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Leveraging Cooperatives, Civil Society Organisations,
and Social Enterprises for Poverty Alleviation in
South Africa

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Executive Summary

Over half of South Africa's population lives below the national upper poverty line, amounting to roughly 30 million people. Poverty in the country is deeply entrenched and unevenly distributed. Certain provinces, historically disadvantaged and largely rural, bear a far greater poverty burden than others. In contrast, wealthier provinces like Gauteng and the Western Cape have the lowest rates (around one-third of their population). South Africa also suffers from extreme inequality (with a Gini index around 0.63, one of the world's highest, and unemployment remains stubbornly high, exacerbating poverty in both urban and rural communities.

Poverty is most widespread in historically disadvantaged rural regions. The Eastern Cape, Limpopo, and parts of KwaZulu-Natal have the largest share of households living in poverty, while Gauteng and the Western Cape have the lowest.

The country's apartheid legacy left a spatial imprint on poverty, with "poverty pockets" in former homeland areas that still lack jobs and infrastructure. Rural provinces like Eastern Cape and Limpopo have high concentrations of poverty, lacking the economic opportunities present in urban centres

Additionally, poverty disproportionately affects vulnerable groups such as women (especially female-headed households), children, and people in rural communities. Government social grants and basic services (housing, education, water, etc.) have expanded since 1994 to mitigate extreme deprivation. However, despite progress, poverty levels have risen in recent years due to economic stagnation and other shocks, indicating that traditional government programs alone are not sufficient. This is where cooperatives, civil society organizations, and social enterprises can play a pivotal role in complementing state efforts and driving inclusive development.

The Role of Cooperatives in Poverty Alleviation

Cooperatives are member-owned enterprises that operate for the mutual benefit of their members and communities. In South Africa, cooperatives are found in sectors like agriculture, finance (savings and credit cooperatives), retail, housing, and more. By design, cooperatives empower groups of people to pool resources, share risks and benefits, and take collective action to improve their livelihoods. This model is especially powerful for poor communities: it enables people to create jobs and income for themselves where conventional businesses might not invest. All cooperatives whether economic (e.g. agricultural co-ops) or social (e.g. community service co-ops) ensure the growth and prosperity of communities by democratising economic participation

How Cooperatives Alleviate Poverty

- Job Creation and Income Distribution:** Cooperatives directly create employment for their members and often distribute profits back to member-owners. For example, a farming cooperative can help smallholder farmers band together to process and market their produce, securing better incomes for each member than if they operated alone. By collectively owning the enterprise, members build equity and assets over time.
- Serving Underserved Markets:** Because co-ops are driven by community needs rather than profit maximisation, they can sustain services in areas that private investors avoid. For instance, cooperatives have provided banking services in underbanked rural areas and electricity in off-grid communities. By filling these gaps, cooperatives improve quality of life and reduce the costs of poverty (such as travel to distant towns for services).
- Empowerment and Skills Development:** Cooperatives build local skills and leadership. Members participate in decision-making (one member, one vote) and often receive training in management, financial literacy, and technical skills. This capacity building increases members' ability to earn a living and run sustainable businesses. It also strengthens social capital and self-reliance in communities.
- Social Inclusion:** Cooperatives are open to anyone willing to join and share the benefits. They often target marginalised groups, including women, youth, and the unemployed, integrating them into the economy. Notably, cooperatives worldwide are recognised as vehicles for social inclusion and poverty reduction. In South Africa, the government has promoted cooperatives as a form of black economic empowerment and community development, seeing them as engines for grassroots economic growth.

Challenges and Support Needs

Many cooperatives in South Africa face challenges that limit their impact on poverty. These include limited access to capital and markets, inadequate business skills, and weak management. As a result, the failure rate among new cooperatives has been high. To fully leverage cooperatives for poverty alleviation, stakeholders must strengthen the cooperative ecosystem. This means providing training, mentorship, and incubation for cooperative members (to improve governance and business acumen), facilitating access to finance (through grants, microloans or cooperative banks), and creating market linkages (so co-ops can sell their goods and services more widely). Government and agencies like the NDA can also ensure supportive policies, for example, simplifying registration and compliance for co-ops, and using public procurement to buy from cooperatives. With better support, cooperatives can thrive and multiply the benefits to their communities.

The Role of Civil Society Organizations (CSOs) in Poverty Alleviation

Civil society organisations, including non-profit organisations (NPOs), non-governmental organisations (NGOs), community-based organisations, faith-based groups, and other grassroots initiatives, are essential partners in the fight against poverty. South Africa's civil society sector is large and diverse, with hundreds of thousands of registered NPOs across the country. These organisations are rooted in communities and have a firsthand understanding of local needs. Over the years, CSOs have delivered vital services and innovative solutions in areas such as poverty relief, education, healthcare, skills training, and rural development. They often work in the most deprived areas where government services may be lacking or inefficient.

How CSOs Alleviate Poverty

- **Service Delivery and Social Support:** Many CSOs provide direct services that improve the living conditions of the poor. For example, charities and community groups run soup kitchens, shelters, and food parcel programs that address immediate hunger and basic needs. Organisations in the education and health sectors help expand access to schooling, early childhood development, HIV/AIDS treatment, and mental health support in underserved areas. These efforts reduce the hardship of poverty and build human capital in the long run.
- **Community Development and Capacity Building:** CSOs often mobilise community members to participate in development projects, such as building community gardens, maintaining water and sanitation facilities, or setting up savings groups. By involving local people, CSOs help communities develop the capacity to solve their problems.

This “grassroots development” approach, where disadvantaged people organise themselves to overcome obstacles, has proven effective in empowering communities. A strong civil society can also foster social cohesion and collective action, which are critical for sustained poverty reduction.

- **Advocacy and Voice:** Civil society gives the poor a voice in public affairs. Advocacy NGOs lobby for pro-poor policies, transparency in government spending, and better service delivery. Through campaigns and public participation forums, CSOs highlight issues like social grants, land rights, or housing backlogs, pressuring authorities to respond. This watchdog role helps ensure that poverty alleviation remains on the national agenda and that policies are implemented effectively.
- **Linking Communities with Resources:** CSOs often serve as intermediaries between communities, government, and the private sector.

They can help funnel resources into needy areas by partnering with government programs or corporate social investment initiatives. For instance, the NDA was established to fund CSO projects that meet the developmental needs of poor communities. CSOs also help communities “demand services and resources from public and private institutions”, amplifying the impact of those resources at the local level. In this way, civil society can connect marginalised groups with the opportunities and support available in the broader society.

South African civil society has a proud history of rallying against social ills (from apartheid to current inequalities). Today, CSOs continue to play a crucial role in bringing local people into the mainstream of development and in establishing linkages with government. However, they face hurdles such as funding instability, heavy reliance on donor grants, and capacity constraints. Many smaller community-based organisations struggle with compliance, reporting, and securing sustainable funding. Strengthening CSOs through capacity-building and predictable funding is therefore a key strategy for poverty alleviation. The NDA’s mandate, for example, includes empowering and enhancing the capacity of the civil society sector, so that CSOs can more sustainably provide services to poor communities. Going forward, it is vital that the government, agencies, and the private sector view civil society not as a rival but as a partner that brings grassroots innovation, trust of communities, and agility in reaching the poorest households.

The Role of Social Enterprises in Poverty Alleviation

Social enterprises are organisations or businesses that blend profit-making with social impact. They operate in the marketplace and generate revenue, but their primary aim is to address social or environmental challenges. In the context of poverty alleviation, social enterprises use business models to solve problems like unemployment, lack of services, and exclusion of disadvantaged groups. They can be structured as non-profits that run income-generating projects, or as for-profit companies with a strong social mission (often reinvesting profits back in the communities as part of their social mission). This “not-solely-for-profit” approach is an emerging and exciting sector in South Africa’s fight against poverty

How Social Enterprises Alleviate Poverty

- **Innovative Solutions and Services:** Social enterprises often tackle issues in innovative ways that traditional aid or government programs have not. For example, a social enterprise might develop a low-cost technology (like an off-grid solar lantern or water filter) that improves living conditions for low-income families, and sell it at an affordable price. By operating as businesses, these initiatives can scale up their solutions and reduce dependency on donations.

- **Entrepreneurship and Job Creation:** Many social enterprises create employment and training opportunities for marginalised people. For instance, a recycling social enterprise might train and employ youth from townships to collect and recycle waste, thereby providing them with livelihoods while cleaning the environment. Another example is a craft enterprise that helps rural women turn their artisan skills into income by connecting them with urban markets. Such ventures equip individuals with skills and work experience, improving their long-term earning potential. In South Africa's context of high unemployment, social enterprise startups have become an avenue for young social entrepreneurs to generate jobs in their communities.
- **Market Linkages for the Poor:** Social enterprises often integrate poor producers or consumers into value chains on fair terms. One model is the "fair trade" type of business that helps small farmers or artisans reach larger markets and earn fair prices for their products. Another model links low-income communities to essential services, for example, fintech social enterprises that provide micro-insurance or micro-credit to those without access to formal banking, helping them cope with financial shocks. By treating the poor as active participants in the economy as customers, producers, or business partners, social enterprises enable wealth creation in poor communities.
- **Financial Sustainability and Scale:** Unlike purely donor-funded projects, successful social enterprises aim to sustain themselves through earned revenue. This makes their poverty-alleviation efforts potentially more durable and scalable, as they are not entirely dependent on external funding cycles. They also often attract impact investment from socially-minded investors looking for both social return and modest financial return. In South Africa, impact investment funds and incubators have begun to support social enterprise development in areas like renewable energy, agriculture, and vocational training. Social enterprises thus complement traditional NGOs by introducing business discipline and innovation to address social issues.

Social enterprises, cooperatives, and traditional CSOs together form a "social economy" that can significantly boost poverty reduction efforts. Around the world, these models have proven that they provide alternative economic and social pathways for addressing issues that neither the market nor the state has fully addressed.

In South Africa, the concept of social enterprise is still developing, and there is not yet a dedicated legal framework distinguishing social enterprises from other businesses. Key challenges include difficulty in accessing startup capital, navigating regulatory requirements, and balancing the social mission with financial viability. To support social enterprises, experts recommend creating an enabling environment, for instance, government incentives (tax breaks, seed grants or prize competitions for social innovation), mentorship programs, and platforms for social entrepreneurs to collaborate and share knowledge. By nurturing social enterprises, South Africa can unleash new home-grown solutions to poverty that complement government and civil society initiatives.

Key Recommendations and Actionable Takeaways

Alleviating poverty in South Africa requires a collaborative, multi-sector approach. Government, cooperatives, CSOs, social enterprises, and the private sector each have a role to play. The discussion paper informing this Knowledge Brief highlights several recommendations to leverage these roles for maximum impact:

Foster Cross-Sector Partnerships: Poverty is too complex for any single actor to tackle alone. Collaboration should be encouraged among government agencies, cooperatives, CSOs, social enterprises, and private companies. For example, local municipalities could partner with cooperatives on service delivery (such as community-run waste recycling programs), or businesses can co-fund social enterprise projects as part of their corporate social responsibility. The NDA can act as a facilitator, bringing these sectors together on common development projects. Such partnerships combine resources and expertise, ensuring that poverty initiatives are well-targeted and sustainable.

Build Capacity and Provide Support: Strengthening institutions at the community level is vital. This means continuing to empower cooperatives and CSOs with training, mentoring, and institutional support. Government and agencies should invest in capacity-building programs helping co-op members with business planning, assisting CSOs with governance and financial management, and guiding social entrepreneurs through incubation hubs. Enhanced capacity will enable these organisations to design and implement poverty alleviation projects more effectively. The NDA's work in training CSOs is a positive example that should be expanded to place even more emphasis on not just training but mentorship and incubation.

Improve Funding Access and Sustainability: A major obstacle for civil society and social enterprises is funding. Key actions include: increasing grant funding to high-impact CSO projects (through mechanisms like the NDA's grant funding programme), improving poor communities' access to credit and seed funding for cooperatives, and unlocking impact investment for social enterprises. Creating dedicated social investment funds or blended finance schemes (where government, donors, and private investors co-invest) can provide the capital needed for community-level enterprises to thrive. It's also recommended to simplify onerous compliance requirements that burden NPOs, so that more funds and energy can go into service delivery rather than paperwork.

Enable Policy and Regulatory Environment: Policymakers should review and adjust legislation to better support the social economy. This could involve strengthening the Co-operatives Act implementation (making it easier to register co-ops and providing tax incentives or preferential procurement to cooperative businesses) and developing a clear policy framework for social enterprises. Recognising social enterprises in policy (possibly through a social enterprise accreditation or legal form) would help these entities access support and be taken seriously as development actors. Likewise, integrating CSOs into local development planning (for instance, including NGO representatives in municipal forums) will institutionalise the role of civil society in poverty reduction strategies.

Focus on Community-Led Solutions: All poverty alleviation efforts should remain centred on the communities they serve. The government and the NDA are to consider adopting a “bottom-up” development approach, where community members actively participate in identifying their needs and shaping interventions. Cooperatives and CSOs are ideal vehicles for this, as they are rooted in communities. Programs like community-driven development funds, support for smallholder farmer cooperatives, or community health worker initiatives leverage local knowledge and ownership. By amplifying the voice of the poor in designing solutions, as CSOs often do, interventions become more relevant and impactful. In essence, those who experience poverty firsthand must be partners (not just beneficiaries) in poverty alleviation.

Monitor, Evaluate, and Scale What Works: Finally, a culture of learning and accountability is important. Successful models pioneered by cooperatives, CSOs, or social enterprises should be documented and replicated. For example, if a particular cooperative farming project significantly boosts incomes in one province, stakeholders should study its model and consider scaling it to other areas with similar conditions and context. The NDA can help by conducting evaluations of poverty reduction pilots and disseminating best practices for replication.. Continuous monitoring also ensures transparency and helps to target resources to programs with the highest impact on reducing poverty.

Conclusion

South Africa’s poverty challenge is formidable, but by leveraging the unique strengths of each sector, government for policy and funding, cooperatives for community economic empowerment, CSOs for social support and advocacy, and social enterprises for innovation and sustainability, a holistic and inclusive anti-poverty strategy can emerge. The overarching message of the paper is that poverty alleviation is everyone’s business. Communities must be empowered to take charge of their development, and all stakeholders must coordinate their efforts. If cooperatives flourish, if civil society remains vibrant, and if social enterprises scale up, alongside responsive government programs, South Africa can make significant strides toward overcoming poverty, unemployment, and inequality. The time is ripe to act on these insights, building a future where the economy serves all, and no one is left behind.



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