SOUTH AFRICA PRIVATE HEALTH SECTOR ASSESSMENT

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ACRONYMS

ANC	African National Congress
ART	Antiretroviral Therapy
B-BBEE	Broad-Based Black Economic Empowerment
CHAPS	Centre for HIV and AIDS Prevention
COP	Country Operating Plan
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
dti	Department of Trade and Industry
DFID	Department for International Development
GDP	Gross Domestic Product
HNWI	High Net Worth Individual
JSE	Johannesburg Stock Exchange
MatCH	Maternal, Adolescent, and Child Health
NDoH	National Department of Health
NGO	Nongovernmental Organization
NPO	Nonprofit Organization
PBO	Public Benefit Organization
PDoH	Provincial Department of Health
PEPFAR	President's Emergency Plan for AIDS Relief
PMTCT	Prevention of Mother-to-Child Transmission
PP	Private Philanthropy
S2S	South to South
SAG	South African Government
SHOPS	Strengthening Health Outcomes through the Private Sector
SRI	Socially Responsible Investment
USAID	United States Agency for International Development
VAT	Value Added Tax
VMMC	Voluntary Medical Male Circumcision

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EXECUTIVE SUMMARY

BACKGROUND AND CONTEXT

The Republic of South Africa, with a population of approximately 52.3 million people, is an African outlier and global leader. It has the second largest formal sector economy in Africa (behind Nigeria), largely fueled by the mining and services industries. Since the end of apartheid in 1994, the country has invested significant resources in improving governance and infrastructure. However, significant inequality persists. 25 percent of the workforce is unemployed, and 31 percent of the population lives below the poverty line. This economic inequality is reflected in South Africa's health indicators, and disparity breaks down along racial lines. Significant health challenges include high HIV incidence and prevalence, high maternal and infant mortality rates, and rising rates of non-communicable diseases. In 2013, South Africa had the world's fourth highest HIV prevalence rate and the highest number of people living with HIV, accounting for 17 percent of the global HIV burden (UNAIDS 2014). These challenges place significant strains on South Africa's health system.

South Africa has a primarily country-owned health sector that is financed and supported by domestic public and private financial and human resources equally. This high level of domestic support has helped South Africa develop one of the world's most effective and sustainable HIV responses. Over the past decade, public financing for HIV and AIDS increased tenfold, and the number of patients receiving ART increased from 47,500 to 2,471,553. The private sector and civil society have played a large role in delivering HIV services, including HIV testing and counseling, antiretroviral therapy, care services, and prevention campaigns.

However, there are significant obstacles. While the private health sector is characterized by high-quality, technically advanced health care, it is heavily concentrated in more populated and wealthier provinces. Approximately 40 percent of South Africans access health services in the private sector, largely financed by South Africa's well-developed medical aid industry as well as by out of pocket payments. Public facilities—though they serve the majority of the population—in general offer lower quality services, partly due to staff shortages. This divide perpetuates a two-tiered health system. In response, the South African government has begun developing plans for a national health insurance (NHI) program that will drastically reshape the country's health system. As donor funding declines and the details of NHI implementation become clearer, opportunities and challenges for the private health sector continue to emerge.

A 2011 National Department of Health Green Paper outlines the main objectives for the proposed NHI reforms, including improving access to quality health services, improving equity and social solidarity, controlling key financial resources, and strengthening the public sector. The reforms focus on re-engineering primary health care, including health promotion and prevention activities, as a means of improving health outcomes and lowering costs. The government plans to phase in NHI over 14 years, beginning with pilot programs in 11 districts. Since its release, the Green Paper's minimal details have raised a number of concerns, largely around administration, human resources, and technical capacity. As a result, the private health sector is wary of participating. The introduction of NHI offers new opportunities to maintain and expand quality HIV and AIDS care, and will require support from both the public and private sectors.

South Africa's active civil society is another key part of the country's health sector. As of 2012, there were over 85,000 nongovernmental organizations (NGOs) engaged in community-based social missions, mainly in social service, development and housing, and religious programs. These NGOs are largely domestically financed. 11 percent of NGOs focus on health activities, and these organizations have played a critical role since the beginning of South Africa's HIV response, preventing infections, and delivering services to under-served populations. During the period of AIDS denialism, NGOs were especially important, as donors channeled funds through them as part of an emergency response to help control the epidemic.

Another important player in South Africa's health system is the corporate sector. Since the end of apartheid, businesses have been an active partner in addressing social problems through corporate social investments (CSI). CSI expenditures are concentrated in Gauteng, Western Cape, and Kwazulu-Natal provinces, and generally focus on education, social and community development, and health. Within health, there is a strong legacy of HIV and AIDS programs for employees and surrounding communities. These programs have helped expand access to prevention efforts, HIV testing, care and treatment, and other support services.

Domestic and international donors are also key stakeholders in South Africa's HIV response. South Africa has a large and active donor community, including private philanthropists and high net worth individuals (HNWI). Key international donors include, in addition to private foundations and companies, bilateral and multilateral agencies like PEPFAR, the U.K. Department for International Development, and the Global Fund to Fight AIDS, Tuberculosis, and Malaria. These organizations channeled significant resources for HIV to South Africa in the early 2000s. Since 2009, with the South African government increasing resources for HIV and AIDS, donor funding has plateaued and PEPFAR contributions have begun to decline. At present, donors provide only a small portion of South Africa's health expenditures, yet PEPFAR's role and contributions still hold historic and symbolic importance for South Africa's health system and HIV programs.

Moving forward, PEPFAR/South Africa's role is shifting away from directly supporting human resources for health and HIV treatment, towards more of a focused technical assistance role. As part of this transition, PEPFAR funding is expected to sharply decline over the next several years. PEPFAR invested significant funding and expertise in supporting local NGOs (referred to as PEPFAR partners). Declining PEPFAR funding may weaken these organizations, and potentially limit the country's efforts to combat HIV and AIDS in the future with support from these organizations. To complete a sustainable transition, it is critical to understand alternate funding resources for PEPFAR partners, as well as the roles PEPFAR partners are uniquely positioned to fill in achieving an AIDS-Free Generation.

ASSESSMENT PURPOSE AND METHODOLOGY

As PEPFAR moves through transition, USAID/South Africa is investigating strategies to sustain the local partners that it has supported over the past decade. To this end, the USAID-funded Strengthening Health Outcomes through the Private Sector (SHOPS) project conducted a private sector assessment that explores three key inter-related questions around the sustainability prospects for USAID-funded NGOs:

1. What are the private sector opportunities and alternative revenue sources for USAID-funded health NGOs?
2. What is the future of health-focused CSI and private philanthropy in South Africa? What are opportunities for South African corporations and private philanthropists to sustainably

partner with USAID-funded health NGOs?

3. Does the government's vision for public health care, including NHI, offer new opportunities and non-PEPFAR funding sources for USAID-funded health NGOs in South Africa? If so, what are these opportunities, and what assistance is needed to actualize this potential revenue source?

As specific answers to these questions vary based on geographic location, USAID requested SHOPS to focus on its partners that work in Gauteng and Western Cape provinces, where a confluence of factors are present to support NGO sustainability efforts. Beginning in March 2014 and implemented over a six-month period, this assessment uses both extensive secondary data analysis and primary data collection to provide an evidence-based and rich depiction of sustainability opportunities and challenges for PEPFAR partners (defined in this assessment as USAID-funded, health-focused NGOs). The assessment team conducted both supply and demand side interviews with 40 organizations, using semi-structured interview guides developed for each type of respondent. Interview participants included USAID-funded NGOs, corporations, large health care providers, and government representatives.

LEGAL AND REGULATORY REVIEW FOR CSI

As a first step, SHOPS conducted a legal review focused on the elements of corporate social responsibility (CSR) and CSI that are most relevant to the services offered by PEPFAR partners. The policies governing CSR are voluntary. A set of "soft laws"—including the King Reports, the Broad-Based Black Economic Empowerment (B-BBEE) Act of 2003, the Company Act of 2008, and the Johannesburg Stock Exchange Socially Responsible Investment Index—set forth guidance and benchmarks to steer corporations toward ethical and commercially prudent practices. Collectively, the policies set a tone for good corporate citizenship, defined as one that contributes to community development.

The B-BBEE Act of 2003 seeks to redress racial inequalities brought about by apartheid disadvantaging black (defined as African, Colored, and Indian) South Africans and to promote social investment and the empowerment of communities. The B-BBEE is a framework that verifies CSR activities, especially with regard to how those activities help historically disadvantaged South Africans. Through an audit, companies are assessed and validated in terms of Black Economic Empowerment (BEE) Codes of Good Practice. Companies are scored and ranked according to their BEE levels, from Level 1 (best) to Level 8 (worst). A high "recognition level" increases chances for public contracts and enhances reputation with other stakeholders. The B-BBEE Code applies to PEPFAR partners as well as to corporations. While not formally required, a BEE Certificate—and, specifically, a good BEE profile—will be beneficial for an NGO looking to contract with the South African government or to access CSI, as a strong BEE profile speaks to organizational competence and credibility.

Based on the SHOPS legal and regulatory analysis, there are a number of important implications of B-BBEE for PEPFAR partners in South Africa. First, the code places little emphasis on HIV and AIDS and other health activities. Second, all PEPFAR partners should obtain B-BBEE Certificates, as they are helpful to doing business with the South African government. Finally, B-BBEE provides incentives for corporations to offer organizational development to eligible enterprises. To take advantage of these opportunities, it is valuable for NGOs to liaise with companies and community enterprises and to emphasize their strong management skills as useful to corporations.

Additionally, NGOs in South Africa are regulated by the Non-Profit Organization Act of 1997 and the Companies Act of 2008 (Schedule 1), specifying how they can make a profit and engage in market and non-market production. Registering as a public benefit organization can also help

PEPFAR partners to access tax exemption opportunities. As traditional NGOs with a social mission explore options for commercial services, PEPFAR partners need to determine how to best structure dual social and commercial activities. An alternative option may be to create separate for-profit subsidiaries for commercial trading activities.

The CSR environment in South Africa is unique, as it is intrinsically tied to the transformation agenda of the B-BBEE Act of 2003. For large South African companies, compliance with the B-BBEE codes is a fact of doing business; corporate incentives for supporting health and HIV programs will be much stronger if companies can link that support to other priorities, including empowering black South Africans. NGOs seeking corporate contracts or donations will enhance their status as preferred partners by improving their BEE profile in line with the transformation objectives of the B-BBEE framework. South African policies recognize the financial pressures under which nonprofits operate and permit activities needed to sustain such organizations. In short, PEPFAR partners are free to pursue corporate or government fee-bearing contracts. However, these partners cannot rely on South African law or regulation to compel corporations to invest in HIV and AIDS services.

SUSTAINABILITY OPPORTUNITIES FOR PEPFAR PARTNERS

One of the main focuses of this assessment is to examine different prospects for future revenue streams for PEPFAR partners, especially in the context of the financial and operational sustainability of these organizations. After implementing a secondary data analysis and literature review, SHOPS developed a list of twelve possible opportunities. These opportunities are categorized according to three different methods for funding to be allocated to PEPFAR partners, including: grants and subsidies; investment; and revenue generation (Table 1).

TABLE 1. SUSTAINABILITY OPPORTUNITIES

Opportunity Category	Opportunity
Grants and Subsidies	Donors, foundations, agencies
	HNWIs, Private Philanthropy (PP)
	Corporate Social Investment (CSI)
	Government subsidies
Investment	Impact investment
	Internal/external development trusts
Revenue Generation	Contracting to government
	Contracting to private health care
	Medical aid network provider
	Employer-based health and wellness provider
	Mid- to low-cost consumer health care
	Non-core commercialization

SHOPS then assessed these opportunities based on the estimated scale, the service match to PEPFAR partners, and the perceived demand. Based on this assessment, six priority opportunities emerged (discussed in more detail below):

- HNWIs and private philanthropy (PP)
- CSI
- Impact investment
- Contracting to the South African government

- Contracting to private health sector
- Employer-based health and wellness services

High Net Worth Individuals and Private Philanthropy

High net worth individuals and their private philanthropic efforts represent a potential source of grant funding for PEPFAR partners. Compared to other African countries, South Africa's private philanthropic sector is robust, yet data suggest that the average gift size is small. However, repeat contributions from a smaller pool of HNWIs can amount to significant income. In addition, almost 75 percent of HNWIs have supported the majority of their beneficiaries for over five years. This longevity and recurring funding commitment bodes well for PEPFAR partners. HNWI giving is primarily motivated by humanitarian or community-rooted concerns, which generally align well with many PEPFAR partners' missions. Yet, health is only the fourth most popular area for HNWI giving. HNWIs follow five main criteria in considering organizations: alignment with personal interests; reputation; proven impact; demonstrated good governance; and sound financial management. PEPFAR partners often fare well in the latter four dimensions, but they may lack personal relationships to grow the interest of HNWIs. Having a relationship with HNWIs is key, involving a circumstantial "*in the right place, at the right time*" dynamic.

Unlike other prospective funders, HNWIs appear to prefer to retain some distance with their recipients. Most do not designate their funding for specific uses or set funding restrictions, and in general they have light evaluation requirements. PEPFAR partners' sophisticated monitoring and evaluation systems do not provide PEPFAR partners with the same comparative advantage that they would for other donors. Currently, only 13 percent of PEPFAR partners indicated that they receive funding from HNWIs. However, 62 percent of PEPFAR partners are considering HNWI funding as a future sustainability option.

Corporate Social Investment

South Africa has the most developed and robust CSI industry and infrastructure in Africa. In 2012/2013, $780 million was spent on CSI in South Africa. This source of funding is relatively stable, and it is likely to exist in the South African landscape over the long term, given the enduring presence of B-BBEE codes and other legislation. South African CSI funding is concentrated among the top 100 largest companies, and there is fierce competition for funding. Although total CSI spending is increasing in South Africa, health care is a declining priority. Furthermore, within health, companies appear to be diversifying away from HIV and AIDS initiatives. Still, given growing levels of CSI spending in South Africa and a relatively stable regulatory framework, accessing CSI funds is an important income diversification opportunity for PEPFAR partners.

For PEPFAR partners, realizing CSI opportunities requires intense effort. Since most CSI funding is not multiyear and is project-specific, PEPFAR partners will need to develop multiple relationships with corporate funders. To improve their chances, PEPFAR partners should focus on building relationships with corporates outside of funding opportunities, by developing a clear story to articulate and demonstrate their impact and by improving their B-BBEE profile.

Impact Investment

Impact investment is a new but rapidly growing investment class that refers to investments made with the intention to generate financial and social and environmental returns. Although this is still a nascent field, there are significant opportunities for PEPFAR partners. Based on 2014 data, $12.7 billion is available for impact investment worldwide, with an estimated 15 percent allocated to sub-Saharan Africa. Investors prefer established entities—i.e., in the growth or mature stage—and they look for competitive, market-based returns. As such, impact

investment does not represent an opportunity for all PEPFAR partners. More established PEPFAR partners should consider this as a potential funding source, since impact investors are keen to find new investment opportunities, especially ones that provide innovative approaches to challenging social problems. Additionally, health care is receiving a growing proportion of impact investment funds. PEPFAR partners' strong financial management and monitoring and evaluation capabilities are also strong selling points for impact investors.

Very few PEPFAR partners are familiar with impact investment, which is not surprising given the relative newness of the field and its particularly low profile in South Africa. Creating more awareness of this opportunity and improving visibility of potential investments are key steps towards addressing the opportunity, as is support to PEPFAR partners to help position them to take advantage of available investment funding.

Contracting to the Government

There are a number of reasons why government contracting is a significant opportunity for PEPFAR partners. First, South Africa's public health system is one of the biggest and best funded in sub-Saharan Africa. Second, the well-documented quality and coverage issues in the public health sector, especially related to HIV and AIDS, can be ameliorated by contracting with external service providers to support government efforts to meet health outcome targets. PEPFAR partners in particular are well placed to address a number of health care challenges, including those related to HIV care and treatment, especially given their capacity for innovation and expertise in research and development. Third, the South African government is open to partnerships across all levels and sectors. Fourth, the piloting and rollout of NHI includes several developments that bode well for possible contracting opportunities: an emphasis on primary health care; increasingly decentralized HIV and TB services; and a shift in the government's role to financing and management for HIV and AIDS. Finally, there is a good service match and mission overlap between the government and PEPFAR partners in terms of markets served.

All PEPFAR partners covered in this assessment look to government as the foundation for their future sustainability. However, a number of barriers are hampering the realization of the government contracting opportunity. Specifically, partners express frustration with tendering and payment processes, as well as with the (official and unofficial) importance attributed to the BEE profile. Some government stakeholders have poor perceptions of PEPFAR partners due to previous interactions, or they are unclear about their ability to contract with PEPFAR partners. Going forward, PEPFAR partners need to actively engage in relationship-building efforts with national and provincial governments, to create and restore trust and to build greater two-way awareness of each other's needs and abilities. To contract with the government, these and other challenges must be carefully managed, including the uncertain NHI timeline and scope, as well as asymmetry of information and expectations.

Contracting to Private Health Care Providers

South Africa has a well-established and sophisticated private health care sector. At approximately $15 billion, it is equal in funding size to the public health sector and comprises a broad range of players along the entire health value chain. There are potential opportunities for PEPFAR partners in the delivery of health services. Currently, private health care providers serve primarily the medically insured market, which consists of only 17 percent of the South African population. While the government is keen to see a more inclusive private health care system, many private providers are also considering options to expand their market coverage. PEPFAR partners can help in a number of ways:

- Offering external capacity and expertise to private players aiming to grow their footprint into new, likely lower income markets
- Supplementing or expanding the disease management offering of private health care and medical aid providers
- Partnering with private health care and medical aid providers as third-party vendors to support the rollout of NHI
- Commercializing their core services for private sector buyers in a way that allows them to fund mission-based activities from this revenue stream

On the whole, however, surveyed PEPFAR partners are not optimistic about private contracting opportunities. This hesitance may be due to a perceived lack of demand for their services among private health care players or to a lack of awareness of ways to sustainably tap into the different opportunities that exist. Sensitizing PEPFAR partners to private sector opportunities is recommended in the short term.

Health and Wellness Provider

Employer provision of health and wellness services to employees continues to grow in significance in South Africa. Employer-based health and wellness services differ in breadth and depth across different employers, and can include subsidized medical aid cover, employee wellness days, disease management programs, on-site access to health and wellness services, and general support. A well-established base of private providers already serves employer health and wellness needs. Employers cite high levels of satisfaction with their current providers and tend to have long-standing relationships with their providers. Few that were interviewed could point to underserved needs that would represent opportunities for PEPFAR partners to enter the market.

However, there are key differences in the needs and approaches of white collar and blue collar employers, creating a niche opportunity for PEPFAR partners to consider. White collar employers tend to view health and wellness programs as an employee attraction and retention strategy. HIV and AIDS services are frequently incorporated as part of corporate wellness days, but are not treated as a standalone health priority. The health and wellness needs of these firms are met by private providers, and they have limited or no engagement with NGO providers. On the other hand, blue collar firms see health and wellness programs as a critical risk management tool to address absenteeism, productivity, and costs related to worker illness. For these organizations, HIV and AIDS remain a top priority, and HIV initiatives have often been provided by donor-funded NGOs, reducing the cost to corporates. In many ways, these blue collar organizations represent a captive market for PEPFAR partners that deliver HIV-focused services, and they offer a real opportunity for income diversification. Other niche opportunities for health and wellness services include offering specialized wellness services, contracting with smaller firms, and contracting to existing health and wellness providers.

Very few PEPFAR partners consider health and wellness provision as a sustainability strategy. There are indeed multiple challenges to address in realizing this opportunity, including high barriers to entry, significant competition, and a limited service offering match. Nevertheless, as the niche opportunities might not be well known, it is important to create awareness of these options and build partners' ability to capitalize on them.

RECOMMENDATIONS AND CONCLUSION

Of the six priority opportunities discussed in the previous section, three represent the greatest chance of securing PEPFAR partners' sustainability: contracts with the South African

government; CSI funding; and HNWI and PP. The assessment findings point to several implications, both for USAID/South Africa and for PEPFAR partners in Gauteng and Western Cape.

Implications for USAID/South Africa

- The monetary value of the opportunities, along with their time duration, is unlikely to replicate both the size and duration of PEPFAR funding to date.
- Personal relationships with the right decisionmakers, especially at the provincial level, are key to operationalizing opportunities.
- USAID/South Africa and the convening power of the U.S. bilateral presence in South Africa can play an important role in brokering in-person connections between PEPFAR partners and decisionmakers across the public and private sectors. Additionally, PEPFAR can advocate for identified partners to support gaps in the transition.
- The BEE profiles of PEPFAR partners are more important than officially acknowledged, across all three opportunities.
- NHI may represent numerous income diversification opportunities for PEPFAR partners, but the timeline to realization may not align with PEPFAR's transition in South Africa.

Implications for PEPFAR partners

- The move away from direct service delivery limits income diversification opportunities for PEPFAR partner.
- Country ownership strategies may complicate private sector opportunities by adding additional dimensions and actors to the PEPFAR partners' decisionmaking process.
- PEPFAR partners face structural difficulties in investing in financial sustainability planning.
- PEPFAR partners comprise a small share of the total NPO population, and they face stiff competition for funding sources.
- Most PEPFAR partners do not believe that their social mission stands in the way of diversifying revenue.
- There is significant appetite among PEPFAR partners for more targeted sustainability support from USAID/South Africa.

Next Steps

As USAID pursues sustainability strategies for the surveyed partners, it is important to consider interventions across the three identified opportunity areas for NGOs: contracting with the South African government; CSI funding; and HNWI and PP. Across these areas, PEPFAR should also consider where there are gaps in the PEPFAR transition, as well as other areas where public and private sector providers may increase HIV coverage and improve adherence and retention by partnering with NGOs. USAID may also consider future surveys, with the goal of identifying specific program areas in which NGOs are uniquely positioned to support and improve HIV and AIDS care and treatment through partnerships in these three areas.

To address provincial government concerns around contracting with PEPFAR partners, there are additional steps to be taken by USAID/South Africa and PEPFAR partners. Relationship-building, awareness-raising, and confidence-brokering, particularly at the provincial level, will be key. Strengthening provincial procurement transparency and mechanisms will also help realize

the government contracting opportunities. Completing a clear and detailed map of PEPFAR funding for the South African government would provide concise information about the levels of PEPFAR funding that currently support service delivery in South Africa. Finally, certain PEPFAR partners could build a contracting "value-added" case to present to the South African government.

Similarly, USAID/South Africa and the U.S. bilateral presence in South Africa could play a tremendously important role in helping facilitate in-person relationships with both CSI and PP decisionmakers for PEPFAR partners. Second, USAID/South Africa can alert selected partners to potential niche opportunities for employer-based health and wellness services. One possible activity is to create a "deal-book," profiling the potential value-add of identified PEPFAR partners who are poised to capture CSI, PP, or employer-based health and wellness funding especially in areas such as adherence and retention. In parallel, PEPFAR could work with these partners to help them comply with regulations and to better position themselves for CSI, PP, and health and wellness funding. This type of programming would allow PEPFAR to support sustainability for partners, while also increasing overall funding available for important elements of HIV and AIDS care and treatment.

Across all these opportunities, there are a number of steps that USAID/South Africa can take to improve their partners' chances of success. First, USAID/South Africa can encourage BEE certification and/or transformation efforts to meet the intent of B-BBEE codes for its partners. Second, more flexible PEPFAR rules and regulations for a transitioning, upper-middle-income country like South Africa may be appropriate. Finally, USAID/South Africa could provide tailored training and interventions to those organizations most likely to realize key income diversification opportunities.

PEPFAR funding in South Africa saved countless lives, helped steer South Africa to one of the most successful HIV responses in the world, and created high-quality partners able to deliver health impact and results. PEPFAR's evolution in South Africa occurred during tremendous changes in the landscape: South Africa in 2014 is dramatically different from 2004. In this context of change and uncertainty, there clearly remains a role for many PEPFAR partners into the future. Critical investments in the short term could help position those organizations that are best placed to realize opportunities for the future and protect PEPFAR's investment in the HIV response. Exercising PEPFAR's diplomacy and negotiation with the national and provincial levels of government, harnessing the convening power of the U.S. Embassy into brokering in-person relationships with the right decision-makers, and alleviating structural barriers around PEPFAR compliance regulations and partner staff skills will be important steps to enable sustainability experimentation and pilots.

1. INTRODUCTION

1.1 BACKGROUND AND CONTEXT

The Republic of South Africa, a country of approximately 52.3 million people located at the southern end of the African continent, is an African outlier and global leader. With the second largest formal sector economy in sub-Saharan Africa and a per capita Gross Domestic Product (GDP) of $11,500, South Africa is an upper-middle-income country and a regional economic powerhouse (World Bank 2014). Its mining and services industries have fueled the country's economic growth and attracted migrant labor for decades. Since the end of apartheid in 1994, the country has also adopted a relatively well-functioning constitutional democracy, dominated at the national level by the African National Congress (ANC). Over the past 20 years, the ANC has invested significant resources in improving South Africa's governance and infrastructure. However, these economic strengths and political improvements have not benefitted the country's population equally. Lingering effects from decades of apartheid have resulted in significant inequalities in wealth. With a Gini coefficient of 63.9 (in 2009), a 25-percent formal unemployment rate, and 31 percent of its population below the poverty line, South Africa has one of the most unequal economies in the world (World Bank 2014). Much of this wealth disparity breaks down along racial lines. South Africa's white population (9 percent of the population) has a per capita income that is roughly six times larger than that of its black population (79 percent of the population) (MarketLine 2013).

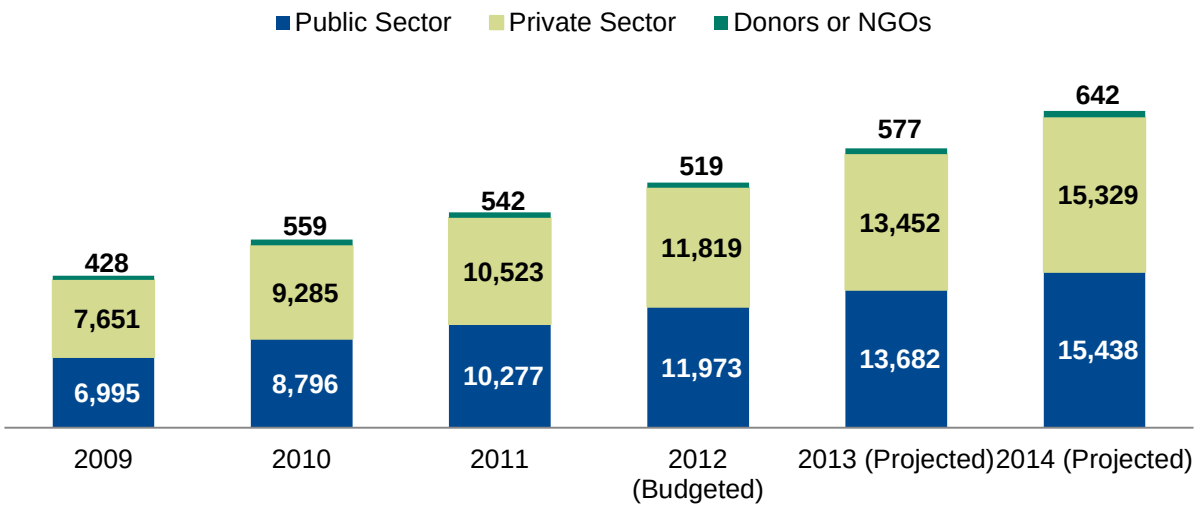
This economic inequality is reflected in South Africa's health indicators. Despite its upper-middle-income status, South Africa faces health challenges that are typical of both developing and developed countries. Maternal and infant mortality rates are more similar to low-income countries than to middle-income ones. Non-communicable diseases, including obesity, diabetes, heart and respiratory illnesses, and cancer, are on the rise among urban poor and rural populations, with rates two to three times higher than in developed countries (Mayosi et al. 2009). However, the most serious health threat is the country's high HIV burden. In 2013, South Africa had the world's fourth highest HIV prevalence rate (19.1 percent) and the highest number of people living with HIV (6.3 million), accounting for 17 percent of the global HIV burden (UNAIDS 2014). The HIV epidemic alone is responsible for almost half of the country's 1.9 million orphans and vulnerable children (Avert 2012). Many of these health problems are exacerbated by widespread gender-based violence. Between March 2010 and March 2011, there were 89,956 reports of common assault against women and 56,272 reported cases of rape across the country. In Gauteng Province alone, more than 50 percent of women reported experiencing domestic violence (Institute for Security Studies Africa 2014). It is likely that the formal reports of gender-based violence severely underestimate the extent of the problem.

These challenges will continue to place significant strains on South Africa's health system for the near future. After years of AIDS denialism, the South African government (SAG), with assistance from the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), has dramatically increased access to HIV care and treatment. While the SAG is now aggressively targeting improved maternal health and non-communicable disease outcomes for its population, it must also sustain and build upon the successful HIV program in place.

1.2 SOUTH AFRICA'S HEALTH SYSTEM AND HIV AND AIDS

Unlike most of sub-Saharan Africa, South Africa has largely built a country-owned health sector. Between 2007 and 2012, health expenditures averaged 8.2 percent of gross domestic product (GDP) (Econex 2013). This figure is in line with spending in developed countries and well above the 5 percent recommended by the World Health Organization. Moreover, **only 2 percent of financing comes from donors; the remainder is almost evenly divided between public and private sector actors** (Figure 1). Since 2009, both public and private financing levels have increased on an annual basis. The public sector budget supports 406 hospitals, 3,595 clinics, 332 community health centers, and over 15,000 doctors (Kramer et al. 2014). However, there are significant staff shortages at these public facilities, including unmet need for approximately 2,290 general practitioners and 815 specialists in 2013 (Econex 2013).

FIGURE 1. HEALTH CARE FINANCING SOURCES IN SOUTH AFRICA (MILLION USD)



Source: South Africa Department of National Treasury 2012, *Budget Review 2012, Chapter 6 Social security and healthcare financing*, Table 6.1. Pretoria: South Africa Department of National Treasury.
Note: All values are converted to 2013 USD, using GDP deflator from IMF's World Economic Outlook database.

The relative proportions of public and private sector financing contribute to widespread perceptions of continuing inequality in the health system. Approximately 17 percent of South Africans are covered by a private medical aid scheme, the most significant source of private health financing (Econex 2013). This figure seems to indicate that the private health sector receives almost half of all health expenditures (Figure 1) to care for only 17 percent of the population, while the public sector must use the same amount of funding to care for the remaining 83 percent. However, assessments that include other sources of private funding (e.g., patients paying out of pocket and private hospitalization insurance) indicate that the private health sector in fact treats about 40 percent of South Africans, given high levels of out-of-pocket expenditures for private care (National Department of Health 2011). In any case, South Africa does have a two-tiered health system that provides substantially different levels of quality of health care services. In general, a technologically advanced, high-quality private sector cares for a minority of wealthier groups, while an overburdened, low-quality public sector treats the majority of the country. In order to mitigate the negative effects of such a system, the SAG has begun developing reforms for a new national health insurance program (see section 1.2.1).

High levels of domestic financing have helped South Africa develop one of the world's most effective, sustainable HIV responses. Public financing for HIV and AIDS increased

tenfold over the last decade, from $67.5 million in 2004/05 to $1.2 billion in 2013/14 (Department of the National Treasury 2008 and 2014). The SAG has used these funds to implement and scale up comprehensive HIV prevention efforts as well as care and treatment services. Between 2004 and 2013, the number of patients receiving ART increased from 47,500 to 2,471,553 (Johnson 2012). In addition, the government has adopted more wide-ranging policies to prevent mother-to-child transmission that now cover 95 percent of pregnant women with HIV (Avert 2012). Moving forward, the 2012–2016 National Strategic Plan for HIV and AIDS focuses on the following four strategic objectives (South Africa National AIDS Council 2011):

1. Addressing social and structural barriers to HIV prevention, care, and treatment by reducing stigma, caring for orphans and vulnerable children, and reducing gender-based violence
2. Preventing new HIV infections by preventing mother-to-child transmission and increasing the use of condoms, HIV counseling and testing, and voluntary medical male circumcisions
3. Sustaining health and wellness by strengthening the health system's ability to deliver quality HIV services at all points of care
4. Increasing the protection of human rights and improving access to justice by reducing stigma and discrimination

The government has pursued partnerships with the private sector to implement this plan. Local governments have contracted with private providers to deliver HIV services, including ART. Private nonprofits have taken part in testing and prevention campaigns. Private corporations have supported efforts to reduce HIV stigma and discrimination in the work place. Civil society groups have advocated for and provided support to people living with HIV. Together, the public and private sectors have developed an effective country-owned HIV response.

1.2.1 NATIONAL HEALTH INSURANCE REFORMS

In 2011, the National Department of Health (NDoH) released a widely read Green Paper on National Health Insurance (NHI), which outlined the government's motivations and proposed reforms to achieve universal health coverage. Motivated by the inequalities of the current system, the Green Paper identifies four objectives (National Department of Health 2011):

1. Improve access to quality health services for all South Africans.
2. Create a single risk and funding pool to improve equity and social solidarity.
3. Procure services on behalf of the entire population and control key financial resources.
4. Strengthen an overburdened public sector.

The proposed NHI system would aim to improve all South African citizens' and legal residents' access to comprehensive health services, delivered by a network of contracted public and private providers. While it would cover services at all levels of the health system, NHI would focus on re-engineering high-quality, integrated primary health care as a means of improving health outcomes and lowering costs. The NDoH has identified 16 priority areas for the new system, including non-communicable diseases, child health, maternal and reproductive health, and HIV and AIDS and TB services (Khumalo 2012).[1] These reforms would emphasize the importance of health promotion and prevention activities, thereby increasing the role of community health workers and faculty-based counselors. While financing and management would be increasingly centralized under the SAG, service delivery would become more

[1] The full list of 16 "non-negotiables" includes: infection control services, medicines supplies, cleaning services, essential equipment, laboratory services, blood supply and services, vaccines, food services, non-communicable diseases, child health services, maternal and reproductive health services, registrars, family health teams, district specialist teams, infrastructure, and HIV and AIDS and TB.

decentralized. Clearly, these shifts have important implications for South Africa's HIV program. The new system would be financed by a mix of income tax, value-added tax, and new NHI-specific taxes; it would also end existing tax subsidies for private medical aid coverage. The government plans to phase in NHI over 14 years. In the first stage, 11 districts have begun piloting programs designed to estimate the costs of introducing a stronger district health authority, to inform future strategies for engaging the private sector, and to assess the ability of provincial departments of health (PDoH) to take on greater responsibility.

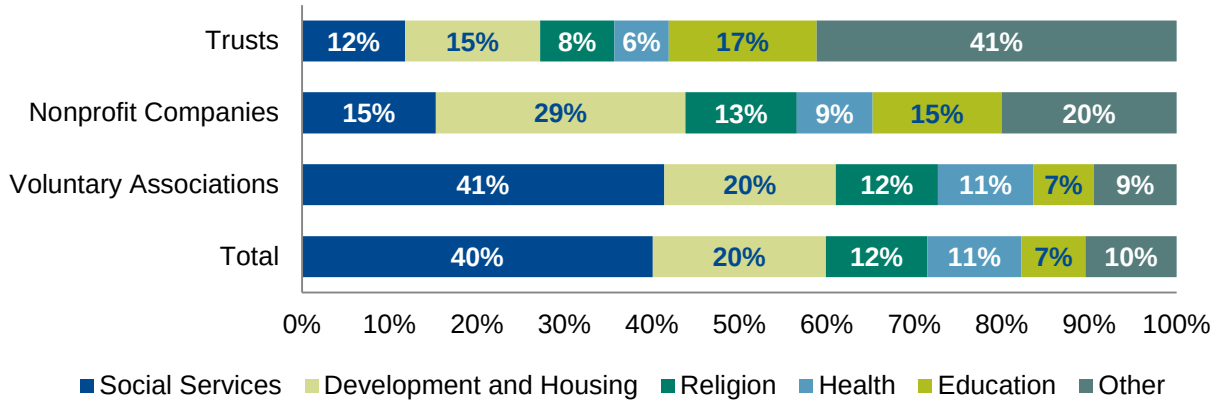
These proposals are controversial. The Green Paper outlines a clear vision, but it is relatively light on implementation details, leading to significant questions. These concerns can be grouped into three categories: implementation and administration, human resource restrictions, and technical capacity. Specifically, critics point to the administrative difficulty of managing a central payment mechanism within South Africa's decentralized health system. In addition to a shortage of qualified medical professionals, the SAG also lacks the management skills necessary to oversee such a program, including contracting and making payments to private providers (Moosa et al. 2012). As a result, the private health sector is wary of participating, believing that payments will be too low or unreliable. Opponents also have doubts about the proposed financing plan. Given South Africa's high unemployment, payroll and income taxes might not be sufficient to cover all the costs. If the end of medical aid subsidies causes people to drop their coverage, then the public sector could face an influx of patients who can no longer afford care in the private sector. Public facilities already require significant investments and infrastructure upgrades to deliver high quality health services; expanding their patient load would only add to this need and the associated costs. Ongoing pilots and an upcoming, eagerly anticipated White Paper will be clearly examined for clarifications.

1.2.2 NGOS IN SOUTH AFRICA

South Africa has an active, vibrant civil society that is supported by an encouraging policy environment. The Constitution guarantees right to association. The Nonprofit Organization Act of 1997 outlines the key characteristics and categories of NGOs. The Income Tax Act regulates how NGOs obtain and retain tax exempt status. This regulatory system outlines three categories of nonprofits: voluntary associations of individuals, nonprofit companies, and trusts. Voluntary associations are the most informal and do not require formal registration. However, in order to access tax benefits—including exemptions from income, value added, and capital gains taxes—NGOs must register with the Directorate of Nonprofit Organizations.

This sector is an important partner in South African society, and is especially engaged in black empowerment efforts. As of 2012, there were over 85,000 NGOs engaged in community-based social missions, most of which (95 percent) are voluntary associations (Lehohla 2013). An additional 12,000 organizations register with the Department of Social Development each year (Wijnberg 2012). Reflecting the high number of voluntary associations, South African NGOs as a whole are mainly involved in social service, development and housing, and religious programs (Lehohla 2013). Health accounts for only 11 percent of their activities (see Figure 2). Disaggregating by nonprofit type, health is an even smaller priority for nonprofit companies and trusts (9 percent and 6 percent, respectively). Compared to the overall NGO sector, nonprofit companies are less likely to invest in social services and more likely to invest in development and housing, education, and other priorities (mainly philanthropic/volunteerism and environmental issues). Similarly, trusts are less likely to provide social services and more likely to focus on education and other (primarily philanthropic/volunteerism) activities. In keeping with the small percentage of overall health financing from donor and NGO sources (see section 1.2), health-focused NGOs are less prominent in South Africa than in other African countries.

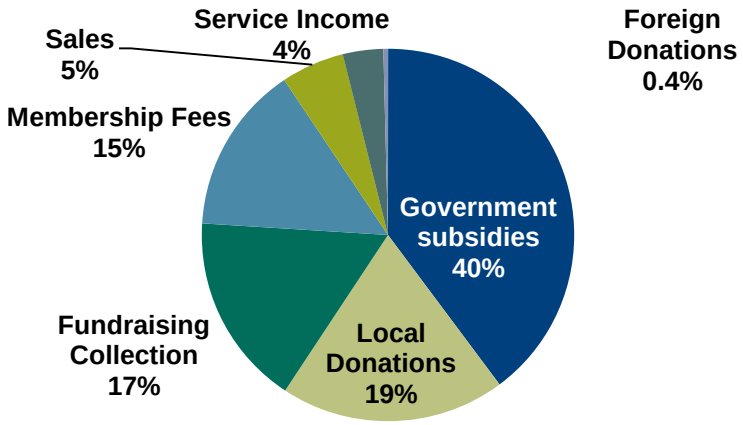
FIGURE 2. NGO ACTIVITIES IN SOUTH AFRICA



Source: Lehohla 2013.

South African NGOs are largely domestically financed (Figure 3). Grants and subsidies from the SAG, local donations, and fundraising collections account for just over three-quarters of their income (Lehohla 2013). Foreign donors provide less than half of one percent—a pattern that differs from many other countries, where NGOs are often significantly dependent on donor money. Among these sources, local donations and government subsidies are the most likely to support health activities. **Only 5 percent of donor funding is allocated toward health, indicating strong emphasis on non-health priorities including education** (Lehohla 2013).

FIGURE 3. SOURCES OF FUNDING FOR SOUTH AFRICAN NONPROFITS (2010)



Source: Lehohla 2013.

Despite the fact that most NGO spending goes toward non-health activities, these organizations have played a critical role in South Africa's HIV response. Through networks, groups, and organizations, NGOs have helped prevent new infections, reach isolated populations, reduce stigma, and increase political pressure for services. They have also played a significant role in care and treatment, supplementing the services of the public sector. Significantly, many of these organizations implemented their activities in the face of government hostility and with very little local support.

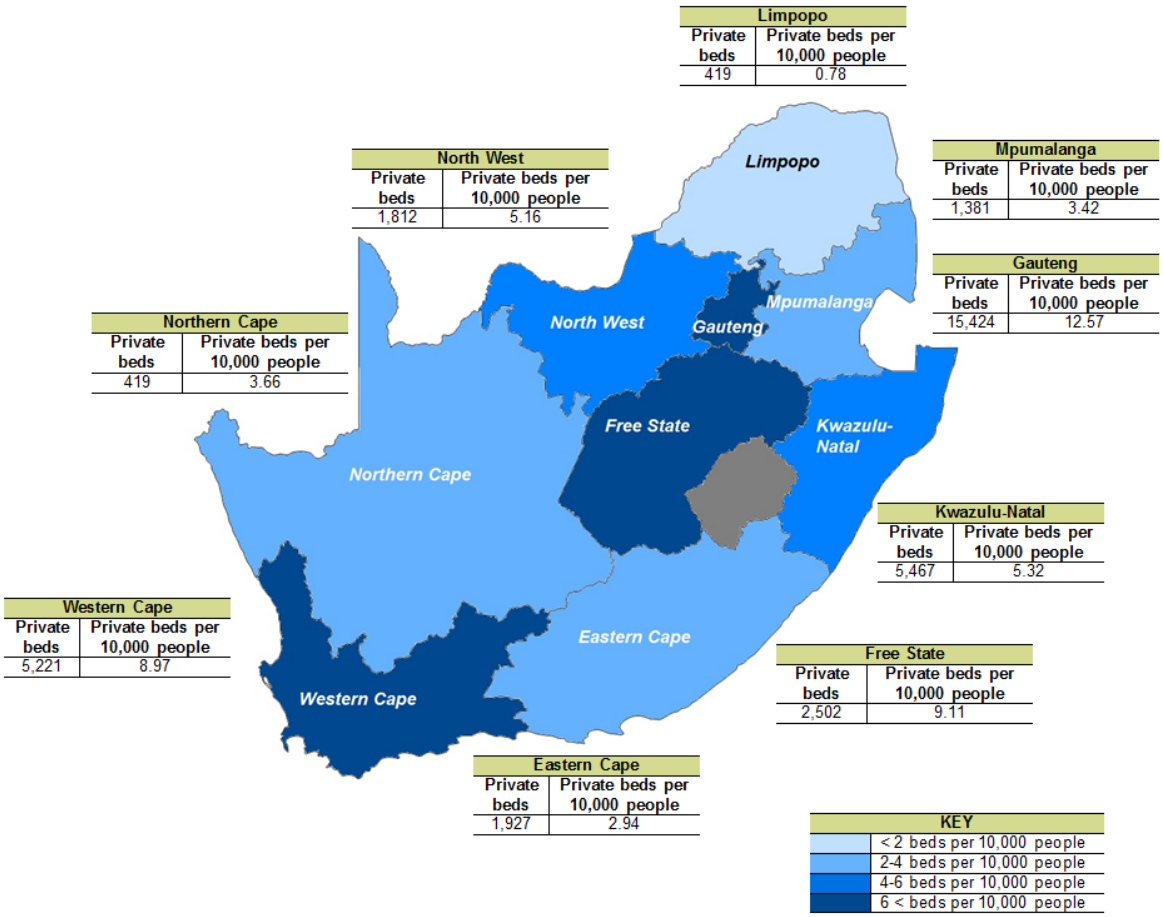
In the post-apartheid era, tensions rose between the first ANC Minister of Health, Nkosazana Dlamini-Zuma, and the NGO and health communities, after the SAG used European Union funding to produce a musical about AIDS instead of assisting NGOs or the NDoH to expand HIV and AIDS programs (Butler, 2005). Following the Mandela administration, President Thabo Mbeki's administration (1999–2008) was characterized by AIDS denialism, and it failed to

mobilize financial or human resources for an effective HIV response (Butler, 2005). During this period, NGOs were particularly important to South African HIV and AIDS efforts, as donors channeled funds through them as part of an emergency response to help control the epidemic (Brundage, 2011). For example, between 2004 and 2011, PEPFAR provided more than $3.1 billion in support to NGOs, helping to develop a network of civil society organizations, empowering local organizations, fostering research, and providing ARVs to 1.2 million South Africans (Brundage, 2011). Overall, these PEPFAR-supported NGOs played a particularly important role in an era when SAG leadership and financing of HIV services was less developed.

1.2.3 SOUTH AFRICA'S PRIVATE HEALTH SECTOR

South Africa has the largest and most developed private health sector in sub-Saharan Africa. There are more than 300 private hospitals and clinics, 14,200 doctors, 77,500 nurses, 3,000 pharmacists, 7,000 pharmacies, and 34,572 beds (Econex 2013). Private facilities are most heavily concentrated in the more populated and wealthier provinces. Gauteng, the most populous and wealthiest province (home to Johannesburg, the most populous and wealthiest city), has 40 percent of all private facilities; Western Cape, the second wealthiest province (home to Cape Town, the second largest city), contains 19 percent; and Kwazulu-Natal, the second most populous province, hosts 13 percent (Econex 2013). On a per capita basis, private health sector capacity, as measured by the number of hospital beds, is most concentrated in Gauteng, Free State, and Western Cape (Figure 4).

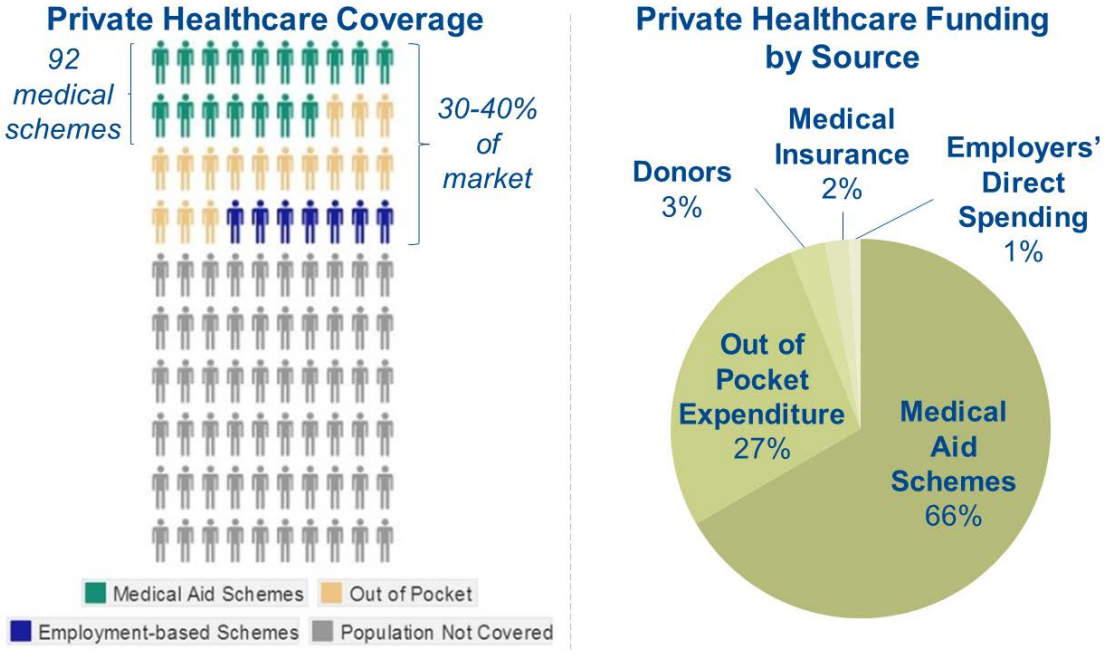
FIGURE 4. PER CAPITA PRIVATE HEALTH SECTOR CAPACITY



Source: Econex 2013; Statistics South Africa 2011.

Private providers are an important source of health care for a significant portion of South Africans. Approximately 40 percent of South Africans access health services in the private sector, amounting to a market value of $15 billion, illustrated in Figure 5 (Department of the National Treasury 2014). Of this population, 42 percent of people pay primarily through a medical aid scheme, 39 percent pay primarily out of pocket, and 19 percent pay through employment-based schemes. However, 66 percent of funding comes from medical aid schemes, indicating that people with medical aid coverage are likely to access more care and more expensive treatment than other private sector clients (Kramer et al. 2014).

FIGURE 5. PRIVATE HEALTH CARE COVERAGE AND FUNDING



Source: Kramer et al. (2014).

Box 1. Health Insurance or Medical Aid?

In addition to out-of-pocket spending and direct payments by employers, South Africans have two options to pay for private health services: private health insurance, and medical aid. Each of these models collects premiums/ contributions from their members, and pools both risk and funds. However, there are some significant differences.

Private Health Insurance in South Africa refers to products that provide a pre-defined benefit to members in the event of hospitalization. Benefits are paid directly to the policyholder and are determined by the length of hospitalization. They reflect neither the actual care received nor the cost of that care. Instead, these products serve as a financial protection against lost income due to illness. Benefits and premiums vary by product and by members' risk profile. Private health insurance is regulated by the Financial Services Board under the Long Term Insurance Act (No. 52 of 1998) and Short Term Insurance Act (No. 53 of 1998).

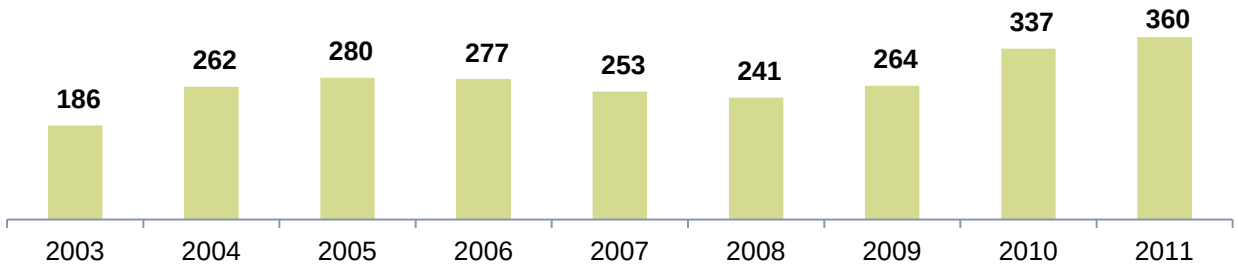
Medical Aid in South Africa refers to the suite of products that cover the cost of the actual health care received, based on scheme tariffs. As regulated by the Council for Medical Schemes under the Medical Schemes Act of 1998, schemes are community-rated, meaning that all members pay the same premium for the same product. They provide financial protection by covering a prescribed minimum benefits package of health services. In general, medical aid schemes are open to the general public. However, there are also many **employment-based schemes**, meaning that membership is restricted to employees belonging to a specific field or organization. Membership in employment-based schemes is often mandatory for all workers within that company.

The medical aid industry in South Africa is relatively well-developed and is a significant financer of the private health sector. As of 2013, there were 92 schemes—25 open and 67 restricted—along with 30 scheme administrators and additional private insurers. As stated above, approximately 42 percent of clients at private facilities—or 17 percent of the total population—

has medical aid coverage (Kramer et al. 2014). The three largest administrators (Discovery Health, Medscheme, and Metropolitan) manage 47 percent of the existing schemes and cover approximately 78 percent of all beneficiaries (Econex 2013). Similar to the distribution of private facilities, two-thirds of beneficiaries are located in three of the most populous provinces: Gauteng (35 percent), Western Cape (16 percent), and Kwazulu-Natal (16 percent) (Econex 2013). Scheme membership has increased steadily since 2004. Although a slight majority of members belong to an open rather than closed scheme, closed schemes are experiencing healthier growth. Between 2006 and 2011, open schemes saw their membership rolls shrink in younger age groups and grow in older ones; at the same time, closed schemes saw relatively strong growth across all ages, largely as a result of the new Government Employees' Medical Scheme and an expanding civil service (Econex 2013).

The private health sector is generally characterized by high quality, technologically advanced care. The country is home to the continent's most develop pharmaceutical industry, including the only African company to make active pharmaceutical ingredients for generic drugs (Kramer et al. 2014). Among private doctors, 53 percent are general practitioners and 47 percent are specialists. In the overall health system, 37 percent of general practitioners and 59 percent of specialists work in the private sector (Econex 2013). This concentration of specialists has led some critics to argue that the private sector is too focused on more expensive, higher level health care. They believe that these providers should place a greater emphasis on primary care in order to help bring down costs. As evidence, these detractors point to rising per patient costs (see Figure 6). However, this increase can be at least partially explained by the changing risk profile of scheme members, as well as the dual HIV and non-communicable disease burdens, which can require more specialized, and therefore more expensive, care.

FIGURE 6. PER CAPITA PRIVATE HEALTH EXPENDITURES (USD)



Source: Kramer et al. 2014.

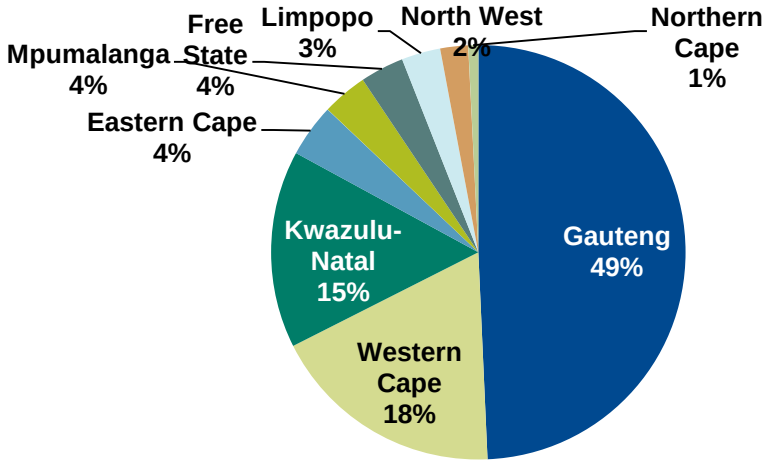
In summary, there are a number of opportunities and challenges for the private health sector. As donor funding declines in the future, private providers and medical aid schemes could expand to cover the resulting gap with new, low-cost products. More significantly, the rollout of NHI over the next two decades will dramatically reshape the South African health system. NHI could significantly increase opportunities for NGOs to contract with the South African government, thus opening the private sector to a wider population. It could also harm medical aid schemes, if it crowds them out of the health financing market. The actual results will depend on the SAG's implementation and the private sector's response over the next 15 years.

1.2.4 SOUTH AFRICA'S CORPORATE SECTOR

South Africa serves as a regional economic powerhouse. It has the largest formal economy and the third highest per capita income in southern Africa (Kramer et al. 2014). Between 2004 and 2008, annual economic growth averaged 4.9 percent. Although this rate dropped significantly during the recent economic downturn, it has stabilized and begun increasing again in recent years (MarketLine 2013). This growth is largely fueled by South Africa's developed corporate

sector. As of March 2014, there were 978,913 registered companies, mostly concentrated in Gauteng, Western Cape, and Kwazulu-Natal, as shown in Figure 7 (Companies and Intellectual Property Commission 2014). Two-thirds of the GDP comes from companies in the services industry, including tourism, financial sector, and information/communications technology. The two other major economic sectors are mining and industry (30.8 percent of GDP) and agriculture (2.4 percent) (MarketLine 2013). Although it only accounts for 8 percent of South Africa's economy, the mining subsector is hugely influential for a number of reasons: South Africa is the world's leading producer of gold, platinum, and other precious metals; mining accounts for 38 percent of the country's exports; and the industry has a multiplier effect that can create an outsize impact on employment and GDP (Statistics South Africa 2014; Goldman Sachs 2013). The 2009 global economic crisis and recent labor unrest have caused the mining industry to contract slightly in recent years, but it remains a key part of South Africa's economy.

FIGURE 7. GEOGRAPHIC DISTRIBUTION OF SOUTH AFRICAN REGISTERED COMPANIES (MARCH 2014)



Since the end of apartheid, the corporate sector has been an active partner in addressing social problems through corporate social responsibility (CSR) initiatives, also known as corporate social investment (CSI). In 2013, companies spent approximately $740 million on these activities, a 13-percent increase over 2012 (Trialogue 2013). Similar to the geographic distribution of South African corporations, CSI expenditures are concentrated in Gauteng (26 percent), Western Cape (10 percent), and Kwazulu-Natal (9 percent); however, 31 percent of expenditures go to national projects (Trialogue 2013).The mining industry is especially important in this field, as it has repeatedly spent more than any other sector. In 2013, it accounted for over one-third of CSI expenditures, with much of its efforts focused on infrastructure projects. Main CSI spending areas include education (43 percent of CSI expenditures), social and community development (15 percent), and health (11 percent) (Trialogue 2013). Within health, there is a strong legacy of corporations funding comprehensive HIV and AIDS programs for their employees and surrounding communities. These programs have helped expand access to prevention efforts, HIV testing and counseling, care and treatment programs, and support services for orphans and vulnerable children.

1.3 DONORS AND SOUTH AFRICA

South Africa has two distinct groups of donors: domestic (individuals and philanthropic organizations), and international (multilateral and bilateral organizations). These two groups have each made important and significant contributions to strengthening South Africa's health system and HIV response.

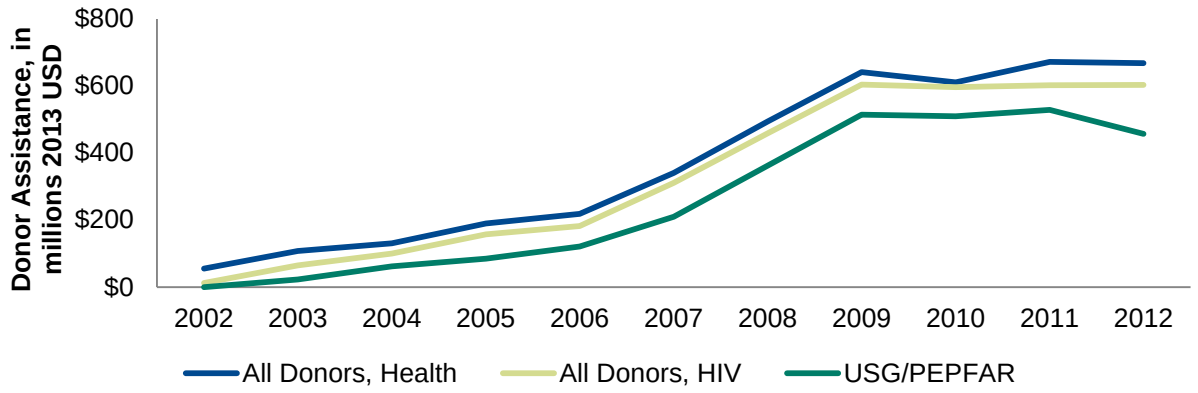
1.3.1 SOUTH AFRICA'S DONOR COMMUNITY

South Africa has a strong and significant history of philanthropy beyond CSI. According to a 2005 study, 54 percent of South Africans had given money and 17 percent had volunteered their time in the past 30 days (Everatt et al. 2005). While most of these donations are relatively small in scale, **there is a large and growing segment of local wealthy philanthropists that are investing significant financial resources into the country**. In 2012, there were an estimated 300,000 people with incomes over $150,000 deemed "high net worth individuals" (HNWI). 91 percent of these people routinely gave to charity, totaling over $780 million in 2012 alone (Nedbank 2013). These donors are clustered in three provinces: Gauteng (68 percent), Western Cape (16 percent), and Kwazulu-Natal (16 percent). This concentration is important, as four out of five donors predominately focus on issues and organizations within their home provinces. Four percent of these donations come through a formal trust or foundation, while the rest largely eschew formal giving mechanisms (Nedbank 2013). Local donors mainly give to organizations in the following five fields: social and community development, religious institutions and causes, health, education, and food and agriculture (Nedbank 2013).

1.3.2 INTERNATIONAL DONORS

International donors, including bilateral and multilateral agencies as well as private foundations and companies, have supported the expansion of South Africa's HIV programs. According to the Organization for Economic Cooperation and Development, donor funding for health programs in South Africa greatly increased between 2002 and 2012 (Figure 8). Most of this growth came from new donor-supported HIV programs between 2003 and 2009. During this period, the South African government's HIV response was still largely characterized by AIDS denialism, and donors—primarily PEPFAR—were investing significant resources to scale up treatment, testing, and prevention efforts. **Since 2009, donor funding for HIV has plateaued and PEPFAR contributions have begun to decline. These new trends coincide with the election of Jacob Zuma and the initiation of a more aggressive HIV response by the SAG**. Other than the United States, significant international donors include the United Kingdom and the Global Fund.

FIGURE 8. OFFICIAL DEVELOPMENT ASSISTANCE FOR HEALTH AND HIV IN SOUTH AFRICA



Source: OECD 2014.

Notes: Health disbursements include "Health, Total" and "Population Pol/Progr. & Reproductive Health"; HIV Disbursements include "STD control, including HIV/AIDS" and "Social Mitigation of HIV/AIDS."

Disbursement is recorded in the year in which the funding was actually transferred to the recipient country, not the year in which funding was allocated; funds disbursed in 2008 may have been allocated in any of the preceding years.

Official Development Assistance (ODA) estimates are for all aid categories, including but not limiting to direct project costs, contributions to multilateral institutions, direct budget support, donor staff salaries, and administrative costs.

1.3.2.1 UNITED STATES AND PEPFAR

As noted above, the United States is the largest international donor for health and HIV programs in South Africa. Between 2004 and 2012, PEPFAR/South Africa obligated $3.7 billion for new programs through its various agencies (PEPFAR 2010). On average, slightly more than half of all funds have been channeled through the United States Agency for International Development (USAID). Other PEPFAR implementing agencies include the State Department, Centers for Disease Control, Peace Corps, and the Department of Defense. During the initial PEPFAR authorization for South Africa (2003–2008), this money largely financed the direct provision of HIV services. While some financial assistance went to the SAG, most of it was funneled through international and local NGOs (see section 1.2.2) that were instrumental in saving the lives of countless people living with HIV.

Since the PEPFAR reauthorization in 2009 and the signing of the new Partnership Framework with the SAG in 2010, the United States has shifted its focus. Whereas the first authorization was characterized as an emergency response, the second stage has emphasized technical assistance to the SAG and NGOs to support a fully country-led, efficient, and sustainable HIV program. In 2013, 29 percent of PEPFAR funds were spent on prevention activities, 27 percent on HIV care, 30 percent on treatment, and 14 percent on strengthening health care and lab systems (PEPFAR 2013). The funding managed directly by USAID is similarly allocated, except that a higher proportion of USAID funds go to care for orphans and vulnerable children. PEPFAR support has linked NGOs with PDoHs to distribute male condoms and to lead voluntary medical male circumcision (VMMC) programs (Shisana, et al., 2014). Between 2010 and 2013, PEPFAR partners have carried out an estimated 329,000 VMMCs, amounting to 26 percent of all of the circumcision procedures conducted in South Africa during that time period (Shisana, et al., 2014).

1.3.2.2 UNITED KINGDOM

The United Kingdom, through its Department for International Development (DFID), has been a significant development partner in South Africa. Between 2002 and 2012, DFID provided close to $800 million in official development assistance (OECD 2014). About 80 percent of this aid has gone towards economic development, governance, and environmental projects. The remaining 20 percent supported health activities (mainly HIV and maternal health). DFID's three main HIV activities have focused on reducing gender-based violence, improving donor-SAG coordination, and strengthening local governance of South Africa's health sector (DFID 2014). In early 2013, DFID announced that it would end bilateral support to South Africa in 2015. This move resulted from an effort to refocus British aid on the poorest countries, making South Africa a victim of its middle-income status. However, the quick and unilateral nature of the decision has been interpreted by many in the United Kingdom and South Africa as a response to domestic political pressure. As a result, the quick transition has strained the two countries' diplomatic relationship (Smith 2013; Tran 2014).

The Global Fund to Fight AIDS, Tuberculosis, and Malaria

The Global Fund is the largest multilateral donor supporting South Africa's HIV response. The Fund has signed 14 grants for HIV and HIV/TB integration activities, totaling $743 million. Through 2014, $491 million had been disbursed to local partners, including the national government, the Western Cape provincial government, and multiple NGOs (The Global Fund 2014). These grants have funded efforts to develop, implement, and improve strategic plans to scale up quality HIV and TB programs. This funding currently helps 220,000 people receive ART (The Global Fund 2014).

1.3.3 CHANGING CONTEXT FOR PEPFAR

Although donors provide only a very small portion of South Africa's health expenditures, PEPFAR's role and contributions still have importance for both health outcomes and symbolic affirmation. With a peak of $590.9 million in 2008, South Africa has long been the biggest recipient of PEPFAR funding, and PEPFAR-funded NGOs played a significant role in providing HIV and AIDS services during the emergency stage of the country's response. Moving forward, PEPFAR/South Africa's role is changing. As outlined in the 2010 Partnership Framework, PEPFAR has largely shifted away from directly providing health staff or funding HIV treatment. Instead, it is now providing technical assistance to strengthen the public sector's ability to better manage the country's HIV response, especially in the face of declining donor support. As part of this transition, PEPFAR funding is expected to sharply decline over the next several years, from $484 million in 2012 to $250 million in 2017 (PEPFAR 2010). Given South Africa's importance to PEPFAR, how this transition is managed will likely set the stage for future efforts in other countries.

Although the SAG's significant investments have resulted in an effective country-led response, the PEPFAR transition in South Africa has raised several concerns about the future. First, a lack of coordination between PEPFAR and local partners has meant that PEPFAR is unable to ensure that the patients that it previously supported are still receiving high-quality HIV treatment. Second, the transition could put the United States Government's relationships with the SAG and local NGOs at risk. If the transition is poorly executed, it could damage the U.S.-South Africa bilateral relationship, as happened in the case of DFID's announcement of ending assistance to South Africa (Brundage 2011).

Additionally, PEPFAR has invested large amounts of time and money in supporting local NGOs. These partners have served as effective innovators and advocates that helped strengthen the South African health system and HIV programs. Declining funding, in light of the PEPFAR transition, could weaken these organizations and potentially limit the country's efforts to combat HIV and AIDS in the future.

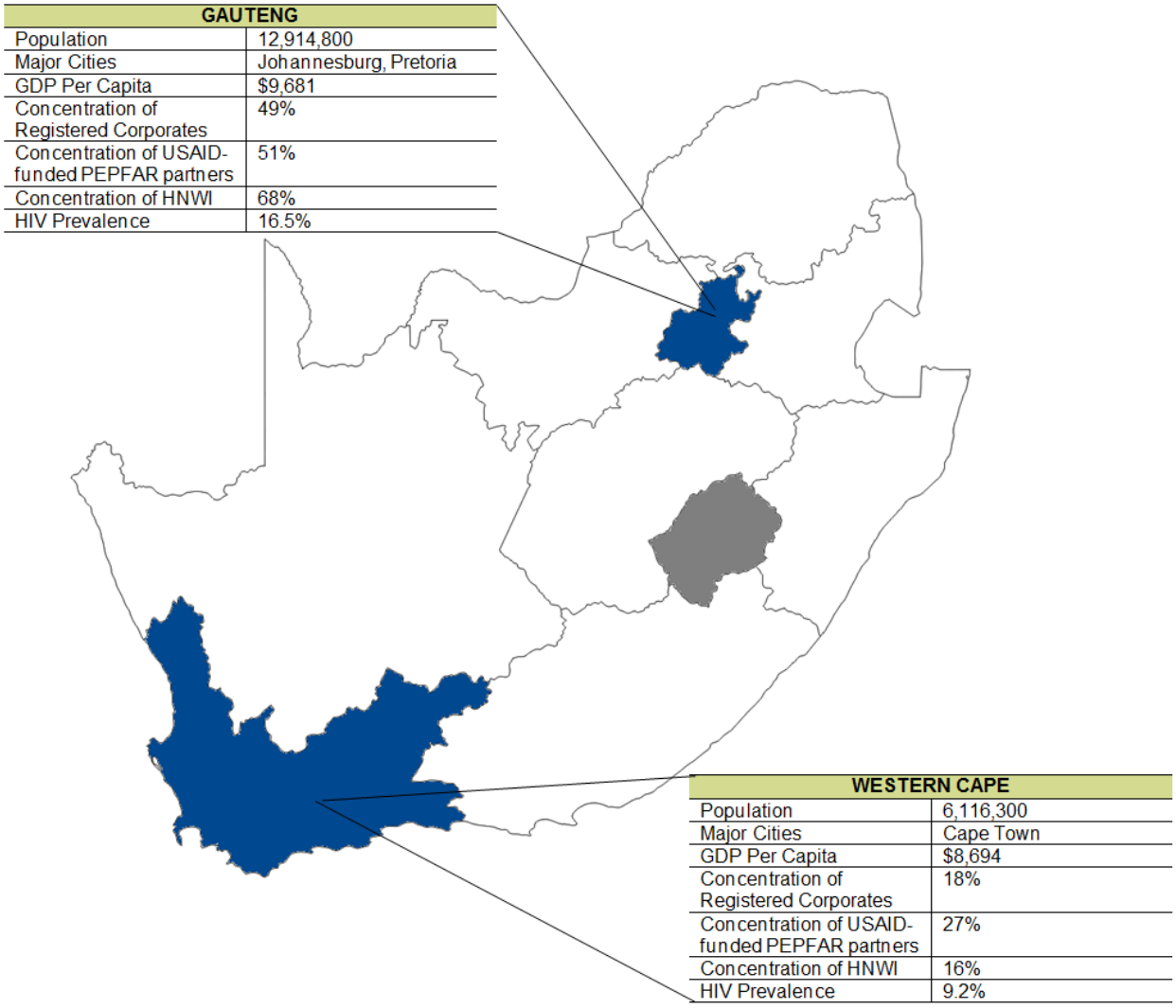
1.4 ASSESSMENT PURPOSE

As PEPFAR plans for and begins to implement this transition, USAID/South Africa is investigating strategies to sustain the local partners that it has supported over the past decade. To this end, it has engaged the USAID-funded global Strengthening Health Outcomes through the Private Sector (SHOPS) project to conduct a focused private sector assessment. The assessment explores three main interrelated questions, to understand how these reforms would influence the sustainability prospects for USAID-funded NGOs. The assessment takes into account the changing context of South Africa's health system, particularly the proposed NHI framework, as a lens to investigate sustainability opportunities. The three main assessment questions are:

1. What are private sector opportunities and alternative revenue sources for USAID-funded health NGOs?
2. What is the future of health-focused CSR and private philanthropy in South Africa? What are opportunities for South African corporations and private philanthropists to sustainably partner with USAID-funded health NGOs?
3. Does the NDoH's vision for public health care, including NHI, offer new opportunities and funding sources for USAID-funded health NGOs in South Africa? If so, what are these opportunities, and what assistance is needed to actualize this potential revenue source?

The answers to these questions will vary greatly based on the geographic location of the NGO. For that reason, USAID requested that **SHOPS focus on its partners that work in Gauteng and Western Cape provinces**. These areas were selected as representing a confluence of factors that should support NGO sustainability efforts, including a high concentration of South African corporations, high number of HNWIs, and relatively high burdens of HIV and non-communicable diseases (Figure 9).

FIGURE 9. ASSESSMENT FOCUS PROVINCES



2. METHODOLOGY AND OVERVIEW

2.1 METHODOLOGY

SHOPS and its predecessor project, Private Sector Partnerships-*One*, have conducted more than 25 private sector assessments over the past five years, including several in sub-Saharan Africa. The majority of these private sector assessments focus on quantifying and describing the overall size, scale, and potential of the private health sector, as well as outlining opportunities for stronger collaboration between the public and private health sectors to achieve priority health goals. This assessment in South Africa differs in scope for two key reasons: 1) USAID/South Africa is strongly focused on a successful transition for its local partners over the near future; and 2) a strong secondary literature already exists, describing the composition of South Africa's private health sector in great precision and detail. Numerous reports are cited in Chapter 1, detailing both the composition of South Africa's private health sector and its constraints to growth.

Beginning in March 2014 and implemented over a six-month period, this assessment uses both extensive secondary data analysis and primary data collection to provide an evidence-based and rich depiction of the sustainability opportunities and challenges for PEPFAR partners. Secondary data analysis was particularly useful for assessing, in detail, opportunities for PEPFAR partners from HNWIs, CSI, medical aid schemes, and other private health care players including administrators, private general practitioner practices, and large hospitals. For primary data collection, the assessment team conducted both supply-side interviews (with PEPFAR partners) and demand-side interviews (with potential purchasers or funders of PEPFAR partner services). Primary data collection occurred from June through September 2014 and utilized semi-structured interview guides, tailored to type of respondent. All respondents received a copy of their personalized interview notes and retained the ability to make after-course corrections, giving the assessment team a degree of confidence in the accuracy of the primary data utilized throughout this report.

The team was comprised of both South African and U.S.-based private sector experts. The team lead, Ilana Ron Levey, lived in South Africa for four years prior to joining SHOPS, working on CSI and private health sector activities. The U.S.-based assessment team was comprised of legal, HIV prevention, health financing, and NGO sustainability experts. The South African assessment team was comprised of experienced management consultants with deep expertise in CSI, impact investing, and South Africa's corporate sector.

2.1.1 SUPPLY-SIDE INTERVIEWS

Using Country Operating Plan (COP) 2013 publicly available data, SHOPS compiled a prioritized list of NGOs to participate in the assessment (PSA). The list was developed using a two-step process. First, SHOPS identified all PEPFAR prime recipients who received their funding through USAID in COP13. Based on discussions with USAID/South Africa, SHOPS selected a few illustrative NGOs who received funding as a sub-recipient (including those operating under an umbrella grant mechanism in COP12). These criteria brought the total number of selected NGOs to 36 organizations. From this universe of possible interviewees,

SHOPS identified 19 organizations as most relevant, based on two criteria: 1) they were headquartered in South Africa and thus locally owned; and 2) they worked in Western Cape and/or Gauteng provinces.

In the second step, SHOPS confirmed these NGOs' suitability for the assessment by reviewing them on a number of dimensions, including: known revenue diversification plans; known public or private sector partnerships; known clinics/primary health care capacity; known wellness or supportive care activities; and known HIV prevention and treatment services. Based on both selection criteria, SHOPS selected this list of NGOs to participate in assessment interviews.[2] Organization profiles are provided in Annex A.

- Africa Health Placements
- Witkoppen Health and Welfare Centre
- Hospice and Palliative Care Association of South Africa
- Future Families
- HIVSA
- Kheth'Impilo
- Anova Health Institute
- Maternal, Adolescent, and Child Health (MatCH)
- Right to Care, South Africa
- Wits Health Consortium
- Childline South Africa
- National Association of Childcare Workers
- Regional Psychosocial Support Initiative, South Africa
- South-to-South (S2S)
- Woz'obona
- Foundation for Professional Development
- Networking AIDS Community of South Africa (NACOSA)
- Centre for HIV and AIDS Prevention (CHAPS)
- BroadReach Healthcare

2.1.2 DEMAND-SIDE INTERVIEWS

In order to assess demand and potential market opportunities for USAID-funded NGOs, SHOPS developed a preliminary list of demand-side stakeholders to participate in the PSA. These stakeholders included: **corporations,** to assess the market for wellness services and CSI opportunities; **large health care providers,** to assess opportunities for wellness services, CSI opportunities, and contracting-out primary health care; and **government departments,** to assess opportunities for contracting-out for primary health care and wellness services.

For both large and mid-sized corporations, SHOPS focused on businesses that were registered in South Africa and operated in Gauteng and/or Western Cape. From this large sample size, SHOPS prioritized a list based on the companies' amount of spending on CSI, the degree to which their CSI programs focused on health, and the range of industries covered. In general,

[2] SHOPS was unable to schedule interviews with Childline (closed), Wits Health Consortium (referred to member projects and partners), and Woz'obona (no response).

corporations were the easiest type of respondent to interview. Private health care actors and SAG representatives were more reticent to participate. Still, the final sample was representative and included NDoH, PDoH, and National Treasury respondents, large private health care medical aid schemes and administrators, and some of South Africa's largest and most important corporations. Annex D shows a detailed list of all demand-side actors interviewed.

2.2 KEY TERMS

A few terms used in this report require definition. Box 1 in the proceeding chapter highlights and compares three interrelated terms: **private health insurance**, **medical aid schemes**, and **employment-based schemes**. Private health insurance refers to products that offer pre-determined cash payments during periods of hospitalization; medical aid schemes are a means of pre-payment for health care, covering inpatient and outpatient care based on pre-determined tariffs; and employment-based schemes are medical aid schemes whose membership is restricted to specific fields of employment.

The term **contracting** refers to an arrangement whereby the SAG or a private health care actor enters into a legal partnership with a PEPFAR partner for the delivery of goods or services. In the public health literature, including in previous SHOPS reports, this practice is sometimes called **contracting out**.

In American parlance, PEPFAR partners are typically referred to as **NGOs,** as they are referred to here in the introductory overview. However, South African terminology calls these organizations **nonprofit organizations** (NPOs), a term with implications for taxation and registration. The South African term is therefore used in all legal and regulatory discussions throughout the report.

Finally, **SAG** refers to the national level of government. Discussions regarding provincial- or district-level government functions and organizations are specifically identified.

2.3 REPORT OVERVIEW

The report is divided into five chapters. Following an extensive introduction in Chapter 1, Chapter 2 presents the methodology used to conduct the assessment. Chapter 3 provides results of a detailed analysis of the legal and regulatory landscape that identifies the legal incentives for corporations to partner with PEPFAR partners, as well as the legal and tax implications for NGOs that embark on selling services commercially. Chapter 4 gives a conceptual framework for understanding sustainability opportunities and presents detailed opportunity descriptions from both the demand and supply perspectives. Finally, Chapter 5 provides both short-term and long-term recommendations for USAID/South Africa about how PEPFAR can potentially catalyze sustainability opportunities for its partners.

3. LEGAL AND REGULATORY REVIEW

This chapter examines legal and regulatory policies in South Africa relevant to CSR and CSI. Its objective is to understand how these policies might impact or benefit PEPFAR partners as they transition from direct USAID funding. The chapter also looks at laws potentially affecting the PEPFAR partners' provision of commercial services. This regulatory analysis was performed by an experienced SHOPS legal advisor; a more detailed legal brief about these findings was submitted to USAID/South Africa in July 2014.

3.1 CORPORATE AND SOCIAL RESPONSIBILITY AND INVESTMENT POLICY IN SOUTH AFRICA

CSR and CSI are premised upon the expectation that corporate business decisions and actions should consider the interests of a broad set of stakeholders beyond company owners and investors. These stakeholders include employees, suppliers, regulators, customers, partners, communities, and the environment. In the South Africa context, good corporate governance includes not only sound fiduciary management but also empowering those with a stake in the company's performance.

This legal review focuses only on those elements of CSR that are relevant to the services offered by PEPFAR partners with a strong focus on health.

3.1.1 OVERVIEW OF POLICIES PROMOTING CSR IN SOUTH AFRICA

The policies governing CSR are voluntary in nature, not mandated by corporate law or enforced with penalties. A set of "soft laws," described below, set forth guidance and benchmarks to steer corporations toward ethical and commercially prudent practices, including caring for the communities in which they do business. Collectively, the policies (summarized in Table 2) set the tone for good corporate citizenship that contributes to community development. While there is no explicit duty placed on corporate directors to take into account the interests of stakeholders, such policies are in effect mandatory: to receive licenses to do business, to be listed on the Johannesburg Stock Exchange (JSE), or to access SAG contracts, companies must comply with certain CSR policies.

South Africa has been a global leader in CSR, starting with the publication of the **King Reports** beginning in 1994 (Institute of Directors 2011). This ground-breaking initiative established a framework for assessing a triple corporate bottom line: financial, social, and environmental. Through a set of voluntary aspirational requirements, it set a benchmark for good corporate citizenship. It was designed to promote a mindset of ethical behavior and to establish a code of corporate conduct.

The **Broad-Based Black Economic Empowerment (B-BBEE) Act of 2003** was established as a framework for the promotion of black economic empowerment, to authorize the issuance of codes of good practice and to publish transformation charters (Republic of South Africa 2004). B-BBEE seeks to redress racial inequalities brought about by apartheid restrictions that disadvantaged black South Africans (defined as African, Colored and Indian), while promoting

social investment and the empowerment of communities. The B-BBEE framework is a uniquely South African CSR initiative, with a scorecard approach that imposes hard targets on companies that must either comply or risk losing business contracts, investors, and customers. This framework is discussed on more detail in the next section.

The **Companies Act of 2008**, as amended in 2011, is a comprehensive set of laws regulating the formation and liquidation of companies; it also regulates the conduct of corporate activities (Republic of South Africa 2009). While there is no legal obligation for companies to act in a socially responsible manner, its governance provisions include the creation of a Social and Ethics Committee to monitor and report infractions.

The **JSE Socially Responsible Investment (SRI) Index** was adopted in 2004 as a set of criteria against which companies can be ranked on their social investment performance (Johannesburg Stock Exchange 2014a). Among other requirements, the JSE committee has made compliance with King Report documentation mandatory for listing on the exchange.

TABLE 2. SUMMARY OF KEY CSR REGULATORY REQUIREMENTS

Policy	Key Relevant Compliance Metrics
KING Reports	Public reporting on companies' strategies for promoting employee health and risk mitigation
B-BBEE Act	Scores based on companies' contributions to black empowerment, especially through enterprise development, skill building, and ownership/management role
Companies Act	Authorizes a Social and Ethics Committee to monitor and report on CSR
JSE SRI Index	Mandates companies' employee HIV and AIDS prevention, education and awareness programs; access to voluntary HIV counseling and testing; and sponsorship of/support for community-based prevention, education and awareness programs

3.1.2 BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The B-BBEE Act of 2003 seeks to redress racial inequalities brought about by apartheid restrictions disadvantaging black South Africans (defined as African, Colored and Indian), and to promote social investment and the empowerment of communities. It seeks to ensure broader and meaningful participation in the economy by black people to achieve sustainable development and prosperity, and it requires companies to contribute to the economic transformation of the country. B-BBEE is a framework that verifies CSR activities, measuring to what extent companies give resources and carry out initiatives to improve the situation of black South Africans and to promote access to the economy for historically disadvantaged groups. The B-BBEE Act is supported by Section 9(2) of the South Africa Constitution, which specifically allows for legislative and other measures to protect or advance categories of persons disadvantaged by unfair discrimination.

3.1.2.1 HOW THE B-BBEE CODE WORKS

The B-BBEE Act provides for the creation of BEE Codes of Good Practice that operationalize the policies in the Act through detailed regulations. A B-BBEE Certificate is regarded as evidence of a company's B-BBEE credentials. The process involves an audit to determine the company's level of compliance in terms of the BEE Codes of Good Practice. The South African National Accreditation System (SANAS) is the recognized accreditation body, acting on behalf of the Department of Trade and Industry (dti), and is responsible for overseeing the development and maintenance of the rating standards.

The dti oversees enforcement. To comply with B-BBEE policy, companies must submit documentation to dti-accredited verification agencies. Auditors visit companies to check their

score on different aspects. Corporate boards are encouraged to establish a BEE policy and set BEE targets as part of their broader performance goals.

The B-BBEE Codes were revised in October 2013 in part to address perceived implementation weaknesses, including a "tick box" approach to the scorecard as opposed to substantive broad-based application (Republic of South Africa 2013; Ismail and Luckett 2013). Target areas were reorganized with a goal of promoting a South African business culture supportive of entrepreneurship and diversification of value chains.

3.1.2.2 B-BBEE SCORECARD

Companies are scored and ranked according to their BEE levels, from Level 1 (best) to Level 8 (worst), with a further category for non-compliant. A high "recognition level" increases a company's chances for public contracts and enhances its reputation with other stakeholders. Level 4 is considered fully compliant. The points awarded per element are shown in Table 3. Bonus points are awarded for such indicators as hiring black people in apprenticeships as full employees, or exceeding targets for black managers.

TABLE 3. B-BBEE SCORECARD CALCULATIONS (EFFECTIVE OCTOBER 2014)

Element	Weighting	Compliance Targets/Minimum Requirements	Notes
Ownership	25 points	26% shares are black owned	Calculations include points for new black shareholders and voting rights
Management Control	15 points (plus 4 bonus)	40% positions filled by black/previously disadvantaged groups	This element was combined with (previously separate) "employment equity."
Skills Development	20 points (plus 5 bonus)	6% of payroll must be devoted to training and development	Points are awarded for bringing in unskilled apprentices and absorbing them in the workforce, as well as for providing professional development to black employees.
Enterprise and Supplier Development	40 points (plus 4 bonus)	Spend minimum 3% net profit after tax	For maximum points, companies are expected to spend 2 percent of their net profit after tax on supplier development and 1 percent on enterprise development. Enterprise Supplier Development beneficiaries are defined as Exempt Microenterprises or Qualifying Small Enterprises which are at least 51 percent black-owned or at least 51 percent black woman-owned.
Socio-economic Development	5 points	Spend minimum 1% net profit after tax	For a company to claim the full value (5 points) of their contributions to social-economic development, at least 75 percent of the value of the contribution must flow directly to black beneficiaries.

The B-BBEE Code applies to PEPFAR partners as well as to corporations. While not formally required, BEE Certificates—and specifically, good BEE profiles—are beneficial for NGOs seeking to contract with the South African government or to access CSI, as a strong BEE profile is evidence of organizational competence and credibility. Moreover, SHOPS corporate interviews indicate that companies' key criteria in selecting organizations to receive CSI include 75 percent black beneficiaries as well as registration as a public benefit organization (PBO) with a Section 18(a) certificate.

Because NGOs do not have shareholders, they cannot be scored on the B-BBEE Code's ownership measure; but they can demonstrate their contribution to transforming South Africa by

documenting their levels of black employment, black beneficiaries, black board members, and community development. For the many NGOs with revenue under R10 million, all that is needed is a sworn affidavit, on an annual basis, confirming that their total annual turnover is R10 million or less. Once those documents are submitted, the BEE Certificate is generally provided automatically within a week. New certificates must be obtained every year.

3.1.3 IMPLICATIONS OF CSR POLICIES FOR PEPFAR PARTNERS

The July 2014 SHOPS legal and regulatory brief details four main categories of regulations (King Reports, B-BBEE Code, Companies Act, and JSE SRI Index) that affect how PEPFAR partners may receive funds in the future in South Africa. This report has focused on the B-BBEE Code, given its prominence in South African discourse and the way in which racial dynamics tie into sustainability options for PEPFAR partners.

The detailed legal and regulatory analysis suggests a number of important implications for PEPFAR partners.

1. **There is a low priority given to HIV and AIDS and other health activities**. Corporations gain just 5 points out of a possible 105 for their B-BBEE score for socioeconomic investments. Even if a company's CSI were fully dedicated to HIV and AIDS prevention and care, it is likely to be an insignificant contribution compared to investments required to meet other B-BBEE requirements, to strengthen local enterprises or expand training activities.
2. **All PEPFAR partners should obtain B-BBEE Certificates.** The B-BBEE scorecards provide strong and specific incentives for corporations to invest in community organizations that both enhance social welfare and can provide B-BBEE points to companies. Where possible, PEPFAR partners should obtain B-BBEE certificates to enhance their attractiveness to corporations as suppliers. Especially for those who qualify as exempt micro-enterprises (annual turnover less than R10 million), certification is automatic for applicants. Access to corporate contracts will be enhanced also by documenting or expanding black ownership, control, and employment. Corporations gain maximum points by contracting with new BEE suppliers.
3. **NGOs need BEE Certificates to position themselves to do business with the SAG.** Under the Preferential Procurement Policy Framework Act and the B-BBEE Act, government agencies must apply the Codes when making procurement decisions or entering into public-private partnerships. No distinction is made between for-profit and nonprofit organizations in these provisions. PEPFAR partners who qualify as exempt micro-enterprises are automatically granted Level 4 status, thus positioning them favorably for SAG contracts. However, interviews with public sector stakeholders indicated that SAG departments have some flexibility in how they apply these rules when outsourcing services to NGOs.
4. **B-BBEE provides incentives for corporations to offer organizational development to eligible enterprises.** The heaviest emphasis in B-BBEE scoring is on enterprise and supplier development. Large corporations are required to provide assistance (to the value of 3 percent of the corporation's net profit after tax) to black-owned micro and small enterprises to increase their operational or financial capacity. PEPFAR partners with black ownership may qualify as recipients for these assistance funds. Other PEPFAR partners may position themselves as training partners.
5. **Liaising between companies and community enterprises is valuable.** PEPFAR partners with extensive connections to other community organizations could become a valuable resource to companies that are required to continually identify and nurture new black suppliers and beneficiaries.
6. **Monitoring and evaluation skills may be useful to corporations.** The growing emphasis

on measurement, by Social and Ethics Committees, may provide opportunities for PEPFAR partners with strong research capabilities to offer these skills to corporations.

3.2 IMPLICATIONS FOR NGO PROVISION OF COMMERCIAL SERVICES

This section provides background on the overall regulation of NGOs (here called NPOs) in South Africa, as well as specific implications for PEPFAR partners engaged in the provision of services for a fee. Under statutory law, as described below, NPOs are legally recognized entities with rights and responsibilities. The right to association is guaranteed by the Constitution, which sets the foundation for an active civil society in South Africa. NPOs unite individuals committed to specific social missions, and they may raise resources from individuals, corporate or foundation donations, voluntary member dues, SAG subsidies, grants, contracts, and/or self-generated income. The question addressed below is whether PEPFAR partners may contract with SAG or corporate clients for the delivery of fee-based health-related services, without losing their tax-exempt status as NPOs.

3.2.1 NPO ACT OF 1997

The regulation of NPOs in South Africa is governed by the NPO act of 1997 and the Companies Act of 2008 Schedule 1 (Republic of South Africa 1997). The key characteristics of an NPO are (1) establishment for a public benefit purpose; and (2) income and property that are not distributable to its members or owners. These qualifiers mean that an NPO can make a profit but it cannot distribute those profits to those that establish, control, or finance it. NPOs may engage in both market and non-market production, but they cannot be primarily guided by commercial goals and considerations. Their resources may come from sales of goods and services, property income, and donations as long as any surplus is reinvested in the enterprise or the organization's other activities.

3.2.2 INCOME TAX ACT

In order for an organization to receive tax exemption, it must register as a public benefit organization (PBO). Preferential tax treatment for PBOs is covered under Section 10(1)(*c*N) of the Income Tax Act 58 of 1962, as amended (South Africa Revenue Service 2014). Approved PBOs can issue certificates to donors making them eligible for tax exemptions up to 10 percent of their taxable income. The penalty for an organization that does not adhere to the restrictions is its loss of PBO status.

PBOs enjoy exemption from income tax for all "public benefit activities" listed in their founding documents to support health, education, community development and other social welfare objectives. **All PEPFAR partners should register as PBOs**. In addition to income tax exemption, PBOs enjoy exemption from stamp duties, capital gains taxes, value-added tax (VAT), and transfer duties, subject to detailed rules. PBOs are entitled to conduct trading and commercial activities outside of the public benefit activities for which they are granted PBO status. PBOs do not lose their status for conducting such activities, but their commercial activities will be subject to tax according to specific rules (Wyngaard 2010).

3.2.3 TAX EXEMPT ACTIVITIES

There is no limit to the amount of tax exempt revenue PBOs may generate, as long as the activities meet all the tests for tax exemption. In determining whether a business undertaking or

trading activity is a tax exempt public benefit activity or a taxable commercial activity, the law applies the following tests:

- Is the business undertaking (or trading activity) integral and directly related to the PBO's principal mission?
- Is the activity conducted on a cost-recovery basis?
- Will the trading activity result in unfair competition with other taxable entities?
- Is the activity an occasional fund-raising activity staffed mainly by volunteer labor?

3.2.4 IMPLICATIONS OF NGO REGULATION OF COMMERCIAL ACTIVITIES FOR PEPFAR PARTNERS

For traditional NGOs exploring options for commercial services, planning is needed to determine how to best structure their dual social and commercial activities. Two options exist: to keep the two sets of activities separate, by setting up a separate subsidiary for commercial activities; or to comply with NPO Act rules ensuring that any profits are used for the primary mission of the organization and do not constitute more than 5 percent of organizational revenues.

Combining commercial and non-commercial activities can create a host of complex problems, including: risks of conflicts of interest, need for upgraded accounting and tax assistance, and need for governance oversight. While these risks can be managed, they constitute a cost of engaging in for-profit activities. A key concern is to avoid using nonprofit resources in for-profit activities. The lowest risk option may be to create a separate for-profit subsidiary for commercial trading activities. SHOPS interviews with PEPFAR partners found more examples of a dual structure than models combining commercial and non-commercial activities.

Failure to comply with the filing and tax requirements of Section 30 of the Act may result in losing PBO approval.

3.3 OVERALL IMPLICATIONS FOR PEPFAR PARTNERS

The CSR environment in South Africa is unique in the world, as it is intrinsically tied to the transformation agenda of the B-BBEE Act of 2003. For large companies in South Africa, compliance with the B-BBEE codes is a fact of doing business. Corporate incentives for supporting health programs such as HIV and AIDS prevention and treatment will be much stronger if companies can link that support to other priority areas of social responsibility. These priority areas include skills-building and organizational development for enterprises run by or benefitting black South Africans. NGOs seeking corporate contracts or donations will enhance their status as preferred suppliers or partners by obtaining BEE Certificates to demonstrate their compliance. Corporations then receive increases in their own BEE scores for engaging in CSR activities to support compliant organizations. The B-BBEE policies are reinforced by a broader set of laws designed to promote corporate contributions to disenfranchised populations as an element of good governance.

South African policies recognize the financial pressures under which NPOs operate, and they permit trading activities needed to sustain such organizations. PEPFAR partners may engage in approved profit-making ventures, as long as their principal focus is to serve their primary altruistic mission and any profits earned go to support the organization. Approval by the South African Revenue Service will depend upon a test to ensure that the service will not unfairly compete with others in the market, among other criteria. The for-profit activities may or may not be taxed, depending upon the proportion of revenue the activity represents for the organization. **In short, PEPFAR partners are free (within these limits) to pursue fee-bearing contracts,**

with corporations or with SAG. However, South African law and regulation do not compel corporations to invest in HIV and AIDS services.

4. OPPORTUNITIES FOR PEPFAR PARTNERS

4.1 OPPORTUNITY LANDSCAPE

The main focus of this assessment is to examine different prospects for future income streams for PEPFAR partners in South Africa, given imminent reductions in PEPFAR funding. This approach serves the public health objective of continuing the high-quality HIV prevention, treatment and technical assistance work funded by PEPFAR, and it ensures the **financial and operational sustainability** of these effective organizations. The latter objective is the focus of this section.

There are multiple efforts underway to identify the potential public health implications of declining donor funds in South Africa. Chapter 1 of this report sketches the broader context, of limited donor funding for HIV overall and a crowded landscape of many non-PEPFAR funded NGOs. In many ways, however, PEPFAR partners are unique actors in the overall landscape; and, as seen in this chapter, their uniqueness presents some sustainability opportunities but also hinders some others.

After an extensive secondary data analysis and literature review, SHOPS outlined all possible sustainability opportunities for PEPFAR partners in South Africa. The analysis revealed 12 possible opportunities, categorized according to three different methods of funding: **grants and subsidies**, **investment**, and **revenue generation** (Table 4).

TABLE 4. SUSTAINABILITY OPPORTUNITIES FOR PEPFAR PARTNERS

Opportunity Category	Opportunity	Description
Grants and Subsidies	Donors, Foundations, Agencies	Foreign assistance in the form of contracts and agreements, as well as traditional grants from international donor organizations
	HNWIs, Private Philanthropy (PP)	Grant funding from local, private donors
	CSI	Grant funding from South African companies. The dti's B-BBEE Codes stipulate that 1 percent net profit after tax should be spent on socioeconomic development.
	Government Subsidies	Grant funding from government departments — primarily but not exclusively from Department of Health and Department of Social Development — as well as other government bodies (e.g., National Lottery Distribution Trust Fund) and government programs (e.g., National Treasury's Jobs Fund).
Investment	Impact Investment	Debt and/or equity investment made with the intention to generate social and environmental impact alongside a financial return; can go to companies, organizations, or funds.
	Internal/External Development Trusts	Investment vehicle with dividends used to fund social impact activities; can be run by NGOs themselves with

		their own and/or external funding, or NGOs can tap into trusts run by other entities.
Revenue Generation	Contracting to Government	Commercial service provision to government. Services can include training, capacity building, systems strengthening, disease management, prevention, or clinical services.
	Contracting to Private Health Care	Commercial service provision to private health care and medical aid schemes. Services can include training, capacity building, disease management, prevention, or clinical services.
	Medical Aid Network Provider	Registered providers submit claims to medical scheme for services rendered.
	Employer-Based Health and Wellness Provider	Health and wellness offering to corporate and/or government buyers, on a fee-for-service basis
	Mid- to Low Cost Consumer Health Care	Providing quality, affordable health care to consumers who are able and willing to pay, but unable to access current private health care options
	Non-Core Commercialization	Diversifying operations to provide services outside core operations on a commercial basis (e.g., research and development or social enterprise)

To understand which opportunities would be most attractive to PEPFAR partners, SHOPS considered three criteria: size of opportunity; service match; and perceived demand.

Estimated Opportunity Size

Given the extent of PEPFAR funding, it was important to understand the funding potential of different opportunities. Using secondary data (when available) along with information from primary interviews and team assessment, the opportunity size of each option was determined. The opportunity estimation process is not designed to provide accurate market sizes. Rather, the process is designed to show *relative* sizes of various opportunities, to help provide guidance to PEPFAR.

Service Match of PEPFAR Partners

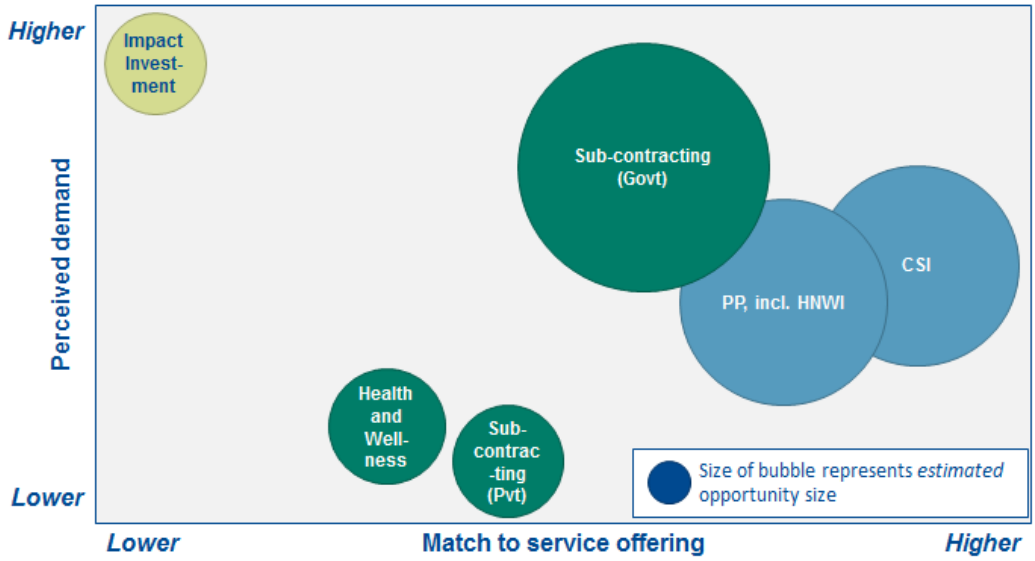
Some opportunities are appropriate only to PEPFAR partners that provide clinical services, while others are a better fit for a for-profit organization (e.g., impact investment). The assessment team considered how the current aggregate service offering of PEPFAR partners matches the services required to address each opportunity.

Perceived Demand

Drawing on secondary and primary research, the assessment team made a qualitative assessment of the strength of demand for each opportunity, as a step in interpreting opportunity size. For example, while the opportunity size of CSI makes it a very attractive option, the decreased funding allocated to health initiatives and the increased competition for CSI money translates into lower demand from CSI funders. Impact investment, in contrast, is relatively new in South Africa, and the opportunity size is smaller compared to CSI, but investors clamor to find worthwhile investments, raising overall demand. Using these three criteria, six opportunities emerge from the original twelve as most attractive. Figure 10 shows the diversity of these six key opportunities. For instance, impact investment has high perceived demand but, at present, shows only a weak match to PEPFAR partners' typical service offering. Three opportunities

stand out as having larger estimated opportunity sizes: government contracting, PP including HNWIs, and CSI.

FIGURE 10. SIX KEY OPPORTUNITIES FOR PEPFAR PARTNERS



The remainder of this chapter will describe all 12 of the opportunities originally considered, with a more detailed focus on the six key opportunities. The discussion of the six priorities will also portray how PEPFAR partners are responding (or not responding) to each opportunity, illustrated through a short case study.

4.2 GRANTS AND SUBSIDIES

External financial donations in the forms of grants and subsidies can be leveraged to support an organization's operations. There are four main opportunities under this category: donors, foundations, and agencies; high net worth individuals and private philanthropy; corporate social investment; and government subsidies.

4.2.1 DONORS, FOUNDATIONS, AND AGENCIES

International donor agencies have allocated a sizeable amount of funding to South Africa. In 2012 alone, official development assistance equaled $1.3 billion (OECD 2014). This funding takes several forms, including contracts, agreements, and traditional grants. It is a potentially attractive source of income for PEPFAR partners because of the size of the funding commitments, the long-term nature of the funding, and the apparent continued interest in supporting sub-Saharan Africa.

In recent years, difficult global economic conditions have put pressure on foreign aid budgets. Going forward, these conditions will likely lead to a reduction in donor funding. In addition, South Africa appears increasingly to represent a lower funding priority than other, less developed countries. When donor funding is available, there may be strong competition from both local and international players. Accessing this type of funding often requires a significant resource commitment in terms of time and dedicated staff. The Foundation for Professional Development, for example, has created a dedicated Proposal Unit to respond to requests for proposals. In 2013, they submitted 239 proposals at a success rate of 45 percent. Few local PEPFAR partners are able to replicate this level of investment to tap into donor funding.

Using donor funds can also impose significant administrative burdens. In particular, donor funds can be contingent on stringent requirements regarding how the money is spent. They can also impose strict monitoring and reporting requirements. These processes can be a burden to already stretched nonprofit staff, particularly for smaller PEPFAR partners.

4.2.2 HIGH NET WORTH INDIVIDUALS AND PRIVATE PHILANTHROPY

4.2.2.1 THE OPPORTUNITY

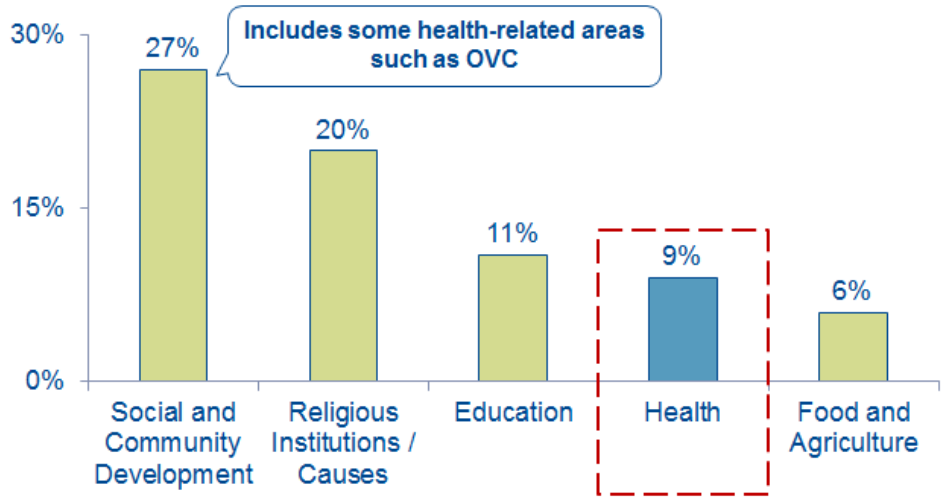
HNWIs and their private philanthropic efforts represent a potential source of grant funding for PEPFAR partners. Compared to other African countries, South Africa's private philanthropic sector is robust, with prominent, charitable HNWIs such as Raymond Ackerman, Kim Feinberg, James McGregor, Tokyo Sexwale, Patrice Motsepe, and Keneiloe Mohafa.

Total 2012/2013 private philanthropic spending in South Africa reached $800 million (Nedbank 2013). Notably, HNWI giving is concentrated through multiple donations by the same philanthropist. Fifty-six percent of South African givers make more than 10 donations per year, but the vast majority of donations are below $2,500. These data suggest that, while the average gift size is small, repeat contributions from a smaller pool of HNWIs represent a sizeable source. Almost 70 percent of HNWIs have been giving charitably over ten years, and almost 75 percent support the majority of their beneficiaries for over five years, including 28 percent that make life-long charitable commitments. **This long-term funding commitment bodes well** for those PEPFAR partners that can form a mutually beneficial relationship with HNWIs.

4.2.2.2 HNWI GIVING: INTERESTS AND STRATEGIES

HNWIs report a range of motivations for making their contributions, with little emphasis on tax benefits or legislative compliance. The major reasons for HNWI giving are typically humanitarian with over 35 percent of HNWIs motivated by commitment to the cause, wanting to make a difference, wanting to give back to the community, or religious beliefs. These humanitarian or community-rooted motivators align well with the typical PEPFAR partner's mission. However, health competes with other priorities for HNWI giving. Figure 11 shows the top five sectors for HNWI giving in South Africa.

FIGURE 11. TOP FIVE SECTORS FOR HNWI GIVING



Source: Nedbank 2013.
Note: Shows average percentage of total giving allocated to each sector in 2012

Overall, HNWIs prioritize giving to social and community development projects and religious institutions or causes, far more than giving to health care programs. Within the social and economic development giving sphere, however, 39 percent is allocated towards orphans and vulnerable children (OVC). Although only 9 percent of HNWI funding is allocated towards health specifically, that $72 million annual spend aligns closely with PEPFAR partners' core services.

The five main criteria utilized by HNWIs in determining which organizations to fund are: alignment with personal interests; reputation; proven impact; demonstrated good governance; and sound financial management. While PEPFAR partners often fare well in the latter four dimensions, **alignment with personal interests is often contingent on relationships and personal connections**. Most typically, these personal connections arise through family involvement with a particular organization, religious affiliation, peer networks, or relationships with an NPO leader. Overall, private philanthropy is highly personalized, and—unlike other forms of grants and subsidies—personal affinity can trump other regulatory factors, including B-BBEE profile.

Compared to other potential sources of funding for PEPFAR partners, private philanthropy has a relatively ad hoc approach to making funding decisions. More than 60 percent of HNWIs report that they do not follow a formalized strategy for their giving and do not have an annual philanthropy budget in place (Nedbank 2013). This ad hoc nature represents both an opportunity and a challenge for PEPFAR partners: having an introduction to HNWIs is key, and a circumstantial dynamic, "being in the right place at the right time," is often involved.

4.2.2.3 PEPFAR PARTNERS AND THE OPPORTUNITY

Unlike other prospective funders, HNWIs appear to prefer to retain some distance between themselves and their recipients. Seventy-five percent of HNWIs do not designate their funding for specific uses or set funding restrictions; they allow recipients to make final decisions about funding use. Evaluation requirements from HNWIs are typically very light: Seventy percent do not measure the success of their contributions at all, while only 11 percent require written reports on progress and outcomes (Nedbank 2013). However, given PEPFAR partners' sophisticated monitoring and evaluation systems, the lack of an evaluation requirement for HNWIs may **weaken the comparative advantage** of the PEPFAR-funded cohort compared to other health sector NPOs.

Only 13 percent of PEPFAR partners indicated that they receive funding from HNWIs at present. This figure is likely understated, given the sometimes small funding amounts from HNWIs and the fact that not all PEPFAR partners disclosed all sourced of funding. However, this source is currently under-represented in funding despite being a good match in many ways, and 62 percent of PEPFAR partners are considering HNWI funding as a future sustainability option.

Box 3. Private Philanthropy Opportunities: Witkoppen Health and Welfare Centre (WHWC)

Witkoppen Health and Welfare Centre (WHWC) is a comprehensive primary health care center that also offers social welfare services. The Centre is situated in northern Johannesburg and serves the surrounding communities of Diepsloot, Msawawa, Thabo Mbeki, Pipeline, Riverbend, Dihokeng and Riversands, a collection of informal peri-urban settlements and low income suburbs. Founded in 1946 as a feeding program, WHWC has evolved into a nonprofit organization employing 170 staff members and serving nearly 100,000 patients per year in multiple health areas, including HIV and AIDS, family planning, maternal and child health, and tuberculosis.

> *"The fact that our service is still needed – as evidenced by our patient numbers – is good for our long-term sustainability."*
>
> *-WHWC medical doctor*

WHWC relies on a mix of funding sources to keep the organization running. It generates a small part of its revenue from user fees, collecting a nominal amount from those who can afford it; otherwise it provides services for free. The Centre receives a subsidy from the Department of Health, which accounts for 25 percent of funding. PEPFAR funds the delivery of their comprehensive HIV/AIDS and TB programs. For the balance of funding, Witkoppen looks to corporate donors and private philanthropy (including high net worth individuals).

Witkoppen is an attractive candidate for private philanthropy. It has a long history of direct service delivery in an area that is typically underserved, reaching a population that has few other health care options. *"WHWC is a grassroots organization with close links to our beneficiaries at the community level, ensuring that our programs remain relevant to the needs of the community."* The Centre has a strong track record, borne out by growing patient numbers, and a strong and representative Board that includes many long-serving members. It is also formally registered as a public benefit organization with Section 18A tax exemption. It currently receives donations from approximately 15 HNWIs, trusts, churches, and other socially-minded organizations, including:

- The Mary Nash Memorial Trust
- The R.B. Hagart Trust
- The Robert Niven Trust
- The George Elkin Trust
- St. Michael's Church
- St. Mungo's Church
- Bryanston Methodist Church

The majority of private donors are involved as a result of a close personal connection to Witkoppen – either through personal networks, being geographically linked to the community that the Centre serves, or because of direct links to someone who has benefitted from the Centre's care and treatment. As the WHWC business development manager stated, *"In some instances, we receive financial support from well-off families whose household employees we have cared for."*

This type of funding has a number of advantages for Witkoppen. Funders tend to stay involved over the long term and have few administrative and reporting requirements, lowering the management burden on WHWC.

Witkoppen is in a strong position to increase the pool of private funding through active canvassing and relationship building, including leveraging the strength and profile of its Board. The organization embodies the key elements that most charitable donors look for: it serves a defined humanitarian good, and its services show immediate and measurable results. Donors will have the gratification of having made a difference in other people's lives, and, if they are religious, of acting on the principles of their faith.

4.2.3 CORPORATE SOCIAL INVESTMENT

4.2.3.1 THE OPPORTUNITY

South Africa has the most developed and robust CSI industry and infrastructure in Africa. In 2012/2013, $780 million was spent on CSI in South Africa, up from $540 million in 2009/2010. This source of funding is relatively stable and likely to exist in the South African landscape over the long term, given the enduring presence of B-BBEE codes. This regulatory compulsion distinguishes South African CSI from the more ad hoc corporate social expenditures in other African countries.

As discussed in Chapter 3, **CSI spending in South Africa is typically driven by legislation**. The dti's Revised Codes of Good Practice assigns points to companies according to their CSI spending; the maximum points (5) are awarded to companies that spend 1 percent of net profit (after tax) on approved socioeconomic initiatives, a benchmark that is increasingly achieved. South African companies are increasingly achieving all five available points for this element. Companies that need to meet "license-to-operate" requirements have an additional incentive for social investment, based on industry charter standards.

South African CSI **funding is concentrated, and there is fierce competition for this money**. Seventy percent of total CSI spending comes from the 100 largest South African companies. Expenditure is further concentrated by sector and geography: 66 percent of CSI expenditure comes from the mining, financial services, and retail sectors; and 26 percent of CSI expenditure is focused in Gauteng Province (Trialogue 2013).

Although total CSI spending is increasing in South Africa, **health is a relatively low priority for funders**. The percentage of CSI expenditure going to health has decreased since 2009, from 19 percent to 11 percent, while spending on education and community and social development has increased. Within the health area, companies appear to be slowly diversifying away from funding HIV and AIDS initiatives, while primary health care has seen a significant increase in funding. Still, given growing levels of CSI spending in South Africa and the relatively stable regulatory framework, accessing CSI funds represents an important income diversification opportunity for PEPFAR partners.

4.2.3.2 PEPFAR PARTNERS AND THE OPPORTUNITY

For PEPFAR partners, realizing CSI opportunities **requires intense effort and an increasing number of funding relationships.** Since most CSI funding is not multiyear and is project-specific, most PEPFAR partners will require multiple relationships with corporate funders. With funding opportunities concentrated in a small number of corporations, and with many potential recipients, competition can be intense. In the research sample, 50 percent of PEPFAR partners are currently accessing CSI funding, and 80 percent are open to considering this source as part of future sustainability planning.

Assessment interviews with CSI decisionmakers gleaned a number of important considerations for PEPFAR partners looking to successfully realize opportunities. Box 4 summarizes corporations' expectations relative to potential funding recipients.

Box 4. Corporate Perspectives on Accessing CSI Funding

- Build relationships first, seek funding later.
- Unsolicited proposals are seldom successful.
- Be professional: have a domain name (not just a Gmail account) and keep communication formal.
- Ensure internal coordination of fund-raising efforts; have one relationship manager per corporation.
- Have a good story to tell about what you do, in as brief a description as possible.
- Be clear what the impact of your organization is.
- Know your potential donors: attend planning sessions, do background research, understand their businesses.
- Identify in-kind donations of value.
- Understand B-BBEE priorities and amended Codes of Good Practice.

Box 5. CSI Opportunities: African Health Placements (AHP)

AHP is "a social profit organization that works with the South African government and civil society organisations to find solutions to Human Resources for Health challenges." Its leaders have shown strong skills in understanding the human resource needs of South Africa, building strong relationships with the government, and recruiting professionals to meet the needs of the public sector.

AHP provides services in: workforce planning, placement, and orientation; employee staffing and retention; consulting and surveys. Recruiting exclusively for the public sector in health, they contribute substantially to the supply of trained professionals posted to rural and under-served health facilities. They place approximately 400 professionals a year, more than half of whom are doctors. Their main source of talent resides outside of Africa, consistent with an agreement among developing countries not to siphon away professionals from their home bases. They enjoy an excellent relationship with SAG, having learned how to collaborate and be efficient within the government framework. AHP also provides consulting services in human resources for health, including conducting employee retention surveys to identify weakest areas of retention and designing targeted interventions to tackle them, along with professional development training.

AHP is characteristic of a new breed of nonprofit that recognizes the importance of running their operations like a business. They have a dynamic and charismatic leader who is well versed in the "language of business" and understands the power of networking and relationships. These features, along with a lean and efficient business model and a very strong social mission, make AHP attractive to corporate funders. They already receive some CSI funding, primarily from Discovery, De Beers, and AngloAmerican, and that platform could be expanded. Furthermore, the Executive Director is considering broadening its mandate to include both education and issues related to climate change, a move that could increase the attention they receive from CSI managers.

AngloAmerican	De Beers Group of Companies	Discovery
AngloAmerican has funded AHP since 2006 to support the recruitment of doctors in the North West province, an area where the company has extensive mining operations. Anglo's goal is to ensure that high quality health care provision is available to their staff, their families and host communities.	De Beers supports the recruitment of medical personnel for Limpopo, one of South Africa's poorest and most under-resourced provinces, which is home to De Beers' Venetia diamond mine. In addition to funding, De Beers has supported AHP's networking efforts to increase the organization's profile and funding prospects.	Since 2005, AHP has worked with Discovery to recruit foreign-qualified doctors for rural hospitals. Discovery funding has enabled AHP to develop an orientation program for arriving doctors, to expand the organization's general infrastructure, and to create and launch a website.

With visible donations, corporations could use AHP to improve their image in the communities where they are located and from which they draw their employees. Additionally, improving health services for their local employees will likely improve their health, reduce costs associated with absenteeism and illness, and eliminate the need for in-house services.

The investment in AHP will also contribute to a positive relationship between the company and the local government, potentially making the business environment more favorable. Indeed, by improving human capacity within the public health system, corporations can link their CSI contributions to government's development agenda – a growing motivation for corporate giving. Finally, the CSI contribution adds to the corporation's BEE profile, in line with the B-BBEE code that stipulates spending 1 percent net after-tax profit on socioeconomic development.

AHP leaders recognize the challenges of CSI funding, including the large investment of time to build contacts and relationship. Once the funding arrives, it is often time-limited and not guaranteed for future cycles of programming. However, AHP has had some success in having those time limits extended, based on good relationships with corporate funders and good program performance, giving them the ability to plan for the subsequent year.

4.2.4 SOUTH AFRICAN GOVERNMENT SUBSIDIES

The South African government provides access to grant funding for health-related NPOs through several avenues. This funding primarily comes from two main departments: the DoH and the Department of Social Development. Additional grants are sometimes available from other departments such as the Department of Public Works, under certain conditions (e.g., from National Treasury through the Jobs Fund), or through vehicles such as the National Lottery

Distribution Trust Fund. In total, grant funding equaled approximately $500 million in 2012/13. As these subsidies are unlikely to be eliminated in the near future, grants are a relatively stable source of funding for NGOs.

Nevertheless, there is significant competition for grants and the amounts awarded to individual organizations tend to be small. A trend towards increased reporting requirements and a growing management burden also reduce their attractiveness.

In addition, funding is based on an annual application cycle which some PEPFAR partners find frustrating to navigate. In some cases, partners have considered not applying at all, as funding appears to be distributed without a clear strategy, with reportedly limited transparency and little communication to losing applicants. Perhaps the greatest challenge for NPOs is the inconsistencies in grant payments. Several NGOs indicated that they have experienced delays in receiving approved grant funding from government, putting pressure on already stretched cash flows.

4.3 INVESTMENT OPPORTUNITIES

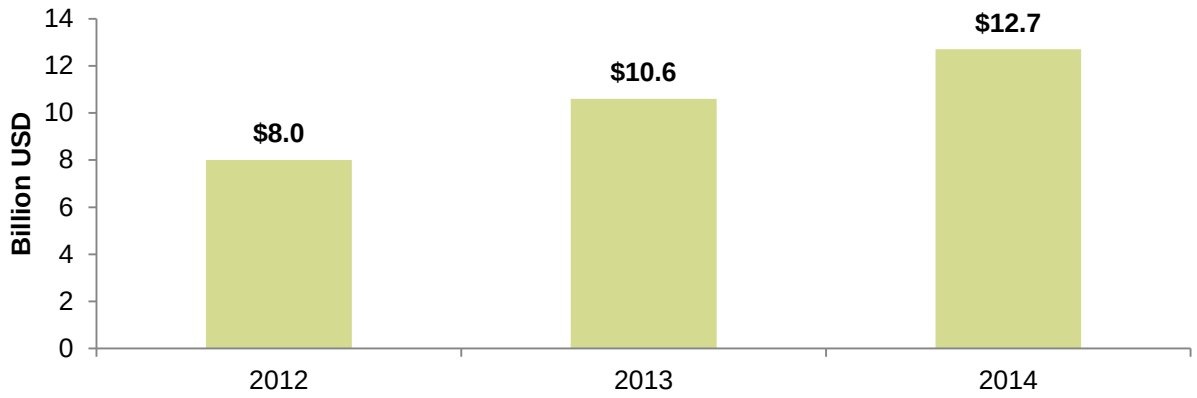
The second general opportunity category focuses on ways that PEPFAR partners can attract investments to strengthen their organizations. This category includes two opportunities: impact investments and internal or external development trusts.

4.3.1 IMPACT INVESTMENT

4.3.1.1 THE OPPORTUNITY

Impact investment is a new and rapidly growing investment class. “Impact investments are [debt or equity] investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return” (Saltuk et al. 2014). Impact investment adopts the discipline of private equity or venture capital and aims to apply it in a development context. There is significant interest in this field as well as an increasing body of evidence to guide impact investors. Impact investors interviewed by JP Morgan/GIIN plan to increase investment by 19 percent in 2015 (Saltuk et al. 2014).

FIGURE 12. GLOBAL FUNDS COMMITTED TO IMPACT INVESTING (2012–2014)



Source: Saltuk et al. 2014. *Spotlight on the Market: The Impact Investor Survey*; Team analysis

Based on 2014 data, there is approximately $12.7 billion available for impact investment (Figure 12), with 15 percent of this funding allocated to sub-Saharan Africa. (22 percent goes to North America and 19 percent to Latin America.) Investors prefer to invest in established entities in the growth or mature stage and look for competitive, market-based returns; funding is channeled

primarily to microfinance and other financial service enterprises. Impact investors include global players such as the Omidyar Network, LGT Venture Philanthropy, and Kellogg Foundation. African investors include the Tony Elumelu Foundation and Lundin Foundation, and health-focused investors such as Acumen.

Impact investment does not represent a realistic opportunity for all PEPFAR partners. However, more established PEPFAR partners should consider this as a potential funding source, for several reasons.

- With a growing pool of funding available and a scarcity of investment prospects, impact investors are seeking new deal opportunities.
- Health care currently attracts roughly 6 percent of available funding; although still small, the sector's share of funding has grown from 2 percent in 2010.
- The impact investor landscape is highly diverse, with some that invest in NGOs and some that value social impact over financial return. More than one-third of these "capital preservation" investors (who accept below-market returns) invest in health care.
- Impact investors are often keenly interested in innovative approaches to solve tough social problems, and PEPFAR partners are likely well placed to appeal to this interest.
- Strong financial management and monitoring and evaluation capabilities are strong selling points for impact investors.
- Ongoing evolution within the impact investment field is resulting in new investment models and products (for example, social impact bonds) that may be better suited to PEPFAR partner funding requirements.

4.3.1.2 PEPFAR PARTNERS AND THE OPPORTUNITY

Very few PEPFAR partners are familiar with impact investment, which is not surprising given the relative newness of the field and its particularly low profile in South Africa.

Box 6. Challenges Facing a Young Industry in South Africa

- Shortage of high quality investment opportunities with track record
- Lack of appropriate capital across the risk/return spectrum
- Difficulty exiting investments
- Lack of innovative deal/fund structures to accommodate investors' or portfolio companies' needs
- Lack of common way to talk about impact investing
- Lack of research and data on products and performance
- Lack of investment professionals with relevant skill sets
- Inadequate impact measurement practice

Only one PEPFAR partner is currently considering the potential of impact investment, and none of the organizations in the research sample have benefitted from impact investment to date. Creating more awareness of this opportunity and improving visibility between investors and potential investments are key steps towards addressing this opportunity. PEPFAR partners will also need support to help position them to take advantage of available investment funding.

4.3.2 INTERNAL DEVELOPMENT TRUSTS

Some PEPFAR partners might be able to take advantage of dividend payments from investment vehicles. Such vehicles could be investments managed by the NGOs themselves—using their own or external funding—or they could be trusts run by other entities. If such investments are

planned well in advance, and if sufficient capital is available, they could provide an effective long-term income stream.

In South Africa, BEE legislation is a unique dimension of this opportunity. A number of community-owned trusts have been set up as part of black empowerment deals. Similar to corporate CSI, these trusts earmark funding for community development through NGO implementers. In view of the community-focused services of many PEPFAR partners, this opportunity could be worth considering.

However, internal and external development trusts present several critical challenges for PEPFAR partners. First, the endowment necessary to generate meaningful dividends from an internal trust is often prohibitively large for organizations that are typically under-resourced. In general, donors are currently unwilling to provide capital for such funds. In cases where external funding could be available, competition is likely to be significant. Moreover, the overall size of this external opportunity remains largely unknown. Finally, even when trusts are established, it can take a long time before the NGOs start actually reaping the rewards of their investments.

4.4 REVENUE OPPORTUNITIES

The final opportunity category focuses on strategies for raising external funding through the sale of goods or services. This category includes: contracting to government and to private health care providers; serving as a medical aid network provider; providing employer-based health and wellness services; providing mid- to low-cost consumer health care; and commercializing non-core activities.

4.4.1 CONTRACTING TO THE GOVERNMENT

4.4.1.1 THE OPPORTUNITY

Government contracting involves the commercial provision of a service to the government, including services such as training, capacity building, systems strengthening, disease management, prevention, and provision of clinical services. In 2011, spending on South Africa's public health sector equaled approximately $15 billion. The government's expenditure on HIV and AIDS grew at an average annual rate of 22 percent between 2006/7 and 2013/14, to reach $1.2 billion. Public facilities include more than 300 community health centers, 3,500 clinics, 400 hospitals and 15,000 doctors. These figures make South Africa's public health system one of the biggest and best-funded in sub-Saharan Africa. In addition to its size, there are several reasons that further support the relevance of government contracting for PEPFAR partners.

4.4.1.2 AREAS FOR PUBLIC SERVICE IMPROVEMENT

> *"There is no question about the valuable contribution of PEPFAR partners. The resources and capacity in these organizations are necessary to build out government delivery."*
>
> — National Department of Health

The challenges facing the South African public health sector are well documented. A recent cover story in the business publication Financial Mail (2014) carried this headline: *"Crippled. Provincial health departments bankrupt. Primary clinics dysfunctional. Severe drug shortages. Can SA's public health care be saved?"* (Makholwa 2014). The challenge of improving the quality and coverage of public health provision opens the door for external service providers to support government efforts to meet health outcome targets. PEPFAR partners in particular are well placed to address health care delivery challenges related to qualified managerial staff, financial management, reporting and accountability, avoiding stockouts, improving wait times, and

expanding rural outreach. PEPFAR partners also have value-added potential, given their capacity for innovation and expertise in research and development.

4.4.1.3 GOVERNMENT OPEN TO PARTNERSHIP

Across all sectors of government there is recognition that partnerships with the private and nonprofit sectors are necessary to realize South Africa's development agenda. Health is no exception, and government continues to express its openness to working in partnership with private sector and civil society for improved health outcomes.

4.4.1.4 INTRODUCTION OF NHI

The government's strategic direction and its current plans for the rollout of an NHI system indicate several trends that would enhance contracting opportunities. These trends include re-engineering and integrating primary health care, increasingly decentralizing HIV and TB services, increasing the role for community health workers and faculty-based counselors, and shifting the government to a financial and managerial role for HIV and AIDS.

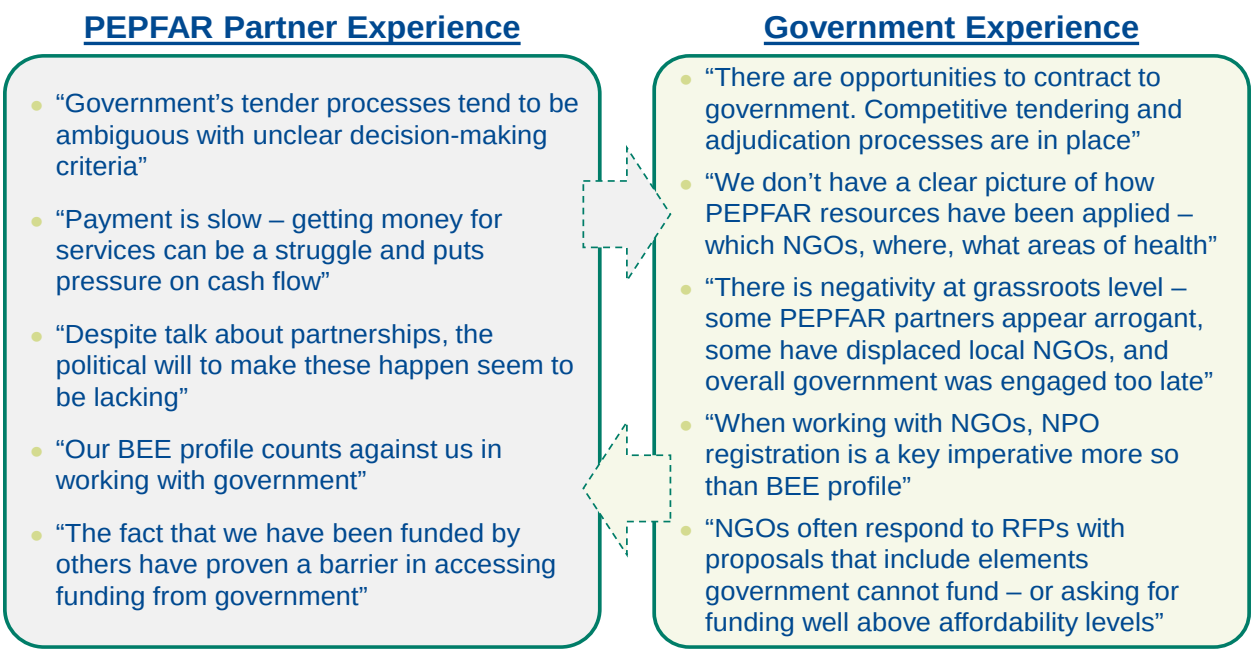
Good service match and mission overlap

Based on the services they offer, PEPFAR partners in general are well placed to tap into government opportunities, specifically in training, capacity building, and systems strengthening. There is clear agreement in mission between the government and PEPFAR partners in terms of markets served.

4.4.1.5 PEPFAR PARTNERS AND THE OPPORTUNITY

Without exception, PEPFAR partners look to government as the foundation for their future sustainability. Although only 38 percent of partners currently contract with government, 87 percent believe they could be contracting their services to government. Unfortunately, a number of serious barriers need to be overcome to take advantage of government contracting opportunities, as summarized in Figure 13.

FIGURE 13. DISCREPANCIES IN PEPFAR PARTNER AND GOVERNMENT EXPERIENCES



Conversations with PEPFAR partners reveal a high level of frustration around the government contracting opportunity, as illustrated by the MatCH case study (Box 7). At the national government level, the key obstacle seems to be a negative perception of PEPFAR partners, based on interactions to date. Between the national and provincial government level there are differing views regarding whether, and how, PEPFAR partners can support government; in general, there seems to be uncertainty at the provincial level regarding commercial relationships. Given the purchasing and decision-making power of provincial health departments, this is reason for concern.

These negative perceptions point to the importance of relationship-building as a first step to opening up the potential of government contracting. Attention should be paid to:

- The need to create or restore trust: Legacy issues and misperceptions from both sides need to be addressed.
- Building greater two-way awareness: There is insufficient understanding between government and PEPFAR partners of each other's needs, scope, offering, limitations, and complementarity.
- The role and influence of national versus provincial health departments: Provinces hold purchasing and decision-making power, but the national department has sway over how money is spent. Thus, constructive relationships at both levels are needed.

To contract to government, PEPFAR partners must deal with these and other challenges, such as the uncertain NHI timeline and scope, as well as information and expectation asymmetry. The Recommendations section of this report includes some relevant suggestions. This opportunity, as PEPFAR partners clearly realize, represents their best chance of remaining sustainable while continuing their current operations.

Box 7. Government Contracting Opportunities: MatCH

The Maternal, Adolescent and Child Health program (MatCH) is a division of the Wits Health Consortium (Pty) Ltd, in the Department of Obstetrics and Gynecology at the University of the Witwatersrand. MatCH was established in 2010 and is based in Durban, in South Africa's KwaZulu-Natal (KZN) province. In addition to serving poor communities, the organization provides technical support and training to district health offices and conducts research. It partners with the provincial DoH, providing skilled manpower and other types of assistance. It currently supports over 70 public sector health care facilities to provide comprehensive HIV and related services, including ART. It helped the DoH to design and implement a decentralized system in which chronic clients on ART are "down referred" to clinics and managed by nurses. MatCH is also supporting the KZN DoH to roll out VMMC, helping to reach thousands of men. MatCH operates on an annual budget of ZAR160 million, with the majority of funding coming from PEPFAR. The balance of its budget comes from more than ten other international donors.

MatCH currently receives very little financial support from the government, but – like many other PEPFAR partners – it is in an ideal position to increase that source of funds. It has strong government relationships at all levels and works extensively with the KZN Department of Health across programs. Dr. Arthi Ramkissoon, divisional head at MatCH, affirms that "*We are a known entity in KZN and have made a real investment in building government relationships through networking, being accessible and engaging with role players.*"

MatCH already carries out many activities that would be appropriate for government contracting. They support DoH health facilities and provide training and technical assistance to the government. They are also helping renovate and refurbish the old Addington Children's Hospital, now the KZN Children's Hospital (a public health care facility). They provide technical assistance in female condom programs, and they support mobile services in partnership with the DoH to extend health care coverage to hard-to-reach and under-served communities.

MatCH is also a strong research organization, affiliated with a prestigious university. The DoH recognizes that research is currently a gap in its portfolio. This is another area where MatCH could provide solid support through contracting.

Despite their close relationship with the government and their proven value, MatCH has experienced many barriers in transitioning their current government partnership to a contracting model, including:

- High turnover of senior government staff
- Uncertainty at provincial level on managing a contracting discussion
- Separation between finance and health departments, adding bureaucratic complexity to the contracting process

"*We are trying to talk to [provincial] government, but it is not obvious to them that we can be contractors. Maybe they need a green light from national level to enter into contracts with existing partners. It seems as if no-one wants to bite the bullet and move forward with a contracting agreement.*" –Dr. Ramkisson

The consequences of not being able to unlock the government contracting opportunity could be stark, for PEPFAR partners and for government programs. Many PEPFAR partners including MatCH indicate that government contracting is their best chance to remain sustainable, given the levels of funding necessary to support their operations. Government officials acknowledge that PEPFAR partners can add significant value in areas critical to ensuring improved health outcomes. As Dr. Ramkissoon observes, "*This [situation] is a pity, because government recognizes the value added by NGOs and does have a fear that delivery could be harmed if these NGOs cease to operate.*"

Helping to bring these parties together in productive contracting relationships, as part of the PEPFAR transition process, could hold significant benefits for the South African health system. MatCH suggests that this may require strengthening the systems and processes in place for government contracting, as well as facilitating engagement with National Treasury to promote PEPFAR partner capabilities and offerings.

4.4.2 CONTRACTING TO PRIVATE HEALTH CARE PROVIDERS

4.4.2.1 THE OPPORTUNITY

South Africa has a well-established and sophisticated private health care sector valued at $15 billion (2011)—equal in funding to the public health sector. The private sector comprises a broad range of players along the entire health value chain, from insurers to pharmacies, and from health service delivery to research and development.

Private health service delivery offers potential opportunities for PEPFAR partners. Currently, private health care providers serve primarily the medically insured market, which makes up only 17 percent of the South African population. The national government is encouraging a more inclusive private health care system, and many private providers are similarly considering options to expand their market coverage.

1. **PEPFAR partners can offer external capacity and expertise to private entities** that seek to grow into new (likely lower income) markets. SHOPS's research suggests that this is indeed an option; however, many private providers are still at the earliest stages of developing local expansion strategies, creating uncertainty about the scope of the opportunity as well as long lead times to realization.
2. **PEPFAR partners might supplement or expand the disease management offerings of private health care and medical aid providers**. However, conversations with disease management specialists and medical aid providers reveal a high level of internal sophistication. They currently foresee low need to outsource or supplement service provision through contracting.
3. **The introduction of National Health Insurance (NHI) may represent an opportunity for PEPFAR partners.** Private health care and medical aid providers might seek to increase their use of third-party vendors. Private companies, particularly in industries like mining, might outsource more health services rather than managing them in-house. Uncertainty about the final form and timing of NHI makes this a longer term consideration, to be investigated as information becomes available.
4. **PEPFAR partners might commercialize their core services for private sector buyers** as a way of helping to fund mission-based activities. The case study on CHAPS and Metropolitan Insurance (Box 8) provides more details on the advantages and possible pitfalls of this approach.

4.4.2.2 PEPFAR PARTNERS AND THE OPPORTUNITY

PEPFAR partners express little optimism about private contracting opportunities. Less than 20 percent of the assessment sample is currently engaged in a private contract, and only 38 percent are actively considering such partnerships as part of their sustainability planning. This reluctance may reflect doubts about the demand for their services on the part of private health care players. However, PEPFAR partners may not be fully aware of the opportunities that do exist, or of how to take advantage of them. Sensitizing PEPFAR partners to private sector opportunities would be a useful first step.

Box 8. Contracting the Private Sector: Centre for HIV and AIDS Prevention (CHAPS)

CHAPS has a well-defined mission to reduce the spread of HIV/AIDS in South Africa and the region by providing innovative health solutions, particularly the safe and efficient scale-up of voluntary medical male circumcision (VMMC) as part of a fully comprehensive HIV prevention package. CHAPS's budget is about ZAR100 million per year, with funding coming from PEPFAR and other donors.

Founded in 2010 by researchers from the Orange Farm Research Programme (the site of three randomized control trials in the mid-2000s that helped demonstrate the HIV preventative benefits of VMMC), CHAPS specializes in VMMC. Current research has shown this procedure to be up to 60 percent effective in preventing HIV transmission, leading the WHO to recommend it as a best practice. In support of South Africa's goal of circumcising more than five million men by 2016, CHAPS has circumcised about 175,000 men, with a daily rate of about 50 at each of its sites. It supports over 30 clinics, 27 of which depend on PEPFAR funds. Through its training programs for both NGOs and government facilities, it has contributed to over a million medical male circumcisions. It is the National Technical Assistance provider to *all* agencies involved in VMMC in South Africa, and it guides NGOs, government entities and private partners on how to set up and manage cost-effective VMMC services.

CHAPS is one of the few NGOs that can offer a service for which there is real interest in the private sector, including both insurance companies and corporates. This potential demand is based on commercial considerations. For example, by providing VMMC to their members, insurers could benefit from future cost savings in terms of reduced disease and disability.

Metropolitan Insurance has already analyzed the savings that could be derived from having its member base circumcised, and it entered into a public-private partnership with CHAPS, facilitated by USAID. The partnership allows Metropolitan to offer VMMC as a free benefit to its members, making it the first insurer in SA to do so. CHAPS is uniquely qualified for this PPP, because of its skillset as well as its financial backing from PEPFAR.

This type of partnership is important to drive wider and more sustainable improvements in health outcomes. However, in its current form, the Metropolitan PPP represents some drawbacks for CHAPS. VMMC services are offered only to the company's insured population and therefore do not correspond to the NGO's mission to serve the uninsured. Also, the costing model of this partnership does not allow cross-subsidization of uninsured patients. Consequently, the challenge for CHAPS is to develop a way to leverage private sector demand to generate a revenue stream to fund its core, mission-driven operations.

While the current PPP with Metropolitan will not generate enough funds to substantially subsidize its other services, an expansion of this service offering to more insurers might achieve meaningful cross-subsidization. The private market for CHAPS's services could potentially extend beyond insurance providers to others who employ a large male workforce and whose businesses could be at risk from HIV impacts (e.g., mining companies, transport providers, security companies, and construction firms). Developing a compelling value proposition for these private companies to offer VMMC services might lead to further revenue diversification opportunities for CHAPS.

The co-CEO of CHAPS has commented, *"We don't spend enough time working on sustainability – we need help to properly invest in planning for the future. We have ideas but lose momentum in exploring these due to a lack of dedicated resources. Our focus is on maximizing the impact and scope of our current VMMC operation."*

Contracting to the private sector represents a new way of thinking for NGOs. Instead of viewing such partnerships as secondary to their mission, NGOs could use the partnerships to generate funding for their mission-driven work. CHAPS is poised to make this change, which involves an expansion of their current service offerings rather than venturing into a new commercial area. NGOs could benefit from technical assistance to develop the business model that could help them realize such opportunities, including costing, setting prices, and assessing viability and potential revenues.

4.4.3 MEDICAL AID NETWORK PROVIDERS

PEPFAR partners could diversify their funding sources by becoming registered providers in the networks of South Africa's medical aid schemes, allowing them to bill the medical schemes for services rendered to medical scheme members. The increasing interest of medical aid organizations in serving lower income markets, with the development of lower cost medical schemes, means that PEPFAR partners could continue serving the lower income populations that they currently target.

Despite this potential, there are barriers to entry for PEPFAR partners. Most notably, opportunities are likely to largely be limited to clinical service providers. Moreover, in many

cases, additional accreditation or certification with medical bodies will be required—processes that can be difficult for organizations seeking accreditation for the first time.

One PEPFAR partner noted many practical concerns, based on a preliminary exploration of this option: extremely slim margins; uncertainty around how NHI will affect the medical aid industry; the need for significant investment in systems; and the difficultly realizing a profit based on consumer utilization rates.

4.4.4 HEALTH AND WELLNESS PROVIDER

4.4.4.1 THE OPPORTUNITY

Employers' provision of health and wellness services to employees continues to grow in significance, as the benefits of employee well-being become better recognized and documented. Nevertheless, the opportunity for new providers in this area may be limited. As discussed below, the most promising opportunities for PEPFAR partners may lie in the continuation of HIV-focused services, with corporate rather than donor funding.

Employer-based health and wellness services vary in breadth and depth, and they can include some or all of the following elements:

- Subsidized medical aid coverage
- Employee wellness days
- Employee assistance program
- Disease management program, either focused on HIV and AIDS or covering additional conditions (e.g., tuberculosis, diabetes)
- On-site access to health services (e.g., nurse-run clinic, physician, dietician, physiotherapy)
- On-site wellness services (e.g., exercise classes, health-focused canteens)
- General support (e.g., child care)

In South Africa, a well-established base of private providers is serving these employer health and wellness programs (see Figure 14). This is in contrast to neighboring Namibia, where a similar study found a key opportunity for NGOs to commercialize their services with employers' programs. In the South African market, employers cite high levels of satisfaction with current providers (in terms of both quality and cost of service provision); they tend to have long-standing relationships with their providers. Even when prompted, few could point to underserved needs that would represent opportunities for PEPFAR partners to enter the market.

FIGURE 14. PRIVATE HEALTH AND WELLNESS PROVIDERS

4.4.4.2 TWO MARKET SEGMENTS

A closer look at the health and wellness market reveals key differences in the needs and approaches of two different types of employers, suggesting a potential niche opportunity for PEPFAR partners to consider.

White Collar Workforce

Firms with a predominantly white-collar workforce typically view health and wellness programs as an employee attraction and retention strategy. Employees are offered a range of health and wellness services designed to increase convenience and decrease non-productive, out-of-work time. While HIV and AIDS are frequently incorporated as part of corporate wellness days, it is not seen as a health priority. At most, HIV support may be available through medical aid providers for those employees who opt in. The health and wellness needs of these firms are met by private providers, and they have limited or no engagement with NGO providers.

Blue Collar Workforce

Firms that have a predominantly blue-collar workforce see health and wellness programs as a critical risk management tool to address absenteeism, productivity issues, and costs related to worker wellness. For these companies—typically involved in mining, construction, manufacturing, retail, or security—HIV and AIDS remain a top priority. They tend to have specific HIV programs in place, and many already partner with NGO providers to deliver HIV interventions ranging from prevention to treatment. Through these partnerships, it appears that many corporates have benefitted from donor funding for HIV-focused NGOs. HIV initiatives are often donor-sponsored, reducing the corporates' cost of delivering services to employees. In many ways, those companies represent a "captive market" for PEPFAR partners that deliver HIV-focused services, and a real opportunity for income diversification.

> *"We have far too many HIV deaths. Much of our time is focused on getting our HIV intervention right. We need to get HIV+ people on our program faster."*
>
> — Corporate Health & Wellness Manager

4.4.4.3 OTHER NICHE OPPORTUNITIES

The research highlighted three additional "niche" opportunities within the category of employer-based health and wellness provision (Table 5).

TABLE 5. NICHE OPPORTUNITIES FOR HEALTH AND WELLNESS PROVISION

Opportunity	Definition
Specialized wellness services	In addition to focusing on HIV and AIDS services, PEPFAR partners could consider other emerging health and wellness needs that are not currently well served by existing providers. Examples: VMMC; women's health (pap smears, mammograms); and child care in the workplace.
Wellness services to smaller firms	Firms whose small membership base doesn't warrant medical aid-delivered wellness days; firms with a network of smaller branches/regional offices.
Contracting to existing providers	Possible opportunities for some PEPFAR partners to contract specialized services to existing providers.

4.4.4.4 PEPFAR PARTNERS AND THE OPPORTUNITY

Very few PEPFAR partners consider health and wellness provision as a sustainability strategy. Only one NGO in the sample set currently offers such services (Box 9), and only two are actively considering this opportunity as a future sustainability option.

There are indeed multiple challenges in realizing this opportunity. The well-developed corporate health and wellness industry creates high barriers to entry; not all PEPFAR partners have a

service offering that matches well with corporate health and wellness needs; and it is likely that a PEPFAR partner would require multiple clients, if this revenue stream is to support sustainability. However, PEPFAR partners may also lack awareness of the specific niche opportunities available within this field. Creating awareness and building partner ability to capitalize on niche opportunities will be important steps.

Box 9. Health and Wellness Opportunities: Right to Care

Right to Care (RTC) is a nonprofit organization that provides prevention, care, and treatment services to address multiple health care needs of communities. RTC offers technical assistance, direct service delivery, and grant management services. Its focus areas include pharmacy supply chain management, maternal and child health, key population support, family planning, TB, HIV, and VMMC. Its annual budget is ZAR 300 million, with about 50 percent coming from PEPFAR. Other sources of funds include the Global Fund and other international donors.

Right to Care is a dynamic and forward-thinking NGO that has worked hard on and invested in sustainability. They are one of the few PEPFAR partners in this study sample that have created a dedicated commercial business whose primary purpose is to provide income for the NGO activities of RTC. This commercial venture, Right to Care Health Services (RTCHS), is a 100 percent subsidiary of RTC that specializes in providing health and wellness services to corporates. RTCHS employs approximately 35 staff members; its operations currently focus on Gauteng Province, with some activity in Mpumalanga. It counts some of South Africa's larger firms as its clients and reports high success rates in reducing levels of absenteeism, death, and disability.

RTCHS is one of five preferred service providers running corporate wellness days for Discovery corporate clients. One divisional manager with Discovery reports, *"They are fantastic and it has been good to work with them. Their HIV Counselling, in particular, is of a very high standard."*

Developing a strong commercial offering allows NGOs to take charge of their sustainability, independent of external grant funding. In the case of RTCHS, the HIV and AIDS work done by RTC provided a natural link into the corporate health and wellness space, at a time when workforce HIV/AIDS solutions were high on corporate agendas. RTCHS used RTC's well-developed HIV service portfolio (prevention, care, treatment) to tap into corporate demand for specialist HIV service providers. Over time, the RTCHS health and wellness offering evolved to reflect changing corporate needs; today, the firm offers services addressing employee health, HIV (prevention, care, and treatment), and TB.

In Namibia, a similar private sector assessment conducted by SHOPS highlighted the corporate health and wellness field as a key sustainability opportunity for NGOs. However, in South Africa, this is a far more saturated and competitive space with well-established private health and wellness providers. In choosing to commercialize health and wellness services, RTCHS has set itself a challenging task. Although expanded, its service offering cannot compete with the complete set of services offered by leading competitors — a factor that is creating difficulty, as corporates increasingly prefer to work with a single service provider. RTCHS also suffers from market perceptions that it is a specialist HIV service provider. Its newly appointed Strategy and Business Development executive observes, "*We have had to work hard to change the perception that we focus only on HIV.*"

The business therefore finds itself at a crossroads. The appointment of the Strategy and Business Development executive is intended to drive a re-evaluation of the RTCHS value proposition and growth opportunities. Management believes that RTCHS offers a range of key differentiators: large scale delivery at short notice; access to leading disease specialists; advanced systems and technological innovation. However, it currently lacks scale and is unable to fund RTC NGO activities as originally envisioned. To address this shortcoming, new additions to the wellness offering are being launched and developed (e.g. Executive Wellness, Employee Assistance Programs); partnerships and/or acquisitions are also being considered.

RTC took a bold step when creating RTCHS, and it has been an NGO pioneer in commercializing services. But it is focusing on a particularly challenging market space. As our assessment of the corporate health and wellness opportunity shows, for RTCHS (and other PEPFAR partners considering this option), there may be more value in serving only specific segments of this market, or providing specific niche services.

4.4.5 LOW-COST HEALTH SERVICES

In South Africa, as in many sub-Saharan African countries, there is a documented gap between the over-burdened public health sector and the private health sector. This gap presents a potential opportunity for providers of quality, affordable health care to reach consumers that are able and willing to pay for private health services, but who are unable to access current options

because of high costs, transportation challenges, or any other reason. One study estimates that the market for mid- to low-cost consumer health care in South Africa could be as much as $4.5 billion (Kramer et al. 2014). A few key players are already expanding to serve this market segment, such as Imperial Health's Unjani Clinics and Clinix Health Group.

Unfortunately, there is still insufficient information about consumer willingness to pay or about the types of services for which consumers would consider paying. As market demand remains unclear and unquantified, it is difficult to develop thorough business cases to address the opportunity. Furthermore, this opportunity likely focuses on the provision of clinical services, which not all PEPFAR partners are suited to provide.

4.4.6 NON-CORE COMMERCIALIZATION

Many PEPFAR partners may have opportunities to commercialize services that are outside of their current core operations, including existing as well as new non-core activities. The two most relevant activities for PEPFAR partners are research and development services and social enterprise development. Research and development opportunities are most relevant for PEPFAR partners who have the technical expertise to use research funding (e.g., for drug and vaccine trials) and who can leverage their experience and client base to provide these services. Social enterprises are also important, as stakeholders are increasingly interested in successful businesses that can deliver social impact. PEPFAR partners who have a good understanding of their potential market and services, and who can secure the funding needed to develop the required enterprises, can derive profit from these non-core activities.

However, non-core commercialization has several drawbacks. First, expanding non-core services could dilute the focus of organizations' missions, especially when the new services require significant investments of time, resources, and skills. Second, for many PEPFAR partners, non-core commercialization would require a change in organizational mindset and processes. In many cases, social enterprise ideas may end up as small, community-run projects (e.g., vegetable gardens or consumer goods production). While these activities typically align well with NPOs' core purposes and target populations, they do not often dramatically increase income for the organizations.

5. RECOMMENDATIONS AND CONCLUSION

PEPFAR partners in South Africa have a multitude of income diversification possibilities. Their unique attributes may either facilitate or inhibit various opportunities. This chapter presents key implications of this assessment for both USAID/South Africa and for the PEPFAR partners as they consider sustainability options in a time of decreasing bilateral assistance to South Africa.

5.1 KEY IMPLICATIONS FOR USAID/SOUTH AFRICA

Overall, the assessment examined 12 different income diversification opportunities for PEPFAR partners in South Africa. Six of these opportunities emerged as particularly attractive and warranting further investigation. Of those six, SHOPS identified three opportunities as most important as possible income diversification strategies: contracting with the SAG for service delivery; CSI funding; and HNWI and PP allocations.

Four broad implications also emerged:

- Partners who are well-placed to realize these opportunities must pursue several income diversification strategies simultaneously. Even taken together, **these opportunities are unlikely to replicate the level and duration of PEPFAR funding**.
- **Having the right personal relationships with the right decision-makers is essential to creating opportunities**. Provincial contracting decisions are determined by a set of government actors who are mostly unfamiliar to PEPFAR partners. CSI and PP decisions are determined by individuals with a highly personal connection to funding recipients. Unsolicited, e-mailed proposals are rarely favorably received. Rather, a strong in-person connection leading to a solicited pitch—reflecting the priorities and preferences of the funder—is a winning strategy. **USAID/South Africa,** supported by the convening power of the U.S. bilateral presence in South Africa, is positioned to broker in-person connections between PEPFAR partners and decision-makers across the public and private sectors.
- **The BEE profile of PEPFAR partners is more important across all three funding opportunities for PEPFAR partners than is officially acknowledged**. This report details the official requirements needed for PEPFAR partners to achieve a high BEE score. Clearly, the racial profile of leadership and management is critical. While BEE profile is not the sole criterion for favorably accessing contracts or funding, its perceived value is important to many actors in South Africa. Although conversations about BEE profile can be difficult and even contentious, USAID/South Africa should assist partners in understanding the nuances of the code and scorecard, as well as developing strategies to improve their profiles in the eyes of potential funders and purchasers of services.
- **While NHI may represent income diversification opportunities for PEPFAR partners, the timeline to realization may not align with PEPFAR's transition in South Africa**. South Africa's ambitious plans for universal health coverage through NHI represent significant contracting opportunities for PEPFAR partners in both the public and private sectors. In particular, optimism related to government contracting opportunities is largely shaped around new mandates detailed in the NHI Green Paper for decentralized primary

health care and school-based health education. In terms of ability to provide services, PEPFAR partners are well-positioned to respond to NHI mandates. However, USAID/South Africa cannot rely on NHI plans coming to fruition as a sole income diversification strategy for partners. Political opposition, monetary constraints, and implementation roadblocks may hinder the path to the NHI implementation envisioned by the current SAG.

5.2 KEY IMPLICATIONS FOR PEPFAR PARTNERS

As SHOPS analyzed the landscape of income diversification opportunities for PEPFAR partners, several cross-cutting themes emerged from the perspectives of the partners. Many of these themes reflect the unintended consequences of well-intentioned PEPFAR policies, in the complex and unique South African environment.

- **The move away from direct service delivery limits PEPFAR partner income diversification opportunities.** While PEPFAR emphasized capacity-building and technical assistance to the SAG, given South Africa's high level of domestic resources for HIV and AIDS, this policy inhibits income diversification opportunities for PEPFAR partners. Government contracting opportunities largely rest within service delivery (HIV prevention and treatment, primary health care, and chronic disease) rather than in contracting for more diverse technical assistance. CSI and PP actors making funding decisions look for tangible beneficiaries of services, with an easily defined statement of impact.
- **Country ownership strategies can limit private sector opportunities**. In South Africa—unlike other African countries such as Botswana or Malawi—a high level of suspicion between the public and private health sectors affects the government response to private sector initiatives with PEPFAR partners. Involving the SAG in PEPFAR-funded endeavors gives the public sector an authoritative role even in private sector decisions. SAG delays in approving private partnerships can discourage private sector entities from engaging in initiatives with NGOs.
- **PEPFAR partners face structural difficulties in investing in sustainability planning**. Well-intentioned PEPFAR rules focusing on compliance, value for money, and accountability to the American taxpayer can hinder partners from experimenting with sustainability pilots with PEPFAR funding. For instance, PEPFAR-funded staff time typically cannot be used to design business models for income diversification, to network with decision-makers, or to pilot and test diversification initiatives. Likewise, many PEPFAR partners suffer from critical staff skill shortages in areas such as business modeling, market research, contracts negotiation, and governance, skills that could help them develop income diversification initiatives.
- **PEPFAR partners comprise a small share of the total NPO population, and they face stiff competition for funding sources**. Although PEPFAR funding to South Africa has been transformative and PEPFAR partners have dramatically impacted the nature of South Africa's HIV response, these partners are a small part of the landscape of health-focused NPOs in South Africa. The SAG, as well as CSI and PP funders, have many choices for contracting or funding recipients. Some of these choices offer more favorable BEE profiles and more affordable rate structures than PEPFAR partners. However, PEPFAR-required attributes, including strong financial management systems and dedicated monitoring and evaluation resources, are a differentiator as a value-added component. PEPFAR partners must recognize the extent of competition in South Africa in order to position and differentiate themselves.
- **Most PEPFAR partners do not believe that their social mission stands in the way of diversifying revenue**. Some commentators worry that PEPFAR partners will have to make

critical mission-inhibiting choices in pursuing income diversification strategies. The overwhelming conclusion from this assessment is that partners see sustainability planning and implementation as consistent with their desire to remain focused on their social mission and impact. The largest opportunity for PEPFAR partners—government contracting—offers a chance to sell socially important services that are clearly aligned with mission. CSI or PP funding also typically requires evidence of socioeconomic impact.

- **There is significant appetite for more targeted sustainability support from USAID/South Africa**. PEPFAR partners are cautiously optimistic about their sustainability opportunities, but they acknowledge some critical skills gaps in planning for and executing pilot income diversification prospects. The next section focuses on how USAID/South Africa can work closely with its partners to enable them to pursue opportunities for successful income diversification.

5.3 ENABLING GOVERNMENT CONTRACTING OPPORTUNITIES

One PEPFAR partner CEO summarized the outlook: "The only hope for the sector is government funding—that's the only real money. No other revenue opportunities are of sufficient scale to keep us operating at the same level." This report clearly outlines a case for USAID/South Africa to help set the stage for future contracting by the SAG with PEPFAR partners. However, **provincial governments express important concerns around contracting with PEPFAR partners**. Some concerns are rooted in questions about affordability of services; some concerns are rooted in perceptions around arrogance, or displacement of "local" NGOs; and some concerns are rooted in BEE profile. Relationship-building, awareness-raising, and confidence-brokering will be critical efforts, **particularly at the provincial level**. In addition, building relationships directly between PEPFAR partners and **decision-makers at the national level** (not only with NDoH technical staff) will spill over into provincial opportunities, as the overall direction for SAG contracting for health service delivery is set at the national level.

Strengthening provincial procurement transparency and mechanisms will also be key to realizing government contracting opportunities. The DoH's decentralized approach suggests that there is wide variation in provincial procurement processes and decision-making criteria. Important steps will therefore include (1) identifying those provinces that appear most amenable to contracting with PEPFAR partners, and (2) building the capacity of government officials to release clear tenders, with transparent criteria for awards.

A clear and detailed map of PEPFAR funding would help inform the SAG about the degree to which PEPFAR funding currently supports service delivery in South Africa, including details of PEPFAR-supported areas and organizations. Compiling this information in an easy-to-use format will help the SAG to focus on possible contracting opportunities or potential geographic gaps, as NHI mandates unfold and PEPFAR's assistance transitions.

Certain PEPFAR partners could build a contracting value-added case to present to the SAG. This case would show understanding of NDoH and PDoH decision-making and funding processes; would align evidence of public health impact to SAG national indicators and priorities; and would demonstrate both affordability and knowledge of SAG payment parameters. They should also demonstrate clear understanding of SAG's rules for allowable expenses.

5.4 ENABLING PRIVATE SECTOR OPPORTUNITIES

USAID/South Africa and the U.S. bilateral presence in South Africa could play an extremely important role in helping PEPFAR partners build in-person relationships with CSI and PP decision-makers. Brokering these relationships—to get a "foot in the door"—could facilitate the

favorable reception of relationship-based, solicited proposals. USAID/South Africa could consider creating a "**deal-book**" profiling the potential value-add of identified PEPFAR partners who are poised to capture CSI, PP, or employer-based health and wellness funding especially in areas such as adherence and retention.

Most CSI and PP funding decisions require recipients to **maintain NPO registration with the Department of Social Development**. Most, but not all, PEPFAR partners are currently registered. USAID/South Africa can ensure that partners maintain registration, to position themselves for CSI and PP funding.

USAID/South Africa can alert partners to **potential niche opportunities for employer-based health and wellness services**. PEPFAR partner skills in areas such as VMMC, OVC, or women's health can complement the existing service offerings of South Africa's many health and wellness providers.

5.5 CROSS-CUTTING RECOMMENDATIONS

The following recommendations could improve partners' income diversification prospects in general.

USAID/South Africa can encourage its partners to pursue BEE certification, or otherwise meet the intent of B-BBEE codes. Increasing BEE scores and showing evidence of a concerted move towards transformation will increase partners' prospects for successful income diversification.

PEPFAR funding rules and regulations could be better adapted to South Africa's transitioning situation. Suggested revisions might include: allowing partners to use PEPFAR funding for sustainability planning; relaxing intellectual property regulations that prohibit marketing PEPFAR-funded products to external funders; and allowing PEPFAR resources to be used to design endowment funds or to participate in venture capital funds.

USAID/South Africa could provide specifically tailored training and interventions to organizations that are ready to pursue income diversification opportunities. Such training would include: business modeling for revenue generation plans; B-BBEE profile and compliance assistance; and commercial management skills around taxation and governance. Because PEPFAR partners must act as competitors in the external marketplace, individualized coaching sessions are preferable to large-scale workshops. Maintaining confidentiality around future business plans is critical.

5.6 CONCLUDING THOUGHTS

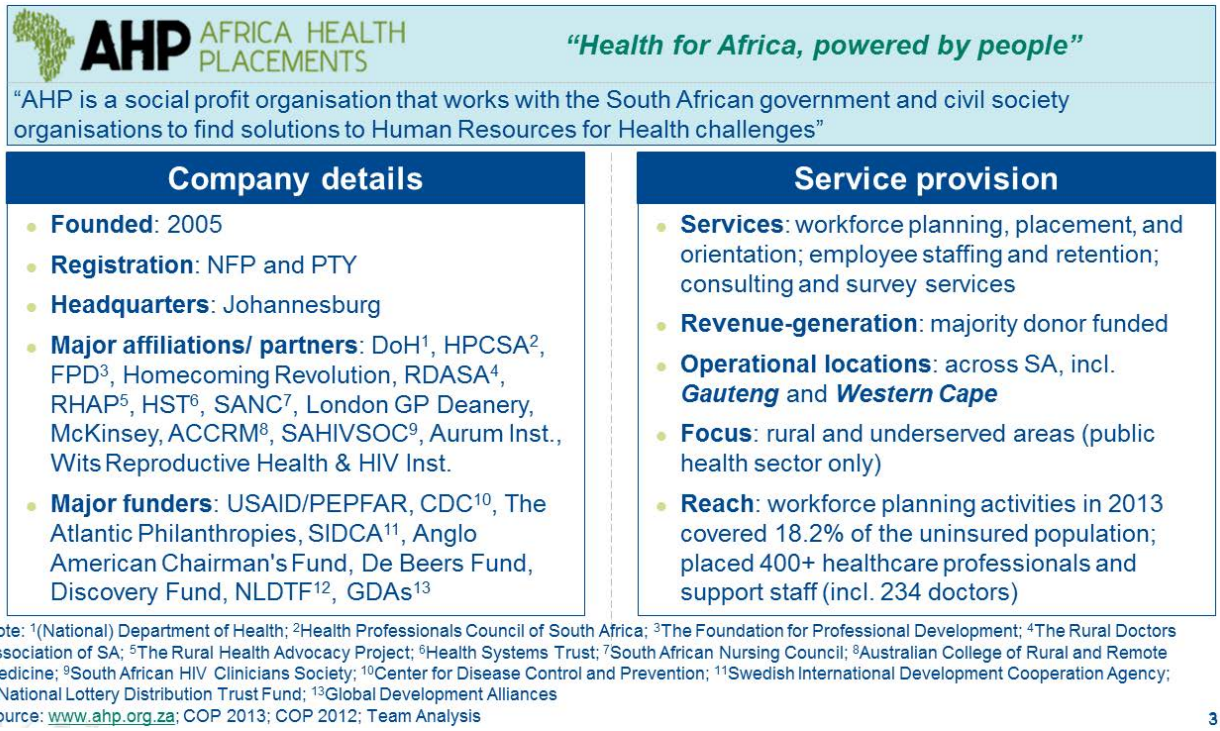
PEPFAR funding in South Africa has saved countless lives, while helping South Africa to develop one of the most successful HIV responses in the world and supporting high-quality partner organizations. PEPFAR, too, has evolved in South Africa, which is dramatically different in 2014 from where it was in 2004, when PEPFAR began. In 2014, the SAG finances the vast majority of HIV services for its citizens, thousands of new NPOs are registered each year, and government regulation supports a vigorous CSI agenda. Moreover, South Africa's post-apartheid transformation agenda places increasing emphasis on BEE scores and profiles. South Africa's ambitious new NHI agenda has still to be implemented; it may open new opportunities for PEPFAR partners in the public and private sectors, or it may become mired in political opposition.

In this context of change and uncertainty, there clearly remains a role for many PEPFAR partners well into the future. Critical investments in the short term could help position the PEPFAR partners that are best placed to realize opportunities for the future. PEPFAR can best

enable its partners' sustainability experimentation and pilots by extending its mandate into critically important new areas: negotiation with the national and provincial levels of government; leveraging the convening power of the US Embassy to facilitate in-person relationships with the right decision-makers; and alleviating certain structural barriers around the use of PEPFAR funds for sustainability planning.

ANNEX A: PEPFAR PARTNER PROFILES

Africa Health Placements



Note: [1](National) Department of Health; [2]Health Professionals Council of South Africa; [3]The Foundation for Professional Development; [4]The Rural Doctors Association of SA; [5]The Rural Health Advocacy Project; [6]Health Systems Trust; [7]South African Nursing Council; [8]Australian College of Rural and Remote Medicine; [9]South African HIV Clinicians Society; [10]Center for Disease Control and Prevention; [11]Swedish International Development Cooperation Agency; [12]National Lottery Distribution Trust Fund; [13]Global Development Alliances

Source: www.ahp.org.za; COP 2013; COP 2012; Team Analysis

3

Witkoppen

WITKOPPEN HEALTH + WELFARE CENTRE

"To be recognised as setting the standard of excellence and best practice in providing health and welfare services to our target communities"

Provides "comprehensive, curative, promotive, and preventative primary healthcare ... under one roof at a nominal cost inclusive of all medications to patients who can afford it, or free of charge to those who cannot"

Company details

- **Founded**: Established over 60 years ago; registered as a welfare organisation in 1995
- **Registration**: NPO (section 18a welfare organisation)
- **Headquarters**: Johannesburg
- **Major affiliations/ partners**: USAID (HIV/AIDS clinic); Right to Care (DoH capacity building); DoH; DSD; Drs Bloch & Partners (chest X-rays)
- **Major funders**[1]: USAID/PEPFAR, American Fund for Charities, Anglo American Chairman's Fund , Deutsche Bank South Africa Foundation, Discovery Fund, Gauteng DoH, Gauteng DSD, NLDTF, Right to Care, Rotary Club of Kyalami

Service provision

- **Services**: Dedicated centre for adult patient care, HCT, ANC, audiology, child and family mental health, dental services, dietician, FP and well-women clinic, HIV clinic, immunisations, laboratory, paediatrics, pharmacy, postnatal clinic, social welfare services, TB clinic
- **Revenue-generation**: affordability-based fee-for-service model; generates ~ZAR1.5mn p/a
- **Operational locations**: Johannesburg
- **Focus**: Urban (informal settlements and poor suburbs, peri-urban smallholdings) – median monthly household income of ZAR 1,700
- **Reach**: 98 675 Patient visits in 2013
- **Staff**: ~170 in total

Note: [1]Other funders: Claudia Vrettas, George Elkin Trust, Hair Ahead Group - Thee Hairdresser and Hair Network, Healthbridge, Lindeni Investments, Mary Nash Memorial Trust, Melanie and Martyn Hurst, Mr & Mrs DC Brink, Phendula Synergy, RB Hagart Trust, Robert Niven Trust, Rogan Asken, Rosemary Green, St Michael's Church Bryanston, St Mungo's United Church Bryanston, Rotary Club of Copenhagen Denmark
Source: www.witkoppen.org; COP 2013; COP 2012; Team Analysis

4

Hospice and Palliative Care Association of South Africa

Hospice Palliative Care Association of South Africa

"To promote quality in life, dignity in death and support in bereavement for all living with a life-threatening illness by supporting member hospices and partner organisations"

Provides palliative care to patients with life-threatening illnesses. This is an approach that "improves the quality of life of patients and their families facing the problems associated with life-threatening illness"

Company details

- **Founded**: 1987
- **Registration**: Section 21 association
- **Headquarters**: unknown
- **Major affiliations/ partners**: Council for Health Services Accreditation of Southern Africa (Cohsasa), various tertiary educational organizations, PEPFAR, African Palliative Care Association (APCA), the Worldwide Palliative Care Alliance (WPCA), Foundation for Hospices in Sub-Saharan Africa (FHSSA)
- **Major funders**: USAID/PEPFAR, Open Society Institute Public Health Program, FNB, Diana Foundation, CIDA[1]

Service provision

- **Services**: hospice and palliative care services to PLHIV (and others)
- **Revenue-generation**: Free services for non-medical aid patients; medical aid payments otherwise
- **Operational locations**: ***Western Cape***, Eastern Cape, Kwazulu-Natal, Free State, Northern Cape, and Northwest Province; partnered with Association of Hospices, which represents ***Gauteng***, Limpopo, and Mpumalanga
- **Reach**: 189 member and affiliated hospices countrywide

Note: [1]Canadian International Development Agency
Source: www.hospicepalliativecaresa.co.za; COP 2013; COP 2012; Team Analysis

5

Future Families

"Our objective is to keep children in their families. This is sometimes a new type of family…. We empower the community to care for the family…"

"Future Families is a non-profit organization rendering quality services to Orphans and Vulnerable Children (OVC) and people infected and affected by HIV/AIDS in South Africa"

Company details

- **Founded**: unknown
- **Registration**: NPO
- **Headquarters**: Pretoria
- **Major funders**: USAID/PEPFAR

Service provision

- **Services**: OVC, HIV support
- **Revenue-generation**: n/a (donor funded)
- **Operational locations**: Tshwane (greater Pretoria area), ***Gauteng***
- **Focus**: OVC and people infected and affected by HIV/AIDS in Mamelodi, Eersterust, Olievenhoutsbosch and Sunnyside
- **Reach**: 8,400 beneficiaries (6,900 under PEPFAR funding; 1,500 under DSD funding)

Source: www.futurefamilies.co.za; COP 2013; COP 2012; Team Analysis

HIVSA

"reduce the impact on SA of HIV/AIDS and other health-related issues, in collaboration with the community and other key stakeholders"

Provides "comprehensive, therapeutic care to those individuals infected with and affected by HIV/AIDS, as well as their families (especially those living in impoverished circumstances)"

Company details

- **Founded**: 2002
- **Registration**: NPO (Section 21 association)
- **Headquarters**: Gauteng
- **Major funders**: USAID/PEPFAR, Anova Health Institute, Gauteng Provincial Government, City of Joburg, Johnson & Johnson, Gauteng Department of Health and Social Development, Orange Babies, Charlize Theron Africa Outreach Project, GIZ, DSD, Elton John AIDS Foundation

Service provision

- **Services**: community health projects; supportive services to PLHIV, including HCT, PMTCT, and OVC programs; accredited training provider (with the Health and Welfare Seta) for health workers; FET certificate for HIV counsellors
- **Revenue-generation**: unknown
- **Operational locations**: Greater Soweto area, ***Gauteng***
- **Reach (2012)**[1]: 35,000 individuals tested; 690 counsellors trained in MMC; 850 traditional healers and health promoters attending peer education training; 302 participants enrolled in the FET certificate
- **Staff**: 55 employees, 13 supported volunteers

Note: [1]Additional reach figures – 23 HCT assessments at health facilities; 17 health facilities supported; 72,000 breastfeeding demonstration interactions; 2,560 HIV+ women attending support groups; 5,216 women receiving 1 on 1 support and counselling; 505 participants attending rapid testing training
Source: www.hivsa.com; HIVSA Annual Report 2012; COP 2013; COP 2012; Team Analysis

Kheth'Impilo

"To support the SAG in achieving its goals to scale up quality services for the management of HIV/AIDS in the PHC sector as outlined in the NSP[1]"

"Kheth'Impilo programmes scale up access to prevention, care, treatment and support services" for HIV/AIDS and TB in the "high prevalence districts in South Africa"

Company details

- **Founded**: 2009
- **Registration**: PBO (Section 18a exempt)
- **Headquarters**: Cape Town
- **Major affiliations/ partners**: works in partnership with the DoH at district level, NACOSA, PACT, SANAC, SASSA, DSD, Department of Home Affairs (DHA)
- **Major funders**: USAID/PEPFAR, The Global Fund, Elton John Aids Foundation, The DG Murray Trust, HWSETA, Western Cape Government

Service provision

- **Services[2]**: VCT known as PICT (provider initiated counsellor testing), adult and paediatric ART, training of clinical and community support staff, pharmaceutical services support, PMTCT
- **Revenue-generation**: unknown
- **Operational locations**: Eastern Cape (Nelson Mandela B Metro, Amathole), Kwa-Zulu Natal (EThekwini, Amajuba, ILembe and UMgungundlovu), Mpumalanga (Ehlanzeni) and the **Western Cape** (Metro)
- **Reach**: 173,741 patients receive ART from Kheth'Impilo supported facilities; 5,767 children initiated into program in 2012; 1,175 staff employed; 208 facilities supported

Note: [1]National Strategic Plan; [2]Additional services - TB treatment and care, Community Adherence Support / Psychosocial Support Services (CSSS) to patients and their families
Source: http://khethimpilo.org; COP 2013; COP 2012; Team Analysis

8

Anova Health Institute

"The Anova Health Institute aims to improve health with a particular focus on people infected with or affected by HIV"

"Anova is a leading partner in capacity building and the provision of technical support to the Department of Health, with a reputation for innovative responses and ground-breaking research in HIV"

Company details

- **Founded**: ~2009
- **Registration**: NPO
- **Headquarters**: Johannesburg
- **Major affiliations/ partners[1]**: National DoH, Gauteng DoHSD, Western Cape DoH, Mpumalanga DoHSD, HIVSA, Singizi Consulting, Lesedi Lechabile, Stellenbosch University, Columbia University, US Centers for Disease Control and Prevention
- **Major funders**: USAID/PEPFAR (almost entirely PEPFAR-funded), Orange Babies, National Institutes of Health (NIH), University of California, Global Fund

Service provision

- **Services**: capacity building organization with specialties in PMTCT and HIV/TB programs; MSM outreach and VMMC; community projects; research, TA, and staffing support
- **Revenue-generation**: n/a (donor funded)
- **Operational locations**: ***Gauteng***/Johannesburg, ***Western Cape***/Cape Town, Limpopo, Mpumalanga
- **Reach**: employs 300+ people

Note: [1]Additional affiliates / partners - National Institute for Communicable Diseases, Erasmus University Rotterdam
Source: www.anovahealth.co.za; COP 2013; COP 2012; Team Analysis

9

MatCH

"An effective, sustainable and equitable health system"

MatCH focuses on HIV treatment and sexual and reproductive health, providing health systems strengthening services including capacity building and TA, research services, and community partnerships

Company details

- **Founded**: 2010
- **Registration**: division of the Wits Health Consortium (Pty) Ltd
- **Headquarters**: Durban, KZN
- **Major affiliations/ partners**: See notes[1]
- **Major funders**[2]: USAID/PEPFAR, AIDS Fonds, Department of Science and Technology (DST), Family Health International (FHI), Harvard University Medical School, International Partnership for Microbicides (IPM), i+solutions, Massachusetts General Hospital (MGH), National Institutes of Health (NIH)

Service provision

- **Services**: health systems strengthening, research, community partnerships, maternal and child health and HIV-focused, ART, VMMC
- **Revenue-generation**: unknown
- **Operational locations**: ***KZN,*** Durban
- **Reach**: supports 70+ public sector health facilities, 7,000+ MMC procedures (with partners, up to 2011), 23 million+ male condoms and 450,000+ female condoms distributed.

Note: [1]Female Health Foundation, Support Worldwide, Ibis Reproductive Health, Lifeline, Marie Stopes, Population Council, South African Bureau of Standards (SABS), South African Government SWEAT, University of Cape Town, UKZN, Stellenbosch University, University of the Witwatersrand, Multiple international partners (see website for further details);); [2]Additional funders – United Nations Population Fund (UNFPA), Universal Access to Female Condoms (UAFC), William and Flora Hewlett Foundation, WHO, Program for Appropriate Technology on Health (PATH)
Source: www.match.org.za; COP 2013; COP 2012; Team Analysis

10

Right to Care, South Africa

"That every individual will have ready and affordable access to quality evidence-based medical services"

"Right to Care is a non-profit organisation (Section 21) that supports and delivers prevention, care, and treatment services for HIV and associated diseases"

Company details

- **Founded**: unknown
- **Registration**: NPO (Section 21)
- **Headquarters**: Johannesburg
- **Major affiliations/ partners**: DoH (at the national level and in Gauteng, Western Cape, Free State, Northern Cape, and Mpumalanga), several NGO partners
- **Major funders**: USAID/PEPFAR, Global Fund, private-sector donors
- **Private clients**[1]: BHC, BEMAS, Comztek, Discovery Health, DBSA, Housing for HIV, HSRC, Investec, Lancet, MNet, Multichoice, Mweb, Mustek, NCI, PG Bison, Rectron, Silica

Service provision

- **Services**: supports and delivers prevention, care, and treatment services for HIV and associated diseases (HIV, TB, cervical cancer, and STIs); TA for DoH
- **Revenue-generation**: Employee wellness services (through Right to Care Health Services)
- **Operational locations**: ***Gauteng***, ***Western Cape***, Free State, Northern Cape, and Mpumalanga
- **Reach**: ~62k new ART patients, ~226k continuing ART patients, ~13k TB patients, ~713k individuals tested for HIV, ~60k MMCs performed, ~100k ANC clients tested, ~4k HCWs trained

Note: [1]Additional private clients – Telkom, Tongaat Hulett Starch, Virgin Active, Vodacom, Unicef
Source: righttocare.org; RTC Annual Report 2012; COP 2013; COP 2012; Team Analysis

11

Wits Health Consortium

"WHC was formed in March 1998 to harness and stimulate the commercial potential within Faculty, and in particular to capitalise on clinical research"

Provides "Faculty with a legal framework within which to operate the research and other activities necessary to support its academic objectives" and "offers a range of products and services to the Academics"

Company details

- **Founded**: 1998
- **Registration**: private company granted tax exemption (NFP); wholly owned company of the University of Witwatersrand
- **Headquarters**: Johannesburg
- **Major affiliations/ partners**: independent divisions / "syndicates" – Agincourt Health and Demographic Surveillance System, Clinical HIV Research Unit, Contract Lab Services, MatCH, National Institute for Communicable Diseases, Perinatal HIV Research Unit, Wits Clinical Research, Wits Reproductive Health Institute
- **Major funders**: it appears that funders fund syndicates directly

Service provision

- **Services**: provides Faculty with a legal framework within which to operate the research and other activities necessary to support its academic objectives and offers a range of products and services to the Academics conducting these activities in order to assist with the management thereof
- **Revenue-generation**: not clear, assumed most activities are commercialised to a certain degree (WHC is expected to be self-sufficient)
- **Operational locations**: ***Gauteng***
- **Reach**: unknown

Source: www.witshealth.co.za; COP 2013; COP 2012; Team Analysis

19

Childline South Africa

"Childline services began in KZN in 1986 in response to the very high levels of child sexual abuse which characterize SA"

"Childline … works collectively to protect children from all forms of violence and to create a culture of children's rights in South Africa" through various means including a crisis line and volunteer training

Company details

- **Founded**: 1986
- **Registration**: NPO
- **Headquarters**: Durban
- **Major affiliations/ partners**: South African Society for the Prevention of Child Abuse and Neglect: (SASPCAN), The International Society for the Prevention of Child Abuse and Neglect (ISPCAN), Child Helpline International
- **Major funders**[1]: USAID/PEPFAR, Rainbow Chickens, Cybicom, DSD, NLDTF, Mondi, OAK Foundation, Telkom Foundation, Save The Children, KPMG Europe, Silverstar Casino

Service provision

- **Services**: OVC; counselling; Crisis Line; Child Rights, Prevention & Education; Training of Volunteers; Training of other professionals who work in child protection and children; Therapy for abused and traumatized children and their families; Court preparation for child witnesses; Networking & Coordination; Advocacy; Training and education; Analysis of law and policy; Lobbying and advocacy; Networking and coordination
- **Operational locations**: ***Gauteng***, KZN, Limpopo, Eastern Cape, North West, ***Western Cape***, and Free State
- **Reach**: unknown

Note: [1]Multiple additional funders – see website for full list
Source: http://childlinesa.org.za; COP 2013; COP 2012; Team Analysis

20

Regional Psychosocial Support Initiative, SA

REPSSI
Psychosocial Wellbeing For All Children

"Psychosocial wellbeing for all children"

Provides assistance to partners to help them provide psychosocial support to children and their families/ communities, including the development of tools and activities, sharing innovative approaches, and training

Company details

- **Founded**: 2002
- **Registration**: NGO (Section 21)
- **Headquarters**: Johannesburg
- **Major affiliations/ partners**: Working with partners in over 1,000 project sites
- **Major funders**: USAID/PEPFAR, The Swiss Agency for Development and Cooperation (SDC), The Norwegian Agency for Development Cooperation (NORAD), The Novartis Foundation for Sustainable Development (NFSD), Comic Relief, The Australian Agency for International Development (AusAID), United Nations Children's Fund – East and Southern Africa Regional Office (UNICEF-ESARO), The Symphasis Foundation

Service provision

- **Services**: OVC (psychosocial support for children); providing easy-to-use and culturally appropriate tools; sharing innovative approaches; training partners to provide social and emotional services to children and their communities; produce activities and tools that can be used with children, youth, communities and families
- **Revenue-generation**: n/a (donor funded)
- **Operational locations**: 13 countries in East & Southern Africa
- **Reach**: Over 2 million children annually

Source: www.repssi.org; COP 2013; COP 2012; REPSSI 2013 Annual Report; Team Analysis

13

National Association of Childcare Workers

NACCW

"… professional training and infrastructure to promote healthy child and youth development and to improve standards of care and treatment for troubled children and youth at risk …"

Provides skills development services, training, TA, and infrastructure that encourage child and youth development

Company details

- **Founded**: unknown
- **Registration**: NPO
- **Headquarters**: Cape Town
- **Major affiliations/ partners**: Numerous implementation partners – see annual report for more details
- **Major funders**: USAID/PEPFAR, De Beers Fund, DG Murray Trust, JE and JW Oppenheimer, Keystone Human Services, Make a Difference (Masihlangane), Momentum, Adoptionscentrum, UNICEF, Vodacom

Service provision

- **Services**: provides training and infrastructure to promote healthy child and youth development and to improve standards of care and treatment for troubled children and youth at risk in family, community and residential group care settings; skills development, developing and replicating models, knowledge development and dissemination, advocacy, consultancy and mentoring, international liaison
- **Revenue generation:** membership fees (ZAR 50 p.a. for individuals, ZAR 100 p.a. for corporates, ZAR 90 p.a. for internationals)
- **Operational locations**: nationwide
- **Reach**: 56k+ OVC served in 2009/10

Source: www.naccw.org.za; NACCW Annual Report 2009/10; COP 2013; COP 2012; Team Analysis

12

South-to-South (Right to Care partner)

"S2S strengthens clinical health systems in the areas of PMTCT, paediatric HIV and psychosocial programming"

"S2S supports other USAID partners and the DoH through: district-specific capacity building activities; human resource development…; TA…; development of performance and training support tools and resources

Company details

- **Founded**: 2006
- **Registration**: programme of the Department of Paediatrics, Faculty of Health Sciences, Stellenbosch University (Right to Care partner)
- **Headquarters**: Stellenbosch
- **Major affiliations/ partners**: Right to Care, DOH
- **Major funders**: USAID/PEPFAR

Service provision

- **Services**: strengthens clinical health systems in the areas of PMTCT, paediatric HIV and psychosocial programming; supports other USAID partners and the DoH through: district-specific capacity building activities, human resource development, through training and mentoring, technical assistance to implementing partners and the National DoH, development of performance and training support tools and resources
- **Revenue-generation**: unknown
- **Operational locations**: Eastern, Northern, and ***Western Cape***
- **Reach**: mentored almost 3k healthcare workers in 2011

Source: http://www.righttocare.org/index.php?option=com_content&view=article&id=271&Itemid=290; COP 2013; COP 2012; Team Analysis

Woz'obona

No logo available

"Woz'obona's Mission is the creation of a world fit for children through working with communities to grow their children"

An "ECD[1] resource and training organisation" that works "with the child, the household, the community, and government institutions to ensure that the overall environment is beneficial to OVC"

Company details

- **Founded**: 1988
- **Registration**: NPO (CBO)
- **Headquarters**: Pretoria, Gauteng
- **Major affiliations/ partners**: unknown
- **Major funders**: USAID/PEPFAR

Service provision

- **Services**: OVC, Early Childhood Development, Gender, Health, HIV/AIDS, Skills Development; specific services can include "foster care, trauma counselling, legal assistance, educational assistance and shelter"
- **Programmes / projects:** Education Programme; Safety Nets for Children Project; Orphan and Vulnerable Children Project; Neighborhood Places of Care Project; A Chance to Play
- **Revenue-generation**: unknown
- **Operational locations**: Gauteng, Limpopo
- **Reach**: unknown

Note: [1]Early Childhood Development;
Source: http://www.prodder.org.za/civicrm/contact/view?cid=11951; http://www.sustainabledevelopmentnetwork.com/network.php ; http://www.linkedin.com/company/wozobona; http://pdf.usaid.gov/pdf_docs/pdacx482.pdf ; COP 2013; COP 2012; Team Analysis

Foundation for Professional Development

Foundation for Professional Development

"to catalyse social change through developing people, strengthening systems and providing innovative solutions"

Uses a partnership-based business model to implement programs in teaching and learning (capacity development), community engagement and capacity development, and research

Company details

- **Founded**: 1997 (separate legal entity in 2002)
- **Registration**: higher education institution established by the SA Medical Association (who have 90% shareholding); manages 2 NGOs
- **Headquarters**: Pretoria, Gauteng
- **Major affiliations/ partners**[1]: FPD Group incl. FPD, FPD Property, Foundation for Professional Development Fund, Health Science Academy, Medical Practice Consulting, African Health Placement; FPD manages two NGOs - Dira Sengwe Conferences, SAIHCM
- **Major funders**[2]: USAID/PEPFAR, National Pathology Support Services, AstraZeneca, The Aurum Institute, FHI 360, Humana, HWSETA, ICAP, INOVA, MAC AIDS Fund, Medicross, UNICEF, SFH

Service provision

- **Services**: education and capacity building to AIDS organizations; private higher educational institutions that fully engages in the three scholarships of higher educational namely – teaching and learning, research, and community engagement
- **Revenue-generation**: unknown
- **Operational locations**: SA and SSA
- **Reach**: 50k students per year; ZAR 14M worth of scholarships per year; 390k patients active on ART in partnership with SAG; ~1. 7M clients received HCT; ~6k calls on the National TB/HIV Hotline; Placed 2900 Foreign Qualified Healthcare Professionals in partnership with AHP

Note: [1]For additional partners see website; [2]For additional funders, see annual report
Source: www.foundation.co.za; FPD Annual Report 2013/4; FPD Company Profile 2014; COP 2013; COP 2012; Team Analysis

15

Networking AIDS Community of South Africa

NACOSA

"Collectively turning the tide on HIV, AIDS and TB"

Provides capacity building for organisations addressing HIV/AIDS and TB and promotes dialogue between SAG and civil society to "advocate for a united, holistic and multi-sectoral response to HIV, AIDS and TB"

Company details

- **Founded**: 1991
- **Registration**: NPO, PBO, Section 18a
- **Headquarters**: Century City, Cape Town
- **Major affiliations/ partners**: network of 1,300+ member organisations
- **Major funders**: USAID/PEPFAR, Global Fund, Western Cape Government, DoH, City of Cape Town, Anglo American

Service provision

- **Services**: national civil society network of organisations working in the HIV, AIDS, TB and related social development fields; capacity building organization with specialties in HCT and HIV/TB; networking and promoting dialogue
- **Revenue-generation**: unknown
- **Operational locations**: nationwide; offices in ***Western Cape***, Northern Cape, Eastern Cape, and KZN
- **Reach**: national network of 1,300+ member organisations (including 900+ CBOs)

Source: www.nacosa.org.za; COP 2013; COP 2012; Team Analysis

16

Centre for HIV and AIDS Prevention (CHAPS)

"To reduce the spread of HIV/AIDS in SA and the region by providing innovative and preventative health solutions through the implementation and dissemination of evidence-based strategies, particularly the safe and efficient scale-up of VMMC …"

Researches and promotes VMMC scale-up activities as a means to prevent HIV/AIDS in Africa

Company details

- **Founded**: 2010 (evolved from the Orange Farm research programme which began in 2005)
- **Registration**: NGO
- **Headquarters**: Parktown, Johannesburg
- **Major affiliations/ partners/ funders**: USAID/PEPFAR, Right to Care, Anova Health Institute, French National Agency for Research on AIDS and Viral Hepatitis (anRs), FPD, Research to Prevention (R2P), SAG, MatCH, Tulane University, The Global Fund

Service provision

- **Services**: VMMC provision; VMMC training and TA; research
- **Revenue-generation**: n/a (donor-funded)
- **Operational locations**: ***Gauteng*** (Ekurhuleni Metropolitan Municipality; City of Tshwane Municipality, City of Joburg Municipality), North West (Bojanala Platinum District Municipality)
- **Reach**: **30+ clinic sites** (27 USAID and 3 Global Fund); **trained 2,500+ healthcare practitioners** in SA since 2010

Source: www.chaps.org.za; COP 2013; COP 2012; Team Analysis

17

BroadReach

"To provide services and products leading to improved access, better health outcomes and well-being for under-served communities …"

Provides "systems-wide TA and programme management that build(s) the capacity of health systems" in partnership with government, communities, and other partners

Company details

- **Founded**: 2003
- **Registration**: unknown
- **Headquarters**: Washington DC, USA
- **Major partners/ clients**: USAID/PEPFAR, Acumen Fund, AfA, AkerBioMarine, BMGF, CDC, Ceva, GN Resound, Harvard University, Mercedes-Benz, Merck, Novo Nordisk, Novartis, PWC, Standard Chartered, DFID, ACRO, WHO, WorldVision, Virgin Unite

Service provision

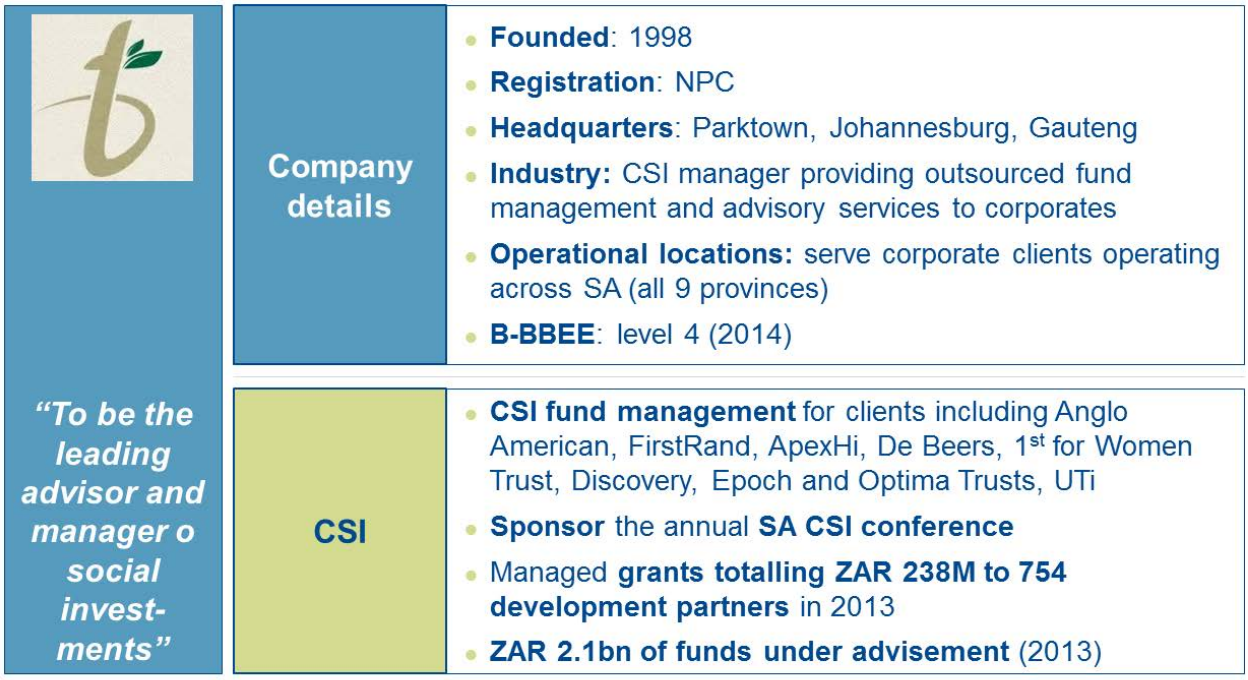
- **Services**: Systems-wide TA and programme management that build the capacity of health systems – focus areas: strategy, policy, and planning; training and leadership, operational re-engineering, health informatics, education and mobilisation, private-sector engagement
- **Revenue-generation**: likely, but unconfirmed
- **Operational locations**: across Africa (offices in ***Cape Town*** and ***Johannesburg***)
- **Reach**: unstated

Source: www.broadreachhealthcare.com/gh; COP 2013; COP 2012; Team Analysis

18

ANNEX B: CORPORATE AND FUNDER PROFILES

Large Corporates – Tshikululu Social Investment



Source: www.tshikululu.co.za; CSI Handbook 2013; Tshikululu Social Investment (2013) Report to Society: 2013; Team Analysis

Large Corporates – Gold Fields

"Our vision is to be the global leader in sustainable gold mining"

Company details	• **Founded**: 1887 • **Registration**: JSE-listed (also listed on NYSE, Euronext, SIX, NASDAQ) • **Headquarters**: Sandton, Johannesburg • **Industry:** mining and quarrying (gold) • **Operational locations:** headquartered in Johannesburg, single SA mine in Limpopo (South Deep), other mines in Australia, Philippines, Mali, Ghana, Peru • **B-BBEE**: level 3 (2012/3)
CSI	• **CSI spend (2012/3):** ZAR 144.3M • **CSI focus:** infrastructure, education, ***health*** and wellbeing, environment • **Example**: investment in a local sewing and embroidery concern run mostly by women, many of whom are HIV+
Employee health and wellness	• Comprehensive ***employee well-being program*** (provided by **Ndawo Wellness**)

Source: www.goldfields.co.za; CSI Handbook 2013; Team Analysis

Large Corporates – Anglo American

"To be the premier company in finding, mining, processing and marketing platinum group metals for the maximum benefit of all our stakeholders"

Company details	• **Founded**: 1917, in South Africa • **Registration**: JSE-listed • **Headquarters**: London, UK; secondary listing on JSE, SA • **Industry:** mining and quarrying • **Operational locations:** across SA; country office in JHB • **B-BBEE**: unknown
CSI	• **CSI spend (2012/3):** ZAR 777.7M • **CSI focus:** health and welfare, education, infrastructure (in mining communities) • **Example**: one of the key private-sector supporters of the Global Fund and the GAVI[1] • Perceived by both corporate and NGO respondents as the **corporate achieving the most developmental impact**[1]
Employee health and wellness	• **Occupational hygiene** and **Occupational medicine programmes** • **EWP**, including an **HIV/AIDS program**, incl. **VCT** and **free ART to employees** since 2002

Note: [1]Global Alliance for Vaccines and Immunisations
Source: Anglo American Sustainable Development Report 2013; Anglo American (2013) Leading Transformation with the Future in Mind; www.angloplatinum.com; [1]CSI Handbook 2013; Team Analysis

25

Large Corporates – Woolworths Holdings

WHL WOOLWORTHS HOLDINGS LIMITED

"We, as passionate committed retailers, understand and lead our customers through excellence and a deep knowledge of our products and services and the world we live in"

Company details	• **Founded**: 1931 • **Registration**: JSE-listed investment holding company • **Headquarters**: Cape Town, South Africa • **Industry:** retail and financial services • **Operational locations:** countrywide in SA; Australia, New Zealand; multiple locations in the rest of Africa and the Middle East (through franchise partnerships) • **B-BBEE**: level 4 (2011)
CSI	• **CSI spend (2012/3):** ZAR 438M • **CSI focus:** food security, child safety, education • **Example**: significant support for children and orphans, including upgrading 11 Heartbeat after-care centres
Employee health and wellness	• Comprehensive **health and wellness programme** • **HIV/AIDS awareness and treatment programme**

Source: www.woolworthsholdings.co.za; Woolworths (2013) The Good Business Journey Report, 2013; CSI Handbook 2013; Team Analysis

Large Corporates – Sasol

sasol
reaching new frontiers

"Our common vision is to grow profitably, sustainably and inclusively, while delivering value to stakeholders through technology and the talent of our people in the energy and chemical markets in Southern Africa and worldwide"

Company details	• **Founded**: 1950 • **Registration**: JSE-listed (also listed on NYSE) • **Headquarters**: Johannesburg, SA • **Industry:** oil and gas; chemicals • **Operational locations:** operations in 37 countries • **B-BBEE**: level 3 (2013/4)
CSI	• **CSI spend (2012/3):** ZAR 332M • **CSI focus**: education, job creation, health and welfare, arts, culture and sports, development, environment • **Example**: Basa njengo Magogo Project – education around healthier ways to light a coal fire
Employee health and wellness	• Major focus on **safety in the workplace** • Unknown whether or not an EWP exists

Source: www.sasol.co.za; CSI Handbook 2013; Team Analysis

Large Corporates – Eskom

Eskom *"To provide sustainable electricity solutions to grow the economy and improve the quality of life of the people in SA and in the region"*	**Company details**	• **Founded**: 1923 • **Registration**: public utility • **Headquarters**: Johannesburg, South Africa • **Industry:** energy (electricity provision) • **Operational locations:** countrywide, SA • **B-BBEE**: level 3 (2013/4)
	CSI	• **CSI spend (2012/3):** ZAR 194M • **CSI focus:** education, health, enterprise development, environment, school infrastructure • **Example**: "supports various selected community healthcare centres by providing state of the art medical equipment"
	Employee health and wellness	• Unknown

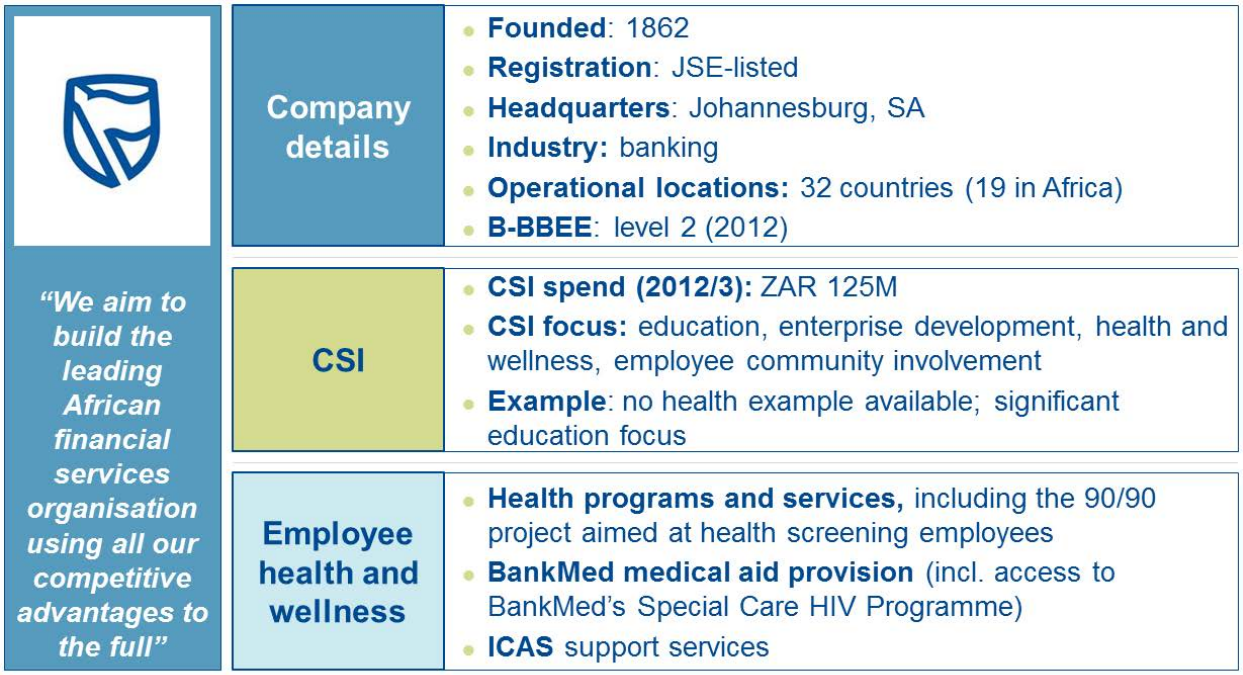
Source: www.eskom.co.za; CSI Handbook 2013; Team Analysis

Large Corporates – Transnet Foundation

TRANSNET Foundation *"The Transnet Group has a separate division that implements the company's socio-economic development projects to ensure the best possible resources are dedicated to CSI initiatives"*	**Company details**	• **Founded**: 1990 (various incarnations prior to this) • **Registration**: social investment unit of Transnet ltd., a limited liability company • **Headquarters**: Johannesburg, Gauteng • **Industry:** logistics • **Operational locations:** across SA • **B-BBEE**: level 5 (2011/2)
	CSI	• **CSI spend (2012/3):** ZAR 132M • **CSI focus:** health, education, sport, staff volunteerism • **Example**: Phelophepa II 'health train' providing basic eye care; dental care; counselling; and basic screening services for high blood pressure, TB and diabetes
	Employee health and wellness	• **Several wellness interventions** including an employee assistance program (EAP) and an executive wellness program

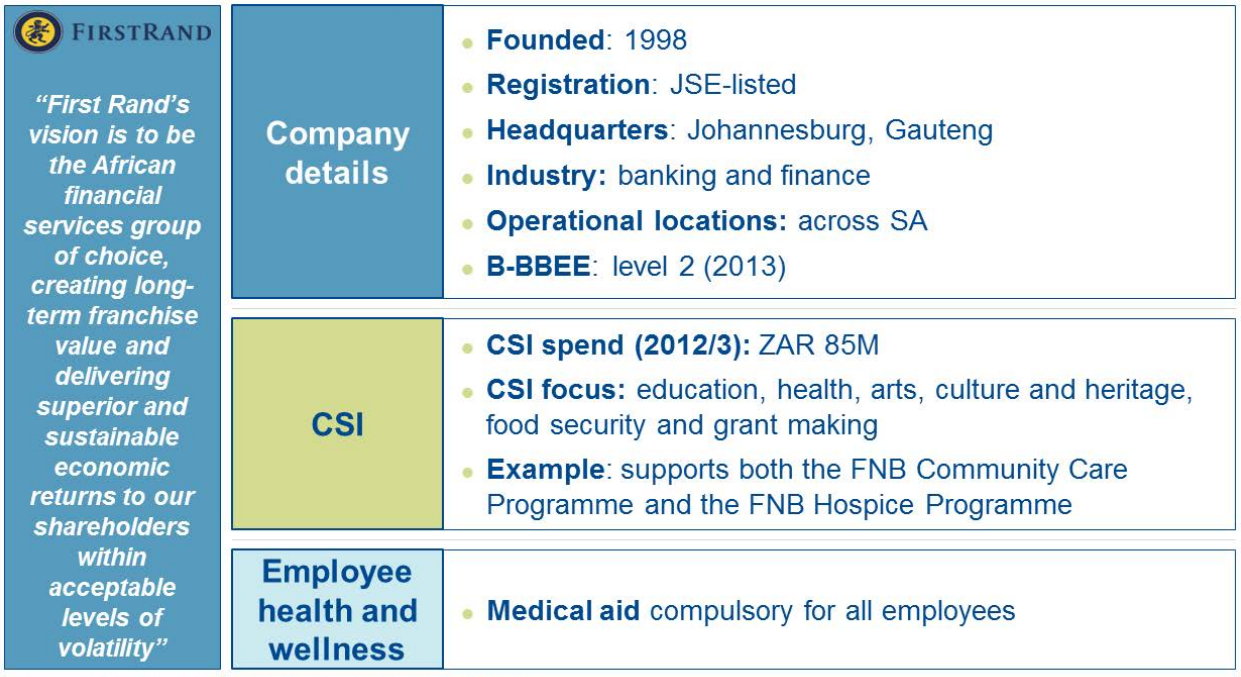
Source: www.transnet.net; www.transnetfoundation.co.za; CSI Handbook 2013; Team Analysis

Large Corporates – Standard Bank Group



Source: www.standardbank.co.za; Standard Bank Annual Report 2012; CSI Handbook 2013; Team Analysis

Large Corporates – First Rand Foundation



Source: www.firstrand.co.za; CSI Handbook 2013; Team Analysis

Large Corporates – Vodacom Group

vodacom *"Connecting you; creating possibilities; changing lives"*	**Company details**	• **Founded**: 1994 • **Registration**: JSE-listed (parent company: Vodafone) • **Headquarters**: Johannesburg, South Africa • **Industry:** telecommunications • **Operational locations:** South Africa, Lesotho, Nigeria, Mozambique, Tanzania, DRC • **B-BBEE**: level 3 (2013/4)
	CSI	• **CSI spend (2012/3):** ZAR 83M • **CSI focus:** health, education, ICT • **Example**: supporting (with partners) the Mobile Alliance for Maternal Action (MAMA) initiative – SMS service from a mother's 5th week of pregnancy until her baby is 1
	Employee health and wellness	• **Employee wellness program**: aims to enhance "individual holistic wellness – physical, mental, emotional and spiritual"

Source: www.vodacom.com; CSI Handbook 2013; Team Analysis

Large Corporates – ACSA

ACSA Airports Company South Africa *"Forward thinking, embracing change"*	**Company details**	• **Founded**: 1993 (previously state-owned) • **Registration**: public company, partially privatised in 1998 • **Headquarters**: Bedfordview, Gauteng • **Industry:** air transport • **Operational locations:** countrywide (9 principal airports – including the three international airports) • **B-BBEE**: level 3 (2013)
	CSI	• **CSI spend (2012/3):** ZAR 65M • **CSI focus:** community development, environmental protection and education, job creation, health and welfare of the disabled • **Example**: headline sponsor: Wheelchair Tennis SA
	Employee health and wellness	• **Employee wellness programme**, including counselling and advisory services • Annual **employee satisfaction survey**

Source: www.airports.co.za; ACSA Annual Report 2013; CSI Handbook 2013; Team Analysis

Large Corporates – MTN Foundation

MTN SA Foundation

"Our policy is to bring about meaningful, measurable and sustainable change that will lay the foundations for disadvantaged and rural communities to become more self-reliant"

Company details	• **Founded**: 1994; Foundation formalised in 2001 • **Registration**: CSI wing of MTN SA, an incorporated company and part of the JSE-listed MTN Group Limited • **Headquarters**: Roodepoort, Gauteng • **Industry:** telecommunications • **Operational locations:** 21 countries (36% of SA market) • **B-BBEE**: level 2 (2012/3)
CSI	• **CSI spend (2012/3):** ZAR 63M • **CSI focus:** employee volunteerism, health, education, arts and culture, entrepreneurship • **Example**: with partner organisations and high schools, educates and encourages behaviour change in learners and provides OVC support
Employee health and wellness	• unknown

Source: www.mtn.com; www.mtn.co.za; services.mtn.co.za/mtnfoundation; CSI Handbook 2013; Team Analysis

Large Corporates – Pick 'n Pay

Pick n Pay

"To enable South Africans to provide for themselves while aspiring to improve their lives and contribute to their communities"

Company details	• **Founded**: 1967 (Foundation: 1997) • **Registration**: JSE-listed investment holding companies (1968) • **Headquarters**: head offices in Cape Town, Johannesburg, KZN, and Eastern Cape • **Industry:** retail • **Operational locations:** multiple African countries • **B-BBEE**: level 6 (2013)
CSI	• **CSI spend (2012/3):** ZAR 41M • **CSI focus:** hunger relief, disability, environment, health, sport, enterprise development • **Example**: supports Butterfly Kidz, which creates jobs for the disabled and unemployed
Employee health and wellness	• unknown

Source: www.picknpay.co.za; CSI Handbook 2013; Team Analysis

Large Corporates – Tsogo Sun Holdings

TSOGO SUN

"Our vision is to provide the greatest possible variety of quality hospitality, leisure, gaming and entertainment experiences at every one of our destinations"

Company details	• **Founded**: 1969 • **Registration**: partnership between Southern Sun and Tsogo Investments, public company • **Headquarters**: Bryanston, Gauteng • **Industry:** gambling, hospitality, entertainment • **Operational locations:** Gauteng, KZN, Western Cape, Mpumalanga, Eastern Cape, Free State • **B-BBEE**: level 2 (2014)
CSI	• **CSI spend (2012/3):** ZAR 36M • **CSI focus:** education, health, welfare, environment (via sports development, arts development, and learning) • **Example**: SSCF[1] supported Walter Sisulu Paediatric Cardiac Foundation, Reach for a Dream, CANSA TLC and the Kidney Beanz Trust
Employee health and wellness	• Comprehensive **employee wellness programme** ("Positive Living Initiative"), addressing **HIV/AIDS**, stress and respiratory infections, amongst others; **ICAS**

Note: [1]Southern Sun Children's Fund
Source: www.tsogosun.com; HCI Annual Report (2013); Tsogo Sun (2014) Presentation to Analysts and Investors, May 2014; CSI Handbook 2013; Team Analysis

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Large Corporates – Wilson Bayly Holmes-Ovcon (WBHO)

WBHO

"As an organisation, we recognise the importance of operating in a sustainable manner and meeting the needs of today without jeopardising our ability to meet the needs of tomorrow"

Company details	• **Founded**: 1970 (Wilson Holmes); 1994 (WBHO Construction) • **Registration**: JSE-listed holding company • **Headquarters**: Sandton, Gauteng • **Industry:** civil engineering, construction • **Operational locations:** countrywide; offices in Sandton, Cape Town, Durban, Port Elizabeth and East London • **B-BBEE**: level 2 (2012/3)
CSI	• **CSI spend (2012/3):** ZAR 29M • **CSI focus:** education; development programmes; community training and skills development; arts, culture and sporting programmes; health • **Example**: hospital and clinic support in the purchase of equipment, and health related programmes
Employee health and wellness	• **HIV/AIDS policy** (incl. access to support and counselling services and information and education programmes)

Source: http://whoswho.co.za/WILSON-BAYLY-HOLMES-OVCON-LIMITED#.U32uOpVZqWw; WBHO (2013) The Road to Transformation; CSI Handbook 2013; Team Analysis

Large Corporates – MMI Holdings (MMI Foundation)

Company details	• **Founded**: 2010 (merger: FirstRand's Momentum Group, Metropolitan Holdings; 2009 (first version of Foundation) • **Registration**: MMI Foundation is an independent Section 21 Company that integrates the CSI initiatives of MMI Holdings, a JSE-listed group • **Headquarters**: Centurion, Gauteng • **Industry:** financial services, insurance • **Operational locations:** countrywide; 11 other countries • **B-BBEE**: level 2 (2014/5)
CSI	• **CSI spend (2012/3):** ZAR 28M • **CSI focus:** education, philanthropy, health, people with disabilities, vulnerable children, postgraduate bursaries • **Example**: Live the Future programme - forecasts impact of HIV/AIDS and range of possible futures for SA by 2025
Employee health and wellness	• Various **wellness programme**s and services • **HIV/AIDS policy**

Source: www.mmifoundation.org.za; http://www.mmiholdings.com; CSI Handbook 2013; Team Analysis

Large Corporates – HCI Foundation

Company details	• **Founded**: unknown • **Registration**: independent trust (Foundation); publicly-owned investment JSE-listed holding company (HCI) • **Headquarters**: Cape Town, Western Cape • **Industries:** hotel & leisure; interactive gaming; media &broadcasting; transport; mining; clothing & properties • **Operational locations:** across SA • **B-BBEE**: level 2 (2013)
CSI	• **CSI spend (2012/3):** ZAR 28M • **CSI focus:** education and professional skills training, development and enrichment, environment, health • **Example**: supports Waterberg Welfare Society in Limpopo, a community-based NGO providing help and support to those infected and affected by HIV/AIDS
Employee health and wellness	• Examples of **comprehensive employee assistance programs** in certain investments (such as Tsogo Sun)

Source: www.hci.co.za; HCI Annual Report 2013; HCI Foundation (2012) 2012 Journey; CSI Handbook 2013; Team Analysis

Large Corporates – Sun International

Sun International

"To be one of the most admired companies listed in South Africa and to be an example for others to follow"

Company details	• **Founded**: 1967 • **Registration**: JSE-listed • **Headquarters**: Sandton, Johannesburg • **Industry:** hospitality, casinos • **Operational locations:** across SA; 7 other countries • **B-BBEE**: level 2 (2013/4)
CSI	• **CSI spend (2012/3):** ZAR 18M • **CSI focus:** community development, education, health, welfare, HIV/AIDS, sport, arts and culture • **Example**: refurbishment of frail care centre
Employee health and wellness	• Employee wellness program

Source: www.suninternational.com; Sun International Annual Report (2013); CSI Handbook 2013; Team Analysis

Large Corporates – Reunert

REUNERT
REUNERT LIMITED

"We endeavour to seek meaningful growth opportunities that are either compatible with our leading competencies or that are sensible and strategically aligned extensions of our existing businesses"

Company details	• **Founded**: 1888 (business); 1948 (JSE listing) • **Registration**: JSE-listed • **Headquarters**: Sandton, Gauteng • **Industry:** electronics & low-voltage electrical engineering sectors supplying value-added products, systems & solutions to local & international growth markets • **Operational locations:** across SA; Australia, Lesotho, USA, Zimbabwe • **B-BBEE**: level 2 to 6 (separate for various operations)
CSI	• **CSI spend (2012/3):** ZAR 15M • **CSI focus:** education (primarily), child welfare, sport, health, safety and security, environmental initiatives • **Example**: Nashua Children's Charity Foundation supports 54 charities, ~12k children, provides ~360k meals/ month
Employee health and wellness	• **Employee wellness days** (with the assistance of medical aid providers or the DoH), incl. screening tests

Source: http://whoswho.co.za/REUNERT-LIMITED#.U328pJVZqWw; www.reunert.co.za; Reunert Sustainability Report (2013); CSI Handbook 2013; Team Analysis

Large Corporates – Johannesburg Stock Exchange (JSE)

"We connect buyers and sellers in a variety of different financial markets, namely equities, equity derivatives, commodity derivatives and interest rate instruments"	
Company details	• **Founded**: 1887 • **Registration**: stock exchange • **Headquarters**: Sandton, Gauteng • **Industry:** stock exchange • **Operational locations:** covers companies across South Africa • **B-BBEE**: level 4 (2013/4)
CSI	• **CSI spend (2012/3):** ZAR 15M • **CSI focus:** financial education and literacy, HIV/AIDS orphans • **Example**: support Afrika Tikkun, which addresses the educational, health and social needs of underprivileged children
Employee health and wellness	• **Employee wellness program** • **HIV/AIDS** and **employee wellness policy**

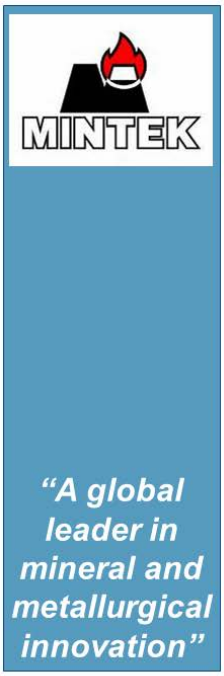
Source: http://ir.jse.co.za; www.jse.co.za; JSE Employee Wellness Policy (2007); JSE Community and SRI Document; CSI Handbook 2013; Team Analysis

Large Corporates – Illovo Sugar

"The vision of the group is to be a world class, low-cost and highly efficient organisation, operating on the African continent, adding value to its core products of fibre, sugar and molasses"	
Company details	• **Founded**: 1891 (name change in 1994); listed in 1992 • **Registration**: JSE-listed • **Headquarters**: Durban, KZN • **Industry**: agriculture (sugar and downstream products) • **Operational locations:** SA, and global market • **B-BBEE**: level 5 (2013)
CSI	• **CSI spend (2012/3):** ZAR 14M • **CSI focus:** infrastructure, education and healthcare • **Example**: provision of potable water and the proactive prevention of diseases like malaria via co-ordinated spray and educational programmes
Employee health and wellness	• Healthcare **facilities** and **wellness programmes** focused on primary and secondary healthcare, incl. HIV/AIDS • Group-run **primary health care clinics/hospitals**, **medical insurance**, **public health services** (eg, water)

Source: www.illovosugar.co.za; Illovo Sugar Limited Integrated Annual Report (2013); CSI Handbook 2013; Team Analysis

Large Corporates – Mintek



Company details	• **Founded**: 1934 • **Registration**: autonomous statutory organisation which reports to the Minister of Mineral Resources • **Headquarters**: Randburg, Gauteng • **Industry:** research and development (minerals) • **Operational locations:** across SA • **B-BBEE**: level 4 (2013/4)
CSI	• **CSI spend (2012/3):** not available • **CSI focus:** not available • **Example**: previously provided a medical clinic in assoc. with the Randburg municipal clinic and the Olive Leaf Foundation
Employee health and wellness	• Occupational **health and wellness** offered; **HIV/AIDS** outreach programmes; **peer educator programmes**

Source: www.mintek.co.za; Mintek Annual Report 2013; CSI Handbook 2013; Team Analysis

Large Corporates – Tiger Brands

Company details	• **Founded**: 1896 (as Tiger Brands Oats Limited) • **Registration**: JSE-listed • **Headquarters**: Bryanston, Gauteng • **Industry:** fast-moving consumer goods (FMCG) • **Operational locations:** 70+ sites across SA, other emerging markets (~22 countries) • **B-BBEE**: level 3 (2014)
CSI	• **CSI spend (2012/3):** ZAR 12.4M • **CSI focus:** food security, education, community and sanitation • **Example**: ZAR 6.6M to the Avril Elizabeth Home in a 21 year partnership
Employee health and wellness	• **HIV/AIDS principles and management framework** • Additional **health and safety adherence**, in line with industry

Source: www.tigerbrands.co.za; CSI Handbook 2013; Team Analysis

Large Corporates – ABSA

ABSA *"Barclays Africa Group Limited's (Barclays Africa) mission is to help build the skills of the next generation, enabling disadvantaged youth to fulfil their potential"*	
Company details	• **Founded**: 1991 • **Registration**: JSE-listed; wholly-owned subsidiary of the Barclays Africa Group • **Headquarters**: Johannesburg, Gauteng • **Industry:** financial services • **Operational locations:** across SA; Mozambique, Namibia, Tanzania, Nigeria, Zambia • **B-BBEE**: level 3 (2014/5)
CSI	• **CSI spend (2012/3):** ZAR 91.5M • **CSI focus:** financial literacy, youth development, enterprise development • **Example**: partners with DfWCPD[1] to invest in skills development for the blind and the deaf to enhance their employability (eg, St Vincent's School for the Deaf)
Employee health and wellness	• Has it's **own corporate health and wellness management service offering** (Absa Health Care Consultants)

Note: [1]Department for Women, Children and People with Disabilities
Source: http://absa.co.za; CSI Handbook 2013; Team Analysis

Mid-sized Corporates – Brandhouse Beverages

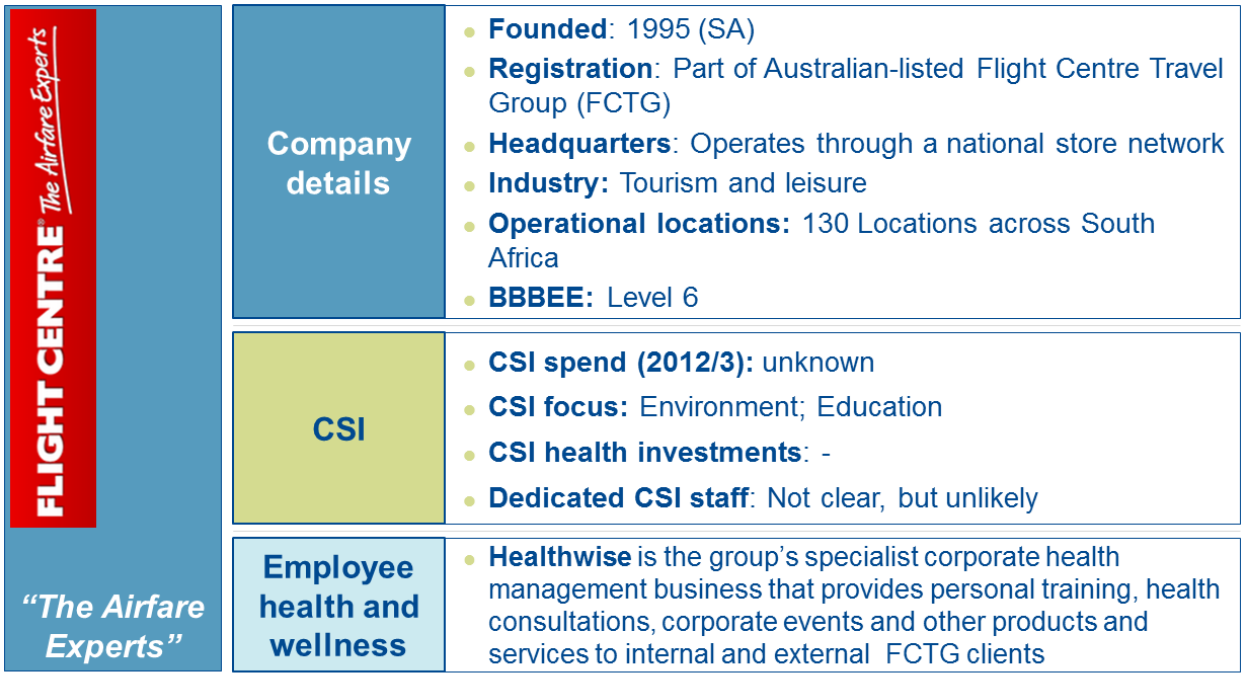
brandhouse celebrate the moment *"Celebrate the moment"*	
Company details	• **Founded**: 2004 • **Registration**: Joint venture between Diageo, Heineken International and Namibia Breweries Limited • **Headquarters**: Observatory, Cape Town • **Industry:** FMCG • **Operational locations:** Countrywide • **BBBEE**: Level 6
CSI	• **CSI spend (2012/3):** unknown • **CSI focus:** Responsible Drinking; Road Safety; Enterprise and Skills Development; Education; Upliftment of Disadvantaged Communities • **CSI health investments**: Responsible drinking • **Dedicated CSI staff**: Corporate Affairs Director
Employee health and wellness	• Diageo operating companies in Africa run HIV/ Aids workplace education and prevention initiatives, and provide treatment for employees and families through the ***Live Life* employee wellness programme** (includes education and awareness programmes; peer coaching; access to counselling and testing; healthy living and nutritional advice; and free anti-retroviral drugs) • Occupational health & wellbeing programmes vary by location and are run by local teams

Source: http://whoswho.co.za; www.brandhouse.co.za (accessed June 2014); Diageo Sustainability & Responsibility Report 2013; Team Analysis

Mid-sized Corporates – McDonald's SA

Source: www.mcdonalds.co.za (accessed June 2014); Team Analysis

Mid-sized Corporates – Flight Centre SA



Source: www.flightcentre.co.za; www.flightcentrelimited.com (accessed June 2014); Team Analysis

Mid-sized Corporates – TWP Consulting (now part of WorleyParsons)

Source: www.twp.co.za; www.worleyparsons.com (accessed June 2014); Oresome June 2013 (Company internal newsletter); Renewable Energy Wave Brings Hope To South Africa's Electricity Challenges, Engineering News, 18 June 2014; Team Analysis

Mid-sized Corporates – NMC Construction Group

Source: www.nmc.co.za (accessed June 2014); Team Analysis

Mid-sized Corporates – Pfizer Laboratories

Company details	• **Founded**: 1953 • **Registration**: Part of Pfizer Inc (world's largest research-based pharmaceutical company) • **Headquarters**: Johannesburg, Gauteng • **Industry:** Pharmaceuticals • **Operational locations:** Johannesburg • **BBBEE:** Level 6[1]
CSI	• **CSI spend (2012/3):** unknown • **CSI focus:** Health; Orphans & Vulnerable Children • **CSI health investments**: Bigshoes Foundation; Hospice; Pimville HIV/AIDS Call Group; Childline and SADAG • **Dedicated CSI staff**: Not clear
Employee health and wellness	• **Healthy minds lead to healthy bodies' campaign**: encourages employees to actively participate in a sport of their choice

Note: [1] Per 2012 information
Source: Pfizer Laboratories Advertorial Feature, Mail & Guardian, 17 October 2012; www.pfizer.co.za (accessed June 2014); Team Analysis

Mid-sized Corporates – Kelly, a division of the Kelly Group

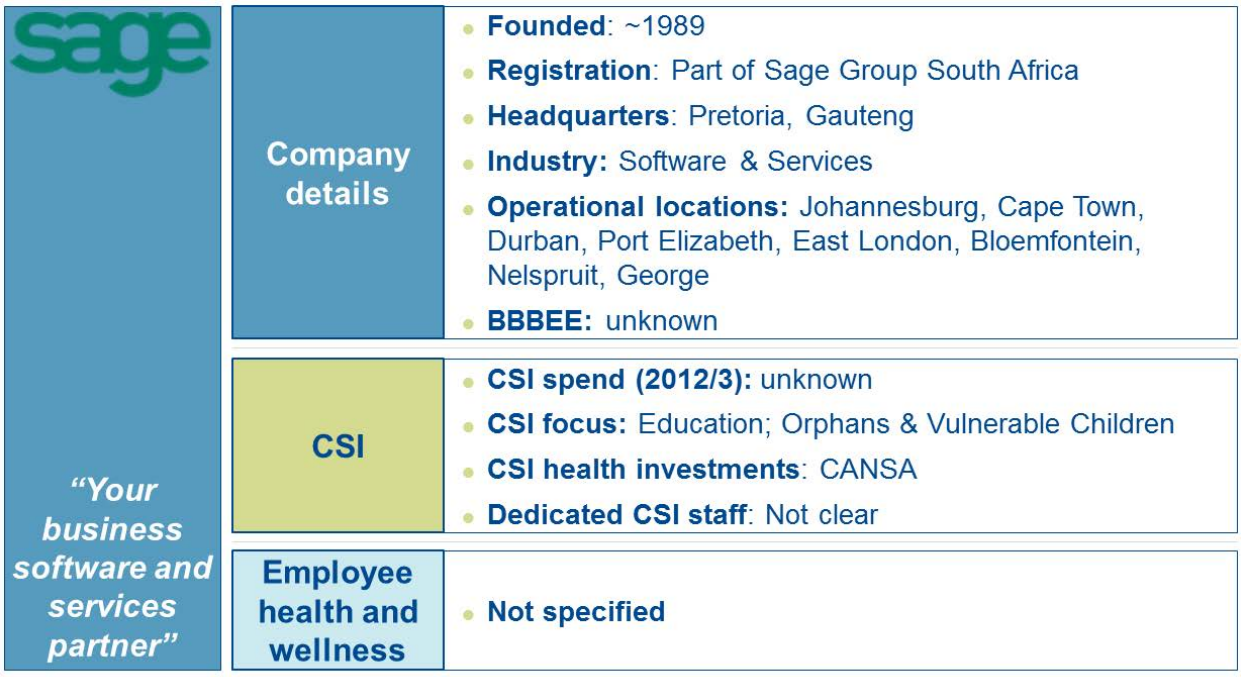
Company details	• **Founded**: ~1970 • **Registration**: A division of the Kelly Group Ltd • **Headquarters**: Johannesburg, Gauteng • **Industry:** Recruitment • **Operational locations:** Across six provinces in South Africa • **BBBEE:** Level 3
CSI	• **CSI spend (2012/3):** unknown • **CSI focus:** Education; Skills Development • **CSI health investments**: - • **Dedicated CSI staff**: Not clear
Employee health and wellness	• **Not specified**

Source: www.kelly.co.za (accessed June 2014); Team Analysis

Mid-sized Corporates – Bigen Africa Group Holdings

Source: www.bigenafrica.com (accessed June 2014); Team Analysis

Mid-sized Corporates – (Sage) VIP Payroll



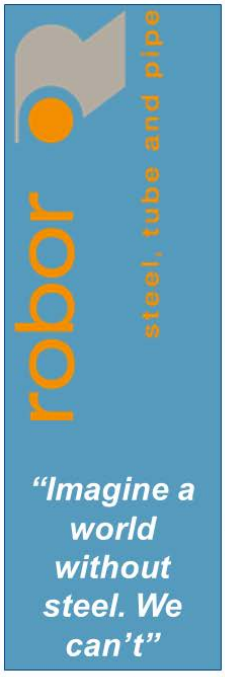
Source: www.sagesouthafrica.co.za; www.vippayroll.co.za (accessed June 2014); Team Analysis

Mid-sized Corporates – Quintiles Clindata

Company details	• **Founded**: 2012 • **Registration**: Subsidiary of ClinVet International. Good Clinical Practice (GCP) certified • **Headquarters**: Bloemfontein, Free State • **Industry:** Pharmaceuticals • **Operational locations:** Bloemfontein • **BBBEE:** unknown
CSI	• **CSI spend (2012/3):** unknown • **CSI focus:** Not specified • **CSI health investments**: unknown • **Dedicated CSI staff**: Not clear, but unlikely
Employee health and wellness	• **Not specified**

Source: www.clindata.co.za (accessed June 2014); Clindata Linked In Company Profile ; Team Analysis

Mid-sized Corporates – Robor



Company details	• **Founded**: 1922 • **Registration**: ISO 9001, ISO 14001 • **Headquarters**: Johannesburg, Gauteng • **Industry:** Manufacturing • **Operational locations:** Durban, Port Elizabeth, Bloemfontein, Mosselbay, Cape Town • **BBBEE:** Level 3-5 (rated at divisional level)
CSI	• **CSI spend (2012/3):** unknown • **CSI focus:** Education; Skills Development • **CSI health investments**: - • **Dedicated CSI staff**: Not clear
Employee health and wellness	• **Not specified**

Source: www.robor.co.za (accessed June 2014); Team Analysis

Mid-sized Corporates – CIB Insurance Solutions

Source: www.cib.co.za (accessed June 2014); Team Analysis

Mid-sized Corporates – Indwe Risk Services

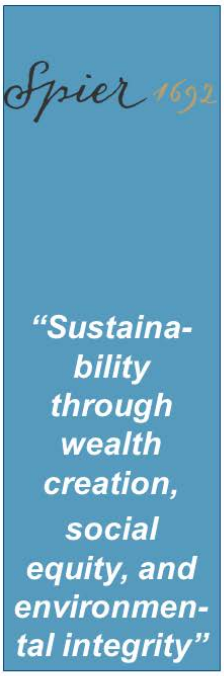
Source: www.indwerisk.co.za (accessed June 2014); Indwe Risk Linked In Company Profile; Team Analysis

Mid-sized Corporates – MiWay Insurance

Company details	• **Founded**: 2008 • **Registration**: Financial Services Provider • **Headquarters**: Midrand, Gauteng • **Industry:** Financial Services, Insurance • **Operational locations:** Midrand • **BBBEE:** Level 2 (as part of Santam Group)
CSI	• **CSI spend (2012/3):** unknown • **CSI focus:** Education (computer literacy) • **CSI health investments**: - • **Dedicated CSI staff**: Not clear. Have Compliance Officer and CSI contact person
Employee health and wellness	• **Not specified**

Source: www.miway.co.za (accessed June 2014); Team Analysis

Mid-sized Corporates – Spier



Company details	• **Founded**: 1962 • **Registration**: Cellar has ISO 22000 certification and is Fair Trade accredited; champion member of the Biodiversity & Wine Initiative (BWI); organically certified; follows the Integrated Production of Wine (IPW) criteria • **Headquarters**: 1,000 hectare wine estate in Stellenbosch, Western Cape • **Industry:** Food & Wine. Three business units: farming, leisure (hotel and banqueting) and wine-production • **Operational locations:** Stellenbosch • **BBBEE:** unknown
CSI	• **CSI spend (2012/3):** unknown • **CSI focus:** Environment (water); Enterprise Development; Social Justice; Community Development (livelihoods) • **CSI health investments**: - • **Dedicated CSI staff**: Social Investment Committee
Employee health and wellness	• **HIV/ Aids Wellness Clinic:** Free primary healthcare, occupational health and chronic medicine to workers; comprehensive offering includes HIV/ Aids counselling service, training and awareness

Source: www.spier.co.za (accessed June 2014); The Business of Bridging the Economic Divide: Corporate Social Responsibility in South Africa, Babarinde, Olufemi , http://citation.allacademic.com//meta/p_mla_apa_research_citation/0/7/0/2/0/pages70201/p70201-26.php; Team Analysis

Medical Aid/Insurance Providers – Discovery

Company details	• **Founded**: 1992 • **Registration**: JSE-listed • **Headquarters**: Sandton, Johannesburg • **Industry:** medical aid / insurance (Health, Vitality, Life, and Insurance), finance (Invest, Card) • **Locations:** across SA (2M+ members), UK, China, USA • **B-BBEE**; unknown
CSI	• **CSI spend (2012/3):** ZAR 32,8M • **CSI focus:** health and education • **Example**: partnered with UNICEF on 'Immunise SA' – 3-year programme to improve childhood vaccinations
Healthcare provision	• **Medical aid / health insurance** • Vitality **wellness program**; Wellpoint **corporate wellness program**
Employee health and wellness	• **Employee wellness program** • Access to **subsidised medical aid / health insurance**

Source: www.discovery.co.za; Discovery (2013) Sustainable Development Report; Discovery Integrated Annual Report 2013; CSI Handbook 2013; Team Analysis

Medical Aid/Insurance Providers – Bonitas

Company details	• **Founded**: 1982 • **Registration**: unknown • **Headquarters**: Florida North, Gauteng • **Industry:** medical aid / insurance • **Locations:** countrywide (650k+ SA members) • **B-BBEE**: unknown
CSI	• **CSI spend (2012/3):** unknown • **CSI focus:** conservation, health, sports • **Example**: Bonitas House Call, a medical TV talk show that seeks to educate, inform, advise on health matters
Healthcare provision	• **Medical aid / health insurance**
Employee health and wellness	• unknown

Source: www.bonitas.co.za; Bonitas Consolidated Annual Financial Statements 2012; Bonitas Annual Performance Highlights 2012; http://medicalaid-quotes.co.za/medical-aids/bonitas; CSI Handbook 2013; Team Analysis

Medical Aid/Insurance Providers – Medihelp

"Medihelp is one of the largest open medical aid schemes in South Africa. We provide quality, affordable medical aid cover to more than 220 000 South Africans"	
Company details	• **Founded**: ~1905 • **Registration**: medical scheme • **Headquarters**: Pretoria, Gauteng • **Industry:** medical aid / insurance • **Locations:** across SA (220k+ members) • **B-BBEE**: evaluation not required
CSI	• **CSI spend (2012/3):** unknown • **CSI focus:** unknown • **Example**: unknown
Healthcare provision	• **Medical aid**
Employee health and wellness	• unknown

Source: http://www.medicalaidonline.co.za/new/index.php; www.medihelp.co.za; Medihelp Profile (2012); CSI Handbook 2013; Team Analysis

Medical Aid/Insurance Providers – Medshield

Company details	• **Founded**: 1968 • **Registration**: medical scheme • **Headquarters**: Randburg, Gauteng • **Industry:** medical aid / insurance • **Locations:** across SA (190k+ members) • **B-BBEE**: unknown
CSI	• **CSI spend (2012/3):** unknown • **CSI focus:** unknown • **Example**: unknown
Healthcare provision	• **Medical aid, health insurance, related healthcare products**
Employee health and wellness	• unknown
"Always there for you"	

Source: www.medshield.co.za; Medshield Highlights Document for the Year Ended 31 December 2012; CSI Handbook 2013; Team Analysis

Medical Aid/Insurance Providers – Momentum Health

momentum

"We affect and enhance financial wellness for individuals, families and businesses"

Company details	• **Founded**: 1966 • **Registration**: part of the MMI Holdings Group • **Headquarters**: Centurion, Gauteng • **Industry:** medical scheme • **Locations:** across SA (unknown membership) • **B-BBEE**[1]: level 2 (2014/5)
CSI[1]	• **CSI spend (2012/3):** ZAR 28M • **CSI focus:** education, philanthropy, health, people with disabilities, vulnerable children, postgraduate bursaries • **Example**: Live the Future programme - forecasts impact of HIV/AIDS and range of possible futures for SA by 2025
Healthcare provision	• **Medical aid, health insurance, related healthcare products**
Employee health and wellness[1]	• Various **wellness programme**s and services • **HIV/AIDS policy**

Note: As for MMI Holdings
Source: www.momentum.co.za/health; Momentum Health Marketing Brochure (2014); CSI Handbook 2013; Team Analysis

Medical Aid/Insurance Providers – Sizwe Medical Fund

SIZWE MEDICAL FUND
Caring for the health of the nation

"Caring for the health of the nation"

Company details	• **Founded**: 1978 • **Registration**: not-for-profit open medical scheme • **Headquarters**: Johannesburg, Gauteng • **Industry:** medical aid / insurance • **Locations:** across SA (60k+ members) • **B-BBEE**: 100% black-owned
CSI	• **CSI spend (2012/3):** unknown • **CSI focus:** unknown • **Example**: unknown
Healthcare provision	• **Medical aid, health insurance, wellness programmes** (for members)
Employee health and wellness	• unknown

Source: www.sizwe.co.za; Sizwe Medical Fund Annual Report 2012; CSI Handbook 2013; Team Analysis

Medical Aid/Insurance Providers – FedHealth

"With a philosophy of providing top quality medical aid with value added benefits to members, FedHealth is a medical scheme that stands out"

Company details	• **Founded**: 1936 • **Registration**: medical scheme, administered by Medscheme • **Headquarters**: Randburg, Gauteng • **Industry:** medical aid / insurance • **Locations:** across SA (220k+ members and beneficiaries) • **B-BBEE:** level 2 (Medscheme)
CSI[1]	• **CSI spend (2012/3):** unknown • **CSI focus:** socio-economic and enterprise development related to health • **Example**: Leratong Hospital – funded examination beds, six resuscitation beds and a variety of medical equipment
Healthcare provision	• **Medical aid, health insurance, disease management** ('Managed Care Programmes'), **related products**
Employee health and wellness	• unknown

Note: [1]For the administrator, Medscheme, not for FedHealth
Source: www.fedhealth.co.za; FedHealth Corporate Brochure 2012; CSI Handbook 2013; Team Analysis

Medical Aid/Insurance Providers – Hollard Insurance

"Hollard. Because we believe there is always a better way"

Company details	• **Founded**: 1980 • **Registration**: private company • **Headquarters**: Parktown, Johannesburg, Gauteng • **Industry:** insurance, investment products • **Locations:** across SA, Zambia, Namibia, Mozambique, Botswana (6M+ policy holders in total) • **B-BBEE**: level 4 (2014)
CSI	• **CSI spend (2012/3):** ZAR 11M • **CSI focus:** ECD[1], education, youth development, community welfare, environmental conservation • **Example**: Kago Ya Bana programme seeks to improve access to early childhood development services
Healthcare provision	• **Life insurance**
Employee health and wellness	• **Employee wellness services** ('Hollsome wellness services')

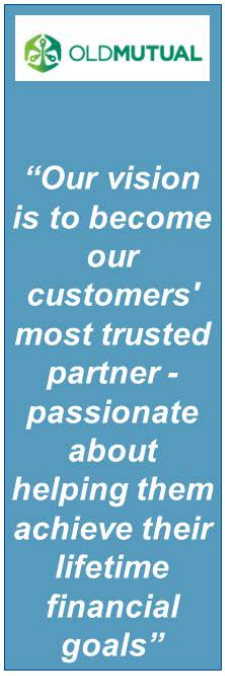
Note: [1]Early Childhood Development
Source: www.hollard.co.za; Hollard Integrated Annual Report (2013); CSI Handbook 2013; Team Analysis

Medical Aid/Insurance Providers – Alt Risk (Hollard partner)

Company details	• **Founded**: 1999 • **Registration**: division of Hollard Life Insurance • **Headquarters**: Parktown, Johannesburg, Gauteng • **Industry:** medical aid / insurance • **Locations:** across SA (177k+ members) • **B-BBEE**[1]: level 4 (2014)
CSI[1]	• **CSI spend (2012/3):** ZAR 11M • **CSI focus:** ECD[2], education, youth development, community welfare, environmental conservation • **Example**: Kago Ya Bana programme seeks to improve access to early childhood development services
Healthcare provision	• **Insurance cover for high-risk individuals**, such as HIV positive people who have been declined insurance from other providers
Employee health and wellness[1]	• **Employee wellness services** ('Hollsome wellness services')

Note: [1]For Hollard; [2]Early Childhood Development
Source: www.hollard.co.za; www.altrisk.co.za; CSI Handbook 2013; Team Analysis

Medical Aid/Insurance Providers – Old Mutual



Company details	• **Founded**: 1845 • **Registration**: JSE-listed (also listed on LSE and ZSE) • **Headquarters**: London, England • **Industry:** insurance, financial services • **Locations:** global (16M+ customers globally) • **B-BBEE**: level 2 (2013/4)
CSI	• **CSI spend (2012/3):** ZAR 177.1M • **CSI focus:** enterprise development, skills capacity building, education, staff volunteerism • **Example**: supports 'The Clothing Bank', which uses excess clothing from major SA retailers to teach business skills to unemployed mothers
Healthcare provision	• **Insurance**, investments, financial services products
Employee health and wellness	• **Medical aid, life assurance, employee preventative health and birth control programmes, gym / sports facilities**

Source: www.oldmutual.co.za; CSI Handbook 2013; Team Analysis

Medical Aid/Insurance Providers – Sanlam

"To become a vibrant emerging markets financial services business providing innovative long term saving solutions"

Company details	• **Founded**: 1918 • **Registration**: JSE-listed • **Headquarters**: Cape Town, Western Cape • **Industry:** insurance, banking, asset management • **Locations:** across SA and global • **B-BBEE**: level 2 (2014/5)
CSI	• **CSI spend (2012/3):** ZAR 34M • **CSI focus:** Health, welfare, education and training, sport, environmental conservation • **Example**: partners with the Regency Foundation on the HIV&Me programme in KZN
Healthcare provision	• **Insurance**
Employee health and wellness	• **HIV/AIDS policy, VCT campaigns**

Source: www.sanlam.co.za; CSI Handbook 2013; Team Analysis

Medical Aid/Insurance Providers – Santam

"At Santam, we believe in the simple principle that insurance should add value, not questions and uncertainty"

Company details	• **Founded**: 1998 • **Registration**: JSE-listed • **Headquarters**: Bellville, Cape Town, Western Cape • **Industry:** insurance • **Locations:** SA, Zimbabwe, Malawi, Uganda, Tanzania and Zambia • **B-BBEE**: level 3 (2013/4)
CSI	• **CSI spend (21012/3):** ZAR 10.2M • **CSI focus:** arts and culture, education, environment, health, youth, security • **Example**: partnered with UNICEF on the 'Safe and Caring Child-Friendly Schools' programme in Mpumalanga
Healthcare provision	• **Insurance**
Employee health and wellness	• **'bWell' wellness programme, wellness counselling, wellness days**

Source: www.santam.co.za; CSI Handbook 2013; Team Analysis

Medical Aid/Insurance Providers – AllLife

ALLLIFE *"To design and deliver innovative, affordable products to neglected life insurance market segments"*	**Company details**	• **Founded**: 2004 • **Registration**: xx • **Headquarters**: Sandton, Johannesburg, Gauteng • **Industry:** insurance • **Locations:** across SA • **B-BBEE**: unknown
	CSI	• **CSI spend (2012/3):** unknown • **CSI focus:** unknown • **Example:** unknown
	Healthcare provision	• life and disability **insurance** for **HIV+** / diabetic individuals
	Employee health and wellness	• unknown

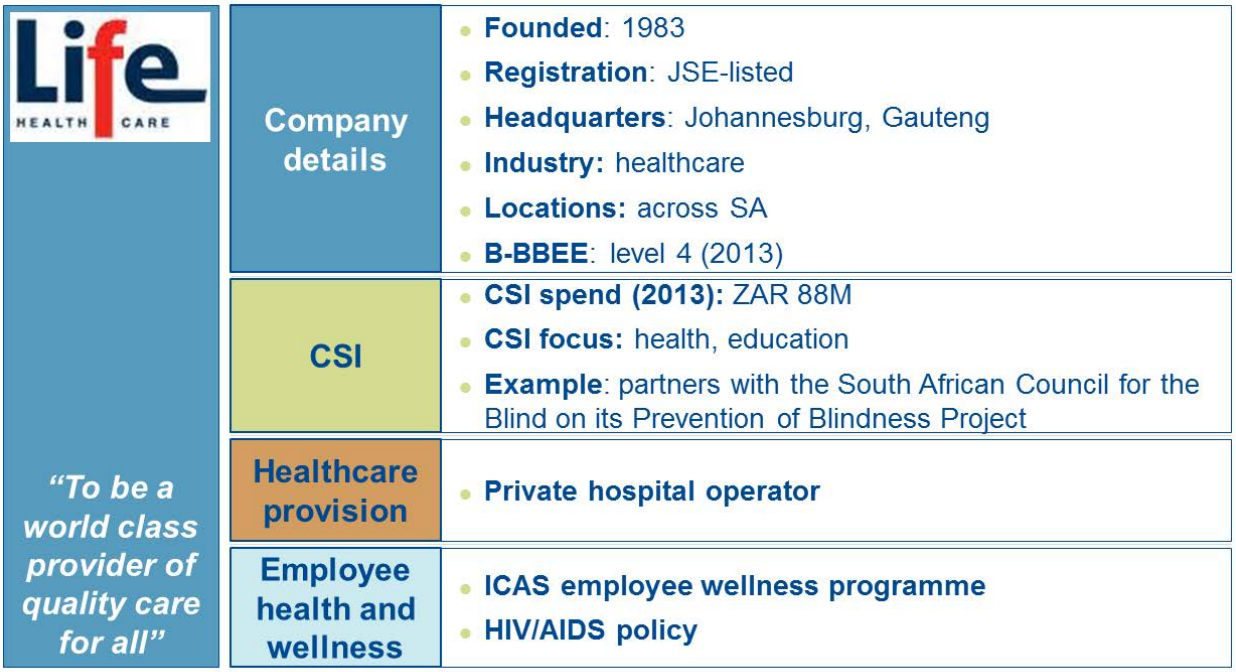
Source: www.alllife.co.za; CSI Handbook 2013; Team Analysis

Health Care Service Providers – Netcare/Medicross

NETCARE You're in safe hands MEDICROSS MEDICAL CENTRE *"Helping care for health of humankind"*	**Company details**	• **Founded**: 1996 • **Registration**: JSE-listed investment holding company (Netcare) • **Headquarters**: Sandton, Johannesburg, Gauteng • **Industry:** healthcare • **Locations:** across SA; UK • **B-BBEE**: level 2 (2013)
	CSI	• **CSI spend (2012/3):** ZAR 36M • **CSI focus:** Health, education • **Example**: established Sexual Assault Centres where medical and support services are provided to victims
	Healthcare provision	• Network of **medical and dental centres**
	Employee health and wellness	• **ICAS employee wellness program**

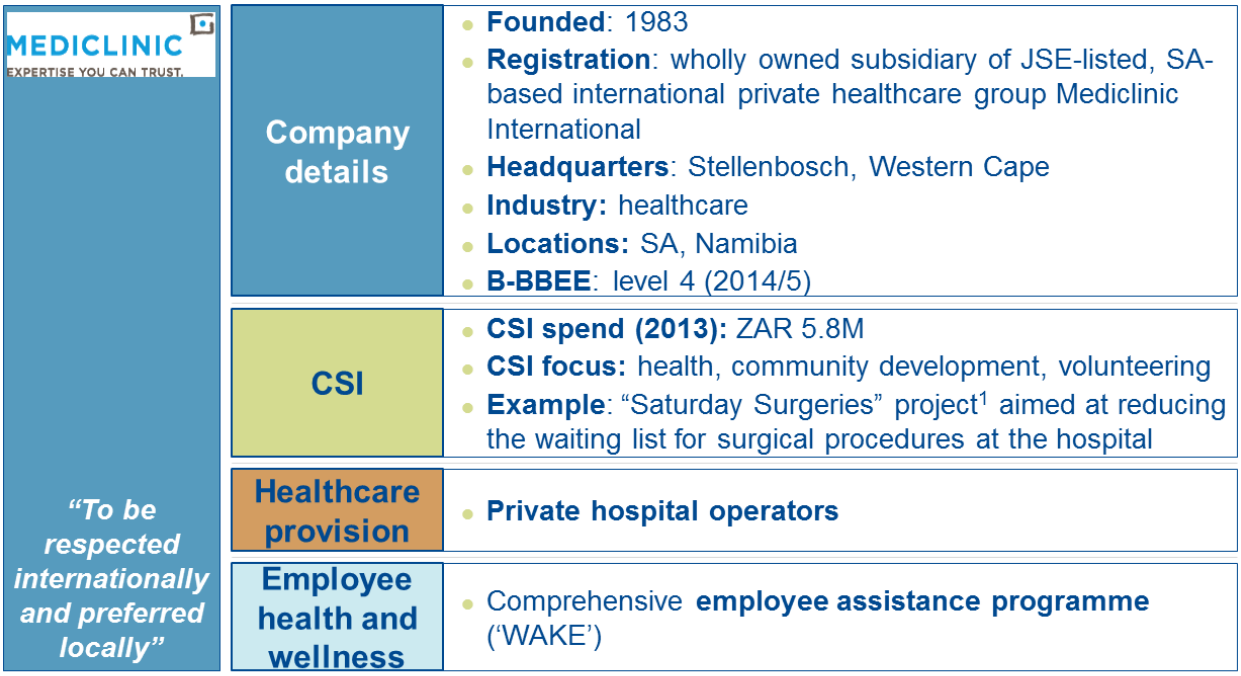
Source: www.netcareinvestor.co.za; www.netcare.co.za; www.medicross.co.za; Netcare Limited Company Profile, 2009; CSI Handbook 2013; Team Analysis

Health Care Service Providers – Life Healthcare



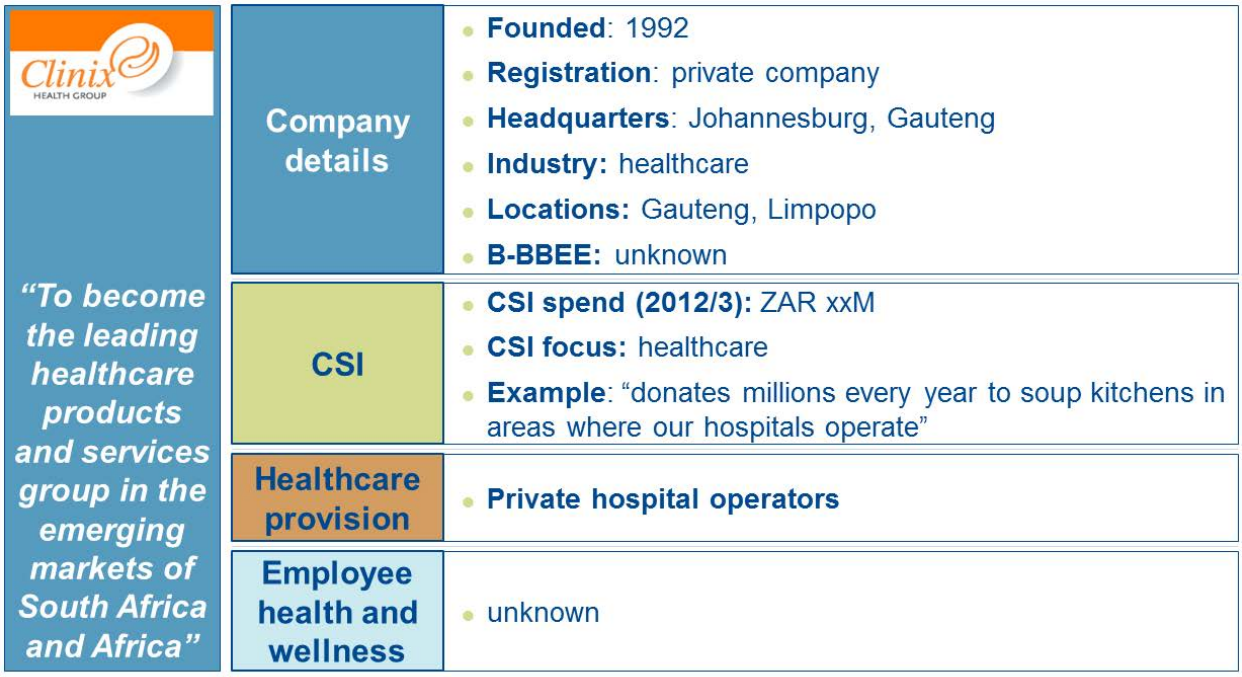
Source: Life Healthcare Annual Report 2013; www.lifehealthcare.co.za ; CSI Handbook 2013; Team Analysis

Health Care Service Providers – Mediclinic



Note: [1]With the Red Cross War Memorial Children's Hospital
Source: www.mediclinic.co.za; www.mediclinic.com; Mediclinic Integrated Annual Report 2013; CSI Handbook 2013; Team Analysis

Health Care Service Providers – Clinix Health Group



Source: www.clinix.co.za; CSI Handbook 2013; Team Analysis

Government Bodies – Department of Health

Mandate	Service provision	Employee health and wellness
• **Vision**: "A long and healthy life for all South Africans" • **Mission**: "To improve health status through the prevention of illnesses and the promotion of healthy lifestyles and to consistently improve the healthcare delivery system by focusing on access, equity, efficiency, quality and sustainability" • **Minister**: Dr Pakishe Aaron Motsoaledi	• **National department** manages and coordinates **provincial departments**, which **manage public health provision** in SA's 52 districts • **Major health priorities** include **re-engineering of PHC**, implementation of **NHI**, **HIV/AIDS**, **TB**, and **maternal and child health**	• Unknown

Source: www.health.gov.za; Team Analysis

Government Bodies – Department of Social Development

Mandate

- **Vision:** A caring and integrated system of social services that facilitates human development and improves the quality of life
- **Mission:** To ensure the provision of comprehensive social services which protect the poor and vulnerable within the framework of the South African Constitution and subsequent legislation; create an enabling environment for sustainable development; and deliver integrated, sustainable, and quality services in partnership with all those committed to building a caring society"
- **Minister**: Ms. Bathabile Dlamini

Service provision

- **Programmes**: Administration; Social Assistance; Social Security Policy and Administration; Welfare Services Policy Development and Implementation Support; Social Policy and Integrated Service Delivery
- Also overseas **NPO registration** through the Directorate for Nonprofit Organizations and is looking to increase NPO capacity

Employee health and wellness

- Unknown

Source: www.dsd.gov.za; DSD (2013) Strategic Plan 2012-2015; Team Analysis

ANNEX C: SCOPE OF WORK

SOUTH AFRICA PRIVATE SECTOR HEALTH ASSESSMENT SCOPE OF WORK, MARCH 13, 2014

Background and Context

The Republic of South Africa, a middle-income country with high levels of income inequality, has one of the world's most severe HIV epidemics. As of 2012, an estimated 17.9 percent of adults, or 6.1 million people nationwide, were estimated to be HIV positive.[3] This HIV burden has negatively impacted other health indicators, especially relating to tuberculosis (TB), maternal mortality, and under-5 mortality. This resulting mortality has also led to increased numbers of orphans and vulnerable children (OVC). Although South Africa's early HIV response was marred by denialism, in recent years, the South African Government (SAG), with strong support from PEPFAR, has mounted an aggressive campaign to increase rates of HIV counseling and testing, expand access to antiretroviral therapy (ART), reduce mother-to-child transmission, and provide strong support to OVC. With PEPFAR support, over 14.8 million people were tested for HIV in 2010–2011 alone and over 1.4 million people have been enrolled on ART[4]. Approximately one out of every five people enrolled on ART globally now lives in South Africa. The recently SAG-launched *National Strategic Plan for HIV, STIs, and TB (2012–2016)* contains even more ambitious goals, calling for further reductions in HIV infections, more increases in enrollment on ART, reduced HIV/TB infections, and decreased stigma and discrimination.

As the SAG implements this new strategic plan, South Africa will also transition to an entirely country-owned HIV response. In accordance with the South Africa and United States PEPFAR Partnership Framework signed in December 2010, the SAG will gradually administer HIV clinical care and treatment, as well as funding responsibility, for the public health system by the end of 2015. Simultaneously, PEPFAR will shift to a purely technical assistance role that focuses on HIV prevention and building the capacity of South Africa's public health system. As 1.1 out of the 1.4 million people receiving ART in 2012 did so through PEPFAR implementing partners, this transition presents several unique challenges for sustaining and further scaling up South Africa's HIV and AIDS response. In addition, many of these PEPFAR implementing partners are community-based non-governmental organizations (NGOs) with near total dependence on PEPFAR funding.

While the role of PEPFAR in South Africa evolves, South Africa's Department of Health is also embarking on an ambitious reform program to transform health care financing in the country. In August 2011, the SAG released a green paper that outlined its vision for a new National Health Insurance (NHI) program that would make drastic changes to the way that health care services are financed and provided. The proposed reforms are based on seven key principles: right to access, social solidarity, effectiveness, appropriateness, equity, affordability, and efficiency. Based on these principles, the new NHI program seeks to improve access to quality health services for all South Africans; creates a single risk pool to promote equity and social solidarity; becomes the main—and largest—purchaser of health care in South Africa to help control costs;

[3] UNAIDS. 2014. *UNAIDS AIDSinfo Database*. <http://www.unaids.org/en/dataanalysis/datatools/aidsinfo/>. Accessed 30 January 2014.
[4] COP12

and helps strengthen the public health system. In South Africa, NHI emphasizes strengthened primary health care services, provided through contracted public and private providers.

SHOPS Approach

South Africa has the largest and most developed private health sector in sub-Saharan Africa, as measured by the number of commercial health providers and the health care financed by the country's robust private medical aid schemes. In addition, South Africa is the economic powerhouse of the region, with a GDP of $384.3 billion, and a multitude of multinational corporations in diverse sectors including basic materials, consumer goods, telecommunications, and financial services. PEPFAR has engaged with the private health sector throughout its involvement in South Africa, mainly through contracting arrangements with private doctors to scale-up ART and through leveraging South African corporate philanthropy and skills to promote HIV prevention. However, a convergence of factors—including PEPFAR's transition in South Africa; new SAG policies towards the private health sector and corporate contributions towards HIV and AIDS; and the dramatic scale-down of other international donors funding HIV programs in South Africa—may present additional private sector opportunities for USAID/South Africa and its implementing partners.

To help USAID/South Africa prepare for the upcoming PEPFAR transition, the USAID-funded global Strengthening Health Outcomes through the Private Sector (SHOPS) project will convene a multidisciplinary team to conduct a focused private sector assessment (PSA) in the Western Cape and Gauteng provinces exploring three main inter-related questions. While the NHI debate currently underway in South Africa is arguably the most contentious and important issue facing the future of private sector health care in the country, this PSA will examine the NHI framework through the lens of understanding how these proposed reforms influence sustainability prospects for PEPFAR-funded NGOs. The three main areas of inquiry for this PSA include:

1. What are private sector opportunities and alternative revenue sources for USAID-funded health NGOs in Western Cape and Gauteng?
2. What is the future of HIV-focused corporate social responsibility (CSR) and private philanthropy in South Africa? What are opportunities for South African corporations and private philanthropists to sustainably partner with USAID-funded health NGOs?
3. Does the Department of Health's vision for NHI offer new opportunities and non-PEPFAR funding sources for USAID-funded health NGOs in South Africa? If so, what are these opportunities and what assistance is needed to actualize this potential revenue source?

The assessment team will consist of private sector experts based in South Africa, as well as technical content specialists, including in HIV prevention and health care financing, based in Washington, DC. Ilana Ron Levey, an Africa Regional Manager for the SHOPS project, will serve as team lead for the PSA and brings past experience leading complex, African PSAs combined with four years of residential professional experience in South Africa working in health-focused CSR programs.

Beginning in April 2014 through an anticipated six-month assessment period, the team will conduct a three-pronged approach:

1. **Desk Review and Scan of the Regulatory/Legal Environment**: SHOPS will begin with a comprehensive desk review of available literature that focuses on the development and rollout of NHI in South Africa; the legal and policy environment for NGOs and corporate engagement in the health sector; and a general background

analysis of USAID-supported health NGOs and the South African corporate environment. SHOPS will review legal and regulatory documents to assess how the SAG provides both incentives and disincentives for South African corporations to provide HIV services for employees as well as partner with HIV-focused NGOs. Secondary literature review and the regulatory/legal scan will shed light on how proposed NHI reforms and the resulting policies and regulations will affect the operating environment for both the public and private health sectors. In particular, new taxes and tax incentives could potentially change how private businesses approach CSR and workplace health programs. In turn, these changes could impact the ability of USAID-funded NGOs to sell their health and wellness services to South African corporations. Additionally, an increased emphasis on primary health care and prevention services could present NGOs with new opportunities for contracting with the national and provincial Departments of Health.

2. **Demand-Side Landscape Analysis**: SHOPS will conduct a focused landscape analysis of corporations in the Western Cape and Gauteng. Informed by the desk review, SHOPS will select a sample of South African corporations (based on geography, industry, size, and past CSR/health expenditures) to collect information on their current and potential future demand for health and wellness services, as well as trends in CSR financing. This area of inquiry will assess major corporate buyers of HIV services; their buyer purchase criteria and behavior; their propensity to use existing NGOs vs. other providers (e.g., private hospitals); how their behavior and interests change based on providing medical aid cover—or not; and willingness to pay for health services for employees.

To conduct the demand-side analysis, SHOPS will conduct in-person interviews with the selected corporations to identify and explore promising models for partnering with health NGOs. Certain corporations may be re-visited for longer, more exploratory “deep-dive” conversations to discuss these models in depth.

In addition, SHOPS will identify key SAG policymakers at the national and provincial levels; HIV-focused private philanthropists; and CSR umbrella organizations and advocacy groups for key informant interviews. The interviews will seek to further clarify the evolving opportunities and challenges that a convergence of transitions in South Africa presents for USAID-funded NGOs, and will help us assess the full spectrum of demand for health NGO services.

3. **Supply-Side Analysis and Key Informant Interviews**: SHOPS will use pre-determined criteria (e.g., geographic location, services offered, and funding levels) to cluster USAID-funded health NGOs in the Western Cape and Gauteng and subsequently interview a sample of them to map the market of major organizations active in South Africa. This mapping will outline the economics, provision dynamics, private sector linkages and experience, and income diversification plans of USAID-funded NGOs. This area of inquiry will include a competitor analysis to identify how USAID-funded NGOs fare along selected dimensions (e.g., pricing, service range, geography) against competitor organizations including for-profit facilities and onsite workplace clinics. Finally, the supply-side analysis will segment interviewed USAID-funded NGOs by size and prospects for market opportunities.

This supply-side analysis will yield an overview of sustainability possibilities for NGOs as a whole. We will segment the NGO sector by opportunity type and will make general recommendations and observations about market possibilities for USAID-funded NGOs. While it is beyond the scope of this assignment to provide detailed recommendations for each individual NGO, we will provide examples of sustainability opportunities for at least a few NGOs, based on

demand-side findings. In addition, we expect to identify and explore promising models for NGO engagement with the corporate and government sector, and will explain those models in depth.

SHOPS will design the interview instrument and pre-test it, and our local consultants will apply the instrument to a representative sample of NGOs. SHOPS will use the data gathered by our South Africa-based team to prepare the final deliverables.

Based on the results of the above three interdependent areas of inquiry, SHOPS will develop an internal strategic plan for USAID/South Africa that outlines actionable recommendations and steps to improve prospects for income diversification and private sector linkages for USAID-funded NGOs during the PEPFAR transition. In addition, we will prepare an externally-facing summary document that will capture and describe the key findings and recommendations gathered by this assessment. Both documents and our key recommendations will be presented to and discussed in-person with USAID/South Africa (and invited participants of their choosing) at the conclusion of the activity.

ANNEX D: CORPORATE AND FUNDER INTERVIEWS

The following are potential clients and funders that were interviewed for this report.

1. Sun International
2. Tsogo Sun
3. Reunert
4. NMC
5. Momentum
6. Eskom
7. Woolworths
8. RMB
9. JSE
10. AON
11. Chamber of Mines
12. Hollard
13. Aveng Group
14. EY
15. Aid for AIDS
16. Discovery
17. Life Healthcare
18. Tshikululu Social Investment
19. Independent CSI Specialist
20. Cadiz Asset Management
21. South African National AIDS Council
22. National Treasury
23. National Department of Health
24. Gauteng Provincial Department of Health

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