allows VOs to provide an opportunity for poor women to discuss and raise awareness on issues pertaining to their social, legal and daily well-being. So far BRAC has provided small loans amounting to US\$6 million to 7 million borrowers who have invested in, e.g., restaurants, grocery stores and the production of rice, maize and vegetables.

Source: [www.brac.net/content/microfinance](http://www.brac.net/content/microfinance) - in SAWID, 2012.

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<sup>2</sup> BRAC is originally known as the Bangladesh Rehabilitation Assistance Committee and then formerly known as the Bangladesh Rural Advancement Committee, before changing to its current name.

Further, BRAC has helped the rural poor to make progress in rural development through two successful programs namely; the Income Generation for the Vulnerable Group Development (IGVGD) and the Employment and Income Generation (EIG) program.

**Box 15: Income Generation for the Vulnerable Group Development (IGVGD)**

In conjunction with the UN-funded World Food programme in Bangladesh, the Income Generation for the Vulnerable Group Development (IGVGD) programme has made a significant impact in generating income and improving the livelihood of the poor. This programme has provided poor woman with the opportunity to receive training and micro-finance services which has enabled them to start an income generating activity that is sustainable through the reduction of food insecurity and poverty. The IGVGD programme was targeted specifically at women who are in the extreme levels of poverty including widows, woman with disabled husbands, separated or divorced, those who lack productive assets and those who are not part of any development programme or NGO (Non-Government Organization).

The programme was supplemented with a food aid relief programme at initiation stage because the participants were experiencing chronic food insecurity. The training was done over a period of 2 years whereby 1000 woman were taught different income generating skills which they could use at the end of the 2 years. As part of the programme, participants are given 30kgs of wheat grain (or rice and wheat) for 18 months as part of a motivation strategy for them to freely participate in the programme without having to worry about what they will eat.

After training on income generating activities that require low initial capital expenditure. Participants are required to save on a weekly basis and it is only after six weeks of training that participants are given their first loans which are to be supplemented by the accumulated savings. Loans repayments are stretched over in 45 instalments so that when the period of free grain transfer has elapsed, the participants will have covered a reasonable portion of their loan repayment and at that stage they should be in a position to obtain mainstream micro finance services. This has made a positive impact on poverty reduction in Bangladesh and it has provided a more sustainable solution to food insecurity than food aid programmes.

Source: [http://www.bracresearch.org/publications/igvqd\\_nahleen+naomi.pdf](http://www.bracresearch.org/publications/igvqd_nahleen+naomi.pdf)

Other programmes include the establishment of internet and new forms of information intensive enterprises, such as data entry and processing companies, as well as software development and online selling businesses. This SMME support program was part of IDRC's major initiative on the use of Information and Communication Technologies (ICT's) at the community level in sub-Saharan Africa. Such businesses could potentially be established in small and remote communities since the new information technologies can be used on a decentralized basis. The findings show that there was an increase in Employment and income generating activities derived from Internet Access (Henault, 1996). It shows that "the virtually electronic community of SMEs can therefore contribute to create not only building capabilities but also economic value that would stimulate community development through the efficient use of Internet" (Henault, 1996, p. 18).

The CARE Ethiopia model (a model for Women Income Generating Groups (WIGGs)) showcases a "state-of-the-art bottom-up" approach in assisting the WIGG activities and avoids imposing activities on the WIGGs. Furthermore, CARE's focus for these initiatives is to establish sustainable and self-reliant groups (Box 1).



**Box 16: CARE Ethiopia’s Model for Women Income Generating Groups (WIGGs)**

CARE Ethiopia carries out project activities that support women income generating activities in Ethiopia’s Harage, Borana and Afar areas as part of its livelihood diversification strategy. These particular CARE projects are specifically targeted at women in pastoralist communities, and their entry points are Women Income Generating Groups (WIGGs). These projects came about after the realisation that pastoralist systems and associated livelihoods in these areas were increasingly under pressure and are trapped in a downward spiral of depletion of resources, poverty and the waning resilience against drought related emergencies. For this, CARE adopted a WIGG approach that allows women to diversify their incomes through collective action and group savings, and this is developed from positive grass-root development experiences achieved with WIGGs in Ethiopia and other parts of Africa. Based on past experiences and on research, the WIGGs were encouraged to first take part in petty trade (of commodities such as sugar, salt, tea, tobacco, etc.) as the initial business activity. This was then to be followed by larger investments that usually involved the purchase of livestock for fattening, trade in maize and other cereals, etc. once more experience had been gained by members. For these projects, CARE project staff follows a “state-of-the-art bottom-up” approach in assisting the WIGG activities and avoids imposing activities on the WIGGs. Furthermore, CARE’s focus for these initiatives is to establish sustainable and self-reliant groups. (Steglich and Bekele, 2009)

Another example is the Danish Refugee Council’s (DRC) efforts among refugees. The DRC sees income generation activities as a key strategy in assisting beneficiaries not only in making a living, but also a means of supporting local economic development in a broader sense. The DRC’s model for its income generation activities has been captured in the following excerpts from the DRC programme handbook (2008: 6-9) (Box 2).

**Box 17: Danish Refugee Council (DRC) Model for income generation activities via grants and micro financing programmes**

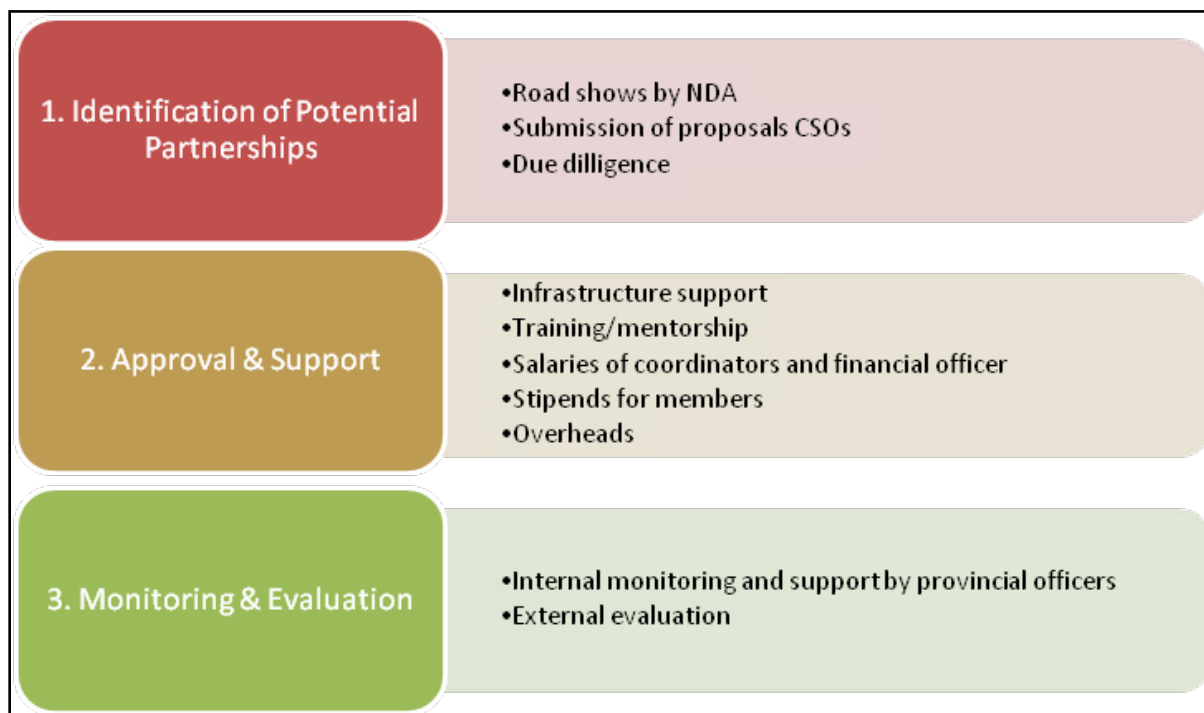
<b>Assessment &amp; Planning</b>	<b>Implementation</b>	<b>Monitoring and Evaluation</b>
<ul style="list-style-type: none"> <li>• Appropriate timing and thorough assessment is essential for determining if and when to intervene with a grant or loan programme.</li> <li>• Thorough socio-economic assessment and profile of the target group should be made before deciding on - and designing - a programme. Income generation should preferably be built on existing skills, raw materials/inputs that are readily available and well-known products. Beneficiaries need skills,</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable exit strategy should be planned from the very beginning both on an operational as well as institutional level.</li> <li>• It is preferable to utilise existing financial facilities and service providers. If possible, all financial transactions should be done via a local bank. This greatly reduces the risk of fraud.</li> <li>• Make sure that DRC’s support to income generation does not create unfair competition within the local economic context.</li> <li>• Carefully design what sort</li> </ul>	<ul style="list-style-type: none"> <li>• There is no shortcut to the process of learning from mistakes in income generation. Achieving positive impacts with income generation depends on an extraordinary good knowledge of the economic environment as well as the group DRC want to support. Both dimensions can and should be explored by means of a robust monitoring and evaluation (M&amp; E) system.</li> <li>• It is critical to monitor possible reactions within host communities or among local authorities in</li> </ul>

<p>resources and have to be motivated. Be conservative when developing overall strategies and when assessing business ideas.</p> <ul style="list-style-type: none"> <li>Any income generating activity can only be as good as the economic environment in which it is embedded. A proper market analysis should be done prior to setting up income generation components.</li> </ul>	<p>of services/support DRC can and should provide. There has to be a good match between the needs of the target group, the capacity of DRC to meet these (management, field assessments, support, guidance, etc.).</p> <ul style="list-style-type: none"> <li>Programmes should develop well articulated policies and procedures and include performance standards to reinforce efficiency, effectiveness, sustainability and impact.</li> </ul>	<p>order to be able to address these in a timely and appropriate manner.</p> <ul style="list-style-type: none"> <li>Indicators for monitoring outputs and impacts should be developed with participation of all stakeholders and be revised as necessary during the programme period.</li> </ul>
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- The NDA Income generation programme model*

As mentioned before, the NDA is also involved in income generation programmes that are aimed at assisting the country's poor. Figure shows the NDA's model for its projects as given in the evaluation of one of its programmes (NDA, 2012b).

**Figure 4: NDA poverty alleviation model within CSOs**



Source Own construction from NDA, March 2012b

Below are examples of these programmes that the NDA is involved with and their income generation models thereof:

**Box 18: The Bartles Art Centre Trust (BCT) in Durban funded by the NDA**

The objective of this programme is to train its learners in visual arts and music, and to provide space for its resident visual artists to work and musicians to perform by making use of the centre's facilities. The model used by the NDA for this programme is in line with its aim of strengthening the capacity of civil society organisations with the purpose of assisting the poor across different economic sectors. The BCT programme's successes have included the participation of three of its students in the student exchange programme that is run by Bremen University; the exhibition of works by students at the BCT studio and one student securing a commissioned painting; and the selling of crafts and art by students at the BCT retail outlets.

The programme has however encountered a number of setbacks. One of these was brought upon by the late start of the programme due to the late payment of money to the programme, and this had consequently resulted in the unavailability of the intended visual arts, screen printing, ceramics and desktop publishing (graphic design) student participants, leading to the need to recruit new students. This surely must have resulted in increased programme's costs and those students that were no longer to be part of the programme lost out on this opportunity. Another problem encountered by the programme was that the allocated budget was not enough to take care of students' living and transport allowances, and this had subsequently resulted in a smaller number of students being able to take part in the programme, and some students only being able to attend some of the classes and not all of them (NDA, 2012c).

**Box 19: Lethimpumelelo Agricultural Cooperative in KwaZulu Natal funded by the NDA**

The NDA had approved R2 191 507. 00 to be allocated to the Lethimpumelelo Agricultural Cooperative, and this money was to be used to make sure that cooperative would be able to create self-employment to its 36 members. These members would also be skilled in biodiversity and natural resource conservation. The cooperative is a beekeeping initiative in Mtubatuba, and it was recognised by the NDA as a potential poverty eradication project in 2008.

The evaluation report on the cooperation has made a few observations about the project. It shows that the cooperative has grown from its humble beginnings into a community enterprise development project that now requires better governance; for example, it has been shown that the cooperative's appointed coordinators have been lacking in the required skills for the job. The evaluation indicates that the Lethimpumelelo cooperative is in dire need of capacity building due to: (a) weak human resource systems (b) weak financial management systems (c) poorly skilled personnel (d) high dependence on NDA and poor business acumen (e) lack of business plan, and (f) a weak governance structure. The need for capacity building for the cooperative by the NDA then relates to the NDA's mandate of

being a capacity builder for CSOs, and not just a funder, in order to ensure their success as income generating activities.

## 6.2 Implications and challenges for civil society organisations and lessons from other income generation models

Based on the above models of income generation activities, it is clear that there are multitudes of income generating activities models. These models depend on the context of each activity as well as target participants and beneficiaries. CSOs involved in income generating activities need to carefully consider some of these factors in designing appropriate models aimed at improving incomes and livelihoods of poor communities. The basic principles that need to be considered for income generating activities especially targeted for the poor and marginalised groups include but are not limited to: protection and strengthening of livelihoods; sustainability; coordination; community participation; support for local initiatives; accompaniment and technical assistance; and attention to gender issues.

### Recommendations:

1. It is critical for CSOs' income generating activities models to ensure that they address the needs of the target beneficiaries as well as empower them to be agents of their own development.
2. CSOs income generating activities need to focus on establishing sustainable and self-reliant communities embracing both bottom-up and top-down approaches and avoiding imposing activities on target beneficiaries.
3. Active involvement of beneficiaries in designing and implementing income generating activities models increases their chances of improving the incomes and livelihoods of the target groups. Target communities have rich knowledge of their immediate circumstances, their economic environments and the countless complex constraints that could result in the failure of the initiatives.
4. Income generating activities for the poor need to initially focus on strengthening capacity and livelihoods and gradually develop communities into larger income generating activities as their capacity and resources grow.

## 7 THE ROLE OF OTHER RELEVANT STAKEHOLDERS IN ENSURING AND IMPROVING ACCESS TO INCOME GENERATION INITIATIVES

### 7.1 The role of civil society organisations

CSOs are widely recognized as relevant social partners to South Africa's economic development and continue to play a role of redressing past injustices and creating opportunities for poor communities through the various interventions at community level. Some of these interventions include the provision of services such as capacity enhancement through training, facilitation of access to credit, advice and small grants to SMMEs, among others.

One of the main constraints of income generating activities is the limited access to financial resources and civil society can assist with the provision of microfinance and the resultant ability to respond at scale. Microfinance refers to the provision of financial services including savings,

business advice and other services such as, training to predominantly poor people who are not eligible to ordinary banking services in order to reduce poverty (DRC, 2008). Although microfinance services are established in a way that they will be able to cover both running costs and inflationary components of a business entity, they are designed with the primary aim of uplifting the poor. Therefore most of their initiatives include loans at zero interest rates or loans that are granted in combination with start-up grants to assist communities (DRC, 2008).

An example of micro finance assistance is the Small Enterprise Foundation (SEF) – a microcredit programme aimed at microenterprises through the Tšhomisano Credit Programme (TCP) targeting women. The SEF is a micro finance institution working towards the eradication of poverty by creating a supportive environment where credit and savings foster sustainable income generation, job creation and social empowerment. The goal of SEF is to work towards the elimination of poverty and unemployment in a sustainable manner by providing credit for self-employment, combined with savings mobilization and a methodology that substantially increase the poor's chances of successful self-employment. The organization follows a solidarity group lending methodology very similar to that pioneered by the Grameen Bank model of Bangladesh. SEF has gained considerable international recognition for its poverty-targeting methodology and its success in reaching and ensuring positive impact on the very poor. Examples of success stories from SEF are presented in the box below.

**Box20: Small Enterprise Foundation (SEF)**

The Small Enterprise Foundation (SEF) operates in Limpopo province, since 1992. Its main goal is to alleviate poverty through microcredit and the accumulation of savings for poor communities. The SEF started its first programme known as the Microcredit Programme (MCP), and the specially targeted program known as the Tšhomisano Credit Programme (TCP) in Limpopo, providing microcredit to poor women. The programme serves a large number of self-employed clients of which women accounts for over 95%. Typical enterprises funded through SEF include the hawking of fruit and vegetables and new or used clothing, small convenience shops, and dressmakers.

Source: [www.sef.co.za](http://www.sef.co.za) – in SAWID, 2012

Other examples of CSO income generating activities are through the establishment of cooperatives in communities to address poverty through income generating activities. An example of this is the Itlhabolole Waste Management Co-operative in the North West presented in the box below.

**Box21: Itlhabolole Waste Management Co-operative**

This co-operative is owned by women of Ikopeleng village, in North West, focusing on income-generating activities. The participating women collect bin-destined waste and recycle it into clothing, shoes, handbags, mats and other materials for sale. The co-operative has received funding from many governmental agencies and NGOs and has expanded its scale of production and client base and now participates in expos to showcase their success story. It has succeeded in helping women to create employment and sustainable livelihoods by harnessing their skills.

Source: Nkosi, 2009 – in SAWID, 2012.

Another role of CSOs is in the form of support provided to SMMEs through training, facilitation of access to credit and capacity enhancement. SMMEs are regarded as a vehicle through which

communities and CSO as well as government can correct injustice and create employment opportunities for the previously marginalized groups in the economy. An example of CSO support to SMMEs is presented in the box below through the Enablis Entrepreneurial Network.

#### **Box22: Enablis Entrepreneurial Network**

Enablis supports development of entrepreneurial skills in South Africa. Its main activities are skills development, networking, mentorship and access to finance to ensure economic stimulation as well as entrepreneurial sustainability. Since 2006, Enablis member entrepreneurs have created an estimated 18 731 full-time and part-time jobs of which approximately 33% of beneficiaries are female. The organisation received a significant amount of R34 million to support and enhance the job creation skills of 2 500 South African entrepreneurs over the next three years by the Development Bank of Southern Africa's Jobs Fund.

Source: [www.enablis.org](http://www.enablis.org). – in SAWID, 2012

Another role of CSOs, which is worth noting is by the South African Women in Dialogue (SAWID), which has established the Development Caravan (DC) to help rural women graduate out of poverty by adopting strategies to improve their wellbeing. A summary of the role by SAWID and the DC in particular is presented in the box below.

#### **Box 23: South African Women in Dialogue (SAWID)**

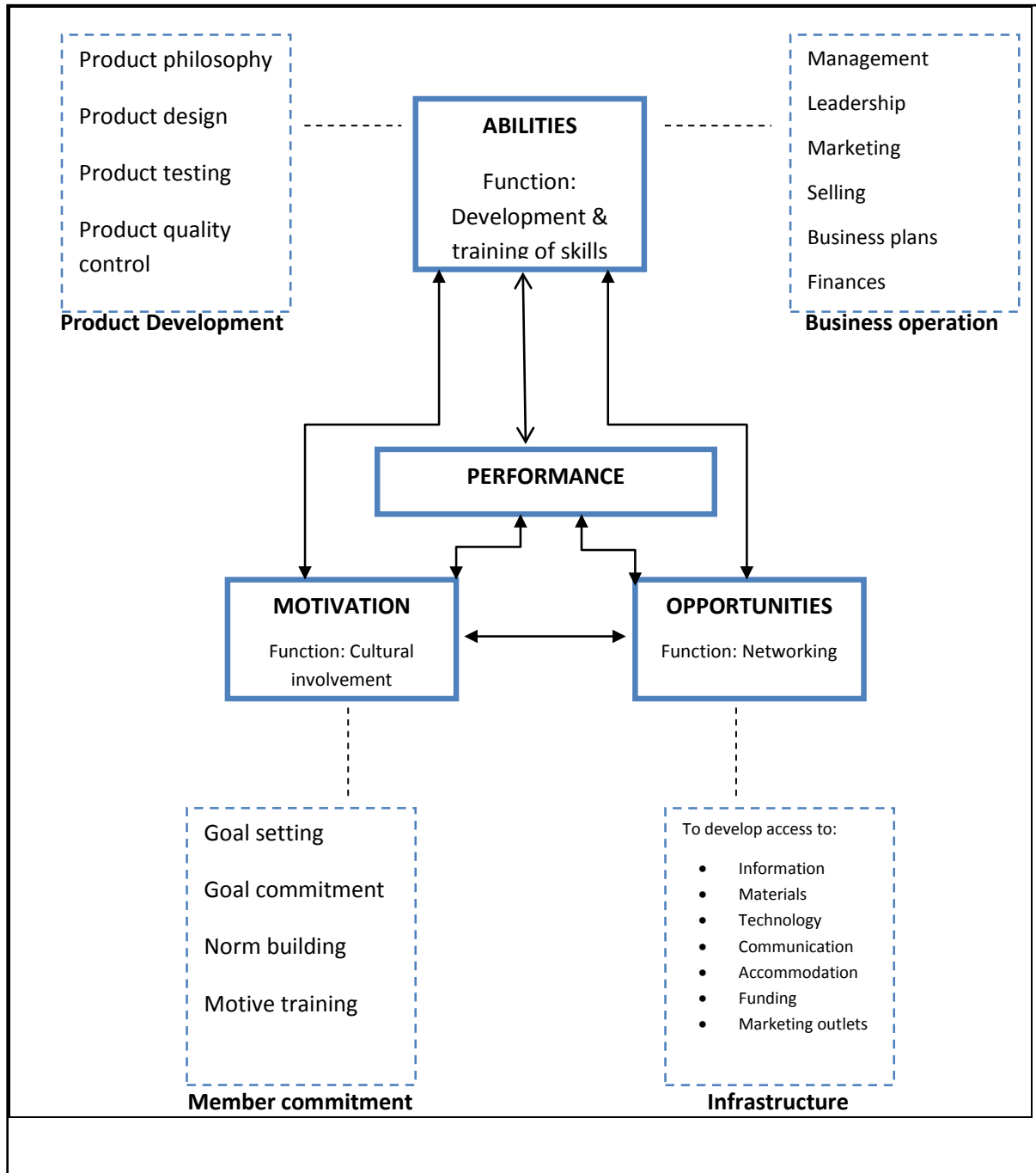
The South African Women in Dialogue (SAWID) has been among the leading CSOs to play a significant role in addressing poverty in various communities through its support to rural women. SAWID advocates for pro-poor policies, mobilises local resources, and increases the capacity of individuals and families in poor communities to be self-sufficient. It works with the government to formulate poverty reduction strategies, which led to the establishment of the Development Caravan (DC) model to directly tackle extreme poverty in identified poverty nodes.<sup>3</sup> With the help of social auxiliary workers (SAWs)<sup>4</sup> recruited from the same poor communities and trained over 18 months using Health and Welfare Sector Education and Training Authority (SETA) funds, and other supporters like the Independent Development Trust (IDT), various government health and welfare services, and the New Partnership for Africa's Development (NEPAD) Spanish Fund for Women Empowerment. The DC was first implemented in Fetakgomo and KwaMbonambi municipalities in Limpopo and KwaZulu-Natal provinces. This model is currently transforming the lives of 600 families leading to multiple benefits for participants, while employing 59 SAWs, 2 site managers and 3 registered social workers at local level. Further, SAWID and its partner Ponahalo De Beers Disadvantaged Women's Trust are currently replicating the DC model in Viljoenskroon in the Mqohoka Municipality in the Free State. So far the project in Viljoenskroon has registered few successes as it is still underway, and the first 21 SAWs successfully completed their training in September 2012. To date, this project has received support and buy-in from the local municipalities, and beneficiary families are already being assisted with access to social security, and have gained access to services like mobile clinics. Source: *Silinda, 2009* – in SAWID, 2012.

<sup>3</sup>A nodal area is deemed to be an area which suffered severe neglect and represent the largest concentrations of poverty in the country' (Silinda, 2009:120). A total of 22 'presidential poverty nodes' were identified by the Department of Provincial and Local Government (now the Department of Cooperative Governance and Traditional Affairs) in 2001.

<sup>4</sup>According to Silinda, (2009), a unique feature of the DC programme is the appointment of Social Auxiliary Workers (SAWs) who work as family development workers for at least 36 months to provide psycho-social support to people who have become depressed by deprivation, link poor families to government services and use a case-work approach to restore family systems to achieve identified minimum conditions which include health, education and employment.

Figure 5 below summarises the model used for Mmotla women’s crafts group (Tswaraganang) with the facilitation of Boshoff and Trollip from the University of Pretoria.

**Figure 5: Income generating model for Mmotla women’s crafts group (Tswaraganang)**



Source: Own construction using Trollip, 2001 (adopted from Robbins, 1993)



**Box24: Income generating model for Mmotla women's crafts group (Tswaraganang)**

The model presented in Figure 6 was used in implementing an income generating project for Mmotla women. The project involved the production and sale of crafts by a group of women in the Mmotla rural settlement near the Tswaing Crater Museum. The model, i.e. developing abilities, cultural involvement and networking, was employed to get the project off the ground. However, Trollip and Boshoff, 2001, indicate that before the principles could be applied certain groundwork had to be done. This included (i) a needs analysis (ii) establishing an organisational structure (iii) establishing a group identity (iv) Identifying products and developing marketable products (v) Skills development and training, and (vi) identifying marketing outlets. The project had been running for over four years when the article of the project report was published. In addition, the project managed to secure some export contracts, and was a regular participant of exclusive craft markets and developed the ability to operate independently (Trollip and Boshoff, 2001).

Below is an example of another CSO that is not only providing incomes for its members, but is also working towards environmental sustainability through recycling as part of its normal business.

**Box 25: Thembanisindawonye Bedford Project**

The Thembanisindawonye project, formed in 2004, is based in Bedford in the Eastern Cape. The main aim of the project is to provide employment to the community's women by engaging them in a labour intensive and environmentally-friendly income generation activities. The project focuses on empowering women, some of whom face domestic violence, so that they are able to take care of themselves and not be financially dependent on their partners. The key project activity constitutes the recycling of optic cable for Sindawonye Granulators and the sale of products from this (e.g. hanging chairs/swings). The project has been growing and some of its other activities include the collection of saw dust and small blocks of wood from a local manufacturer, which are then used to make compost and children's toys respectively.

This project was initiated mainly as the result of a South Africa Netherlands Research Programme on Alternatives in Development (SANPAD) sponsored research project that took place in 2002/03 facilitated by University of Fort Hare. Local women who were unemployed (mostly young single mothers) had been trained as fieldworkers for the SANPAD research project, and these later became part of the Thembanisindawonye project. One of the projects' successes, besides the employment and empowerment of the 20 local women employed permanently by the project, is the fact that the project is able to cover nearly 90% of its costs through the sale of its products, making it quite sustainable. Furthermore, the Thembanisindawonye project has won the Impumulelo award, an award that recognises programmes that find and bring solutions to local problems (Thembanisindawonye Project: <http://www.thembanibedford.co.za/>, Impumulelo: <http://impumulelo.org.za>).

## 7.2 The role of the private sector

The definition and components of income generation activities given earlier may not give a clear visibility of the role of private sector in income generation activities, since it refers to household activities that should be sustained for a period of one year or longer. However, private sector institutions organizations can and do play a role in improving access to income generating initiatives through social investment support namely funding specific community projects, or



facilitating access to credit . Other private sector initiatives come in the form of infrastructure development for specific projects, like renewable energy for poor urban and rural communities. While such infrastructure may facilitate increasing involvement by poor communities in income generation activities, through increased production activities say for farmers or other small businesses, the infrastructure itself is not a source of income generation activity, but can be used as an input to generate income.

According to Jacks (2013), halving the proportion of people in South Africa's rural areas who do not have enough access to food is one of the goals of the country's corporate social investment (CSI). In its 15<sup>th</sup> edition CSI handbook published in 2012, Trialogue showed that South African companies invested R6.9 billion in social projects in the 2011/12 period, recording an 11% increase from R6.2 billion in 2010/2011, with a 10% annual average growth recorded over the past five years (NGO-Pulse, 2012; Jacks, 2013). This is a significant contribution to civil society and communities' wellbeing with expected impacts at the community level. The amount of CSI covers all financial contributions to communities as well as infrastructure spend and in-kind donations of products and services (NGO-Pulse, 2012). However, according to Trialogue, the CSI expenditure is highly concentrated among 32 companies accounting for half of the total estimated CSI, which raises the need for all corporate South Africa to play a role.

In terms of sectoral contributions, CSI spending on education is on the rise and is the largest,(over 40% of total CSI), with 93% of companies including education in their CSI programmes in 2011/12. It is worth noting that 80% of companies support social and community development and 40% contribute to health, showing a marked decline from 63% in 2009. Combined, these three sectors accounted for 70% of total CSI funding in 2011/12. As part of the social and community support, companies contribute time and employee involvement through a formal employee volunteer programme in place, which has risen from 63% in 2008, to 77% in 2011/2012 according to Trialogue's research (NGO-Pulse, 2012).

Although the R6.9 billion of CSI in South Africa appears large in comparative terms the amount is much less than global standards. This was revealed in the latest 2012 survey by Trialogue, which showed that South African corporate and individuals give less than those in developed countries like the US, the UK and the Netherlands towards social investment,(Jacks, 2013).

The low levels of social investment by South Africans (corporate and individuals) is reflected in the World Giving Index, where South Africa was ranked at 108th out of 153 countries in 2011, ranking poorly in general against other parts of the world. The US was ranked as the number one giving country in the world, followed by Ireland and Australia in the second and third positions respectively.

Further, the Trialogue 2012 survey indicated a need for South Africa and the region to increase social investment due to a decrease in foreign aid. This is also in line with some of the challenges facing CSOs, which include reduced funding from donors due to the prevailing adverse global climate. Worth noting is the decline in the support by multinationals and international development institutions to civil society organisations, like funding for HIV/AIDS to developing countries in general. With the spirit of a giving civil society in the post-1994 administration dissipating, there is little enabling policy, to enforce CSI although legislation does require all listed companies to plough back 1% of their net profit into the communities they serve (Jack, 2013). There seems to be a shift in CSI from 'just giving' to attaching the giving to some tangible benefits based on performance and value by CSOs and NGOs to ensure sustainability (Tshikululu, 2013; Jacks, 2013).

In recent years, the terms 'corporate social investment' (CSI) and 'corporate social responsibility' (CSR) have become popular globally as business start to take social responsibility for their employees, and the communities in which they work as part of their sustainability initiatives. In its fourth quarterly Sustainability Review<sup>5</sup> of 2012 Trialogue (2012) presents how CSI has become a recognised part of doing business in South Africa for long term sustainability of the business, but raises the question about the value that CSI is able to contribute to development and the rationale for its existence. The recent strikes in the mining industry are examples through which companies are put to test to assess their CSI, not only for their employees, but also for the communities in which the mines operate. Further, according to Trialogue (2012), a study conducted by the Deutsche Bank found that companies with high ratings of CSR factors are a lower long-term investment risk. South African companies are therefore encouraged to deepen their focus on long-term value in order to avoid short term disasters that lead to instability through industrial actions and service delivery protests, in order to ensure the sustainability of South Africa's entire economy, business and investors' needs.

As part of their CSI and CSR initiatives, a number of South African private and public companies have taken steps to invest in their communities and employees' wellbeing through various projects and the list of such companies is endless. The examples cited in this report are intended to highlight a few of such CSI initiatives that relate to income generating activities, but not necessarily to discriminate among companies in terms of their performance.

Examples of such private sector initiatives include the Eskom Solar Water Heating Programme, aimed at promoting the use of renewable energy. The programme by ESKOM supports communities or users who replace their conventional geysers with the solar geysers through assistance with the installation of the new solar geysers and by offering rebates to users in the form of subsidized prices. For a Small Micro and Medium Enterprise (SMME) that can install the solar geysers for production purposes, it could mean a relief in its costs of production through reduced energy costs. Eskom also provides support to SMMEs through project development and capacity building of black businesses as part of the national Black Economic Empowerment (BEE) scheme. An example of this SMME support is presented in the box below.

**Box 26: Eskom's business initiatives in support of SMMEs**

The Eskom Development Foundation has formed an initiative that aims to develop project packages that support SMMEs from the development phase, implementation as well as enhancement and growth. This development initiative provides assistance for the establishment of black businesses as part of the Black Empowerment strategy - forming strategic partnerships and alliances through the facilitation of entrepreneurial skills development and enhancing the skills of business management for project managers. These opportunities are made available to the poor and the previously disadvantaged in the area of electro technologies. The business development support is provided in five areas namely: (i) Assistance in establishing businesses; (ii) Assisting agro-businesses, (iii) Strategic partnerships; (iv) and (v) Entrepreneurial skills training as well as the acquisition of finance

### 7.3 Coordination of relevant stakeholders

Coordination is imperative in ensuring the success of every income generating practice, given the different interest groups that are involved in income generation activities. Without proper coordination of activities at community levels, unnecessary overlapping and duplication of CSO initiatives may occur, which will have a negative impact on the scarce resources that are

<sup>5</sup>Published as a supplement to the Financial Mail

available for community support. Income generation often requires government, at all different levels from national, provincial and local authorities, private sector, CSOs and NGOs, the community and other relevant stakeholders to work together for effective coordination and maximised benefits to communities. The success of the income generation initiatives affects the intended beneficiaries and without operational structures that facilitate coordination prior to and during the implementation process, very little success can be guaranteed.

At national government or executive level, policy making and programme design must be inclusive of the intended beneficiaries and participants of these income generating programmes. Allocation and distribution of resources ought to be well initiated and monitored at all levels. At provincial or secondary level, coordination must be supplemented by proper training to ensure that what was agreed at executive level is well implemented and that the objectives as well as the vision of the income generating initiative as a whole is not harmed in the process. Resources must be mobilized in such a way that they are evenly distributed and coordination can help in the sharing of resources between the different interest groups. This will ensure the improvement of access to resources. Coordination and communication need to be done at all levels to ensure that all the parties involved understand the objectives of the income generation initiative.

#### 7.4 Challenges and opportunities for CSOs

Shortage of financial resources is one of the main challenges currently facing CSOs in South Africa. Most CSOs rely on a combination of international funding; CSI, donations from individuals and support from government and these sources are steadily diminishing in the face of a declining global climate (Du Toit, 2010; Kabane, 2012). According to Agenda (2009), traditional sources of CSO funding are drying up or being reduced and CSOs need to position themselves. Further, a combination of factors ranging from government regulation of donor funding and the classification of South Africa as a middle income economy has resulted in decreased opportunities to raise funding for CSOs.

Another challenge is in the form of human resources, since CSOs face human resource constraints as fewer people with the right skills are willing and able to work for these organisations, which are sometime based on volunteerism with limited income if any. Often, people with the ability to be activists or CSO administrators are scarce and or too expensive to attract or retain in the current funding environment. For instance, SAWID's Development Caravan (DC) programme suffers from a shortage of experienced social workers to supervise its auxiliary social workers (Silinda, 2009). Also, due to lack of intellectual capacity to deal with the complex socio-economic and political issues that are core to the national agenda, CSOs' contribution to policy formulation and engagement with government is becoming limited.

CSOs in South Africa also find it difficult to identify sustainable projects that are acceptable to local participants at the community level. Sometimes, it is difficult to gain the trust of communities and at times communities are used to their way of doing things. Therefore, sustained engagement and building of credibility is essential in order to secure the commitment of local communities to development projects (SAWID, 2012). In addition, lack of collaboration between the different CSOs and policy makers pose a remarkable challenge in the South African context. This is attributable to a lack of unity of purpose and a lack of accountability between CSOs and the government. The lack of effective coalitions often leads to duplication of efforts and waste of resources (Agenda, 2009). Further, many CSOs do not appear to participate in policy and law making, suggesting that channels for communication and

consultation during decision-making processes are still inadequate to ensure more participation at a grassroots and community level (Fleming *et al.*, 2003). To overcome this problem, effective dialogue and partnerships can be fostered through the creation of thematic groups within the CSOs and government. These can act as a link between the two and facilitate their effective and efficient communication (SAWID, 2012).

## 7.5 Implications and challenges for civil society organisations and lessons from other income generation models

Coordination of social capital is a core issue which is critical in bridging the gap between grassroots project concerns and policy dialogue. It requires an active partnership between the elite or the privileged and the poor in society and that is where CSOs can play a role (SAWID, 2012). While this may at first seem paradoxical, elite groups can offer skills, resources and access to networks that disadvantaged communities lack and collectively both groups can influence the development of policy initiatives. This effective coordination of projects can be drawn from lessons demonstrated in Bangladesh, where a programme working with some 'ultra poor' rural women involved the elite in their communities in anti-poverty strategies to develop 'horizontal networks', thereby building the social capital of the poor (Hossain&Matin, 2007).

In order to address the top-down approach to policy development, CSOs need to play a role and initiate community-based policy initiatives for the long-term and sustainable benefits of the communities. To create a sustainable grassroots civil society environment in which CBOs partner and co-ordinate with one another and with relevant NGOs, the focus must be on developing the capacities of the local communities, i.e., they must go beyond focusing only on service provision.

As noted by SAWID (2012), "it has been shown that success of civil society co-ordination depends on a strong collaboration between the various stakeholders including communities, public, private and the various CSOs operating for related goals. It is also evident that CSOs might be of different sizes; both in terms of resources and capacity, and some might lack resources for implementing their part of a shared goal to assist communities in various ways. This could limit the capacity of less-resourced CSOs to fulfil their mandate, which in turn affect the targeted communities.

## 8 CONCLUSIONS AND RECOMMENDATIONS

The purpose of the research was to conduct a desktop analysis of the nature of income generating initiatives in South Africa with a focus on the role of civil society organisations in income generating activities in South Africa, highlighting the successes, challenges and opportunities that can be explored in the sector. The outcomes of the project would contribute to the NDA's income generation strategy focused on supporting civil society organisations participation in income generating activities. Furthermore, the outcomes would encourage policy debates on income generating activities and identify areas for more research in order to have a holistic understanding of income generating activities in South Africa.

The scope of the research as agreed with the NDA Research Unit was to explore the following areas:

1. Income generating activities definitions and recent initiatives in South Africa
2. Government role in ensuring and improving income generation for the poor
3. Review of existing studies on income generation
4. The role of other relevant stakeholders in ensuring and improving access to income generation initiatives

The discussions were based on detailed review and discussion of relevant scientific literature and a scan of grey literature (policy documents, reports, web resources, etc. including resources provided by the NDA Research Unit. In addition, the project used international published data on income generating activities, models of income generating interventions for the poor etc. The research process involved continuous sharing, exchanges and meetings between the HSRC research team and the NDA Research Unit.

The key recommendations for CSO participation in income generating activities are summarised below.

*Definition of income generating activities:*

1. Selection and mix of income generating activities depends on local context and civil society organisations (CSOs) involved in designing and implementing such activities should critically consider the local circumstances of each target community. In addition, the CSOs need to ensure that their interventions in income generating activities assist vulnerable communities to secure income through their own efforts.
2. Capacitating communities in entrepreneurial skills and their traditional skills and knowledge provides an opportunity for active participation in income generating activities to create jobs in the community. CSOs need to focus on transferring practical skills focused on building and expanding existing knowledge, skills and resources.

*Government Policies contributing to Income Generation:*

1. Targeting of interventions particularly focussed on poor and vulnerable populations in the lower deciles needs to be carefully addressed. Many of the instruments and interventions implemented appear to assume self targeting which is evidently not being realised. Targeting to rural areas and to women more specifically must be addressed. Although most of these programmes have identified women and youth as key beneficiaries the design of the programmes does not take into account gender dynamics and demographics.
2. Measuring impact is almost non-existent with inadequate data available on the scale of income generating activities and the effectiveness of such interventions in creating pathways out of poverty. Evidence suggests that the failure rate of SMMEs in South Africa is high, with estimates of 50% of enterprises failing in the first year (PSC, 2007). This also requires establishing benchmarks for defining what a “successful” intervention is.
3. The multiple role players both within and outside of government (particularly civil society) engaged in livelihoods enhancing activities is welcome. However the lack of an overarching framework to inform how such programmes are implemented and the lack of coordination between stakeholders (especially amongst government stakeholders) has the potential for duplication, inefficient use of resources and poor targeting.
4. Scale of engagement needs to be increased significantly. It is of concern given the extent of poverty and unemployment that the total numbers of those benefiting from either government or externally supported income generating activities is relatively small.

In terms of our ability to scale up access to social protection measures to such a scale in South Africa, particularly our social assistance programme and to some extent our public employment programmes we need to address seriously how we go to scale in respect of income generating programmes relative to stated objectives and targets and relative to need. If we are to achieve the NGP or NDP target of between 5 and 11 million jobs created then the role of IGP's becomes significant. A better understanding is required as to the constraints to scaling up namely fiscal, institutional or programme design.

*Income Generation Models:*

1. It is critical for CSOs' income generating activities models to ensure that they address the needs of the target beneficiaries as well as empower them to be agents of their own development.
2. CSOs income generating activities need to focus on establishing sustainable and self-reliant communities embracing both bottom-up and top-down approaches and avoiding imposing activities on target beneficiaries.
3. Active involvement of beneficiaries in designing and implementing income generating activities models increases their chances of improving the incomes and livelihoods of the target groups. Target communities have rich knowledge of their immediate circumstances, their economic environments and the countless complex constraints that could result in the failure of the initiatives.
4. Income generating activities for the poor need to initially focus on strengthening capacity and livelihoods and gradually develop communities into larger income generating activities as their capacity and resources grow.

*The role of other relevant stakeholders in ensuring and improving access to income generation initiatives<sup>6</sup>:*

1. Regular dialogue between stakeholders to facilitate the formulation of relevant and effective policies. There is need for regular dialogue and exchange of information between civil society and government with regard to policy and legislation in order to make an impact on poor communities, like the experience from Brazil.
2. Capacity building and enhancement programs for communities. There is need to develop strategies and programmes that increase the poor's organisational experience, so that they can be actively included in policy planning and engagement processes with government.
3. The provision of incentives and financial support to CSOs. Funds should be made available for support CSO with community income generating activities and to assist under-resourced groups in civil society, so that they can fully participate in collaborative and constructive community development efforts. Facilitation of access to credit and other sources of funding could strengthen CSO's capacity to assist needy communities with access to funding. This can also be used as a platform for civil society to make government aware of their funding needs and those communities they serve to ensure its commitment towards funding of relevant projects for poor communities.
4. Strengthening coordination at all levels and among the relevant stakeholders at community level. Civil society co-ordination is essential for bringing diverse partners together to collectively effect social change and to strengthen coordination between well-resourced and poorer or needy organisations.

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<sup>6</sup> Some of these points were taken and modified from (SAWID, 2012, p. 82-83).

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