# Social Employment Fund: Terms of Reference

# Terms of Reference:

# Social Employment Fund – Strategic Implementation Partners

## Contents

IDC
Industrial Development Corporation

# 1. Introduction

South Africa has had unemployment levels of over 25% for over 25 years. The devastating consequences of this are becoming cumulative, not only on the individuals directly affected but on households and communities also.

Unemployment is recognised as the single biggest cause of poverty in South Africa, with all the negative implications this has for a multi-dimensional range of social challenges. These include lack of adequate nutrition, poor health outcomes, poor education outcomes, and lack of access to decent living conditions. Unemployment has negative non-income impacts also, in relation to access to networks, social exclusion and self-esteem issues that can contribute to depression and a range of anti-social behaviours that negatively affect the wider community.

In addition to this combination of negative social impacts, unemployment also acts as a brake on economic dynamism, eroding productivity and limiting the development of the capabilities that are built through participation in work. While long-term solutions to this lie in inclusive growth, high levels of unemployment in themselves constrain such growth, in a vicious cycle. These existing challenges have been exacerbated by the Covid-19 crisis.

In response to this context, the President launched the Economic Reconstruction and Recovery Plan in October 2020. As part of this plan, the Presidential Employment Stimulus supports a mix of public employment, livelihoods and job retention programmes, using direct public investment to mitigate the immediate effects of the crisis – while also contributing to catalysing the recovery.

As part of the Presidential Employment Stimulus, the need for a 'whole of society' approach to creating 'work for the common good' was identified, to optimise capacities and partnerships across society in responding to the challenges and to augment the capacities of the public sector.

While social employment can – and already does - take many forms, the Presidential Employment Stimulus (PES) is supporting the establishment of a Social Employment Fund (SEF), that will form part of the suite of social economy support measures promoted by the dtic, with the Industrial Development Corporation as the fund manager. In the first instance, this will be funded by the PES, with the intention of demonstrating an important proof of concept in order to then mobilise wider resources for this purpose also.

# 2. What is 'Social Employment'?

At the core of the concept of 'social employment' is the recognition that there is no shortage of work to be done to address the many social, economic and environmental challenges we face as a society, and that in this context, it is a tragic irony that our society is characterised by a lack of opportunities to work. In a context in which markets are currently constrained in their ability to create employment on the scale society needs, there is a vital role for the state in closing this gap.

This is the classic role of public employment programmes. But given the scale of our employment crisis, we need to marshal as wide a set of resources in this battle as possible. This includes recognition that a wide variety of role-players in the wider society currently also engage in work that contribute to 'the common good'.

The concept of 'social employment' recognises and emphasises this reality, expanding the usual definition of public employment (or public works) programmes run by the state, to harness the energies and capabilities of the wider society, to enable a 'whole of society' approach to creating work for the common good. The aim is to enter into partnerships, or 'pacts of collaboration' with diverse social actors, to enhance public value creation – and to 'build back better' in the process.

This recognises the considerable creativity, initiative and institutional capacities that exist in the wider society, and aims to harness these – and strengthen them further - to create work on terms that respond to local priorities. It's a call for a strengthened social compact in which we use our collective strengths to create work on the scale required, using labour to create social value and building a better society – and economy – in the process.

What is meant by 'work for the common good'? What work is envisaged?

'Work for the common good' refers to work that contributes to the public good, rather than to private goods and services. It can be understood as work that supports the Sustainable Development Goals and/or that improves the quality of life in communities, with a focus on poor, marginalised and/or disadvantaged communities and groups. The following are indicative – and non-exhaustive – examples of typical theme areas:

- Placemaking
- Health and care
- Community safety and action against gender based violence
- Greening and the environment
- Food security, nutrition
- Education support, early childhood development
- Youth support and recreation
- Support to digital inclusion
- Community and public art.
- Other social innovation

Often, work may be cross-cutting. In practice, addition, there is no shortage of organisations – national and local - already making a difference in multiple ways in all these spheres . Too often, though, such efforts are under-resourced and the hard work involved is unrecognised as such. This strategy aims to change that, to recognise the public value created and to hugely expand the scale and scope of support to local initiative and organisation. The effect on participants and on communities could be transformative; it should be designed to be so.

The concept of 'work for the common good' is intentionally wide, to encourage and enable innovation in the kinds of work conceptualised, across a spectrum of social, environmental and economic needs and to do so in new ways also - including the use of digital technologies.

While certainly, there are untapped institutional capabilities in the wider society, it is also true that the non-state sector has had its capacity eroded by resource constraints over time, and is not always as robust as this moment requires. To reach the kinds of scale envisaged, levels of hand-holding, mentorship and institution-building will be required, with a vital role for intermediaries able to cascade support down to more local levels. Investment in the capacity needed will hugely enhance the depths of social engagement and outreach possible, with this deepening and becoming more institutionalised in the wider society over time

## 3. Social Employment: part of building the Social Economy

According to the Social Economy Draft Green Paper, 'the pursuit of social objectives for the benefit of its members of the community is, broadly, the mission of all social economy activity.' Social employment fits directly into this vision, along with the emphasis on solidarity, social inclusion and self-organisation.

Social employment is a term for forms of employment that are not market-based and that are not predicated on producing a market-based return, focusing instead on creating social value. Such value cannot always be monetised – even if improved social cohesion and well-being create indirect opportunities for market-based activities.

The social economy includes all enterprise activity with *a deliberate and focused social or environmental outcome*, that combine social goals with market-based strategies. This includes, for example, ECD centres, recycling initiatives, social housing, disability employment and more. The social economy also includes non-profit activities, where there is no market-based cost-recovery mechanism. Social employment fits mainly within the latter category. It does, however, have a potentially strong interface with forms of social enterprise, which combine social purpose with the aspiration of market-based sustainability. Support to social employment can augment the ability of such enterprises to reach their social purpose, in the process, providing support to the endeavour while the volumes of market-based sustainability are built. While it is not a form of wage subsidy to the market-based dimensions of social enterprises, it can support those dimensions of their activity focussed on the common good.

## 4. Guiding Principles

The social employment strategy is informed by the following guiding principles:

- The work undertaken is **meaningful** to participants and also to the wider community, in that it serves the common good i.e it creates public goods and services that create social value.

- **Poor, disadvantaged communities** are the main beneficiaries of the work opportunities created and also of the public goods and services delivered.
- The approach aims to enable **skills transfer and human capacity development**, building local capabilities and leadership to implement initiatives.
- **Partnerships** between public, private, civil society and community structures are promoted.
- **Local capacities**, resources and assets are leveraged.
- **Sustainability** is strengthened, including environmental, social and organisational sustainability.

# 5. Key Design Features

## 5.1 Work 'for the common good'

The SEF will support employment creation that serves a 'common good' purpose, that creates public goods and services rather than private ones. This includes work in relation to the following themes:
- Placemaking
- Health and care
- Community safety and action against gender based violence
- Greening and the environment
- Food security, nutrition
- Education support, early childhood development
- Youth support and recreation
- Support to digital inclusion
- Community and public art.
- Area-based programmes that may include a cross-cutting mix of initiatives.
- Other social innovation

## 5.2 Target beneficiaries

The target participants are unemployed people and the target beneficiaries of the work undertaken are poor communities. Participation of marginalized groups is encouraged.

## 5.3 The work is part-time

The SEF will support an average of 16 hours of work per beneficiary per week; the allocation of this time is flexible depending on the needs of a given organisation.

The rationale for this is that in the context of public employment opportunities, where the alternative may be a short-term episode of full-time employment, there are advantages to part-time employment of longer duration. This provides a minimum level of income security over a longer period, as well as the advantages of structure, networks, capabilities and inclusion associated with participation in work. At the same time however, it provides a platform supporting pathways into self-employment or entrepreneurial activity. As is well recognised, starting any form of income generating activity typically involves some level of initial outlay. Few businesses earn income in the

start-up period and entail high risks of loss. For people living from hand to mouth, these factors put any such activity out of reach – leaving them dependent on highly-precarious forms of casual labour and intra-household transfers instead.

## 5.4   Decent work

The work is socially useful, ethical work that enhances the quality of life; it is also meaningful work with decent working conditions and fair rewards for work done. The minimum wage in the programme is at the National Minimum Wage and the work complies with regulated minimum labour standards. The SEF also contributes to Decent Work principles by epitomizing a human-centered approach to work, connecting people to each other, strengthening social cohesion and integration.

## 5.5   The work is implemented mainly by non-state actors

The aim of the social employment strategy is to enable a 'whole of society' approach to public employment, supporting non-state actors to create work for the common good. Partnerships with public bodies are however encouraged.

Non-state actors are encouraged to organise themselves in ways that ensure that while the contracting entity has the requisite capacities, there is a concerted strategy to partner with and build capacities in community-based organisations that may lack these. This can include partnerships, consortia, and other mechanisms of collaboration.

## 5.6   The work is labour intensive

A minimum of 80% of the costs of approved contracts must go to wage costs. The allocation of non-wage costs will vary by programme, and will be assessed per application, but should cover inter alia the programme management fees of the implementing agent, protective gear where required, tools and materials, and training and technical support costs.

## 5.7   The strategy is designed for scale

A critical challenge in South Africa is the inability to take development interventions to scale. In order to achieve the scale of impacts intended, the approach will focus on support to initiatives able to deliver a minimum level of scale of 1,000 participants.

## 5.8   A portfolio approach

Given the relatively limited scale at which social employment is currently funded, the SEF will take a *portfolio approach* that aims to support initiatives in a range of spatial contexts (eg rural, small-town, urban) as well as in a spread of thematic focal areas, to offer 'proofs of concept' for the

IDC
Industrial Development Corporation

approach in these different contexts, without an expectation that coverage can be provided in all parts of the country or necessarily for all thematic areas specified.

# 6. Eligibility Criteria

The SEF has pre-determined eligibility criteria to ensure that outputs are maximised and that the goals and objectives of the Fund are met. Successful applications should meet the following *overarching criteria* at a minimum:

a. Align with the Guiding Principles (Point 4) and Key Design Features (Point 5) above

b. Be managed by experienced implementers

c. Demonstrate capacity to employ at least 1,000 eligible participants at an average of 66 days per ordinary participant for the 9-month duration of the Programme. Applicants will have up to 3-months to ramp-up their participant numbers to the maximum intended.

d. Be able to on-board participants to a digital system ensuring they have a valid bank account and identification. Applicants will need to monitor participants time-in-attendance and their activities. (Refer to the Payment & Reporting Solution workflow and design in the Annexure 1.)

e. Either already have a well-established monitoring and evaluation framework or demonstrate the ability to establish one
   - Applicants must include in their proposed budgets, an allocation for monitoring and evaluation resources, and will be expected to report against the standard indicators for the programme which are presented in Section 7.2 below.
   - Where necessary, applicants are expected to propose additional Specific, Measurable, Achievable, Attributable, Relevant and Time-bound (SMART) indicators for all anticipated project outcomes and impact.

f. Must demonstrate efficiency and value for money with respect to programme administration costs.

Further to the above overarching criteria, applicants must meet the following Institutional and Funding criteria.

## 6.1 Institutional Criteria

Lead applicants must adhere to the following minimum criteria:

a. Must have audited Annual Financial Statements covering at least 2 years
b. Be financially solvent and liquid

Industrial Development Corporation

c. Meet KYC requirements (FICA, Tax Compliance, etc. Refer to the FICA checklist)
d. Demonstrate capacity and robust financial systems to accurately account for SEF allocations
e. Demonstrate capacity and robust operating systems to manage the payment authorization workflows as per Annexure 1
f. Must have a verifiable track record of more than 3 years of technical experience of working within the field intended.
g. Have a functional Board which meets regularly as per the applicant's constitution
h. Demonstrate a track record of community engagement and/or consultation
i. Will be expected to adhere to relevant labour regulations viz., Basic Conditions of Employment Act; the Labour Relations Act.
j. BBBEE Certificate to be supplied

## 6.2 Funding Criteria

A standard funding budget must be completed as part of the application pack. Key components of the budget include:

a. 80% of the total proposal budget must be for wages.
   o 90% of participants are paid the National Minimum Wage.
   o 10% of participants are paid up to a maximum average of 175% of the National Minimum Wage, to allow for more skilled, supervisory and/or admin staff. The budget must make clear how this component is allocated i.e. to what skills categories.
   o Participants are expected to work an average of 66 days over the Programme period
   o UIF and COIDA allowance of 2% covering employer's contributions is included in the direct cost of wages.

b. The balance of 20% of the total budget must cover all Non-Wage costs. Your proposal will motivate the breakdown of these costs against the following categories:
   o Inventory
      i. Tools (implements required for the Programme such as spades, brushes, etc.)
      ii. Materials (consumables required for the Programme such as paint, seeds, etc.)
      iii. PPE (protective gear for the participants)
   o Services
      i. Technical
      ii. Training
   o Programme Management (Monitoring of sites and participants, IT costs, sundry overheads)
   o Other (non-wage costs not categorised above which are necessary in order to deliver on the programme objectives)
   o Monitoring and evaluation costs to meet the reporting and evaluation requirements These will be reviewed for reasonableness.

IDC
Industrial Development Corporation

# 7. Reporting Requirements

Successful Strategic Implementing Partners (SIPs) are expected to have robust financial systems to account for the day-to-day accounting of the SEF budget. In addition, SIPs will be expected to adhere to the following reporting requirements.

## 7.1 Monthly reports

a. Expenditure spend per budget category to date
b. Forecast expenditure per budget category
c. Progress against Programme outcomes

## 7.2 Impact reporting

a. **Impact Indicator 1:** Number of people employed, against key demographic and financial data. This will be generated automatically by the reporting platform, based on the participant's information uploaded.

   SIPs will be expected to support and enable a digital entry, mid-term and exit survey of participants that will be developed and administered by the IDC, as part of measuring psycho-social impacts of the programme.

b. **Impact Indicator 2:** How has the work undertaken contributed to the common good?

   As part of the proposal, SIPs are required to propose 3-5 indicators for this that are relevant to the context and content of their proposal, with a brief summary of how these indicators will be measured, including consideration for the baseline to be utilized.

c. **Impact indicator 3:** How has the Social Employment programme strengthened organisational and institutional capacities for implementation of Social Employment in relation to SIP partners and in the communities served?

   The indicators for this are not required as part of the proposal, but will be an output required as part of project inception, to allow SIPs to consult with their partners and local organisations on appropriate indicators for this once contracts are confirmed.

d. **Impact indicator 4:** How has participation in the programme built the capacities and capabilities of participants? The indicators for these will also be by agreement in the inception phase.

# 8. Application Process

Allocations from the SEF are made using a competitive review process. Applicants must visit www.idc.co.za/SEF and download the following forms:
a.  SEF Application Form
b.  SEF Budget Proposal
c.  KYC Checklist

The fully completed forms together with necessary supporting information must be submitted to SEFapplications@idc.co.za

***Applicants are urged to keep responses focused and concise, submit only necessary information and submit a single pack of information.***

While there is one bid window, a two-phased approach will be used, with two closing dates:

**Phase One:** Those organisations with an advanced state of readiness; and, who may wish to contribute to the co-creation of the programme, are requested to submit proposals by the close of business on Monday, 22 November 2021. The IDC aims to select a limited number of organisations from these applications during this first phase. The expectations of this group are as follows:

- They will make themselves available for consultations on reporting and payment systems up to mid-December, before the break.
- Their appointment of a small first batch of participants will be fast-tracked to start from early in January. These may just be administrative or supervisory posts. The details will be subject to discussion and agreement.

Proposals not selected for Phase One will automatically be included for evaluation during the second phase with no disadvantage to them.

**Phase Two:** All other applications should be received by close of business on Wednesday, 8 December 2021. Contracting will take place by early January, with implementation starting as soon as possible thereafter.

The IDC reserves the right to re-open this window in the event the broader objectives of the SEF are not being met from the applications received.

# 9. Additional Information

- For the first quarter of implementation the Fund will make advance payments to SIPs to cover the non-wage costs as well as costs of UIF and COIDA, based on the agreed budget and activity plan. Subsequent payments for these costs will be made quarterly, based on performance, verification of reported expenditure and projections for the coming quarter, with 5 percent of the total budget withheld in the last quarter until submission of a close-out report on approved activities and expenditures.

- Ring-fenced bank account: Non-wage payments will only be made into a designated ring-fenced project bank account from where all project-related expenditure will be funded.

- Other government funding:  Applicants are expected to declare any existing contracts with other public employment interventions, training programmes, etc. Failure to declare will be deemed a breach of trust and will result in immediate termination of the application and in the instance where contracting has been concluded, termination of the contract.

- If this programme will benefit from co-funding from any source, please specify

**ANNEXURE 1: PROPOSED WORKFLOW FOR PAYMENT & REPORTING SOLUTION**

The Solution will be sourced by the IDC. It is envisioned to have both payment and reporting capabilities in one offering. The following is the in-principal flow for **payments** (subject to the finalization of the Solution tender process):

- The Solution will be available on mobile devices
- Participants must be told to have their Identification and Bank Account Confirmation paperwork on hand
- SIPs must upload participants onto the Solution. Digital capture will be enforced as far as practicable to limit manual inputs.
- The Solution will have time-at-work capabilities to track time-in-attendance. SIPs together with designated team leaders must monitor this and record on the solution.
- Weekly payment files and exception reports will be pushed to the SIPs to authenticate accuracy of data
- At month-end, a consolidated payment file and exception reports will be pushed to the SIPs for authentication
- These payment files and exception reports will be test-checked and interrogated by the IDC
- A final consolidated payment file will then be shared with the IDC for release to the individual workers
- Failed payments because of incorrect bank details and so forth will not hold up these payments but will have a separate workflow
- Participants will receive an SMS confirmation of payment together with an electronic payslip

The Solution will have the following **Activity monitoring capabilities** (subject to the finalization of the Solution tender process):

- SIPs will note the activities performed at a Worksite. These activities are linked directly to the programme outputs. For example, how many children were looked after by SEF participants at an ECD
- The Solution will allow for the upload of photographs

The Solution will have the following **Non-Wage Monitoring Capabilities** (subject to the finalization of the Solution tender process):

- SIPs are expected to maintain their own financial records as well as have a robust accounting system in place.
- SIPs must upload balances of actual spend per the above non-wage allocation on the Payment and Reporting Solution on a monthly basis at minimum