A new innovative approach is needed to increase social impact investment in SA

By Keri-Leigh Paschal

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South Africa has lived with Covid-19 and its many implications for two years now. During the height of the pandemic, the fault lines in our social fabric were exposed like never before, and the challenges experienced by the social impact sector were huge.

Executive trustee at social impact initiative Nation Builder. | Source: Supplied

It was also a time when the NPOs working in the social impact space got to lead the conversation to tell the rest of our society where the needs were greatest and how to address them.

But now, as we head into the post-pandemic reality, we need to start looking at new ways of addressing the social needs in South Africa so that they have a greater impact on the most vulnerable in our society.

There has been a year-long lag in social investment due to the Covid lockdown in 2020, and with decreased economic activity many companies also lowered their social impact budgets.

R71m investment to develop two new schools in East London

24 Mar 2022

SA corporates' CSI spend

Corporate social impact spending last year amounted to R10.3bn, a drop in the ocean of social spending in the country. The government spends more than R202bn per year on social welfare grants alone.

The latest research, released in the Trialogue Business in Society Handbook, shows that 70% of the social investment spend in South Africa comes from just 100 companies. From this small number of companies, the social impact commitment is huge. Further research shows that 60% of those 100 companies supported more than 10 CSI projects while a third supported more than 50 CSI projects.

The research also found that the bulk of social investments were made in education, food safety, community development and disaster relief. Interestingly, the Durban riots last year resulted in an increase in smaller private investment and smaller business investment.

The riots also saw collaborative alliances formed between different relief efforts. It is encouraging to see people wanting to take the initiative and that there is an increased awareness of the importance of social investment. However, corporates are looking at social investment opportunities that blend traditional social investment with opportunities which also create economic activity.

Old Mutual Insure's CSI spend hits R8m
10 Mar 2022

Traditional social investment capital is no longer the only answer. Corporates want to use their social investment capital to generate cash and as economically stimulating investments that have a long-term effect.

They are also looking at being more involved in where their social investment goes so that they can be better informed about what their money is being used for and to ensure that their social impact spending reflects their company values. This may mean that NPOs who have well thought through employee volunteerism and skills sharing programmes for their social investment partners may attract new partnerships.

Also, Africa has traditionally been the recipient of fairly large portions of overseas donor funding which created operating models based on donations from outside the continent. However, these donations are decreasing, and we must come up with different solutions to address our own social needs. Essentially, donor dependency models have to change.

With the majority of funding coming from so few companies, and the increased social awareness of individuals and smaller businesses, it will be crucial for the sector to respond accordingly over the next couple of years.

Collaboration is key

Peer-learning, collaboration and partnership appear to be more important than ever, and NPOs need to take the following into consideration. Firstly, new social investors would have so much to gain from learning from the knowledge and experience of existing social investors.

Secondly, with the increased pressure on NPOs to innovate and form social enterprises, businesses with a new focus on social impact may be able to offer them their expertise which will translate to new business solutions for existing social problems.

KFC Add Hope donates R1.5m to PSFA's school feeding programme

22 Mar 2022

Thirdly, to help decrease duplication in the sector and ensure that the limited resources available are used optimally, it is important that new social investors are connected to the existing eco-system of stakeholders in the social investment sector.

NPOs who take into account this changing social investment landscape and the fact that corporates want to see real world impact will be able to position themselves to attract new corporate social investment funding. For corporates, this means that their investments will have a lot bigger impact.

ABOUT THE AUTHOR

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