



## Mondi Zimele: Encouraging independence through enterprise in South Africa

### Summary

Mondi is an international packaging and paper group, employing 26,000 people in production facilities across 31 countries. With its operations located in central Europe, Russia, the Americas and South Africa in mind, Mondi has declared itself committed to creating value and improving the livelihoods of its communities. This can be witnessed in numerous social engagement projects in healthcare, poverty alleviation and education.



Perhaps the most successful of Mondi's initiatives is Mondi Zimele, part of Mondi South Africa, which addresses the limited economic opportunities of rural communities through job creation and small business development.

Recent official South African statistics have estimated national unemployment levels at over 25%, with rural areas especially vulnerable due to recent substantial job losses in the agricultural sector. Marginalization due to poor education and skills training, lack of infrastructure as well as remoteness are among the barriers to employment in rural regions. With its first operations launched in South Africa, Mondi's roots have long been both witness and part of the changes in the region's environmental and economic landscapes. The company therefore recognized the potential that small business development offers in helping to combat rural unemployment.

Mondi Zimele was created in 2007 to provide small business loans, start-up capital as well as business development expertise to support new market entrants in establishing viable businesses.

Financially, Mondi Zimele is supported by a "revolving" fund from Mondi which is deployed on commercial terms as equity and loans to qualifying investee companies. By supporting and promoting small and medium enterprises (SMEs), the program is recognized as being a successful vehicle for job creation in South Africa. To date, the Mondi Zimele Program has supported over 80 SMEs with an employment footprint reaching over 4,200 people and a collective annual turnover in excess of US\$ 61 million. This WBCSD case study examines Mondi Zimele's approach and achievements.

## The Zimele model: Independence through enterprise

The word Zimele is derived from the African languages Zulu and Xhosa and is translated as “to be independent” or “to stand on one’s own feet” which reflects Mondi Zimele’s overriding ethos of ‘Independence through Enterprise’.

Within the South African context, fostering a strong small business sector is key to economic growth. Given the high levels of unemployment and poverty, Mondi recognizes that it has a role to play in unlocking accelerated job creation in South Africa by promoting the development of sustainable small businesses.

The enterprise development initiative has three core objectives:

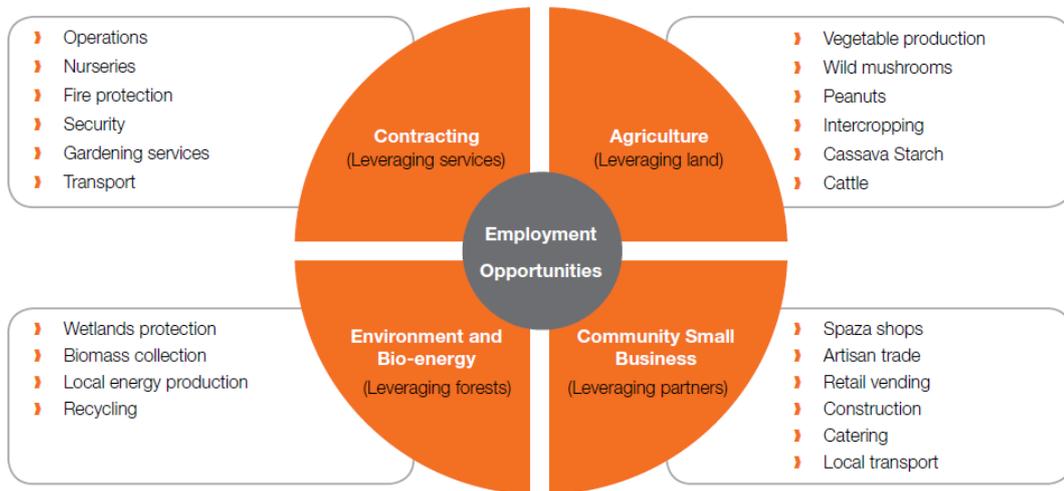
- To develop sustainable suppliers in Mondi’s forestry value chain;
- To encourage job creation and local economic development through the support of small businesses in surrounding communities; and
- To facilitate the increased availability of sustainable fiber for Mondi mills from emerging small and private growers.

At the heart of Zimele’s objectives is increasing local participation throughout the forest supply chain and surrounding communities.

Initially, Mondi Zimele focused on accelerating and facilitating sustainable black economic empowerment in businesses operating in the value chains of Mondi. In 2011, Mondi Zimele expanded its focus to incorporate support for employment creating small businesses in communities around the company’s areas of operation. The offering now also includes forestry development support to emerging forestry land owners and small growers. In 2012, Mondi Zimele, as one of a very few private sector-driven job creation programs, further intensified its focus on job creation and small business development through a partnership with the Development Bank of South Africa (DBSA), which resulted in the establishment of the US\$ 12.1 million Mondi Zimele Jobs Fund. The DBSA is the custodian of the Fund and effectively provides grant funding for initiatives that create jobs.

The support provided by Mondi Zimele to small businesses is not just financial, but focuses on assisting the entrepreneur in employing good business management practices with a clear market strategy. Structured processes and tools (such as business plan development, benchmarking performance, training, networking and market access) are used to assist entrepreneurs, and the Mondi Zimele team of qualified business professionals are involved from concept, through feasibility, funding and eventual implementation for up to three years of support.

### Leveraging Employment Opportunities through SMEs



All proposals are submitted to an Investment Committee, which considers the application based on business viability, entrepreneurial viability, overall empowerment and potential for job creation. The initiative differs from traditional corporate philanthropy activities as through Mondi Zimele's activities, Mondi South Africa benefits from more qualified, successful and sustainable partners across its supply chain, creating a win-win exchange between the company and local communities.

In order to ensure that its programs are in line with local priorities and circumstances, Mondi engages in stakeholder consultation with community members, contractors and partners by using the Socio-Economic Assessment Toolbox (SEAT) created by Anglo American.<sup>1</sup> The framework, launched in 2003, is a seven-step assessment methodology that enables operations managers to profile and engage with local stakeholders and to identify the socio-economic impacts of business operations. SEAT can be applied to other sectors such as plantations, forestry and industry operational sites and provides a methodology for engaging with local host communities and hearing their needs. The toolbox aims to improve operations by understanding the views and interests of the local stakeholders as well as provide guidance for developing annual stakeholder engagement plans. In 2010, Mondi conducted an impact assessment using the SEAT methodology across its entire forest operational area. The feedback from this assessment in South Africa enabled Mondi Zimele to improve its program and expand its scope of offerings in line with community requests.

### The **mondi** Zimele model



<sup>1</sup> See <http://www.angloamerican.com/development/social/seat>

## Examples of value creation in South Africa catalyzed through Mondi Zimele

The community-owned forestry business Siyathokoza Community Trust & Ikhasi Pty Ltd started working with Mondi Zimele after the signing of a post land-claim settlement between Mondi and the Siyathokoza Community Trust. This agreement stipulated that Mondi would provide business opportunities to the Trust and members of the local community. The business now does all the silviculture work on a 1500 hectare forestry estate and has a workforce of 45 people. Mondi Zimele provided management and business development training for the Trustees and Ikhasi operations manager, soft loans for equipment and assigned an experienced business mentor to work closely with the operations manager.



Mondi Zimele, in line with its focus on black female empowerment, provided loans for Nompumelelo Gumede, who started her own construction company, Thuba Construction cc. The company now handles major contracts for clients like Eskom, Mandeni Municipality and the Department of Health, complies with stringent safety requirements and employs 31 staff.

Entrepreneur Simon Mlambo started an emerging business, Big Imminent cc, providing environmental services and creating jobs for local people in the Wakkerstroom-Piet Retief area of Mpumanga, a region where economic opportunities are rare. Mlambo was initially successful at securing contracts, but the company lacked a reliable vehicle that was necessary to work in rural and poorly connected areas. Mondi Zimele provided him with a low interest loan to purchase a vehicle as well as a range of business development support services.

Mondi Zimele supports an emerging nursery and garden services business, Fanyana Nursery and Garden Services, which is contracted to operate Mondi's tree seedling nursery in Piet Retief. By providing low interest loans, business coaching and mentoring, Mondi Zimele has helped the company to steadily employ 25 people and grow their business.



Mondi Zimele has also teamed up with wild mushroom harvesters to turn this unexpected plantation resource into a thriving business. As much as 50,000 kilograms of mushrooms are harvested in the forests per season which employs 50 seasonal pickers with seven permanent employees.

Comprising 4,920ha, the kwaZiqongwana Community Trust and Mkhwetha Trading (Pty) Ltd. is situated in good tree farming country with deep soils and good rainfall. The Mondi Zimele team is working closely with the trustees and the business manager to ensure that there is a transfer of skills and capacity so that this land claimant business can thrive and grow.

### Lessons learned & road ahead

Mondi Zimele learned that funding is very rarely the only critical constraint. Hence its focus on assisting the entrepreneur to employ the right business management practices together with a clear market strategy to develop their business idea; the funding is the final enabler in this process.

That being said, a scarcity of good entrepreneurs continues to be the main challenge, and much effort has to be put into seeking out and developing entrepreneurial skills. For Mondi Zimele, it has been important to support downstream business and to keep the continuity of support, which led to a strong sense of ownership and accountability.

A last lesson learned concerns the importance of managing the applicants' expectations upfront, which means learning how to engage correctly from the very beginning of the relationship.

In terms of the road ahead for Mondi Zimele, the aim is to increase local participation by focusing on land-rich but income-poor people and to unlock opportunities for these farmers and growers to develop businesses. For example, there are more than 10,000 small growers in northern KwaZulu-Natal who own largely deteriorated woodlots. The aim would be to develop this into a sustainable supply of certified timber from thriving small businesses.

Lastly, the company plans to share the learnings from Zimele across its material operations and adopt similar initiatives where feasible and necessary.

### More information

- Mondi Zimele website: <http://www.mondizimele.co.za/>
- Mondi Group sustainability report: <http://sd-report.mondigroup.com/2013/our-actions/forests/focus-on-people/creating-value-forest-cummunities>