



IPASA

INDEPENDENT PHILANTHROPY
ASSOCIATION SOUTH AFRICA

EMPOWERING THOSE COMMITTED TO EMPOWERING OTHERS

SmartStart

The Role of Funders from Incubation to Scale

IPASA COLLABORATION CASE STUDIES

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Introduction

IPASA, with support from the Bill and Melinda Gates Foundation embarked on a series of six workshops in 2023 to explore collaboration in philanthropy. Three of the workshops were hosted online as open-sector workshops, and the remaining three workshops were held in-person in Cape Town, Durban and Joburg, for the members of IPASA and the National Association of Change Entities in Education (NASCEE). The workshops comprised a deep-dive exploration of:

- What's happening in South African philanthropy when it comes to collaboration?
- What are we learning: what's working? What can we do better? And what do we still need to figure out?
- What's next: How can we take collaborative philanthropy to the next level?

In addition to the workshops, IPASA has commissioned three case studies of different philanthropic collaborative approaches, of which this is the second. SmartStart has been selected in order to explore the role of funders at different stages of an organisation's development, from incubation to scale. Many thanks to Grace Matlape, Carley Symms and Siven Maslamoney who availed their time and generously shared their insights and perspectives for this case.

Background and rationale

Access to early learning opportunities is out of reach for 48% of children in South Africa¹, and this was even worse when SmartStart was established in 2015. The organisation aims to address some of the underlying problems contributing to the lack of affordable, quality early learning programmes, including the shortage of early learning programmes and trained and licensed practitioners, by building a national delivery platform.

The SmartStart Early Learning Programme aims to:

- Expand access to quality early learning for all children between 3-5 years old
- Improve children's readiness for learning, school performance and life success
- Build a network of Early Learning Practitioners – smart, caring individuals from local communities who are recruited, trained, and licensed and supported by SmartStart and its partners

The organisation supports a rapidly expanding nationwide network of Early Learning Practitioners who are licenced by SmartStart to implement SmartStart's quality early learning programme to children aged three to five years.

SmartStart's strategy entails closing the gaps of supply of services and funding that stand between quality early learning opportunities and the children who need them. With a goal of reaching 1 million children by 2030, SmartStart has to date trained 9,000 practitioners and reached 101,450 children. This has been achieved by developing a dynamic social franchise, whereby SmartStart partners with public, private, and community-based organisations. Community-based NGOs operate as SmartStart Franchisors, with responsibility for driving recruitment, employing SmartStart Club coaches, and providing support and quality assurance to SmartStart practitioners.

SmartStart was established in 2015 by a group of funders with a shared vision for dramatically increasing access to early learning opportunities. These funders' roles and practices have necessarily had to shift as the organisation grew from an idea in incubation into an independent organisation standing very much on its own feet. Their roles and practices continue to shift as the organisation expands and scales, and it is the lessons learned through this journey that this case study aims to unpack.

¹ Department of Basic Education & Human Sciences Research Council. (2021). 2021 South African Early Childhood Development (ECD) Survey. Pretoria, South Africa: Department of Basic Education.



Establishment and players

While SmartStart has an impressive group of current funders and partners², the focus of this case study is on those involved from the organisation's early incubation; namely:

1. DG Murray Trust (DGMT)
2. The ELMA Philanthropies³
3. Yellowwoods and the Hollard Trust

HOW IT STARTED

SmartStart's incubation happened in two phases. Before SmartStart was an entity or even had a name, these funders had begun investigating potential solutions to respond to the need for a large-reach early learning programme.

"This important time was donor led and facilitated generous investment in the thinking and strategy from the beginning. Thinking about curriculum, scaling mechanisms, and bringing in, for example, franchising experts. It is thanks to this stage of incubation that the conceptual foundation was strong."

Grace Matlape, Chief Executive Officer

"Yellowwoods hadn't worked closely with the other funders before, and we were invited to co-create and design an initiative to scale quality access to early learning. We entered a journey of problem solving: defining the problem, reframing it, thinking hard about modelling, and investing in a start-up strategy. This led to a shared vision and strong buy-in."

Siven Maslamoney, Manager: Inclusive & Sustainable Growth Portfolio at Yellowwoods Ventures Investments

The second phase of incubation involved registering the organisation and appointing a CEO. During this phase, a partnership was formed between DGMT, ELMA Philanthropies and Yellowwoods. Individuals from these funding bodies comprised SmartStart's founding board, and Yellowwoods held the organisation's incubation in this phase, providing back-end services and financial management. Hollard

provided free office space and services through their various partners⁴.

"The incubation was amazing; a real gift for any new CEO, no matter how experienced you are. It meant that I could focus on the core of the programme without having to worry about fundraising and building the systems that hold an organisation together."

Grace Matlape

The first few years involved testing the assumptions from the design phase. The initial thinking was around a pragmatic, light-cost and light-time model enabling quality learning for as many children as possible. In going to market it materialised that some of these early assumptions were flawed. As parents have a voice in choosing the model for paying fees, they largely rejected the minimum dosage playgroup model, as the value proposition to mothers is childcare, and not necessarily just early learning. Bringing these together was a lot more difficult than initially anticipated and led to dramatic unit cost per child changes as it transpired that one practitioner can reach only 6 children per week rather than 24.

"If we didn't have the backing of these funders who approached the journey from the standpoint of learning together, it would have been a very difficult time. The funders were going through all of this along with us and reflecting on the learnings in strategic and board meetings... this made a big difference."

Grace Matlape

By looking at Early Learning Outcomes Measure (ELOM)⁵ outcomes and dosage data, the team could investigate children's progress and compare results from the minimum dosage versus a full-time classroom-type setting with 15 children. They learned that small ratios yield good outcomes, and a full day produces more. The evaluation data confirmed important elements of the shape of the model and the approach, and they were then able to bring other funders on board.

² Current funders include Imaginable Futures, First Rand Foundation, Hollard Trust, JP Morgan, ELMA Philanthropies, Grand Challenges Canada, LGT venture philanthropy, Jobs Fund, Nikela Trust, Department of Social Development, Letsatsi Solar Park Trust, Nedbank, Lesedi Solar Park Trust

³ SmartStart is funded by The ELMA Foundation and The ELMA Philanthropies are the services arm of The ELMA Group of Foundations.

⁴ Yellowwoods holds significant shareholding in Hollard. Both companies support the Hollard Trust, which is managed by Yellowwoods' impact team.

⁵ The ELOM is a South African population-based child assessment tool that measures a range of developmental outcomes. For more information see: <https://datadrive2030.co.za/data-tools/>

Progress to date

In 2015, SmartStart served 1,000 children and families. By 2020 the organisation was serving 10,000 children and families.

SmartStart is now an independent and well-established, large organisation. The organisation has moved all of its services in-house, grown and professionalised its team, and requires decreasing levels of operational involvement from the founding funders, who have continued to serve as board members.

As it grew and began working with many more funders and stakeholders, the way in which the founding funders engaged with SmartStart had to evolve, as did the board structure, to reflect additional groups of stakeholders beyond incubation funders.

"When you're out of start-up phase and working with many other stakeholders, it requires a changed relationship with your incubation phase funders, and the composition of the board needs to reflect more voices. As stakeholders go, impact investors are important, but they're one group of stakeholders. Additional factors to consider in board composition include a government perspective, a good Broad-Based Black Economic Empowerment (BBBEE) profile, racial and gender balance, and balancing urban and rural voices."

Grace Matlape

When the ECD function shifted from the Department of Social Development (DSD) to the Department of Basic Education (DBE) in 2022 SmartStart reached out to the DBE and seconded a senior team member into its national office. SmartStart's post-startup five-

year strategy aimed to achieve a population-level shift in quality access through a deeper understanding and shifting of barriers to access, including regulatory and policy factors.

LOOKING FORWARD

SmartStart aims to reach 1 million three- to five- year-olds who do not participate in out-of-home early learning programmes. The organisation is working to establish a national platform and strong public private partnerships to achieve this goal.

Internationally, most ECD service provision is funded by the state but implemented privately, and SmartStart provides part of the solution for what the government is working to achieve in early learning. In the next five years, the organisation hopes to build a strong public-private partnership with the DBE and possibly even the Presidency, as well as the Economic Cluster of government departments. Through these collaborations, SmartStart is advocating for the ECD sector -- highlighting the short-, medium- and long-term economic benefits of ECD for the country -- while at the same time, leveraging philanthropy funding to enhance quality and build in accountability mechanisms.

SmartStart has built a decentralised social franchise capability, and offers a platform for the delivery of quality, affordable ECD services, with a focus on outcomes and efficiencies. The organisation and its funders are constantly applying 'scale thinking', in looking to keep unit costs down while increasing reach and impact.





Lessons learnt

THERE IS NO ONE RECIPE FOR FUNDER-LED INCUBATION

SmartStart is funded by funders who have been involved in incubating a number of initiatives in the ECD space, including Ilifa Labantwana, Innovation Edge and Grow Great. Each has had a very different journey and evolution.

"There is no cookie-cutter approach to incubating an intervention. Each of the incubation journeys we have embarked on in the ECD space has had a different structure and evolution. There is no one way to do this."

Carley Symms, Director of Programmes, Elma Philanthropies

TRUST, COMMON VISION, SHARED UNDERSTANDING, FLEXIBILITY AND DIVERSITY ARE KEY

The SmartStart journey came off the back of two other journeys that DGMT and ELMA Philanthropies had embarked on already, and the idea for SmartStart came out of the work being done by Ilifa Labantwana, Innovation Edge and Yellowwoods' work with Kago Ya Bana. This provided the funders with a few years of figuring out how best to work with one another in a way that enables these kinds of opportunities: those that don't yet exist but are missing or would be valuable to a system.

i. Unrestricted, core grant funding is vital for incubation

Unrestricted philanthropic investments enable organisations to be quick-footed, responsive, and learning-focused. This kind of funding can be a powerful catalyst to drive innovation and responsiveness to context.

"If we'd had restricted funding in the first three years it would have been very difficult to be responsive to changing context, opportunities, and challenges. In addition, funder management is an additional burden to the system, so when the funds are restricted to certain line items, and there is special reporting on funder-specific indicators, a leader is likely to focus on meeting funder commitments rather than responding to market dynamics."

Grace Matlape

ii. Restricted funding shifts implementers' attention from their core business

From the fourth year onwards, SmartStart began to receive restricted funding from both philanthropy and Corporate Social Investment (CSI), which came along with many conditions and reporting requirements.

"We learned that a lot of this restricted funding really requires careful management as it can move your attention from core business. Rather than being in the business of expanding access to quality learning, you're now involved in the business of the funder, and are now concerned with their concerns and indicators, for example, x people trained or x chairs bought. This can be risky and time consuming."

Grace Matlape

iii. Work with diversity

While the core group of funders share interests and a vision for ECD, they are also quite different. This diversity is important, and while different perspectives and ways of working can make collaboration challenging, working with diversity is necessary to achieve significant impact.

COLLABORATING FOR IMPACT REQUIRES A COMMITMENT TO ACHIEVING MILESTONES AND OUTCOMES

Real collaboration needs to go far beyond photo opportunities, handshakes, and Memorandums of Understanding (MoUs). The rubber really hits the road when it comes to implementation and delivering measurable impact.

"Just 'working together' isn't enough; to achieve significant impact, funders need to engage in real work: planning, committing to milestones, and delivering on them"

Siven Maslamoney

i. Focus on the child and child outcomes

Rather than a charitable giving approach, we need to focus on investing in child outcomes.

"We need to get beyond sentiment and be focused on child outcomes in the same way that



we are in our own enterprises. We now have scientific and practical ways to measure ECD outcomes, with a publicly endorsed framework. We need to move beyond funding the child as a charity case, to invest in the delivery of child outcomes and in building human capital.”

Siven Maslamoney

ii. Work towards shared outcomes

An open ecosystem is needed, and collaboration doesn't require that everyone is working programmatically together with the same curriculum or approach. It also doesn't require that all funding is pooled and that everyone meets regularly. Diversity of approaches and ways of working are important in an ecosystem that is constantly shifting and requires responsiveness and flexibility. The DBE's national plan to 2030 will also provide a strategy around which the ecosystem can collaborate, and child outcomes provide the architecture around which diverse approaches can position themselves.

“... child outcomes provide the architecture around which diverse approaches can position themselves.”

PUBLIC FUNDING IS CENTRAL FOR SCALE

While accessing government funding introduces onerous restrictions that are very difficult to work with, it is an important milestone for any organisation hoping to achieve scale. In most instances, it is best to tap public funding only once a model has been crystalised, with assumptions confirmed and impact measured. SmartStart accessed funding from the North West provincial government as early as 2017. Initially, the partnership was difficult and unpredictable, and philanthropy funds were earmarked as a back-up in the event that the public funding fell through. Now, many years on, and with the function held by the DBE, the partnership is well-established and strong.

“Achieving significant impact is impossible without collaboration with Government. Even if you took the entire coalition of IPASA it's still not enough to

achieve sustainable impact. So, while the private sector and donors are important, we need contributions from parents paying fees, and from the State. Poverty is a real constraint; we need to tap into public financing for citizens and organisations.”

Siven Maslamoney

i. Jobs Fund investment as an important advocacy tool

SmartStart first accessed Jobs Fund money in 2019, which was a very important and deeply enabling foot in the door to government funding. While Jobs Fund money is onerous to receive in terms of the conditions and reporting requirements, if organisations can boost their capacity and systems to manage it well, it can be a powerful advocacy opportunity as it is managed by Treasury. SmartStart was able to leverage their first Jobs Fund investments as a catalyst for further public funding.

ii. When attracting public funding and support to scale, organisations need to be seen as independent from their initial investors.

While close partnership with incubation funders is extremely beneficial in the early stages, it can become a hindrance when trying to scale through other partnerships if the organisation is perceived to be too closely enmeshed within a particular company or brand.

“For government to see SmartStart as a real viable solution for ECD, we need to be independent and can't be seen as part of business.”

Grace Matlape

iii. Funders' scepticism about government can be a hindrance

Philanthropy organisations often hold a deep scepticism about Government, which can be a major barrier to the establishment of systemic, scalable solutions.

“There is no way philanthropy is going to take on all costs of ECD across South Africa. We have to invest in enabling government to be that player and enabler of ECD at policy, finance, and systems levels. It can take a long time to get business and some philanthropic foundations to overcome their



bias about Government; sometimes one can't even break down that bias. It's important not to give up because philanthropy funding effectively catalyses more sustainable government funding."

Grace Matlape

iv. **Systems change requires tapping into the full range of financial instruments**

The coalition of funders is working to really understand the different kinds of financial instruments available,⁶ and to create a richer mix of blended financing.

v. **Humility is key**

Philanthropy backing provides important reassurance to the state that an intervention is sustainable and is vital when looking to establish public private partnerships. However, funders need to have humility and be able to recognise that sometimes their being in the room makes negotiations with government more difficult.

vi. **Philanthropy can play an important role in boosting government capacity**

DGMT, ELMA Philanthropies and Yellowwoods have reached out to the DBE to offer institutional strengthening support, to help government with data-informed, population-based planning for ECD in South Africa. They are helping to build models and strong data systems that will help us know when we are succeeding as a country in our efforts to reach universal ECD access by 2030.

vii. **We need to learn more about execution at scale**

There are a plethora of good ideas and innovations in ECD. However, in South Africa what we really need to learn about is how to execute at scale: what this takes, and how to achieve it effectively.

"We often learn the wrong things from Randomised Control Trials (RCTs). It's not the smart, innovative programmatic approach or curriculum that the ECD sector needs to learn about, but rather how to execute at scale. And

in order to do this, we need a big lab. A lab of 300,000 children is better than a lab of 20,000."

Siven Maslamoney

UNDERSTAND AND MANAGE FUNDERS' EVOLVING ROLES OVER TIME

The tensions in balancing founding funders' roles between funding, governance and operational oversight evolve over time as an organisation grows. While the founding funders were very much involved in operational management and oversight in the early years, their role has changed to more systemic inputs.

i. **Prioritise partnership over compliance**

"It is important that one takes off the donor compliance hat. From the beginning you are here as a partner and not as a compliance funder."

"It is important that one takes off the donor compliance hat. From the beginning you are here as a partner and not as a compliance funder. Then, shifting roles in response to an organisation's developmental phases and needs is a slow and difficult process; it's not linear, and we often have to rejig. We continually check in around how we can best add value and what role we should be playing. The founding funders are still engaged, and feel ownership, and none are arms-length funders. We're all very active in the early learning space and looking to solve things systemically but not operationally."

Carley Symms

ii. **The boards of philanthropic organisations can hinder collaboration**

Boards tend to have their own interests, requirements, and strategies, and usually require of their executive teams that they demonstrate the organisation's value-add and impact. Needing to demonstrate attributable impact of funds spent within a specific timeframe can hinder collaboration with other funders.

6 Available instruments range from corporate donations to results-based financing, as well as public financing instruments such as subsidies, stipends, and infrastructure grants.



RATHER THAN A MICRO-ATTRIBUTION APPROACH, WORK ECO-SYSTEMICALLY

SmartStart's founding funders have adopted an ecosystem approach as opposed to requiring attribution, by providing institutional support funding with general support grants.

"We are fortunate to be working with like-minded funders who aren't having to demonstrate their value in a way that is punitive to partners. We seek to create space and room with our investments, rather than narrow attribution. Rather than requiring that our partners demonstrate linear causal effect, we do retrospective reviews to look at the changes that have occurred over time."

Carley Symms

i. Fund institutions rather than projects, and keep reporting to a minimum

Project-based funding often reflects the strategies and needs of funders over those of implementing organisations. However, if we are serious about strengthening the sector, we need to invest in strengthening its institutions, and enabling them to grow, deliver impact and sustain themselves.

"We want to fund a few core, key institutions that add value beyond themselves and into the ECD space. We set about backing the leadership of these institutions, by providing them with multi-year core funding, with a contribution of a certain percentage of their overall budgets. We do not require any new financial reporting just to us but align with their normal board reporting. We ask them to identify five measures of success – things they're already looking at, with data they're already collecting."

Carley Symms

ii. Make informed decisions when deciding which geographies to fund

"We shouldn't be funding what's close to our offices, or the most rural community because it's far away. We need to geographically map the need, and then collaborate effectively around this, focusing on critical mass."

Siven Maslamoney

FUND FOR THE LONG TERM, BE EXPLICIT ABOUT YOUR NEEDS UP FRONT AND DO NOT FEAR FAILURE

In order for SmartStart to reach where it is today has required high levels of commitment, flexibility, and transparency from its founding funders.

"Commit to a ten-year vision... something like this is never going to take off in two years. You need to give room for growth mistakes and to be very flexible in the beginning years. When it comes to funding arrangements, it is important to establish a big picture vision, establish clear expectations and outline a clear commitment. The boards of each collaborating funder need to agree upfront to multi-year investments. Each funding partner needs to be frank about their capacity and constraints, and to recognise what they truly bring to the table. Each needs to be explicit with the others around their needs to comply with their own board requirements."

Carley Symms

i. Fund organisations to hire high-capacity people who are properly paid

In order to attract and retain the high-capacity people needed to build successful organisations, they need to be competitively remunerated.

"Organisations that are properly backed can bring in the resources they need to mature. Strong skillsets are needed to build and run effective organisations, and unless an organisation is able to recruit and pay its high-skilled people well, the organisation will either be unable to deliver, or the key staff are going to move on."

Carley Symms

ii. Back an existing, well-developed strategy rather than reinventing the wheel

Yellowwoods is collaborating with a UK-based foundation that aims to do similar work in South Africa, and shares the company's catalytic approach and vision for scale. Rather than allocating 15 to 20% of their funding to establishing and maintaining a new entity in South Africa, the foundation has set about backing Yellowwoods instead.

Conclusion

SmartStart's funding journey provides a compelling example of what is possible when funders have a common vision and put in the time to build trusting, collaborative partnership. SmartStart's social franchise model could be leveraged for social development more widely beyond ECD.

From enabling research, testing and innovation at the onset, and supporting organisational establishment and operations in the early years, to enabling systemic shifts and high potential public private partnerships for scale, this journey has required from its funders high levels of engagement, commitment, and reflexivity every step of the way.

With their relentless commitment to delivery, and strong relationships built through learning and iterating together, this group of funders is having a significant impact on the ECD sector at large.

While the core funders work closely with one another in supporting SmartStart, they are also part of a much broader coalition that is working on the national ECD plan for 2030 together with Government. With their eyes on universal access, these funders are investing in other initiatives in the sector, and working with government at all levels, from local municipalities, to the National DBE, Treasury, and the Presidency.

“There is insufficient muscle for collaboration, and we need to build it with practice. In order to do this, we need to be patient with one another, but to act with urgency.”

“There is an invitation to collaborate on a national plan of action and to start building. It's going to be messy; it won't be neat, and we need to sign up for diversity and we need to be open. There is insufficient muscle for collaboration, and we need to build it with practice. In order to do this, we need to be patient with one another, but to act with urgency.”

Siven Maslamoney

