

The Role of Foundations in Promoting Economic Justice
A Case Study

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Outcomes of the Senior Fellows Real Time Consulting Session
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- Need to be able to tell the stories about successful community business ventures and get the media (in-house communications people and the media at large) out into communities covering the story
- Need to identify the internal constituents within the company for the work, building as sense of importance and urgency for the CSI work (in particular with the CEO, the communications and procurements departments)
- Need to decide where the Foundation's main competence is -- on the supply or the demand side (there are issues for new small business of price, volume and quality, and pushing too hard on the demand/procurement side might invite failure)
- Possible funding of credit lines for small business, as well as improving community access to market information
- Is there a possibility of working with other companies and corporate foundations to promote 'affirmative procurement' practices (SAGA may be a vehicle for this)
- Important to find out what other actors are doing in this field, such as the National Business Initiative
- Address the lack of capital for small businesses through 'closed loans schemes'

The Case: The Role of Foundations in Promoting Economic Justice

Background

Many corporations, whilst wholeheartedly supporting their social investment programmes, tend to use only these activities to demonstrate their commitment to corporate citizenship. However, real transformation requires that corporates find ways to become more deeply involved in social and economic activities that will lead to sustainable change.

What sorts of business interventions will allow this sort of transformation to take place and how can my Foundation play a meaningful role? Perhaps the role of

“broker” would be a good place to start, as the business players in most cases have not yet built up real relationships with small businesses at community level. Certainly in the case of the Old Mutual Foundation, we are well positioned to assist with building this relationship as we have a good knowledge of small business and the needs of the communities and understand, to a certain extent, the business imperative to develop sound procurement practices that will lead to economic transformation.

To my mind, there are a few ways that corporates can engage that would enhance social and economic development. The most obvious one in my case, would be to establish procurement ventures that purchase goods and services from the informal sector.

How then do I effectively broker deals between the two players in a meaningful way?

How does my Foundation get our company to look beyond the obvious social investment activity and encourage them to seek other meaningful alternatives that will put affirmative procurement firmly on the business agenda?

(Affirmative procurement is a term used in South Africa, which means procuring from the historically disadvantaged sector)

With regard to Old Mutual, we do not have many products that easily lend themselves to procurement from the informal sector e.g. food, fuel, etc and we don't manufacture. These two factors to some extent limit how we engage with the communities.

Some of the ways I think we could develop our role would be through:

- Selecting a few items/services that could be procured. e.g. business cards, corporate gifts, catering, valet services, gardening services, purchase of fresh flowers, etc
- Identifying company events which lend themselves to such procurement activities e.g conferences, events, etc. Identify what they may need that could be sourced from small business
- Assisting with the setting up of appropriate businesses in communities (e.g printing) using funds from the Foundation. Encouraging a large supplier to assist with setting up, training, quality and delivery which could form part of their social investment programme
- Assisting with the costing/payment structures to ensure sustainability e.g. how to cost their products correctly, assist with bulk buying, payment based on cash on delivery, not 90 days and so on.
- Determining together achievable targets, timeframes, delivery, quality, etc

There are no doubt other options and this is something I would like to find out more about. Issues of buy in from our procurement office would need to be addressed – it is easier to stay with the large firms where quality, delivery, volumes, etc are not an issue. We need to move from dialogue to delivery and finally onto measurement.

Question:

- How can I, through the role I play in my organization (manager of the Old Mutual Foundation), find ways to encourage our businesses to support economic transformation beyond its social investment activities?

Question:

- How can I enhance real economic transformation between small business and Old Mutual?

Question:

- What sorts of activities within our businesses lend themselves to this sort of transformation? And how does the Foundation actively engage with them?

Question:

- How would these activities be measured?

What do I want to take out of this session?

- I would like to understand if this is a reasonable approach to broadening our role within our corporations
- Examples of how other corporations/foundations are getting it right
- Are other corporations with specific products procuring from small business in a meaningful way e.g. packaging, printing, organic products, etc
- Do corporations procure products from small scale farmers
- Do corporations encourage their suppliers to procure from small business
- Have governments from participating fellows also put pressure onto corporations in their countries to procure from small business
- Will an aggressive approach to affirmative procurement lead to economic justice and level the playing fields.

The Old Mutual Foundation

The Old Mutual Foundation, established in 1999, assumes responsibility for the bulk of Old Mutual's social investment activities. An annual budget of R20m is invested in innovative and sustainable initiatives that are aimed at assisting development in South Africa and ultimately add value to the business of Old Mutual.

A team of six manages all the activities of the Foundation. We have three major flagship projects viz The Rural Economic Development Initiative, the AIDS orphans Programme and the Staff Volunteer Programme. 69% of the budget is allocated to these flagships, whilst the balance is allocated to the General Donations programme.

Our focus is generally on:

- Local and Rural economic development (business development, food security, general welfare issues)
- HIV/AIDS (generally focus on children orphaned by the disease)
- Staff Volunteerism
- Education (focus particularly on maths and science at primary school level and the regeneration of school facilities.)

The Foundation endeavours to work in partnership with Government, other corporates, NGOs and the communities themselves in an attempt to address the needs that confront our people and to develop sustainable skills that will assist with the alleviation of poverty and encourage people to fend for themselves.

Issues Confronting South Africa

South Africa is confronted by a number of very pressing issues that are having a major impact on our society. The most pressing of these are probably:

- **Poverty**

Many thousands of South Africans, particularly in the rural areas, find themselves in the grip of crippling poverty. Lack of food security programmes and severe drought has seen an escalation in poverty. Both corporate South Africa and Government are trying to establish feeding schemes to deal with the most urgent needs, whilst the longer term approach is to encourage food security programmes in communities that would lead to improved health and even possibly income generation.

- **HIV/AIDS**

The incidence of HIV/AIDS is probably the single greatest threat to South African communities. The pandemic at present is most prevalent in the age group 25 – 40 years. It is said that approximately 30% of South African society is HIV positive. This in time is going to have a major impact on our society. We find ourselves in a situation where huge numbers of children (estimated at 1 million at present) have been orphaned by the disease. These orphans are heading households, have no access funds and are beginning to drop out of school.

- **Unemployment and lack of skills**

With little or no funds available, people are unable to acquire skills that would lead to employment. Companies and Government are cutting back on jobs. Lack of employment is impacting on the crime rates in the country.

- **Access to social grants**

Whilst funds have been allocated towards various social grants, e.g. disability, child support, pensions, etc most people who qualify are not able to access these grants. Often due to lack of birth and death certificates, lack of capacity by Government to register and pay grantees, vast distances from payout points, loan sharks, etc

It would also be true to say that our health, welfare and education systems are not coping with the increased demands being made on them. Corporate South Africa is doing what it can to assist Government in dealing with these and other issues, but frankly, there is a general lack of funding and capacity to deliver at the level required.