

# The Case for the Adopt-a-Pothole Programme

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*An Empowerment Gateway Group Initiative*





## *Executive Summary*

The Adopt-a-Pothole is a new Social-Economic Enterprise, which addresses key fundamental needs in South Africa, being road infrastructure maintenance, and the alleviation of unemployment and poverty in local communities and promotes the principles of custodianship and leadership rather than ownership and entitlement.

The project has been designed as a practical business and enterprise development incubator, and it will recruit, train and mentor unemployed individuals as business unit caretakers, admin and support officers, and pothole doctors in the developing social entrepreneurship arena.

The project was designed using a cluster model, with each cluster comprising of 5 independently managed business units positioned within a social-economic franchise model.

The enterprise will start with a pilot in the Govan Mbeki municipal area, Mpumalanga; with the units being responsible for the following areas:

1. Secunda and Trichardt
2. Charl Cilliers and eMbalenhle
3. Evander and Kinross
4. Leandra and Eendricht
5. Bethal and eMzinoni

Following a successful pilot operation, the model will be replicated across other municipal areas in South Africa where there is a need.

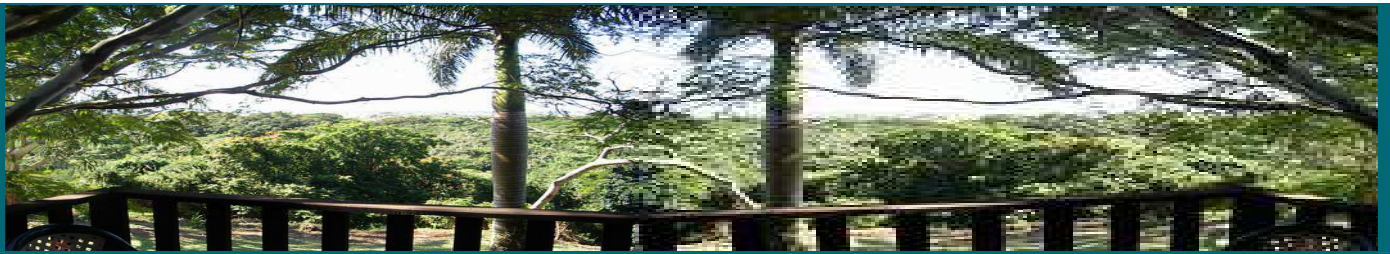
This programme is structured to leverage CSR and Enterprise funding mechanisms. Profits generated will be shared between the programme expansion cost and beneficiaries.

This briefing document is consistent with the South African government unemployment and poverty strategies and policies.

The Adopt-a-Pothole programme is an initiative of Empowerment Gateway, who is itself a social-economic enterprise. In addition various international organisations and individuals focused on the development of the Social-Economic arena continue to provide expert advice and support.

### **The programme now requires:**

- Start-up funding for pilot project, in order to start operating in August 2009.
- Municipal Mayoral Committees authorisation to repair potholes in the roads under their custodianship.
- On-going and once-off sponsors and pothole adopters.



## *The Social Need*

South Africa is confronted with a triple challenge. On one hand, we have the twin challenges of unemployment and poverty and on the other an aging and failing infrastructure.

### **Unemployment**

Unemployment figures indicate that over 4 million people are unemployed in terms of the strict definition and over 8 million in terms of the broad definition, but the number of unemployed is steadily rising on a month-by-month basis.

It is a fact, that the South African economy is undergoing a major structural transformation, which manifests itself in a decline in labour intensive modes of production, caused in part by declining primary sector activity. In turn, this leads to decreased demand for unskilled labour, and thus a major fall in the total employment levels.

While new jobs have been created by the economy since 2003, these employment opportunities have not significantly dented unemployment. Part of the problem lies in what the Accelerated and Shared Growth Initiative (ASGISA) characterises as a mismatch between employment opportunities and existing skills levels.

It is thus evident that the current economic growth rate is unable to absorb unskilled and the semi-skilled labour in the short to medium term unless major interventions are undertaken by government and by the business sector, either individually or in partnership.

### **Poverty**

Linked to the challenge of tackling rising unemployment, is dealing with poverty. It is estimated that there are over 5 million people living in households with average income levels of between R 800 and R1500 per month, and about 3 million living below the poverty line, with incomes being below R 800 per month per household.

Joblessness and poverty are associated with social exclusion, susceptibility to extremist ideologies, high levels of violence, substance abuse, criminality and overall loss of hope.

There is therefore a particular urgency to engage in policy dialogue and pursue new income creation models and programmes. It is a recognized fact that fresh ideas are needed to address the poverty problem.

In the search for new directions, we must keep in mind that poverty and inequality are the results of different processes and situations and subsequently, the one size fit's all model should not be used.

For example:

*Some of the people that fall within the poverty definition, do get some form of wages, but may be exposed to poor work conditions, income insecurity, being on the brink of becoming homeless, or they just lack the skills to be considered for better paying positions or jobs. But we must also not forget that there is also another group of people whose economic distress is largely based on chronic and severe lack of employment or income generating opportunities.*

## **Infrastructure**

*"Infrastructure maintenance must be regarded as a strategic tool to promote improved service delivery, to unlock funding to extend infrastructure to historically disadvantaged communities, and to support the nation's economy. Maintenance of existing infrastructure should not be seen as of secondary importance to the apparently more attractive prospect of new infrastructure"(2006 strategy document)*

It is a known fact, that to have a sound economy, good social dispensation and quality of life, you need to have good and sound infrastructure in any country, and South Africa is no different.

For the past 15 years the South African government has focused its endeavours on building new infrastructure rather than upgrading or maintaining its existing infrastructure. The result of the strategy, has led to a breakdown of the infrastructure maintenance and upkeep programmes ... government buildings are poorly maintained, hospitals and health services are in serious disarray, waste treatment plants are on the verge of collapse, roads are a safety and health hazard ... in fact, the entire South Africa infrastructure is at a risk of collapse.

In August 2006, the Department of Public Works, released the National Infrastructure Maintenance Strategy (NIMS) in support of ASGISA and government growth objectives such as the Expanded Public Work Programmes. This strategy was passed in parliament later that same month.

Empowerment Gateway representatives studied various documents, and held numerous discussions with a vast number of individuals and organisations that were involved in this programme directly or indirectly, including businesses, NGOs, Civic Organisations and government representatives.

According to the NIMS programme, the government intended to create 12 full time jobs per million Rand spent (6 direct and a further 6 indirect or induced), and they estimated that a maintenance budget of R20 billion for one year, would provide employment for approximately 240 000 people.

An analysis of the funds spent by government on the infrastructure portion of the NIMS programme, indicates that on average less than 10% is made available as a poverty and unemployment alleviation tool, but without a long-term income earning sustainability. For example, in 2008, a budget of R 10.5 billion was allocated for infrastructure related projects. Fees for expenditure and consulting amounted to R6.8 billion, and for once-off or part-time employees only R 650 million was spent.

We are also unsure of the percentage of funds that has been applied to repair the current road infrastructure that covers approximately 120 000Kms. AA reports, that more than 78 000Kms, are in need of some or other form of repair and maintenance.

This represents 70% of the total road surface infrastructure in South Africa. Most of the 78 000 km of surfaced roads is confronted with the curse of "potholes". In fact it is estimated that there could be as many as six million potholes currently.

## **In conclusion**

Lack of proper infrastructure repair and maintenance was, and still is a fact of life that negatively affects all South African residents and one that negatively affects efforts to alleviate poverty and unemployment.

# Strategic Overview incorporating the Govan Mbeki Municipal Region

## Roads

Road specialists have warned that poor road conditions, including dangerous potholes spread across the country's roads, could cost motorists a staggering R20-billion a year in accidents and damages. And if left to decay any further, they predict that taxpayers could end up forking out R520-billion to reconstruct roads that have failed.

The AA study, conducted by civil engineer and roads specialist Dr John Sampson, said the road maintenance backlog was estimated at R100-billion, of which R95-billion was for provincial roads. Sampson said a seal every seven years; rehabilitation every 20 years; ongoing and routine grass cutting, drain and culvert clearing, and patch and crack sealing would be needed to keep a road in good condition.

About 70% of roads in North West are in urgent need of repair, compared to 35% in KZN, 32% in the Free State, 30% in the Eastern Cape and Limpopo, 21% in Gauteng, 17% in the Northern Cape, 16% in Mpumalanga and 8% in the Western Cape.

Empowerment Gateway's own research corroborates the findings of road specialists.

In South Africa there are 6 Metropolitan Municipalities, 46 District Councils and 231 Local Municipalities.

During the past twelve months we focused our attention on the Govan Mbeki municipal region in Mpumalanga situated within the Gert Nsibande district council.

We estimate that in the Govan Mbeki region alone there are a minimum of 30 000 potholes in need of repair. Using this sampling as an indicative national sampling it means that there could be in excess of 6 million potholes nationally in urgent need of patching.



**Example of road infrastructure condition**

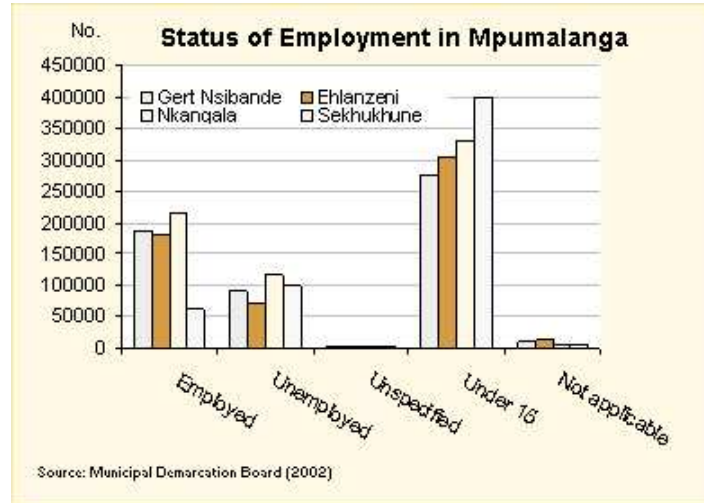
The Govan Mbeki municipality spent R 5 million in 2008 in an endeavour to repair 10 000 potholes. The facts are that in spite of funds being allocated and spent, it has not had the impact the local municipality was looking for.

In fact some of the patching work lasted less than 1 month, with some lasting only 2 weeks. In contrast, during the past 12-months Empowerment Gateway has run a few pilot repair tests on various roads in the municipal district, and has found that the patching work has far outlasted the work done by others, as all potholes had retained their patching integrity, even during the rainy season.

## Unemployment

In the Mpumalanga Province, unemployment was reported to be approximately 33%, compared to the national figure of 34% (DSSPD, 2001).

The graph below shows the number of people in the province that are employed, and from this data it is evident that the portion of the population employed is approximately double those that are unemployed.



Currently the Extended Public Works Programme's target is to repair during the 2008/2009 budget year, 8 900 Kilometres of the total national, provincial and regional road infrastructure, and to create approximately 45 000 work opportunities.

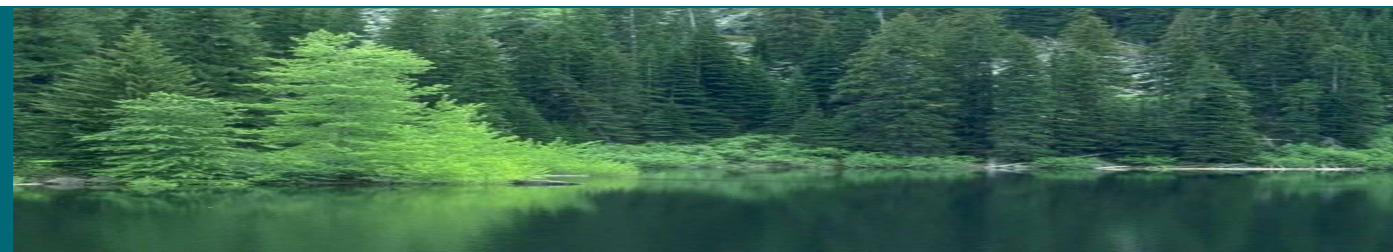
Work opportunities do not equate to permanent income generation opportunities, or to 45 000 jobs on a budget of R 900 million.

Since the beginning of the Public Works programme, the average income earned by a participating unemployed individual has been no more than R 4000 per person per year and the same individual is prevented from participating in the programme again for a period of up to 24 months. This process equates to a once-off grant in real terms and does nothing to alleviate the serious issues of unemployment, poverty or re-skilling.

The daily work rate in the 2008/2009-year ranges between R 30-00 and R 150-00 per day, with the average being R 66.50 per day, the principle of no work, no pay also applies within the Public Works programme.



Due to the economic downturn, industry and the business sector has limited need for new employees, and where there is a need, the vacancies available target more skilled individuals, thus further constraining employment opportunities in the country.



## ***Strategic Goals and Objectives***

### **Increase the amount of high-quality road surfaces in South Africa, and create long-term income earning opportunities for unemployed man, women and youth while promoting the social entrepreneurship arena.**

A good and well maintained road network is of paramount importance in the economic and social growth of any country. Citizens use the road infrastructure on a daily basis, either to commute to their place of employment, for social activities or to move freight.

The role of good roads in the improvement of social conditions is vital; in fact, roads are generally regarded, after education, as the most important catalyst for a country's development. Roads contribute to poverty alleviation by providing infrastructure for transport services to move goods and people, and by providing access for rural populations to markets and social facilities.

Road systems are broadly divided into "economic" and "social" networks.

The "economic networks" essentially are the primary and secondary road networks that carry substantial traffic and on which the vast majority of the transport activities take place, but which normally represent less than 20% of the total network length.

Social road networks roughly are the rural road networks that carry only a small share of the total traffic load, but which extend to more than 80% of total network length. These networks must provide reliable all-season access to the rural populations in order to enable them to reach markets and social facilities.

Roads contribute to poverty alleviation by promoting growth through the provision of infrastructure in corridors that connect villages, towns and cities across the country. While contributing to poverty alleviation, roads need to be safe. Only if due regard is given to appropriate arrangements to deal with road safety can roads really contribute to poverty alleviation.

There is widespread consensus amongst government, business, professionals, charities and road users that existing infrastructure falls far short of what the country really need.

According to the South African Road Federation, despite the impressive economic and social development record of roads as well as the high economic rates of return, fiscal authorities in South Africa have until recently, allocated a very low priority to road investment for the past 2 to 3 decades. The 21st century is an era of vast and complex needs for our roads sector allied to a need to involve all sectors of our society in the provision, maintenance and operation of roads.

Empowerment Gateway, agrees with the sentiments expressed by the management of the South African Road Federation, and our contribution to this serious infrastructure problem was to conceptualise and create "The Adopt-a-Pothole" Socio-Economic franchise model anchored within a multistakeholder partnership.

## **Aims and Objectives of Programme**

### **General**

- Increase the number of individuals that are gainfully earning a living in South Africa.
- Increase the number of skilled individuals willing to work within the infrastructure maintenance arena.
- Substantially reduce the amount of potholes in the South African road infrastructure.
- Provide an access point for the general public to report potholes in their communities.
- Reduce pothole patching carbon emissions by 40%.
- Improve road safety and reduce costly accidents both in financial terms as well as in life terms.
- Generate income and profits from the programme for distribution to programme beneficiaries as well as for social upliftment programmes.
- Create a spirit of cooperation by reducing potential areas of conflict.
- Promote the principles of custodianship, leadership, accountability and responsibility and the safeguarding of the planet for current and future generations.
- Promote multistakeholder partnerships by involving communities, municipalities, NGOs, social entrepreneurs and businesses.
- Promote social entrepreneurship and entrepreneurship as an alternative to traditional business models.

### **Long-term**

- Train over a period of 5 years a minimum of 25 000 unemployed people in Social-Economic principles, Social Enterprise Development, Entrepreneurism, and Life Skills.
- Create long-term income earning opportunities for 20 000 people, where earnings range from R 2500 for low skill tasks up to R 10 000 per month for business unit caretaking.
- Repair 6 million square metres of potholes per year within 5 years.
- Create an integrated social franchise support infrastructure.
- Get buy-in and authorisation in all the local municipalities where needs have been identified.

### **Pilot – Govan Mbeki Municipality**

- Train 100 individuals in Social-Economic principles, Social Enterprise Development, Entrepreneurism, and Life Skills
- Appoint a minimum of 60 people per business cluster for an initial period of 6-months; thereafter on successful completion of pilot extend the period to 4.5-years under custodianship and apprentice contracts as trainee social entrepreneurs. (12 people per business unit)
- Repair 10 000 square metres of potholes in 6-months
- Pay R 2.5 million to 60 beneficiaries as earnings in the first year of operations.
- Get authorisation and support from local municipality mayoral committee for pilot of 6-months and thereafter for another 4.5 years.



## The Model

*Empowerment Gateway's role is to identify a need, design a model to address the need, create the necessary support systems, test the model and finally transfer its custodianship role and know-how under a social-economic franchise licence to others. Thereafter, the role is one of support on as needed basis, and ensuring that the vision and values are maintained in perpetuity.*

### The Empowerment Gateway Integrated Social-Economic Model

Designed as a model to inspire others, the strategic holding body, structured as a trust, has a mission of contributing to a sustainable world, which it does by using business and social models that help break the cycle of poverty and unemployment and promotes sustainability.

The Empowerment Gateway custodians are charged in perpetuity with protecting the vision and values of the organisation.

All operations meet ISO 9001 quality standards, ISO 14001 environmental standard and ISO 26 000 Social Responsibility standards.

**Ownership:** Trust on behalf of current and future beneficiaries.

**Control:** Trust deed.

**Mission:** Contribute to a sustainable world by promoting custodianship, leadership, social entrepreneurship and entrepreneurship.

**Intended beneficiaries:** Multiple stakeholders.

**Trading Currency:** Value exchange methodologies that includes in-kind, physical as well as monetary values.

### Promotion of Custodianship rather than Ownership

*In the same way that no one owns the oxygen that we all breathe, and there is always enough to sustain life on a day-to-day basis, the same principle must apply everywhere else ... but it needs a paradigm shift.*

Empowerment Gateway founders believe that every single person on the planet has a custodianship role and responsibility on behalf of current and of future generations.

They believe that too much emphasis has been placed on "ownership" which is detrimental to society, as instead of reducing poverty and unemployment, addressing such things as climate change, deforestation, etc, the ownership myth continues to widen the economic gap and negatively impacts on the sustainability of the planet for future generations.

We have found that the ownership myth, places more emphasis on the intangible value and limited-life-use of "property and physical assets" than on people or planet, while, custodianship emphasizes the value of safeguarding the "property, tangible and intangible assets" for all future generations and planet.

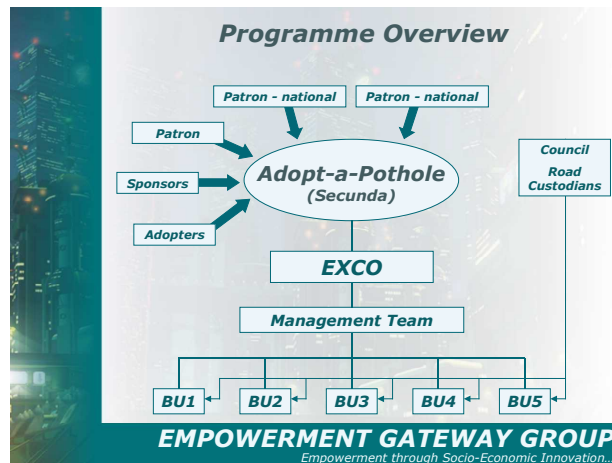
Ownership fosters competition and conflict while custodianship fosters cooperation and empathy.

## Application of the Model in the Adopt-a-Pothole Programme



- The Adopt-a-Pothole is a highly effective road-patching programme that teaches unemployed men, women and youth how to take on a custodianship role while managing a road patching programme in their communities.

The Adopt-a-Pothole is a master social franchise operating under an Empowerment Gateway licence that will be registered as a trust that in turn will create sub-trusts.



This is a social enterprise development model that has the twin aims of generating profit and social return. Those aims are clearly defined in the trusts deeds and in supportive policies and procedure documentation.

The Participating Stakeholders:

- Shall take a custodianship role and be responsible operators, leaders, managers, trustees, patrons, sponsors or adopters.
- Participating businesses in this programme, including large corporations, shall accrue fair returns and value for their shareholders, but not at the expense of the legitimate interests of the other stakeholders of this programme.
- Shall operate sustainably, meeting the needs of the present generation without compromising the ability of future generations to meet their needs.
- Shall govern in a manner that is participatory, transparent, ethical, and accountable.
- Shall not infringe on universal human rights.

The profits generated in the programme will be used as follows:

- Twenty percent will be used in the replication of model in other areas.
- Thirty percent will be used for support infrastructure costs.
- Twenty percent will be used to support approved social programmes.
- Balance will be distributed equally to beneficiaries as programme bonus and profit sharing.

The Govan Mbeki municipal area has been identified as the appropriate pilot site. Once the model is proven and is profitable, it will be replicated across other areas in South Africa.

The programme has been structured to incorporate 5 operational sites in each area as a cluster. The reasons behind this strategic decision are as follows:

- Logistics management
- Supply management
- Inter-collaboration between social enterprises
- Efficiency of delivery
- Support
- Programme operational efficiency

Each area office will be run initially from Empowerment Gateway's Secunda offices under an incubation model, with a management team appointed and responsible for the following:

- Promotion of project in local community
- Obtain sponsorships and adoptions of potholes
- Liaison with local communities
- Liaison with suppliers and council
- Provide infrastructure and management support
- Coordinate training sessions and weekly and monthly meetings
- Manage statistics and reporting function to council

Each site will create earning opportunities for 12 unemployed individuals that will fulfil the following tasks:

1. Business unit management
2. Admin
3. Supervision
4. Quality and Safety Control
5. Logistics
6. Pothole repairs
7. Marketing
8. Statistics

In addition there will be a localised depot for ease of material logistics. It is envisaged that local municipalities will, at no-charge or at a nominal fee, make ground to set-up depots available. Ground requirements are approximately 500 square metres per depot.

The depots create a minimum of another 3 earning opportunities in the local community. And will consist of a depot supervisor and 2 cold asphalt baggers.

Local councils will be responsible for ensuring that road quality and safety standards are maintained. It is envisaged that current council personnel responsible for repairing potholes could be trained to fulfil this new role. Empowerment Gateway is willing to include this training into the project start-up costs.

Focus and investment will be placed on ways to maintain stakeholder loyalty, increase motivation of participants and on shared experiences. Infrastructure costs will be kept to the minimum required to have a successful operation.

Funding will be raised from:

- Pothole adoptions starting from as low as R 1000.
- Sponsorships, as a percentage of the social-economic development and enterprise development targets as an enabler for businesses to gain the maximum points allowed on BBBEE scorecards under those BEE elements.



## *The Outcomes*

### **At the individual level**

- The programme is structured as a practical hands-on incubator, where incumbents will learn the skills needed to replicate the social entrepreneurship methodologies of the Adopt-a-Pothole programme transferred into other wealth creation initiatives in their communities.
- The programme incorporates various training interventions that include life skills, leadership, custodianship, social entrepreneurship skills, management, operations, consultative skills and developmental skills.
- Participating individuals will also gain self-confidence;
- They gain access to methodologies that should enable them to address the social issues that affect them most, such as learning how to deal with violence, substance abuse, and AIDS.
- The project can be applied both in urban and rural areas.
- It creates income-earning opportunities for men, women and youth. Selection is based on proportional geographical representation of an area. The IEC's ward geographical representation will be used to calculate proportional representation.
- Being part of the Adopt-a-Pothole programme, men, women and youth will see their lives transformed, as well as the lives of others in their communities.
- Being part of a team that improves the road infrastructure in their communities will greatly enhance the community's ability for higher self-reliance.

### **At the road infrastructure level**

- Road conditions are improved with number of potholes greatly reduced.
- Potholes are repaired within short-time frames
- Reducing of carbon emissions by up to 40%.
- Effective waste management.
- Improved road infrastructure.

### **At the municipal level**

- Improved service delivery to communities.
- Retain quality control.
- Reportable statistics.
- Visibility – seen to be doing something about road infrastructure.
- Budget savings that can be applied into other social upliftment programmes.

### **At the business level**

- Reduce associated cost of BEE compliance by benefiting from maximum allowed points under Enterprise Development and Social Economic Development BBBEE targets using only one programme.
- Assist government in meeting its strategy of reducing poverty and unemployment.
- Improved road infrastructure reduces costly fleet maintenance, time-delays and overall safety of personnel using the road infrastructure.
- Visibility and extensive brand exposure.
- Seen to be doing "good" by local communities, resulting in better reputation and assists with brand management.

# Funding Requirements

## Schedule

**Pilot:** August 2009 to February 2010  
**Incubation:** March 2010 to February 2014  
**Exit:** March 2014

**National rollout:** To start after successful completion of pilot

## Funding

Pilot project requires R 15 million, for the following:

- |    |  |             |
|----|--|-------------|
| 1. | Set-up cost for 5 social enterprises (business units)                    | R 3 million |
| 2. | Running expenses to repair 12 000 square metres of potholes              | R 7 million |
| 3. | Set-up support infrastructure, training, control and operational systems | R 5 million |

Project rollout – per cluster per year of operations – R 20 million

- |    |  |              |
|----|--|--------------|
| 1. | Set-up cost for 5 social enterprises (business units)                | R 3 million  |
| 2. | Running expenses to repair 25 000 square metres of potholes per year | R 15 million |
| 3. | Support infrastructure and training                                  | R 2 million  |

Includes per cluster:

- Assets of R 1.5 million
- Wages and stipends of R5 million for 75 unemployed individuals
- Training of 100 unemployed individuals and on-going training for cluster incumbents
- Recovery of set-up investment of R 600,000 per business unit in 4 years (R 3 million)

<b>In-depth Operational Simulation</b>					
	FY-10	FY-11	FY-12	FY-13	FY-14
Working Days	163	185	187	186	183
Sqm	2,195	3,954	4,013	3,986	3,844
<b>INCOME</b>	<b>R 1,719,620.00</b>	<b>R 3,407,219.20</b>	<b>R 3,808,654.08</b>	<b>R 4,135,406.35</b>	<b>R 4,523,858.17</b>
<b>COST OF SALES</b>	<b>R 801,223.29</b>	<b>R 1,597,279.19</b>	<b>R 1,773,653.51</b>	<b>R 1,925,095.40</b>	<b>R 2,057,943.23</b>
<b>GROSS PROFIT</b>	<b>R 918,396.71</b>	<b>R 1,809,940.01</b>	<b>R 2,035,000.57</b>	<b>R 2,210,310.95</b>	<b>R 2,425,914.94</b>
Gross Profit Margin	53.4%	53.4%	53.4%	53.4%	53.6%
<b>EXPENSES</b>	<b>R 841,758.37</b>	<b>R 1,547,979.92</b>	<b>R 1,687,830.37</b>	<b>R 1,825,970.03</b>	<b>R 1,870,918.23</b>
Bookkeeping Fees	R 5,000.00	R 5,000.00	R 5,000.00	R 5,000.00	R 5,000.00
Banking Fees	R 16,687.44	R 40,991.52	R 50,110.63	R 59,466.07	R 71,098.45
Consulting Fees	R 42,000.00	R 79,200.00	R 87,120.00	R 95,832.00	R 105,415.20
Depreciation	R 32,783.33	R 56,200.00	R 56,200.00	R 56,200.00	R 56,200.00
Finance Charges	R 123,900.00	R 210,000.00	R 210,000.00	R 210,000.00	R 86,100.00
Insurance	R 14,000.00	R 26,400.00	R 29,040.00	R 31,944.00	R 35,138.40
Internet	R 3,500.00	R 6,600.00	R 7,260.00	R 7,986.00	R 8,784.60
Maintenance & Repairs	R 12,250.00	R 26,950.00	R 35,997.50	R 32,809.50	R 43,556.98
Marketing	R 7,000.00	R 13,200.00	R 14,520.00	R 15,972.00	R 17,569.20
Postage	R 700.00	R 1,320.00	R 1,452.00	R 1,597.20	R 1,756.92
Printing & Media	R 4,200.00	R 7,920.00	R 8,712.00	R 9,583.20	R 10,541.52
Rentals	R 35,000.00	R 66,000.00	R 72,600.00	R 79,860.00	R 87,846.00
Salaries	R 513,920.00	R 928,280.00	R 1,022,208.00	R 1,124,428.90	R 1,236,871.68
Security	R 2,100.00	R 3,960.00	R 4,356.00	R 4,791.60	R 5,270.76
Stationery	R 2,100.00	R 3,960.00	R 4,356.00	R 4,791.60	R 5,270.76
Taxes	R 15,417.60	R 27,878.40	R 30,666.24	R 33,732.86	R 37,106.15
Travelling	R 5,600.00	R 10,560.00	R 11,616.00	R 12,777.60	R 14,055.36
Training	R 0.00	R 22,000.00	R 24,200.00	R 26,620.00	R 29,282.00
Utilities	R 5,600.00	R 10,560.00	R 11,616.00	R 12,777.60	R 14,055.36
<b>Profit Before Tax</b>	<b>R 76,638.34</b>	<b>R 261,960.09</b>	<b>R 347,970.20</b>	<b>R 384,340.91</b>	<b>R 554,995.61</b>
Profit Margin	4.5%	7.7%	9.1%	9.3%	12.3%
<b>Retained Earnings</b>	<b>R 76,638.34</b>	<b>R 94,141.79</b>	<b>R 156,943.96</b>	<b>R 199,590.00</b>	<b>R 298,318.25</b>
<b>Cashflow</b>	<b>R 160,731.28</b>	<b>R 182,677.82</b>	<b>R 259,716.54</b>	<b>R 249,598.32</b>	<b>R 429,118.18</b>
CIB (Accumulated)					

**EMPOWERMENT GATEWAY GROUP**

Empowerment through Socio-Economic Innovation...

Example of Financial Simulation and What-if Analysis for one Business Unit



## *Definitions*

### **Entrepreneurism**

Contrary to traditional belief, Entrepreneurism is not just about making money, nor is it merely about starting up a venture or owning a small business – it is a way of life, applicable to all human economic activities. Living on a planet with finite resources, humanity is sustainable only if there is constant pursuit of innovation and creativity, not just for personal gain but also for the common good.

### **Social Entrepreneur**

They are women and men who have the vision, creativity, and extraordinary determination of the typical business entrepreneur – but who devote these qualities to introducing and implementing innovative solutions to systemic social problems. They are visionaries who develop innovative ways to fundamentally change how societies operate. They find what is not working in society and address the problem by changing the system, spreading the solution and persuading entire societies to take new leaps. Social entrepreneurs are path breakers with powerful new ideas, combined with visionary and “real-world” problem solving creativity, who have strong ethical fiber and who are totally committed to their vision or idea for change.

### **Custodian**

The word means a keeper, a guardian, or a caretaker. It is a proactive word that implies action on the part of the bearer. Custodians hold something in trust on behalf of others. It is not behaviour motivated out of pure self-interest, greed or thirst for power, but it is guided by the principle of good and fairness for all and endorses the principle of true value exchange.

### **Sustainability**

Is the measurement used to evaluate an organization’s ability to continue operating in the long term. It requires organisational commitment. Social values embedded into the organisation – value chain, policies, strategies etc, establish boundaries of social responsibility with strong principles. It has social performance criteria, with monitoring and evaluation programmes. It is auditable and impact quantified.

### **Stakeholders**

Are those people and entities that the organisation affect and/or are affected by the organisation, and include, suppliers, clients, employees, communities, investors, civic society, government, and the planet and future generations.

### **Sponsors**

Are the businesses that apply CSR, Enterprise Development or Social-Economic Development funds as development grants to project, or that make other contributions to project, such as in-kind or in goods.

### **Adopters**

Are the businesses or individuals that adopt a pothole, a street, a suburb or a stretch of road for the maintenance of potholes on a once off or an on-going basis in accordance with pre-determined adoption schedule.

### **Patrons**

Empowerment Gateway Group, and a few listed JSE businesses are the principal custodians of the national programme. Patrons are responsible for ensuring that the spirit of the licence agreement is maintained, and to monitor that the correct implementation processes are followed.



## ***The Empowerment Gateway Group - EGG***

*Social Entrepreneurs, Laurinda Seabra, a Portuguese Citizen and Joe Stokes a South African citizen, in 2004 started Empowerment Gateway as a social-economic organisation.*

*Empowerment Gateway is an emerging international consulting support organisation that focuses on the development of programmes aimed at reducing unemployment and poverty, social enterprise development, and the promotion of human rights.*

*It is structured as a hybrid organisation with ownership and control being replaced by custodianship and leadership.*

*The organisation is headquartered in Portugal but has a fully-fledged operation in South Africa.*

*South Africa was selected as the appropriate location to carry out the group's initial Research and Development phase and to rollout and test the implementation models and frameworks using a Social-Economic Franchise model.*

*The group follows an integrated model, that includes components from the 4th Economic Sector Model, the Blended Values Framework and the Social Responsibility principles embedded in the UN Global Compact, GRI indicators, the UN MDGs (Millennium Development Goals), 4th Sector Network, The Blended Values Organisation, Sigma Protocol, the developing ISO 26000 and various other international CSR methodologies.*

*Empowerment Gateway also functions as an IO (Intermediary Organisation) and facilitates multistakeholder linkages.*

*Empowerment Gateway is a For-benefit (For-profit integrated with Not-for-profit) where the "benefit-to-all-stakeholders" focus of the group's financial performance, results in achieving positive impact at all levels of the economy, through the holistic distribution of bottom -line earnings to various stakeholders and adherence to international sustainability standards.*

***EMPOWERMENT GATEWAY GROUP***  
*South Africa*  
*Country Head Office*

Web Site: [www.empowerment-gateway.com](http://www.empowerment-gateway.com)