



**NDA**

National  
Development  
Agency



# DIALOGUE REPORT

Funding Mechanisms for Civil Society Organizations in South Africa

September 2021

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## Civil Society Organizations Funding Mechanisms in South Africa

September 2021

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## **Acronyms**

APP	Annual Performance Plan
CARA	Criminal Asset Recovery Account
CAT	Community Action Training
CBO	Community Based Organisation
CSO	Civil Society Organization
CSI	Corporate Social Investment
DIRCO	Department of International Relations and Cooperation
DMR	Development Management and Research
DPSA	Department of Public Service and Administration
DSD	Department of Social Development
ECD	Early Childhood Development
ECOSOCC	Economic, Social & Cultural Council
FBO	Faith Based Organization
NEDLAC	National Economic Development and Labour Council
NDA	National Development Agency
NDP	National Development Plan
NPO	Non-Profit Organization
PBO	Public Benefit Organizations
RFP	Request for Proposals
SANAC	South African National Aids Council
SARS	South Africa Revenue Services

SASSA South African Social Security Agency

SETA Sector Education and Training Authority.

## **Introduction**

This report presents the discussions, deliberations and conclusions of a virtual webinar on the funding mechanisms of CSOs in South Africa. The webinar held by the NDA on the 26<sup>th</sup> of August 2021, as part of a series of webinars stemming from research studies conducted on various critical topics and areas such as regulatory frameworks, CSOs capacities and capabilities, funding mechanisms and sector transformation, which are core to the operations, efficiencies, performance, functioning, contribution and impact of CSOs and the civil society sector in the country. The purpose of the dialogue was to deliberate and engage with critical stakeholders including Government and the civil society sector itself on the research findings of a study on the funding mechanisms of CSOs in South Africa; which the NDA commissioned to Babhuti Projects. Part of the aim of such engagements is to fulfil the secondary mandate of the NDA, which is promoting engagements and debates on development policy through research conducted to influence development policy.

## **Welcome Remarks**

### **Mrs. Susan Khumalo, COO – NDA**

Mrs Susan Khumalo, the COO of the NDA, welcomed everyone who managed to attend the webinar; these included stakeholders such as the civil society sector, NEDLAC, DSD, SASSA, the NDA leadership and colleagues and Babhuti Projects. She indicated that she has a privilege to be welcoming everyone present at the NDA virtual dialogue on the funding mechanisms of the civil society sector in South Africa. She further highlighted that the NDA as a development agency task with the mandate of the eradication of poverty in South Africa finds it important to proactively engage through dialogues and contribute to ideas and proposals from Government, business and civil society sectors in advancing the developmental agenda in South Africa. The NDA is prompted to host this dialogue as is in alignment with the NDA Act, which requires the agency to promote consultations, dialogues and sharing of development experiences between the civil society sector and relevant organs of state. Additionally, NDA Act requires the agency to conduct research and provide publications aimed at providing the basis for development policy. Our engagement with you today, as our strategic stakeholders, enables us to assist the NDA to have a strategic and dynamic response to development policy in the country, particularly that the focus of today's dialogue is on the important topic of the funding mechanisms of the civil society sector in the country. The NDA

as a public has a responsibility to discharge its mandate by empowering and enhancing the capacity of civil society organisations in South Africa. The NDA must ensure that civil society organisations are capacitated to respond to the triple threats of poverty, unemployment and inequality in the country. The research findings to be presented in this dialogue are a strategic intervention towards fulfilling the secondary mandate of the NDA, which is promoting engagements and debates on development policy through research conducted to influence development policy. The engagements in this dialogue came at time when there is an urgent need in South Africa to have a vibrant and well-funded civil society sector, that will be able to deliver on developmental priorities of alleviating poverty, unemployment and inequality. Moreover, central to the debate in the CSO sector and the discussions that will be stemming from this dialogue is the fact that the transition to democracy resulted in fundamental changes in the civil society sector in South Africa. The transition to democracy occurred within the local and global context that shaped the post-apartheid civil society sector funding environment and contributed to some of the challenges currently experienced in the sector. The declining resources meant that some CSOs went under and others downsized, others CSOs, mainly those that survived, reprioritized their focus to education and healthcare, as there was a high demand for interventions. CSOs had to embrace a state capital partnership arrangement, whereby the state and business served as funding partners on the one hand, and civil society organisations served on the other hand as non-profit sector partners to deliver the development priorities. This arrangement has not been as successful as expected and there are funding challenges experienced by the sector, to which this dialogue seeks to engage on. Through the research study that the NDA commissioned to Babhuti Projects, I am hoping there will be responses to the above-mentioned challenges facing the civil society sector. With that said, partners and colleagues, allow me on behalf of the NDA to welcome you to this dialogue. We are looking forward to a robust and insightful engagement with you on the CSO funding mechanisms in South Africa. I thank you.

## **Overview and Background of the dialogue**

**Mr. Bongani Magongo, Executive Director DMR, NDA**

The civil society sector has always been seen running at the age of where the action is or in the touchline of where the action is taking place. Partly, this is caused by how the critical instruments that makes a function operate efficiently are looked at and how civil society as a function define their operations. As mentioned in the first series of these webinars on capacities and capabilities, the focus will be on four

different areas that will enable the sector to come at the centre of the game, take responsibility for their existence and direct it in a manner in which they want to see the sector contributing in the socio-economic transformation of the country. In the previous week, we held a webinar on regulatory frameworks and the important part of these webinars is that once we have appropriate information, we can engage with the critical partners. It is well known that the civil society sector in any democratic state is the third pillar of that democracy and if it does not function efficiently, the entire democracy fails. In this webinar, the focus will be on funding mechanisms for CSOs in South Africa. I think this is the most important part of the entire process of rebuilding and realigning the sector into a sector of the game. We conducted a study a few years ago and part of it looked at how much government spends on NPOs. Between 2012 and 2015, government had spent close to 37 Billion on NPOs, which was from all government departments both national and provincial, excluding municipalities. We do not know how much the private sector; philanthropist and multilaterals are spending on NPOs and the sector. It is not clear how all these partners structure the mechanisms within which they fund the sector. It left to the hands of the sector to define that with all of these partners. We know now, that there is a lot of funding that comes from different pockets, but the mechanism to fund is not transparent. The sector cannot actually tell how government and private sector decides to fund, who they fund and for what. Currently, the overseas development agency in the department of National Treasury has a lot of money from the bilateral and multilaterals. However, the money ends up sitting in the National Treasury coffers due to conditions attached to it, and in some instances South Africa does not have the instruments to disburse the funds, as a result, the money is returned to the overseas development agency. This is mentioned so that the issue of funding is looked into from a point of creating an approach of how the state and the sector can draw mechanisms of funding the sector such that it fulfills its mandate. All of the organisations within the sector have a mandate and to improve the livelihoods of communities they serve; however, they require resources to fulfill their mandates. Through such engagements, we have an agenda that we can put to both government and the private sector on how the sector would like to see the funding mechanisms mapped out, to promote transparency, accountability and responsibility. If we can achieve that, many of the other struggles that the sector faces would be resolved. I am raising these facts as part of trying to articulate how we should be thinking ahead to ensure that the sector is not always seen as an incapable sector. The civil society sector has an inherent responsibility in democracy and in improving the livelihoods of communities in the country.

## **Limitations of Funding Mechanisms for Civil Society in South Africa**

**Mr Thulani Tshefuta – Chair of Convener NEDLAC Community**

Let me first acknowledge that this discussion on funding mechanisms is not in isolation from other discussions we had on the series of these webinars the NDA previously held on the regulatory frameworks and capacities and capabilities of CSOs in South Africa. Often when researchers or research institutions ask what the biggest challenge facing the sector is, overwhelmingly, the response of the civil society organisations is that lack of funding is the biggest challenge facing the sector. There are instances that even those CSOs that receive funding are confronted with the challenge that the very funding they receive always is reduced at an incremental level or there are budget or funding cuts. I think it is important to locate and position funding as a critical enabler of the delivery of interventions that benefit communities. This is because resource mobilization and fund raising in the civil society sector is an exercise done to improve the capacities and capabilities of the organisations within the sector to deliver on their mandates and to respond to the actual and not perceived needs of communities. Undoubtedly, in the equation of funding in South Africa, there is a glaring level of skewedness in terms of allocation and access to funding. There are those that have and continue to have access to funding and others that do not have and continue not to have any access to funding or funds. There are historical beneficiaries who have always benefited from funding institutions and processes and who have defined themselves a role of being traditional God-given rights and entitlement to funding, that whenever funding is concerned, these historical beneficiaries just have that God-given and birth right to funding. These are some of the things that has to be changed in the sector if we are to bring transformation in the sector. If left unchecked, the lack, inaccessibility and unequal allocation of funding will perpetuate a situation whereby those have the means will perceive themselves as messiahs in responding to the challenges of those that do not have the means. In such a case, those that do not have the means will be left to the mercy of those who do have the means and will remain just passive beneficiaries.

Equality in the sector in terms of access and allocation of funding has to be considered in the transformation agenda of the sector. Some of the funders are just outright naughty in setting the agenda and they do that very well-knowing of the situation, funding challenges and desperation of the CSOs in our country. Some of the funders even position their missions and agendas to be anti-government. This is something we should be on the lookout for, particularly in cases where the government does not come to

the party and discharge its responsibilities in favor of civil society. There are some of the CSOs that on their own choose to blindly follow anything that has funding attached to it, regardless of what the agenda pursued by the funder is. This brings us to a point raised in the discussion of the previous webinar, that there are issues of compliance versus cause. The issue of compliance versus cause is promoted through funding mechanisms because those who continue to comply are the ones who receive funding at the expense of those who drive and implement programmes of good cause and which respond to the needs of communities. Thus, this dichotomy of compliance and cause is even more explicit from a perspective of funding mechanism in South Africa. When we look at the sources of funding, there are arguments that most of the government departments have in one way or another some level of relation with civil society organisations, but there is hopelessness in as far as coordination of funding efforts are concerned.

A practical examples : the department of Social Development on its own is doing significant work in its collaborations with civil society organisations and even in the delivery of some of its products and services. Secondly, the department of High Education and Training has a multi-sectorial structure called the National Skills Authority, which is composed of all social partners. The department of Health has a similar multi-sectorial structure, called SANAC, the South African Aids Council; DIRCO has ECOSOC; DPSA has APRM and all of these are multi-sectorial platforms that gets to be led by structures of civil society organisations in collaboration with government, however, there is no coordination for all these efforts. Thus, even if there could have been some form of synchronization of all these efforts, we miss on those opportunities because there is no coordination. None of these departments is able to draw lessons on how the next department is doing and share those practices with the others such that there is a better way of coordination of these efforts. This lack of coordination prevents a gap that needs to be responded to. Despite the existing fragmentation, there are various sources of funding for civil society organisations, for example, DSD, the National Lottery and various SETAs provides funds and capacity building support dedicated to civil society organisations including NPOs, NGOs and CBOs. There is also funding available from the private sector through CSI, there are also foundations, local, and international donors and agencies that provide funding to CSOs. All these still do not talk to each other and align in their funding agendas or mechanisms and there are no systems in place to check who are the beneficiaries of the funds across all the funders and donors and who are those that are kept outside and excluded from benefiting in the available funding. The point we trying to highlight is that the fragmentation in the funding allocation

and access in the sector does not necessarily equate to the lack of resources or funds for the sector to be funded. We do believe that there are sufficient resources that can support and propel the agenda for socio-economic development and transformation in the republic of South Africa, but they are scattered and uncoordinated. Most of the funders let the money be at the center instead of the impact or cause of the programmes they fund. There are also experiences of cold-funding without matching capacity building needs, where CSOs told their applications for funding are unsuccessful, without even going in the details of why and what the gaps are. The other limitation worth reflecting on is that, more and more funders want to fund the core of programme implementation, to the complete exclusion of operational support. This moves from an assumption that CSOs are machines that do not have operational needs that have to be catered for when funding considerations are made. This is completely obscure of the fact that the sector on its own is one of the significant employers in the country. If no one funder is willing to fund the operational needs of CSOs, we are inevitably reducing their capacity. There are also competing priorities that funders are confronted with in terms of what to fund and what not to fund and this is evident when CSI is concerned. There are also instances where funders have dedicated funding windows to position themselves to be agile and responsive to processes through proactive funding. Mismanagement of funds and corruption also demobilize funders. We conclude by making the following recommendations:

- Funders and Partners must appreciate and acknowledge the social capital that is already existing in communities (ABCD Approach)
- Shared Services for a panel of Bookkeepers and Auditors for capacity building
- Build skills for resource mobilization and fundraising
- In appreciating the different but complementary roles of social partners, some programmes must be dedicated to be implemented by civil society accompanied by the relevant funding allocations (Funds follow function)
- Reaffirm the centrality of the role of NDA in coordination of efforts, funding and capacity building of the civil society working with apex bodies
- Introduction of developmental funding paradigm
- Funding for impact

# **Research Findings and Recommendations – CSO Funding Mechanisms**

## **Research Study funded by the NDA**

**Ms Joy Ndwandwe - BABHUTI Projects**

The National Development Agency (NDA) commissioned this research on civil society organisations (CSOs) funding mechanism to support its core function on behalf of the state on policy, regulations and mechanism for conduit mandate on this sector. What we firstly did was to look at the following aspects:

- funding landscape for CSOs in South Africa, its challenges and failures
- global perspectives on effective civil society funding models, and
- programme strategic thrust and rationale

**The main aim of the study** was to understand the current civil society sector funding environment in South Africa and ascertaining its implications on operations and sustainability of the sector. When conducting the overview of the state of the current funding environment, there were challenges. Thus, the research also looked at the challenges resulting in failure as well as how the sector can engage with the state, particularly in policy and regulatory developments. As part of the scope of the research, we also looked at issues around funding policy and regulations that need to be put in place to promote the sector and the state abilities to coordinate and monitor funding to the sector for purposes of accountability and transparency. Lastly, the recommendations on how the sector and the state can address funding of the civil society sector as a whole by all funders.

**The research methodology** for the study was supposed to be a mixed-method approach, however due to due to the minimal number of responses from respondents; we opted for a qualitative approach since it is related to the core objectives of the deliverables. We also could not travel to other research sites due to Covid-19 and this restricted the methodological approach of the study. We started by conducting an in-depth review of the literature detailing the conduit mandate of the NDA, as well as evaluating linkages between the civil society sector and South African government. The aim here was to understand the funding environment of CSOs in the country. Unfortunately, the most of the literature found was more on the side of what is written by the Cooperate Responsibility Sector. Thus, literature going as far back as in the 2013, 2014, 2015, 2016, 2017 and 2018 Trialogue was collected. Annual Sustainability Review publications along with other existing literature on South Africa’s civil society sector funding, government policies, strategies and legislation relevant to the funding of the civil society sector. The findings of the

literature review were the first key deliverable, the drafting and submission of an in-depth literature review report to the NDA.

**In terms of sampling,** the sample was drawn from mainly Non-Profit Organisations, Faith-Based Organisations, Non-Governmental Organisations and Community Based Organisations located across all nine provinces. Questionnaires we send to the organisations, some were delivered on their sites, some were sent via emails. Despite the various means to send the questionnaires, including the use of some of the CSOs websites, the response rate was low. Out of about over 4000 questionnaires send only 108 responded. Therefore, due to the low response rate, we could not have a major footprint through the provinces and this is a major limitation of the study. Although the response rate from respondents was inadequate due to their lack of interest and their lethargic or unresponsive nature, our researchers were able to conduct analysis from the responses obtained and the few face-to-face interviews we conducted. The majority of the responses were from NPOs, Community Based Organisations and Faith Based Organisations and this is also because they formed the bulk of the distribution because of their accessibility. The research analytical tool used for data analysis was the Microsoft Excel Data spreadsheet, which captured all information gathered from the qualitative literature review. This data was mainly from findings in the literature review (predominantly from Corporate Social Investment publications, the Trialogue and Business in Society reports due to their massive investment in knowledge production and sharing). Thus, there are no publications focusing on CSO knowledge production and sharing, there was limited information coming from the sector itself and we found this to be a huge gap.

## **Research Findings**

The total number of civil society sector organisations surveyed was 108, in eight provinces, that is, Gauteng, Western Cape, Free State, Mpumalanga, Eastern Cape, Limpopo, Northern Cape and KwaZulu Natal, with no responses from the North West province. The majority of responses were from Gauteng. In conducting the research, we followed the CSO classification framework that the NDA utilises and that became a very important way to view the CSOs in the country. The NDA classification framework for CSO was instrumental in organizing the survey, such that, Level 4 CSOs constituted 12% of respondents, predominately in social and community development, social justice and advocacy sectors, with funding from international funding bodies and Corporate Social Investment (CSI) partners in South Africa. Level 3 CSOs constituted 16.6% of respondents, mainly in education and early childhood development (ECD)

with 30% of this level funded by South African government. More so, youth development, health, poverty alleviation and capacity building are funded predominately by CSI at 47% and South African private donors at 23%. We also had in level three, some of the funding going to from social justice and advocacy, community development, entrepreneur and small business as well as promotion of human rights sectors. They received the majority of their funding interestingly from international sources (about 61%), 23% from South African organisations, 13% from undeclared private individuals and foundations and 3% from the South African government. This shows that there is a lot of funding coming from external parties in dealing with CSOs from level 3, particularly in the above-mentioned areas of focus. In level 2, which constituted 39.8% of respondents, we found that they predominately in socio-economic rights, social and community development, education, and health sectors. This level according to the framework operates at provincial and district levels, they are operational, although with a few challenges of resources, weak processes and compliance issues. Level 1 constituted 31.4% of respondents mainly made up of NPOs, ECDs and FBOs. Level 2 NPOs are in a highly competitive funding environment, thus, less predictable and stable, while in Level 1 they depend on short term small grants. 64% CBOs funded are funded quarterly while 36% get funds on a monthly basis. Of essence, 92% Level 2 and 3 NPOs and CSOs in the education sector and early childhood development utilises short term funding for operations and long term funding for remuneration and maintenance of the working environment.

Level 1 CBOs stated that short term funding is utilised for projects while long term funding is utilised for infrastructure development. On funding challenges, Level 1 CBOs and Level 2 NPOs experience limitations due to lack of monitoring and evaluation tools leading to misinformation, lack of transparency and perceived non-materialisation of project objectives. These levels, 1 and 2, are also disadvantaged by the competency, history, skilled staff, evaluation data, track records, accountability and quality services that prevail within Level 3 and 4, CSOs. However, some Level 3 CSOs have funding challenges emanating from inadequate skilled staff, inadequate support from CSI and private donors, lack of financial security, technology capacity, insufficient income generating activities; and most importantly rigid NDA processes for accessing funding by CSOs. Moreover, Level 4 CSOs, funding challenges were related to limited funding opportunities, and lack of strategic alliance and partnership with the NDA and its stringent funding processes and procedures.

The current funding structure was assessed in accordance with internal policies and regulations. For Levels 1 and 2 CSOs, there was common consensus that structural funding was apportioned on a short term basis.

The survey delineated that for 96% of CSOs, funding was structured for project management, operational costs, infrastructure and donations, while 4% was aligned with NPO and CSO staffing needs. 94% of Levels 2 and 3 CSOs' respondents expressed the need for financial reporting, project finance and management audits. Moreover, from Levels 2 to 4, there is a need for accountable audits and monitoring tools.

With respect to the alignment and accountability of funding mechanisms and structures, Level 4 CSOs, have the capacity and ability to coordinate advocacy and lobbying while Level 1 and 2, need to develop project management units so they can have the capacity to be more futuristic. To add, 84% of Level 2 respondents proposed monitoring and evaluation of project deliverables, while 16% indicated they would want to strengthen their project management, financial and audit reporting systems or processes. When assessing funder's current tools and systems that strengthen fairness, justice, transparency and accountability; 83% of Levels 3 and 4, respondents believed in proper accounting and auditing tools; while 17% recommended the introduction of Community Action Training (CAT) program

In relation to the difficulties in accessing current funding and other information, 86% of Level 4 respondents shared views that funding is accessible due to long-term engagements and trust in partnerships with local and foreign donors. Only 2% of Level 1 and 2 respondents reported the existence of income generation fund models through Trusts, while 98%, predominantly in the ECD sector are faced with funding challenges and therefore operate from homes within communities. On access to funding information, 18% Level 1 and 2 respondents were of the view that the NDA must regulate, monitor and evaluate the sector; while the 4% required capacity building from the NDA on funding distribution, financial accountability and transparency. About 78% of Level 1 and 2 respondents confirmed that the use of media to access funding information is effective and therefore requested for the establishment of a Multimedia Centre that is easily accessible to all levels of CSOs.

When evaluating transparent and accountable mechanisms and funder need for efficient funding allocation, within Level 3 and 4 CSOs, they recommended that current mechanisms needed upgrading. They also indicated the need for a funding information dashboard that would ensure transparency in funder's selection and adjudication processes, while fostering purposeful and systematic allocations of funds. When assessing CSO's role in sustainability and functionality of their operations, 66% of respondents from this category expressed the need to institute training courses, while 27% emphasized the need for income generating activities. 7% motivated the case for community partnerships

In determining if CSOs internal structures and processes can ensure donor funding is managed transparently to strengthen strategic sustainability, 57% of Level 4 respondents, motivated for the establishment of internal commissions and committees. 41% of respondents from all four levels of CSOs motivated the strengthening of internal structures and processes for proper financial controls, accounting systems, and most importantly the need for annual audited financial statements.

In determining if CSOs are adequately skilled and capacitated to predict reliability, transparency and vitality of funded programs, Level 4 CSO respondents indicated that they were adequately skilled. For Level 3, 89% of respondents inferred being highly skilled, while 11% felt they needed internal project control mechanisms. Most importantly, Level 1 and 2 respondents indicated that they are inadequately skilled. In determining if predictable aid leads to more efficient use of resources and effective development results, all the 4 levels of the CSOs agreed with this statement, as predictable aid provides assurance, clarity and transparency of needs.

From the study, the following **recommendations** were made:

- First, this research study recommends proactive donor engagements, most importantly strengthening CSO/funder dialogue and engagement meetings to create a win-win and lasting strategic partnerships that would be a key enabler in accessing and/or continuing to access funding.
- Second, it encourages the creation of platforms for corporate partnerships, particularly, when streamlining funding that could further incentivize and empower CSO staff to take capacity building courses and by so doing add value to the CSOs' vision and strategic objectives.
- Third, the NDA must foster strategic alliances and partnerships with the CSI sector, thus, enabling the NDA to be in a better and stronger position to leverage on the types, characteristics, levels and values of both local and foreign funding processes and models.
- Fourth, the NDA needs to boost its advocacy levels, thus, fostering expertise for low level CSOs. It further needs to consult with and advocate for them via regional platforms, as this is essential to ensure that the poorest CBOs and NPOs are not excluded.
- Fifth, there is a need for further research to be undertaken in rural and disadvantaged areas of South Africa especially to fully ascertain Levels 1 and 2 CSOs perspective on the funding chain processes, as well as those currently undergoing capacity development aimed at fully understanding sustainable funding best practices.

- The sixth recommendation is the proposed funding model that originates from the literature review and the qualitative research findings that emanated from the questionnaire responses. These models include:
  - The Zebra - The Zebra Society, Ubuntu Funding Model is top of the range, and covers Level 4 CSOs in accordance with the NDA's classification framework. In summary, these CSOs have capacity for affirming Ubuntu through their symbiotic relationships between the state, civil societies and international donors. Thus, they can manage a variety of funding mechanisms.
  - Ubuntu Funding Model: Three Legged Pot - This middle of the lane level combines level 2 and 3 in accordance with the NDA framework classification. In summary, level 2 and 3 CSOs provide services at local, district and provincial levels. Although they have capacity limitations about financial and human resources, compliance with regulations and continuously surviving threats of dissolution and resultantly negating their sustainability, they are still thriving in South Africa.
  - Ubuntu Funding Model: Kalahari Desert Flowers - In accordance with the NDA framework classification; this is predominantly CBOs that are considered stand-alone or fall within the lower tier of the classification table. Their funding model caters for level one organisations mainly. In summary, level one CSOs provide services to local communities although they have highly inadequate capacity concerning financial and human resources. To add, they face compliance difficulties with respect to adhering to regulations and live out of pocket, with no operational spaces and therefore severely influencing or negating their sustainability.
- The seventh recommendation encapsulates the strategic approach to funding and fundraising. Finally, the general recommendations on infrastructure support will definitely enhance CSOs' visibility, conduct a proper assessment of their needs, and finally identify training and mentoring needs.

In conclusion, the study provides an understanding of the current South African civil society sector funding mechanism landscape, and explains how CSOs in their engagements with the state can ensure transparency in the funding of the sector by all the funders. Thus, the findings evaluate and outlines the current shortcomings and challenges for funding the sector, including the difficulties faced by the NDA to execute its conduit mandate for the sector; and how funding needs to be structured including the role of CSOs in achieving this. Thank you for allowing us the opportunity to share the findings and we do

believe that these findings will have the impact and bring to the forth-robust engagements we can lead to influences into policies to support the CSOs in delivering their mandates.

## **NDA Funding Mechanisms**

**Mr Nkhensani Mthembi– Grants Manager –NDA**

I am going to go through the NDA funding mechanisms, to indicate the funding approaches that the NDA has and how it funds CSOs as well as the model we use. By way of introduction, the NDA is a Schedule 3A public entity, reporting to parliament through the Minister of Social Development. The NDA operates through an Act of Parliament – responsible for contributing towards poverty eradication by granting funds to civil society organisations for the purposes of the following:

- Implementing projects and programmes aimed at meeting needs of poor communities and,
- Strengthening their institutional capacities to provide quality services to poor communities;
- Provide a conduit for grant funding civil society organisations from government, foreign governments, donors

I think the main one for the purpose of today’s discussion is that the NDA is expected to “act as a key conduit of funding from the Government of the Republic, foreign governments, and other national and international donors for development work to be carried out by civil society organisations”. For the NDA to be able to act in this manner, it has to have a mechanism by which it would mobilise funds. Therefore, resource mobilisation is a key component of the work that the NDA does. We do this by approaching government departments, national funding agencies (both governmental and private), and partner with departments that are having a role in the national poverty eradication plan (both national and provincial), with a view to identifying areas of their activities that could be delivered through programmes that NDA is best positioned to manage. One of the examples in this case is that the partnership with have with the UIF, through which we are assisting 2000 young people through the UIF funding to create new ventures and employment opportunities that will enable them to sustain themselves. Ordinarily, these people may have lost their jobs, and they are beneficiaries of the UIF.

The delivery model of the NDA is that we have existence at national, provincial and district level. The national level provides the strategy, governance, research, knowledge management, monitoring, and evaluation. In provinces, that is where we define what type of programmes needs to be implemented in accordance with the NDA strategy and the APP and that is the level where we manage and coordinate relationships with all stakeholders in the province and provide technical and financial support to the work on the ground at district levels. At district level, that is where implementation occurs. Engagements with communities, assessments and profiles occurs at this level. The assessments done at this level assists in identifying where the CSOs are in terms of their needs and profile and allows for an identification of where they need help, and the kind of assistance or support they require.

We have a model that we use to fund CSOs, which guides us in doing our work. We are a developmental grant making organisation, so grant making is but a tool that we use for development. It is not the main thing that we do, but one of the components of our work. The model that we use has three pillars. At the base is CSO mobilisation, where mobilise the CSOs, perform assessments and consultations and dialogues at community levels with formations of civil society organisations. The assessments assist in classifying the CSOs according to respective levels 1 to 4, and this assists in identifying what types of interventions are needed at each level. The pillars of the interventions include:

- Assistance with formalisation – e.g. registrations and compliance
- Capacity building – e.g. Training, mentoring and incubation
- CSO grant funding - there are instances where we directly provide our grants to CSOs but for the most part we seek to mobilise resources on behalf of CSOs from other partners or donors or
- Linkages for sustainability – e.g. referrals, linkages to markets. This is one of the biggest part of our grand funding.

Our grand funding approach starts with the fact that the NDA Act allows the NDA to provide grants to CSOs as a conduit for government, foreign government (bilateral and multilaterals), private sector (corporate), international organisations and philanthropist (local and international). Second, the NDA can grant funds to CSOs from its allocation from National Treasury, which is minimal. The sector rightly so does have expectations to receive funding from the NDA; however, we find that from the NDA's own allocation, we are unable to fund the sector, as it should be. For example, for this financial year, for grant funding we are allocated an amount of about 21 Million inclusive of all processes, and about 15 Million is for direct grant funding, which should be used to fund all CSOs nationwide. I think initially the funding

model was not that the NDA should be funding from their own grants, but that the NDA should be able to leverage through its conduit various funds from other partners and departments and international donors. We have thus far managed through the department of social development to manage the grant funding on the victim empowerment programme funded through CARA, which is typically, what the NDA should be doing. What we are currently working on is that funding for CSOs or poverty eradication projects or programmes from all other departments should be channeled through the NDA as a conduit for those funds.

With that said, the NDA grant funding approach to CSOs is aimed at developing the organisations to ensure they have capacities to deliver quality services, attract more funding based on their performance records. The funding we provide could also be viewed as seed funding, because we provide a high risk appetite than your normal funder. This is because of our understanding of the different levels that CSOs are at and to ensure that we do not only work with the well-established but also incorporate the emerging and unformalised ones. We thus assist organisations to attract more funding and support from other donors. We also assist organisations to move to a high level in terms of their performance, operations and governance levels. The NDA grant approach for CSOs development does not focus on quantitative results, such the number of CSOs funded or amount of money granted to CSOs but will focus on measuring developmental change brought about by the granted funding to the CSO.

In terms of the method of grant funding, we have two pillars. The first is the Request for Proposals (RFP), which is a competitive grant funding approach that targets well established CSOs in organized communities. For this, CSOs submit proposals based on pre-set criteria and processes. This approach is used mainly for third party funding. The second approach is Programme Formulation. Programme formulation is a grant making approach whereby the NDA engages less organized communities in social facilitation with the view of creating grassroots structures that will ultimately be the mechanism for implementation of projects. The approach targets specific areas and sectors based on primary research on priority poverty pockets. In this instance, we would work with IDPs to determine where the needs are in those specific municipalities. The process is driven by the NDA staff in provinces based on the assessment of the institutional capability and competencies of CBOs and NGOs in identified localities. The NDA Development Managers assume an active role in the conceptualization and planning of projects. The approach is used mainly for CSOs funded through NDA's own resources.

For a programme to be considered for funding, it should demonstrate the following:

### **i. Clear community benefit**

- Describe community benefits for the programme
- Demonstrate strong community interests or community priority.

### **ii. Sustainability**

- Demonstrate a viable plan for ensuring they are in place to continue the programme
- Demonstrate potential for long-term community benefit emanating from the programme.

### **iii. Community capacity enhancement**

- Develop skills and capabilities needed to gain sustainable livelihood or development.
- All NDA funding, including funding from third party funds, has to demonstrate development outcomes that would be achieved by the organisation and community from the funding allocated.

In terms of eligibility, the restriction is to civil society organizations that are registered as “Not for Profits Organisations” such as:

- NPOs registered with the Ministry of Social Development;
- A section 21 registration under the South African Companies Act;
- Registration as a Non for Profit Trust;
- Registration as a Co-operative.

The beneficiaries of our funding are the poorest of the poor and civil society organisations. Our approach is integrated development through participatory methods and we follow sustainability and empowerment principles. We work in and with the following sectors: economic development, education and food security, with also programmes that work with women and children, basic need, the environment and access to markets, as cross cutting areas. In short, that is what the NDA does in terms of the approach to funding. Thank you.

## **NPOs/NGOs Perspectives on Current Funding Mechanisms in SA**

### **Mr Peter Netshipale – DDG Community Development, DSD**

I will be discussing in this presentation how the NPO sector is funded in South Africa as well as the economic contributions of NPOs in SA and in concluding propose an approach that we need to take and the way forward in terms of the funding perspectives and mechanisms for NPOs in the country. We need to acknowledge that in South Africa the Non Profit Organisations (NPOs) play a vital role in serving social, economic, social and environmental causes in communities. They are very near to the grassroots and near to where challenges are happening. NPOs contribute to socio-economic stability and do participate in employment creation however; the past two years has been a tumultuous time for NPOs with more demand on their services than ever before as a result of Covid-19. We acknowledge that funding is a major obstacle that NPOs in SA face due to the global economic crisis and that in most cases the private sector and business do as they wish and leave only government to fend for CSOs and NPOs. The department of Social Development administer the NPO Act 97 of 1997, which prescribes the functions of the directorate concerning the Non-profit organisations. The department is thus a regulator in a way. This has nothing to do with the funding but the department ensures that the NPO sector is regulated, is ready and actually advocates for funding allocations. The objectives of the NPO Act to encourage and support Non-profit Organisations in their contribution to meeting the diverse needs of the population of the Republic by-

- Creating an environment in which NPOs can flourish
- Establishing an administrative and regulatory framework within which NPOs can conduct their affairs
- Encouraging NPOs to maintain adequate standards of governance, transparency and accountability, and to improve those standards
- Creating an environment within which the public may have access to information concerning registered organizations
- Promoting a spirit of co-operation and shared responsibility within government, donors and other interested persons in their dealings with non-profit organisations

The NPOs registered on the system are over 245 000, with the majority (37%) being in social services. The up and coming are the in religion, representing 14% of the total. There are also some in development and housing at 25%. There are about 12 classifications of NPOs and all these serve the communities in

their own spheres and focus areas. About 92% of registered NPOs are voluntary associations, 7 % are NPC and 1% trusts.

The NPO Act legislation serves mainly to provide a Registration Facility for organisations that are nonprofit in orientation and are not organs of the state;

- Enables an organisation to establish itself as body corporate.
- Regulates how this entity operates and account broadly to its community and the public. (promote public trust)

Chapter 2, Section 3 stipulate the state's responsibility to non-profit organisations with regards to funding: it state that: "Within the limits prescribed by law, every organ of state must determine and co-ordinate the implementation of its policies and measures in a manner designed to promote, support and enhance the capacity of non-profit organisations to perform their functions". If this could be implemented, it would alleviate the funding challenges currently faced by the sector.

In the "Review of Philanthropy Report within SA Phase II", in the year 2017 NPO economic contribution to GDP was 3, 2% per annum. The total income of the NPOs was estimated to be more than R12, 5 billion to which the South African government contributed a substantial amount in the form of subsidies and other forms of grants, followed by the private sector through its corporate social investment programmes. Other forms of funding sources were derived from investments, membership fees and sales. The sector provides additional services; the value of 1 million Volunteers contribution to the country's development about R12 billion. Employed people estimated to be 1, 3 million which is extrapolated from the base of 1 million in 2010.

The NPO Act prescribes that all organs of state must promote, support and enhance the capacity of non-profit organisations to perform their functions. Government Departments and state entities must provide funding to the non-profit sector to implement government policies, strategies and to uplift the communities in the fight against poverty and development. Private sector or business provide funding to the non-profit organisations for variety of objectives, and these includes mines, retail sectors, individual businesses and sureties. International donors coordinated by National Treasury should also provide the necessary funding in the country to leverage financial burden in a country. Other funders do it as they wish, which indicate

a gap that must be played by government and the business partnership in addressing poverty and development.

The department of Social Development does fund NPOs. Interestingly, in 1936 a welfare department was established in the then republic of South Africa with its service delivery being the non-profit sector. Historically, social services have been the joint responsibility of DSD and the NPO sector. The critical role that the NPO sector has played over the years in service provision is acknowledged by DSD. The department like other government departments funds NPOs that are registered for social services to deliver social services in all nine provinces and it funds on the prescriptions of the PFMA and SCM principles. The Department has implemented the policy of financial awards policy that was amended as a guide to fund NPOs in the sector. DSD has 8 Million per year transferred to the NPO sector, with Gauteng receiving the biggest share of the funds followed by KZN. The programmes that are mainly funded are in social welfare, children and families, restorative services, development and research with the majority of funds going to programmes of children and families. The importance of partnerships with the NPO sector is realised on the delivery of the 1997 Social Welfare White Paper objectives. We work with other government stakeholders to ensure that there are efficient and effective provision of services to individuals and communities and we use PFMA and have developed a policy within the SCM rules that ensures how we fund.

We recommend the following ways as approaches to achieve better NPO funding in South Africa:

- Maintaining Public Trust - NPOs must be transparent, responsible and accountable in the public eye
- Ensuring compliance. NPOs must be Compliant with all legal prescripts
- Self-Regulation -The NPO sector to organise themselves and regulate themselves, holding each other accountable.
- Strong Partnerships in Communities - Another way to revive the partnership is to make friends in the corporate world through CSI. Forming long-term, CSI-NPO partnerships which could be a way to establish a funding channel with clear long-term outputs.
- Public organisation status - NPOs are more likely to become financially sustainable over time if they can also access tax concessions, (such as section 18A certificates)

From government 'side there needs to be

- An Establishment of NPO registration and Compliance monitoring as a regulator (Entity)
- Development of better mechanism to ensure adequate funding of the NPO sector by the state
- Dedication of certain government funds for the support of NPOs to deliver services
- Development of an NPO funding policy for the country in collaboration with private sector

In conclusion the current situation in the country with regards to funding of the NPO sector point to the fact that the sector is hard done by as they are severely underfunded. The current situation in the country as articulated in the White Paper review report, point to the fact that government and Social development services are underfunded by R9, 2 billion in 201/19 financial year. The dwindling South African financial fiscus (Budgets) is also major concerns as government department budgets are continuously reduced each year. Establishment of partnership between government and the NPO sector, businesses and the NPOs sector in addressing social challenges is paramount as it could address the NPO resourcing challenges. Central to this partnership, is to define the partnership that is based on mutual understanding in the provision of services and the uplifting of our communities. The current partnership with the NPO sector is based on financial support and not on alleviating communities' challenges. The current sector realities demand that:

- Government Department and DSD get funded according to its mandate and costed policies and legislations including the norms and standards,
- Funding model of services be reviewed to ensure that there is equitable provision of services especially to historically disadvantaged communities.
- Private sector and donor to come on board and fund the NPOs in the delivery of services to communities

# Questions, Comments and Answers

Theme/ Area	Question or Comment	Response
Funding	Need for urgent funding for social justice and economic support (pertaining housing evictions)	<p>Part of the challenge raised by NEDLAC explains the challenges from these various sectors. There are no structures to deal with the challenges that the sector faces, thus they address it back to government. I would assume that the NEDLAC constituency would be the right channel to address challenges per sector or individual sector, although this may be on a short-term basis. Over the long term, we need to have an overlay structure, (not government) within the sector that deals with mirage of areas broadly affecting the sector as whole and that would be able to deal with these kind of issues and requests. Within the overlay structure there should be capacity to also address issues of legal aspects pertaining to the sector or individual challenges within the sector. The sector needs to come together and create that overlay structure and give it the ability to engage with government and the private sector.</p>
DSD processes and compliance	The process of the DSD registration is too length and this is a challenge	The registration of NPOs is long and it is to ensure that there are no duplications and to ensure that there is required compliance. the only challenge is that it is done online

	<p>DSD compliance takes forever to update and it's a challenge when people are applying as it says they do not comply. Can that be looked into.</p>	<p>and there may be challenges for people who do not have access to use online services.</p> <p>The compliance issue we are aware of and once you have applied you need to receive a letter of compliance. The compliance letter can be obtained via online services</p>
Sector Funding Policy	<p>What is the status of the sector funding policy of DSD in provinces currently? Some provinces are saying they are implementing it; others are saying they are not. Trainings and consultations are supposed to happen but there are no conformations made from DSD.</p>	<p>The policy has been developed and approved. All provinces are supposed to be implementing it. The policy is straightforward and highlights that when funding is concerned the province must advertise to ensure objectivity and funding must not be for 1 year but for three years or more. Moreover, the funding must be comprehensive, allocated for programmes and not necessarily subsidies. So it is being implemented in all provinces, the only thing is that historic funding remains.</p>
Research Methodology	<p>How were the organisations (CSOs) that participated in the study selected?</p>	<p>Joy Ndwandwe responded, highlighting the sampling of the study</p>
Funding	<p>Can DSD be able to create and emergency fund for CSOs under the current circumstances. NPOs are expected to respond and they are under-funded.</p>	<p>DSD only funds social services and not anything else. In terms of social services funds we have 8.2 Billion and this is too still too small, we are short of 10 Billion to cover for atleast 75% of what we need to fund in social services. The relieve fund is a disaster fund that we receive. For example, currently we get a 100 Million for food relieve from solidarity fund, not to</p>

		fund NPOs but buy food using the NPOs in KZN and Gauteng.
NDA grants	Why are the NDA grants so small and not based on the realities of the programmes?	As indicated that the current funding model for the NDA is very limited, only 15 Million is received for this current financial year. The grants are to assist the grantees unlock other possibilities for those funded to even receive more funding. We have limited budget and we need to stretch it to cover as many CSOs as possible in various provinces.
Funding organisations	Funding organisations not funding CSOs operations	<p>Do we have a structure or policy in place which allows the operations to be funded? International practices make it a must that not only implementation but also operations need to be funded. However, when we look in totality, net outcome is what the private sector and government is expected to do. Then it becomes inherent that the operations be funded as it doesn't make sense that only implementation gets funded while operations of the very CSOs which implement are left outside. Discussions are needed to assist the sector on how they need to approach government and the private sector</p> <p>The NDA provides the 10% provision for administrative costs for funding the CSOs. The challenge though is around the amount the amount that is funded, given that NDA</p>

		<p>has limited budget. We acknowledge that more still needs to be done to empower CSOs to deliver on what they need to in communities.</p> <p>When operations are funded there can even be innovation and greater levels of creativity from CSOs. We need to put the plea to funders to consider the needs of CSOs.</p>
Funding allocation – per Province	<p>DSD: Why is the funding allocation budget higher in Gauteng as developed province and lower in poorer provinces?</p> <p>Are we not decentralizing economies</p>	<p>The allocation of budget is per capita or population. Gauteng has more population than other provinces. That is how budget from treasury is allocated in this country, per population specifics, that is why Gauteng has more than other provinces.</p> <p>DSD allocates money per the 18 categories of service, it is not globalized and it is specified in adverts to what should be applied for.</p>
Funding application/ administration processes	<p>Government and government agencies continue to demand tons of administration on their funds that it makes it difficult for small organisations, that they cannot focus on the core of what’s been funded. This is coupled with a culture of transfer tranche delays.</p>	<p>Delays in terms of transfers of tranches is a challenge, however we do have turn-around times, given how long it would take a programme from the formulation stages up to grant funding and disbursement of the funds.</p>

Capacity of NDA to deal with CSO sectors	NDA being a conduit of funding, are they well capacitated to deal with particular sectors?	The NDA is capacitated to deal with various sectors, we have the capacity, funding mechanisms and the value chain from beginning to the end. The organization is thus capacitated to deal with any sector.
Blanket approach to funding	10 years dealing with government and government agencies, I have only realized a blanket funding approach, rather than a tailored approach. The NDA and DSD in particular, do they listen when conducting their audits, M&E or due diligence in terms of checking up the needs, it only appears that there is received directions from the top and we are not allowed to state what could help us as individual entities.	Yes, we do. The due diligence reports inform our funding processes and indicate what capacity needs are there and what systems are required in various CSOs and how we can assist them to improve. So the due diligence reports are taken into account and the M&E reports as well.
Capacity building	Capacity building by the NDA and DSD or funders in general is usually workshops. When we going to have accredited trainings? It would be meaningful to volunteers and organisations, especially in retaining skill, because such people can be tied to serve for certain period and fund for the next volunteer to take up their positions. But, we never have proper accredited training as CSOs, particularly in critical matters such as finance.	The approach is to go through the SETA to allocate money and a trainer. This has been done before by DSD. It's not that the NDA or DSD should from their budgets pay for accredited trainings. The SETA does capacity building on a broader scale, even broader than skills development. The collaboration between DSD, NDA and the SETAs will go a long way to ensure CSOs receive accredited trainings.

NDA linkages/ model	Do you have a follow up mechanism on linkages?, whether the linked CSOs were assisted successfully?	In instances where we provide a linkage to a particular organisation, we follow up in terms of how that has gone and in many instances, we link CSOs to institutions that we have established some relationship with, in terms of the aspects of services that are on offer.
Capacity of CSOs at level 1	From research conducted, what can be said about the skills levels of the CSOs at level 1.	It was very dominant that the skills levels have a negative impact on the sustainability of the level 1 CSOs. They need to have more collaborations and community engagements within themselves to leverage their resources. NDA has a huge role to play in ensuring that the CSOs at level one skills are prioritized.
Training and mentoring	For someone that does not necessarily need funding now, but requires training and mentoring in the agricultural space, crop and livestock farming, what are the requirements and does one needs to be a registered NPO?	Capacity building of the NDA is to NPOs or any kind of formations and not to individuals. Perhaps the department of agriculture can assist with such a training for individual purposes. The NDA does not provide training for individuals but for organisations and formations.
NDA CSO funding Mechanism dialogue	The dialogue is one of the best and the NDA needs to be congratulated on this. We need to have more of these and even at district and provincial levels. NPOs are not talking to each other and there are no structures for engagement. We need to have more of such engagements, then it will be easier and the NPOs will be that	

	<p>which we wish them to be. The NDA should also be used as a conduit for funding from various sources.</p>	
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**Wrap-up – Reflections and Vote of Thanks**

**Mr. Thami Ngwenya – Senior Manager Research, NDA**

The NDA acknowledges and is thankful of the panelist that have been part of the session and for ensuring that we had a robust engagement of this nature and caliber. To all the attendees, without you this session would not have been worthwhile and would not have produced what it has been able to produce in terms of the engagements. The questions and comments that you have put forth show us that we are indeed working in the space that we are supposed to be working in. The NDA is here to facilitate that the CSOs are able to deliver and serve the communities and the poorest of the poor in South Africa and to assist in developing the third leg of the South African democracy to challenge the status quo. This is not just a not just a talk show, it is about finding ways in which we can do better and change the status quo. Thus, I thank all the attendees for the robust participation. We still have another session that we will be inviting you to that will be talking about the transformation of the sector and how we can transform the status quo. In that as well, we will ensure that we have a webinar that is open and allows for your participation. I must thank you once again on behalf of the NDA leadership that has allowed us to be able to do the work that we do. I must also thank my colleagues who have worked behind the scenes to ensure that this webinar is a success it is today. More than anything, I should thank Dr. Nthabiseng Kraai, for her leadership in ensuring that we have such an engagement by identifying the relevant stakeholders and content for this dialogue. Thank you colleagues.

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## GENERAL CONCEPT NOTE

### WEBINAR: CIVIL SOCIETY FUNDING MECHANISM IN SOUTH AFRICA

**Organizers:** NDA and BABHUTI Projects

**Date:** 26 August 2021, 10:00-13:00 (South African Time)

**Venue:** Microsoft Teams Webinar

#### 1. BACKGROUND

The National Development Agency (NDA) commissioned the research on civil society sector funding mechanism for the sector. The NDA primary mandate contained in its Act, is to contribute towards the eradication of poverty and its causes by-granting funds to civil society organisations for the purposes of carrying out projects or programmes aimed at meeting development needs of poor communities; and strengthening the institutional capacity of other civil society organisations involved in direct service provision to poor communities. In addition, the NDA, through the NDA Act, is required to promote consultation, dialogue and sharing of development experience between civil society sector and relevant organs of state; debate on development policy; and undertake research and publication aimed at providing the basis for development policy.

This research report is a strategic intervention towards fulfilling the secondary mandate of the NDA's of promoting engagements and debates on development policy based on research conducted for purposes of influencing development policy. The establishment of the NDA was a clear positive of government views on the role of civil society sector and the establishment of the Community Constituency at NEDLAC is commitment on the part of government in inclusion of this sector in all development and economic policies of the country. This commitment sits within the paradox of government also being increasingly apprehensive of the role that civil society plays in

South Africa development and economic landscape. Nevertheless, the NDA notes that post-apartheid it was necessary to ensure that economic power was passed on to those who were left most vulnerable by the apartheid regime by working with civil society sector. Civil society sector, by virtue of their roots within communities and the work they do with those most in need, are seen as partners through which service delivery can occur. The civil society sector presents an opportunity for the government to develop effective and efficient partnerships. This sector is often able to identify the needs of communities more readily and have a wider reach than state organs. As a result, investing in building the capacities and capabilities of the civil society sector becomes a valuable investment for the government.

The transition to democracy resulted in fundamental changes in the civil society sector in South Africa. The transition to democracy occurred within the local and global context that shaped the post-apartheid civil society-funding environment and contributes to some of the challenges currently seen in the sector. Lessons from Latin America and Eastern Europe on the dangers of over-centralisation forced a pullback of the State and the acceleration of globalisation of market forces. This resulted in reducing the role of the state and left it to markets forces, thus having a negative implications on the civil society sector. Secondly, the two financial crises exposed the weaknesses of the markets also forcing a shift in civil society sectors' funding landscape. The combined effect of the above changes was mainly felt in the three folds: (i) there was an ever-declining resources and funding flowing from external donors and funders; (ii) there was a tightening fiscal constraints and decline in government budgetary allocations to the civil society sector as a result; (iii) as a result, emphasis shifted to a new funding model: Public-Private Partnership. Effect number 3 was a result of the combined effect of 1 & 2. Increasing calls for more prudent management of resources, collaboration between civil society sector, downsizing; reprioritization of programmes and projects by CSOs, put the sector under immense pressure they were unprepared for.

The democratic South Africa state and its political economy is anchored in a neoliberal world order. The decline in resources meant that some CSOs went under, others downsized. Some CSOs that survived reprioritised and refocused to education and

healthcare where there is demand for their interventions. CSOs had to embrace a State-Capital-Civil Society Partnership arrangement whereby the State and business served as funding partners on the one hand, and Civil Society Organisations served as Non-Profit Sector partners to deliver the development priorities. But this has not been as successful as expected

The NDA commissioned the Babhuti projects to conduct a research study with the main purpose of understanding the funding mechanisms used in the funding the civil society sector in South Africa as to explore legislative and policy options that can effectively respond to current challenges and failures while providing guidance to the sector on policy, regulations and legislation. It also draws on global perspectives effective civil society funding models, providing funding policy and regulation, and recommendations on how the state and sector can address funding as a whole.

## **2. OBJECTIVES OF THE WEBINAR**

Discussions will be based on insights from the National Development Agency's "Civil society funding mechanisms in South Africa" (NDA, 2020). Findings that may be of interest for debate include lack of civil society funding policy framework, as well as the duties and powers of NDA to act as a key conduit for funding from the government of the Republic, foreign governments and other national and international donors vis-a-vis development work to be carried out by the civil society sector which are not put to effective use to lay down policy and regulatory frameworks for civil society funding in South Africa. Hence, what the country currently have is a Not for Profit Organisations financing landscape without an appropriate policy and regulatory framework for the civil society sector. In tackling these challenges, the objectives of the dialogue are to:

- Present the findings of the research and recommendations to the civil society sector, government and the business sector given their critical role in supporting the civil society sector in a coherent and integrated manner;
- Provide an overview perspective of the current civil society funding mechanisms in South Africa;
- Draw a road map for the sector based on research and experiences on how the sector can lead the process of designing and developing national

comprehensive civil society funding mechanisms that are acceptable and working for the sector.

### **3. TARGET AUDIENCE**

This public dialogue aims to involve participants from the following groups:

- Civil Society sector and its membership
- Labour organisations
- Non-States/State-Owned Entities
- Government departments
- Academic Institutions
- Business organisations
- South African Public

### **4. OUTCOMES OF THE DIALOGUE**

The dialogue should not be perceived as an academic debate and just end at this level or report writing level, but should specifically influence development policy. The resolutions together with key lessons learned from the debates and discussions should be a guiding tool for the country in putting together CSOs funding regulatory frameworks in South Africa.

### **5. FORMAT AND COMMUNICATION IMPLICATIONS**

The dialogue will be communicated to the public through the assistance of the Communication Units at the NDA, DSD, SASSA, NEDLAC and BABHUTI. The dialogue will be virtual via Zoom webinar and live-streamed on the Department's Facebook pages. Registration is required beforehand; after which an email will be sent with guidance on how to join the dialogue. Furthermore, the Department and its agencies will put together a media advisory notifying the media outlets/houses of the event to solicit possible coverage.

## 6. DRAFT PROGRAMME

<b>WEBINAR: Civil Society Sector Funding Mechanisms in South Africa</b> <b>Programme Director: Dr Anthony Bouwer – Senior Manager PMU, NDA</b>		
09:30-10:00	Online log-in	All
10:00-10:10	Welcome Remarks	Mrs Thamo Mzobe, CEO-NDA
10:10 -10:25	Overview and Background of the dialogue	Mr Bongani Magongo – Executive Director DMR, NDA
10:25 -10:40	Limitations of funding mechanisms for the Civil Society Sector in South Africa	Mr Thulani Tshefuta – Chair of Convener NEDLAC Community
10:40-11:10	Research Findings and Recommendations – Civil Society Funding Mechanisms	Ms Joy Ndwandwe -BABHUTI Projects
11:10 -11:25	NDA Funding mechanisms	Ms Susan Khumalo– COO - NDA
11:25 -11:40	NPOs perspectives on current Funding Mechanisms in SA	Mr Peter Netshipale – DDG Community Development, DSD
11:45-12:45	Q&A Session	All
12:45 -12:55	Wrap-up (Reflections)	Mr Thami Ngwenya- Senior Manager Research, NDA
12:55-13:00	Closure and Vote of Thanks	Mr Xolile Brukwe – Stakeholder Manager, NDA

## 7. Contact for Further Information: Nthabiseng Kraai

Email inquiries to: [nthabisengk@nda.org.za](mailto:nthabisengk@nda.org.za)



# WEBINAR INVITATION

## CIVIL SOCIETY SECTOR FUNDING MECHANISMS IN SOUTH AFRICA

**Date: 26 August 2021 (Thursday)**

**Time: 10:00 – 13:00**

**Platform: Microsoft Teams Webinar**

The National Development Agency (NDA) commissioned the Babhuti projects to conduct a research to provide an overview of the funding landscape for CSOs in South Africa, its challenges and failures, while providing guidance to the sector on policy, regulations and legislation. The research also draws on global perspectives for effective civil society funding models, providing funding policy and regulation, and recommendations on how the state and sector can address funding as a whole within the South African context.

**PLEASE CLICK HERE TO REGISTER**

**For further information contact: Nthabiseng Kraai ([nthabisengk@nda.org.za](mailto:nthabisengk@nda.org.za))**



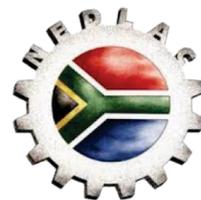
# WEBINAR PROGRAMME

## WEBINAR: Civil Society Sector Funding Mechanisms in South Africa

Programme Director: Dr Anthony Boucher – Senior Manager PMU, NDA

09:30-10:00	Online log-in	All
10:00-10:10	Welcome Remarks	Ms Susan Khumalo, COO-NDA
10:10 -10:25	Overview and Background of the dialogue	Mr Bongani Magongo – Executive Director DMR, NDA
10:25 -10:40	Limitations of funding mechanisms for the Civil Society Sector in South Africa	Mr Thulani Tshefuta – Chair of Convener NEDLAC Community
10:40-11:10	Research Findings and Recommendations – Civil Society Funding Mechanisms	Ms Joy Ndwandwe -BABHUTI Projects
11:10 -11:25	NDA Funding mechanisms	Mr Nkhensani Mthembi– Grants Manager,NDA
11:25 -11:40	NPOs perspectives on current Funding Mechanisms in SA	Mr Peter Netshipale – DDG Community Development, DSD
11:45-12:50	Q&A Session	All
12:50 -13:00	Reflections and Vote of Thanks	Mr Thami Ngwenya- Senior Manager Research, NDA





# NDA WEBINAR ON CIVIL SOCIETY FUNDING

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INPUT BY COMMUNITY CONSTITUENCY

Thulani Tshefuta

Thur, 26 August 2021



# Introduction and Context

- In responding to studies that are undertaken by various institutions, civil society organisations overwhelmingly identify lack of funding as the biggest challenge facing civil society
- Even those who receive some funding, are faced with constant funding cuts
- Funding is a critical enabler for the delivery of interventions that respond to the community challenges
- Undoubtedly, South Africa has a glaring challenge of skewed access and allocation of resources
- There are historic beneficiaries of funding who have defined themselves a role of traditional God given rights/entitlement to funding
- Some Funders set the agenda
- Some CSOs blindly follows everything and anything as long as it has funding (Compliance vs Cause)



# Sources

- Most government departments have some relations with civil society but without coordination
  - DSD as a lead department
  - DHET has NSA
  - DoH has SANAC
  - DIRCO has ECOSOCC
  - DPSA has APRM
- Despite fragmentation, there are various sources of funding for civil society in South Africa
  - DSD
  - NLC
  - SETAs
  - Private Sector CSI
  - Foundations
  - Local and International Donor Agencies
- Cold funding without matching capacity building



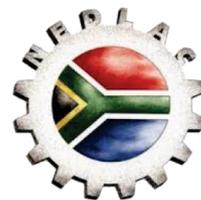
# Other limitations

- More and more funders want to fund the core of programme delivery to the exclusion of operational support for the implementing CSO
- Competing priorities is one the tough decisions facing funders
- Dedicated funding windows vs agile and responsive processes through proactive funding
- Mismanagement of funds and corruption demobilize funders



# Some Considerations

- Funders and Partners must appreciate and acknowledge the social capital that is already existing in communities (ABCD Approach)
- Shared Services for a panel of Bookkeepers and Auditors for capacity building
- Build skills for resource mobilization and fundraising
- In appreciating the different but complementary roles of social partners, some programmes must be dedicated to be implemented by civil society accompanied by the relevant funding allocations (Funds follow function)
- Reaffirm the centrality of the role of NDA in coordination of efforts, funding and capacity building of the civil society working with apex bodies
- Developmental funding paradigm
- Funding for impact



The End!



# CIVIL SOCIETY FUNDING MECHANISM IN SOUTH AFRICA RESEARCH REPORT FINDINGS PRESENTATION

**26 AUGUST  
2021**

**DEVELOPED & PRESENTED BY**



# PRESENTATION ROADMAP

- ❑ **Background**
- ❑ **Programme Strategic Thrust & Rationale**
- ❑ **Programme Scope**
- ❑ **Methodology**
- ❑ **Findings**
- ❑ **Recommendations**

## I. BACKGROUND

- ❑ **The National Development Agency (NDA) commissioned this research on civil society organisations (CSOs) funding mechanism to support its core function on behalf of the state on policy, regulations and mechanism for conduit mandate on this sector.**
- ❑ **This report is a strategic intervention towards the NDA's primary objective of contributing towards poverty eradication and its causes through grant funding to CSOs for developmental projects and programs in poor communities.**
- ❑ **This commissioned NDA research study report, provides an overview of the funding landscape for CSOs in South Africa, its challenges and failures, while providing guidance to the sector on policy, regulations and legislation. It also draws on global perspectives effective civil society funding models, providing funding policy and regulation, and recommendations on how the state and sector can address funding as a whole .**

## 2. PROGRAMME STRATEGIC THRUST & RATIONALE

- ❑ This research study is a strategic intervention based on both literature review and questionnaire analysis, including face to face interviews modelled from the terms of reference research questions. Thus, the CSO funding landscape will delineate the funding structure, access to funding, transparency and accountability mechanisms, sustainability and functionality roles, and skills, effectiveness and efficient use of resources and results in South Africa.
- ❑ The rationale of this research report is to understand the current civil society sector funding environment in South Africa and ascertaining its implications on operations and sustainability of the sector. The report further explores other countries' civil society funding models that promotes transparency, accountability and sustainability of the sector and examples.

### 3. PROGRAMME SCOPE

- ❑ Provide an overview outlook of the funding landscape for civil society sector in South Africa and challenges resulting in the failure of the state and its Agencies to respond to these challenges.
- ❑ Conduct research that provides guidance to the civil society sector on how to engage with the state in the development of policies, regulations and legislation that can respond to the funding challenges of the sector.
- ❑ Provide examples of global perspectives of effective civil society funding models which can be used as case studies for South African civil society sector.
- ❑ Provide areas of funding policy and regulations that need to be put in place to promote the sector and the state abilities to coordinate and monitor funding to the sector for purposes of accountability and transparency.
- ❑ Provide concrete recommendations on how the sector and the state can address funding of the civil society sector as a whole by all funders.

## 4. METHODOLOGY

- ❑ The research methodology for this project was supposed to be a mixed method approach. Due to the minimal number of responses from respondents, we opted for a qualitative approach since it is related to the core objectives of the deliverables. Hence, this research approach enabled methodology that delineated the means, ways and effective data analysis.
- ❖ Data Collection: Commenced with an In-depth review of the literature detailing the conduit mandate of the NDA, as well as evaluating linkages between the civil society sector and South African government. This comprehensive literature review collected in the 2013, 2014, 2015, 2016, 2017 and 2018 Triologue Annual Sustainability Review publications along with other existing literature on South Africa's civil society sector funding, government policies, strategies and legislation relevant to the funding of the civil society sector. The findings of the literature review were the first key deliverable, the drafting and submission of an in-depth literature review report to the NDA.

## 4. METHODOLOGY CONT'D

- ❖ **Sampling Size:** This research report sampling size was limited due to COVID-19 lockdown regulations, mainly Non-Profit Organisations, Faith-Based Organisations, Non-Governmental Organisations and Community Based Organisations located across all nine provinces. In total, 4 613 questionnaires were distributed online and delivered on site. However, only 4 287 emails successfully sent and 326 questionnaires were distributed on site. The total number of respondents were 108 including 26 questionnaires completed based on CSOs and NGOs annual reports. This qualitative research also included face-to-face interviews and the collection of information or data from CSOs' websites.
- ❖ NPOs, Community Based Organisations and Faith Based Organisations formed the bulk of the distribution because of their accessibility (email addresses were availed or provided) with a total of 2114, 1021 and 103 questionnaires sent to them respectively. Although the response rate from respondents was inadequate due to their lack of interest and their lethargic or unresponsive nature, our researchers were able to conduct analysis from the responses obtained.

## 4. METHODOLOGY CONT'D

- ❖ **Data Analysis:** The research analytical tool used for data analysis was the Microsoft Excel Data spreadsheet which captured all information gathered from the qualitative literature review. This data was mainly from findings in the literature review (predominantly from Corporate Social Investment publications, the Trialogue and Business in Society reports due to their massive investment in knowledge production and sharing). Thus, there are no publications focusing on CSO knowledge production and sharing.

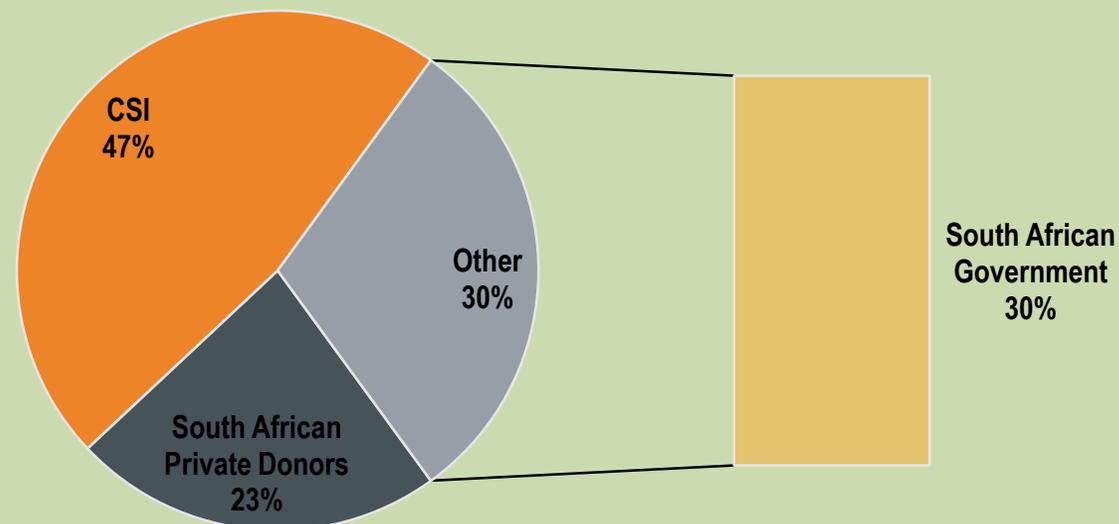
## 5. FINDINGS

- ❑ The total number of civil society sector organisations surveyed was 108, in eight provinces, that is, Gauteng, Western Cape, Free State, Mpumalanga, Eastern Cape, Limpopo, Northern Cape and KwaZulu Natal, with no responses from the North West province. The majority of responses were from Gauteng.
- ❑ The NDA classification framework for CSO was instrumental in organizing the survey, such that, Level 4 CSOs constituted 12% of respondents, predominately in social and community development, social justice and advocacy sectors, with funding from international funding bodies and Corporate Social Investment (CSI) partners in South Africa. Level 3 CSOs constituted 16.6% of respondents, mainly in education and early childhood development (ECD) with 30% of this level funded by South African government. More so, youth development, health, poverty alleviation and capacity building are funded predominately by CSI at 47% and South African private donors at 23%.

## 5. FINDINGS

- Below is a representation of the funding sources related to Level 3 CSOs mainly in education and early childhood development (ECD).

**Funding Sources for 16.6%  
of CSOs in level 3**

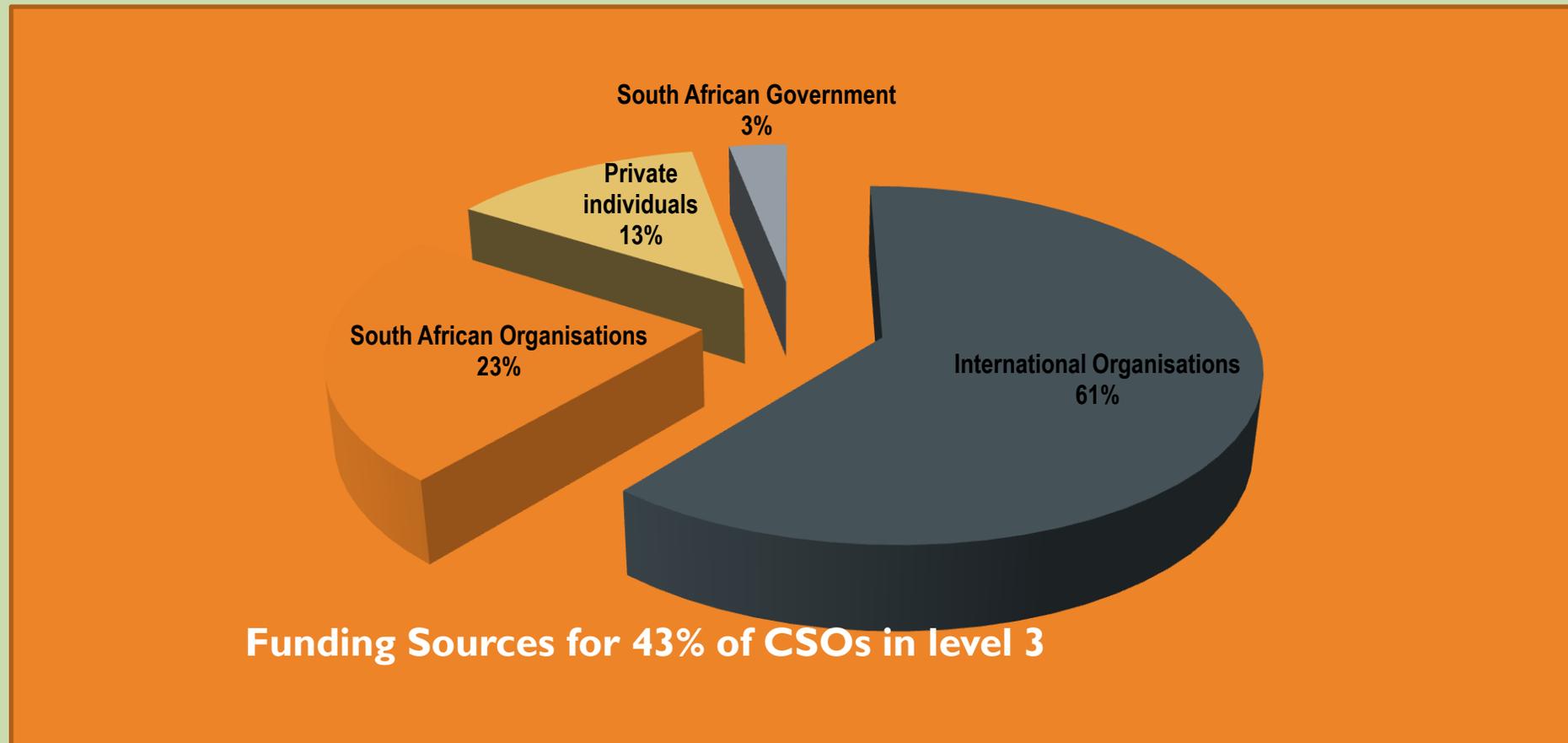


## 5. FINDINGS CONT'D

- In the questionnaire responses, 43% of CSOs funding in level 3 emanated from social justice and advocacy, community development, entrepreneur and small business as well as promotion of human rights sectors. In terms of funding source, they receive 61% of funds from International organisations, 23% from South African organisations, 13% from undeclared private individuals and foundations and 3% from the South African government. According to the 61% of CSOs surveyed in this category, receiving funds from international and local organisations, funding is usually medium to long term enabling anticipatory or proactive financing mechanisms to solve immediate needs, while evolving and adapting to contextual changes and needs.**
- Level 2 NPOs constituted 39.8% of respondents, predominately in socio-economic rights, social and community development, education, and health sectors; and Level 1 constituted 31.4% of respondents mainly made up of NPOs, ECDs and FBOs. Level 2 NPOs are in a highly competitive funding environment, thus, less predictable and stable, while in Level 1 they depend on short term small grants. 64% CBOs funded are funded quarterly while 36% get funds on a monthly basis. Of essence, 92% Level 2 and 3 NPOs and CSOs in the education sector and early childhood development utilises short term funding for operations and long term funding for remuneration and maintenance of the working environment.**

## 5. FINDINGS CONT'D

Chart depicting the funding sources for 43% of all level 3 CSOs that were engaged as described in the previous slide:



## 5. FINDINGS CONT'D

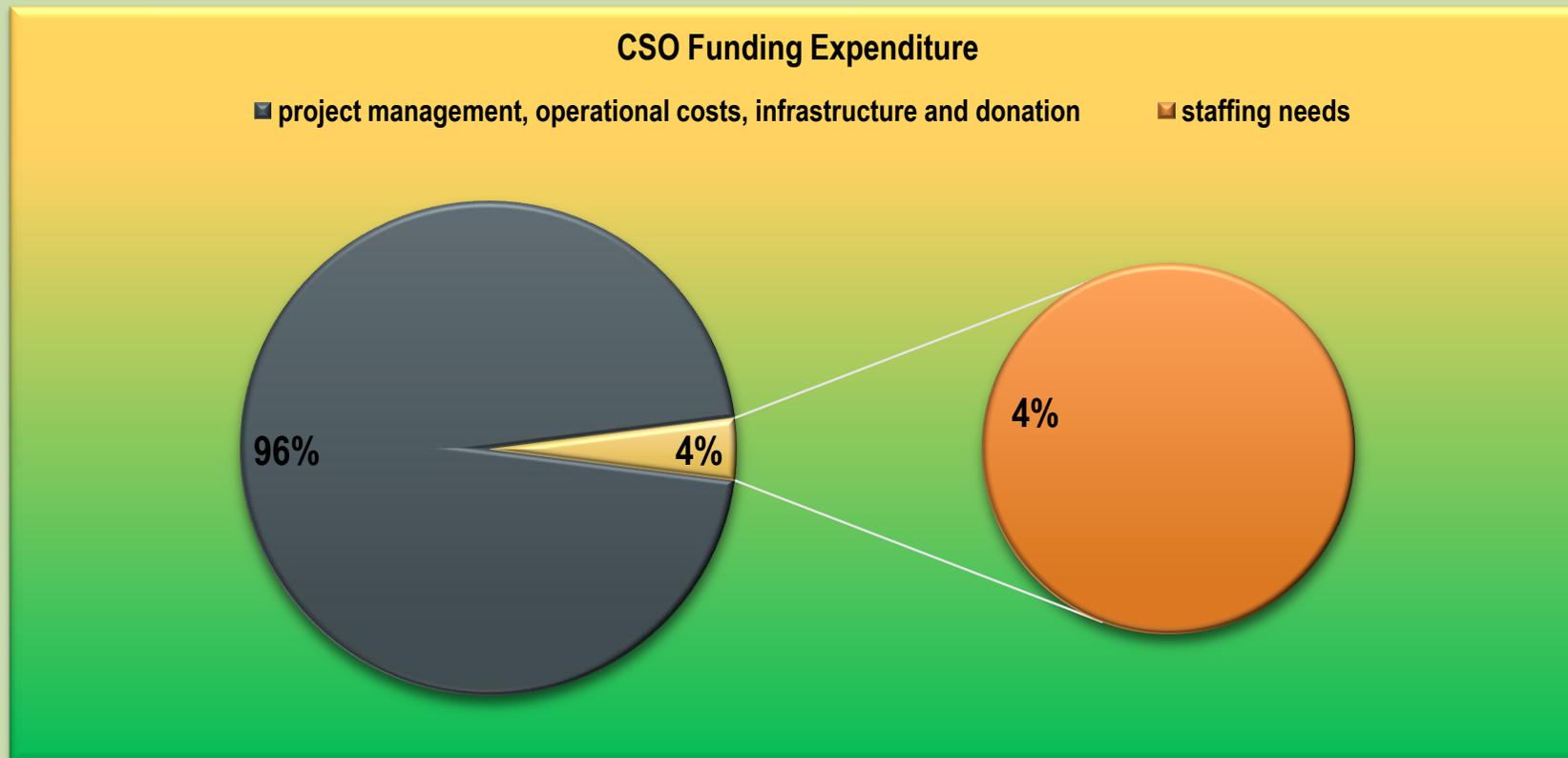
- **Lastly, 91% of Level 1 CBOs stated that short term funding is utilised for projects while long term funding is utilised for infrastructure development. On funding challenges, Level 1 CBOs and Level 2 NPOs experience limitations due to lack of monitoring and evaluation tools leading to misinformation, lack of transparency and perceived non-materialisation of project objectives. These levels, 1 and 2, are also disadvantaged by the competency, history, skilled staff, evaluation data, track records, accountability and quality services that prevail within Level 3 and 4, CSOs. However, some Level 3 CSOs have funding challenges emanating from inadequate skilled staff, inadequate support from CSI and private donors, lack of financial security, technology capacity, insufficient income generating activities; and most importantly rigid NDA processes for accessing funding by CSOs. Moreover, Level 4 CSOs, funding challenges were related to limited funding opportunities, and lack of strategic alliance and partnership with the NDA and its stringent funding processes and procedures.**

## 5. FINDINGS CONT'D

- ❑ **Delineating Current Funding Structure:** The current funding structure was assessed in accordance with internal policies and regulations. For Levels 1 and 2 CSOs, there was common consensus that structural funding was apportioned on a short term basis. The survey delineated that for 96% of CSOs, funding was structured for project management, operational costs, infrastructure and donations, while 4% was aligned with NPO and CSO staffing needs. 94% of Levels 2 and 3 CSOs' respondents expressed the need for financial reporting, project finance and management audits. Moreover, from Levels 2 to 4, there is a need for accountable audits and monitoring tools.
- ❑ With respect to the alignment and accountability of funding mechanisms and structures, Level 4 CSOs, have the capacity and ability to coordinate advocacy and lobbying while Level 1 and 2, need to develop project management units. To add, 84% of Level 2 respondents proposed monitoring and evaluation of project deliverables, while 16% indicated they would want to strengthen their project management, financial and audit reporting systems or processes. When assessing funder's current tools and systems that strengthen fairness, justice, transparency and accountability; 83% of Levels 3 and 4, respondents believed in proper accounting and auditing tools; while 17% recommended the introduction of Community Action Training (CAT) program.

## 5. FINDINGS CONT'D

- In terms of delineating findings of the first paragraph above with regards to CSOs funding expenditure, the diagram below illustrates the following:



## 5. FINDINGS CONT'D

- ❑ In relation to the difficulties in accessing current funding and other information, 86% of Level 4 respondents shared views that funding is accessible due to long term engagements and trust in partnerships with local and foreign donors. Only 2% of Level 1 and 2 respondents reported the existence of income generation fund models through Trusts, while 98%, predominantly in the ECD sector are faced with funding challenges and therefore operate from homes within communities. On access to funding information, 18% Level 1 and 2 respondents were of the view that the NDA must regulate, monitor and evaluate the sector; while the 4% required capacity building from the NDA on funding distribution, financial accountability and transparency. 78% of Level 1 and 2 respondents confirmed that the use of media to access funding information is effective and therefore requested for the establishment of a Multimedia Centre that is easily accessible to all levels of CSOs.

## 5. FINDINGS CONT'D

- ❑ When evaluating transparent and accountable mechanisms and funder need for efficient funding allocation, within Level 3 and 4 CSOs, they recommended that current mechanisms needed upgrading. They also indicated the need for a funding information dashboard that would ensure transparency in funder's selection and adjudication processes, while fostering purposeful and systematic allocations of funds. When assessing CSO's role in sustainability and functionality of their operations, 66% of respondents from this category expressed the need to institute training courses, while 27% emphasized the need for income generating activities. 7% motivated the case for community partnerships.
- ❑ In determining if CSOs internal structures and processes can ensure donor funding is managed transparently to strengthen strategic sustainability, 57% of Level 4 respondents, motivated for the establishment of internal commissions and committees. 41% of respondents from all four levels of CSOs motivated the strengthening of internal structures and processes for proper financial controls, accounting systems, and most importantly the need for annual audited financial statements.

## 5. FINDINGS CONT'D

- In assessing CSO's role in sustainability and the functionality of their operations, the diagram below depicts the preferences of level 3 & 4 CSOs:

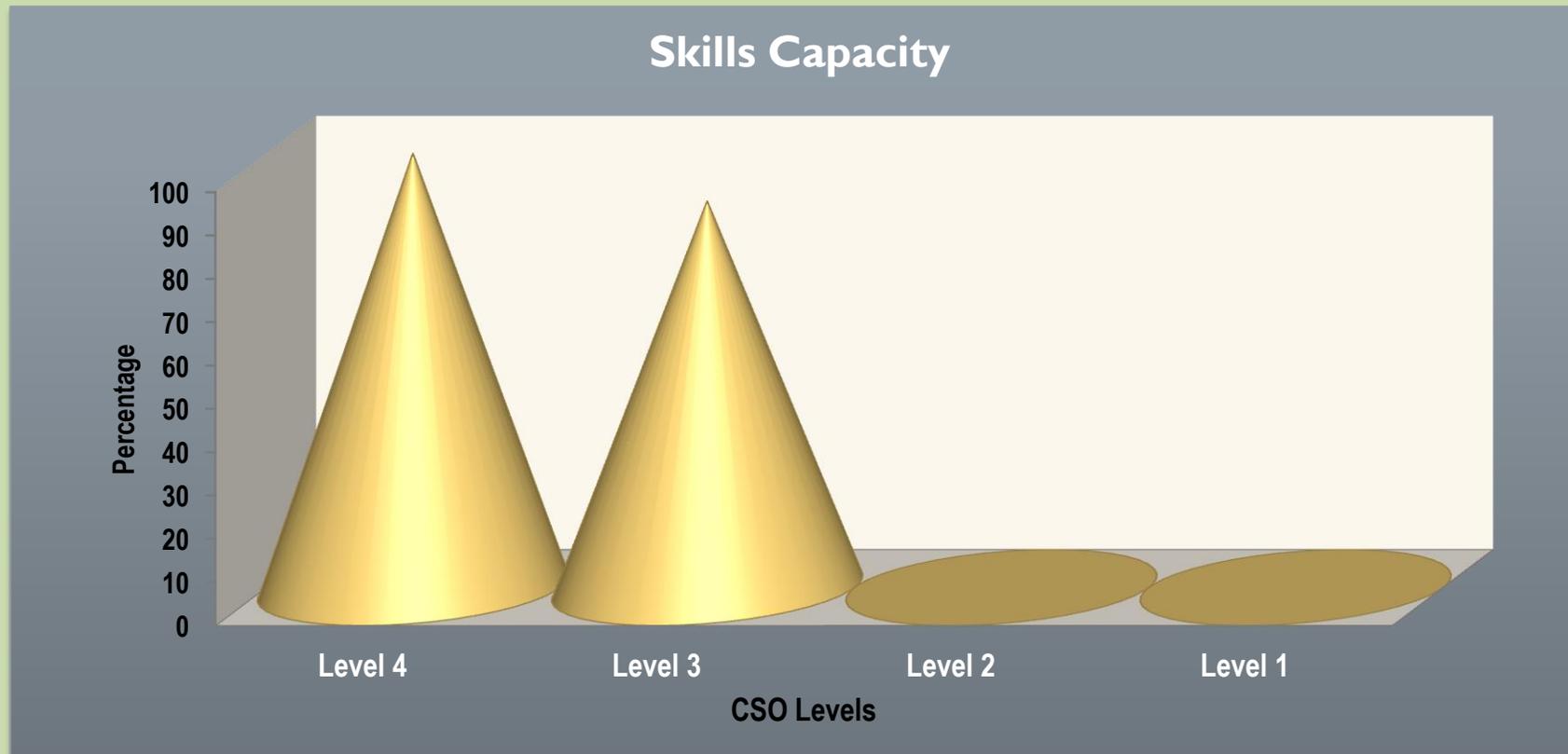


## 5. FINDINGS CONT'D

- ❑ In determining if CSOs are adequately skilled and capacitated to predict reliability, transparency and vitality of funded programs, Level 4 CSO respondents indicated that they were adequately skilled. For Level 3, 89% of respondents inferred being highly skilled, while 11% felt they needed internal project control mechanisms. Most importantly, Level 1 and 2 respondents indicated that they are inadequately skilled. In determining if predictable aid leads to more efficient use of resources and effective development results, all the 4 levels of the CSOs agreed with this statement, as predictable aid provides assurance, clarity and transparency of needs.

## 5. FINDINGS CONT'D

- In determining if CSOs are adequately skilled and capacitated to predict reliability, transparency and vitality of funded programs the diagram below illustrates the findings presented above:



## 7. RECOMMENDATIONS

- **First, this research study recommends proactive donor engagements, most importantly strengthening CSO/funder dialogue and engagement meetings to create a win-win and lasting strategic partnerships that would be a key enabler in accessing and/or continuing to access funding.**
- **Second, it encourages the creation of platforms for corporate partnerships, particularly, when streamlining funding that could further incentivize and empower CSO staff to take capacity building courses and by so doing add value to the CSOs' vision and strategic objectives.**
- **Third, the NDA must foster strategic alliances and partnerships with the CSI sector, thus, enabling the NDA to be in a better and stronger position to leverage on the types, characteristics, levels and values of both local and foreign funding processes and models.**

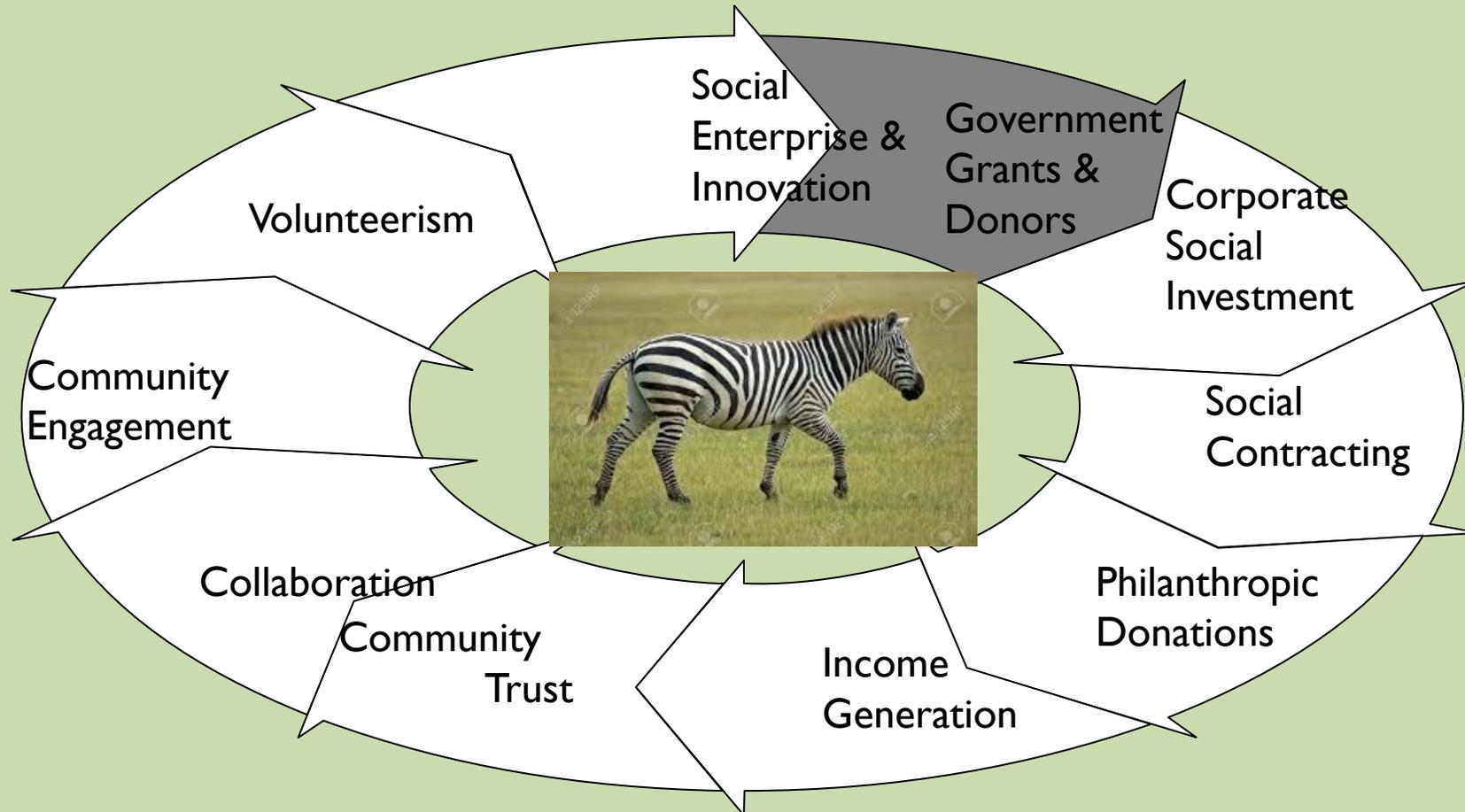
## 7. RECOMMENDATIONS CONT'D

- **Fourth, the NDA needs to boost its advocacy levels, thus, fostering expertise for low level CSOs. It further needs to consult with and advocate for them via regional platforms as this is essential to ensure that the poorest CBOs and NPOs are not excluded.**
- **Fifth, there is a need for further research to be undertaken in rural and disadvantaged areas of South Africa especially to fully ascertain Levels 1 and 2 CSOs perspective on the funding chain processes, as well as those currently undergoing capacity development aimed at fully understanding sustainable funding best practices.**

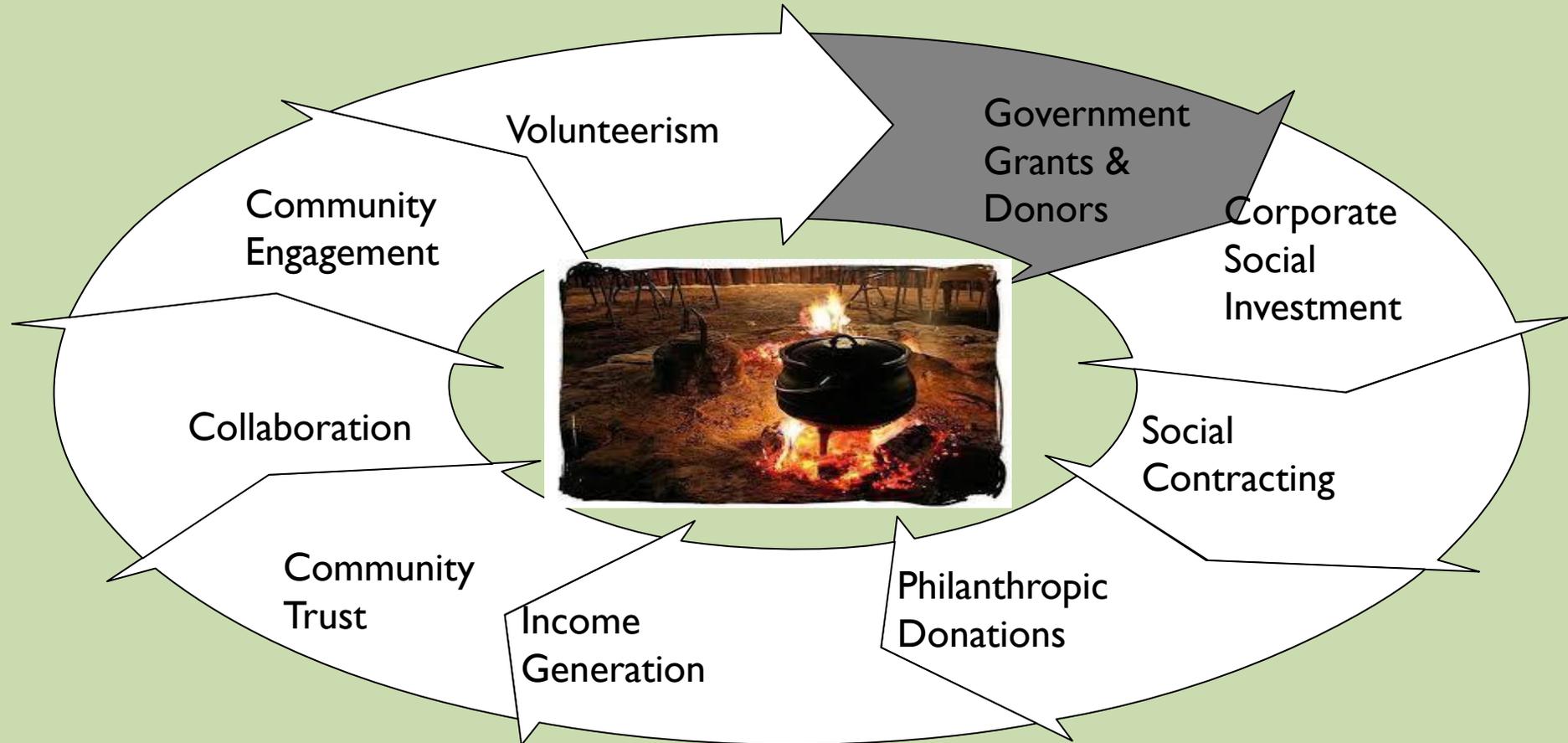
## 7. RECOMMENDATIONS CONT'D

- ❑ The sixth recommendation is the proposed funding model that originates from the literature review and the qualitative research findings that emanated from the questionnaire responses.**
  - ❑ The seventh recommendation encapsulates the strategic approach to funding and fundraising.**
- Finally, the general recommendations on infrastructure support will definitely enhance CSOs' visibility, conduct a proper assessment of their needs, and finally identify training and mentoring needs.**

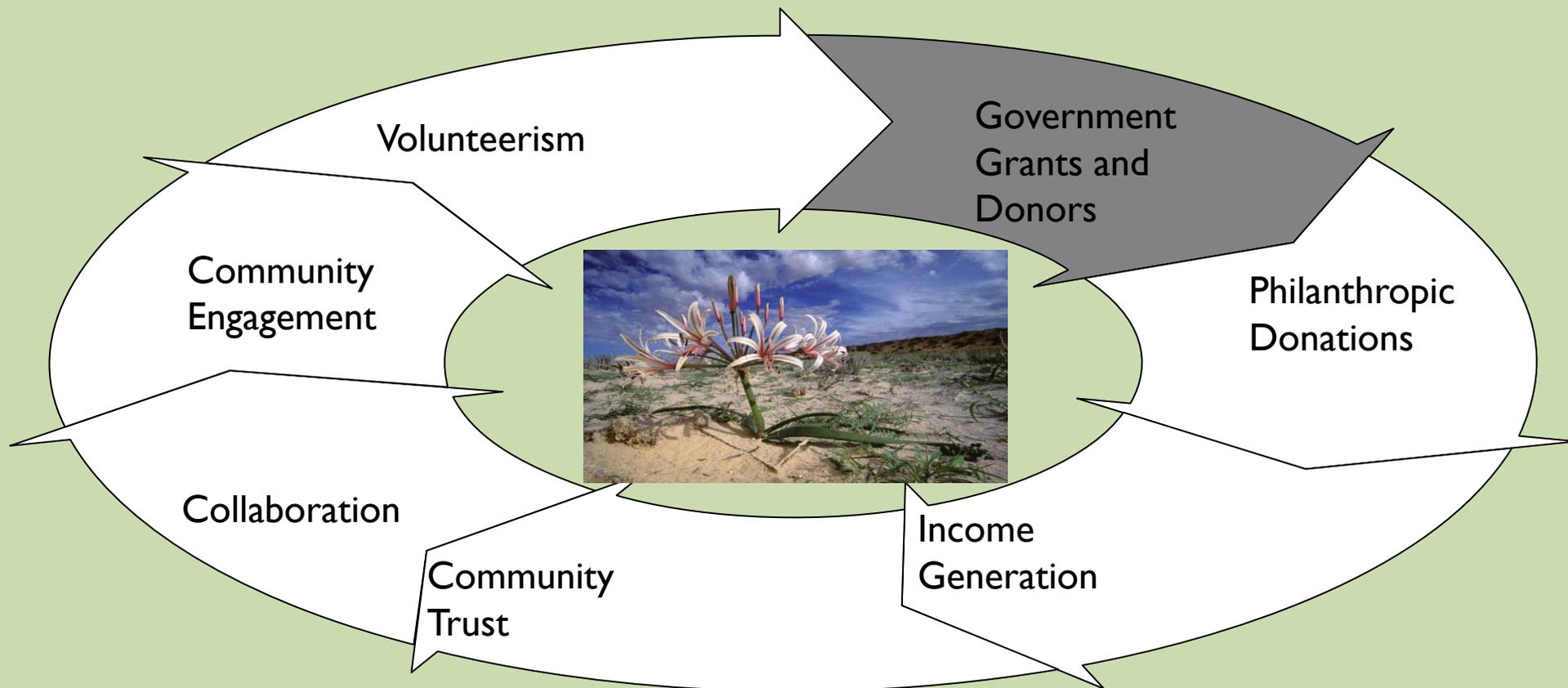
# UBUNTU ZEBRA SOCIETY: TOP OF THE RANGE FOR LEVEL 4 CSO'S



# UBUNTU THREE LEGGED POT: MIDDLE OF LANE LEVEL 2 AND 3 CSO'S



# UBUNTU KALAHARI DESERT FLOWERS: LEVEL I CBO'S



## 8. CONCLUSION

- **In conclusion, this report provides an understanding of the current South African civil society sector funding mechanism landscape, and explains how CSOs in their engagements with the state can ensure transparency in the funding of the sector by all the funders. Thus, the findings evaluates and outlines the current shortcomings and challenges for funding the sector, including the difficulties faced by the NDA to execute its conduit mandate for the sector; and how funding needs to be structured including the role of CSOs in achieving this.**

**ANY QUESTIONS???????**



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NDA

National  
Development  
Agency

# Funding Mechanism in the NDA



sassa  
SOUTH AFRICAN SOCIAL SECURITY AGENCY

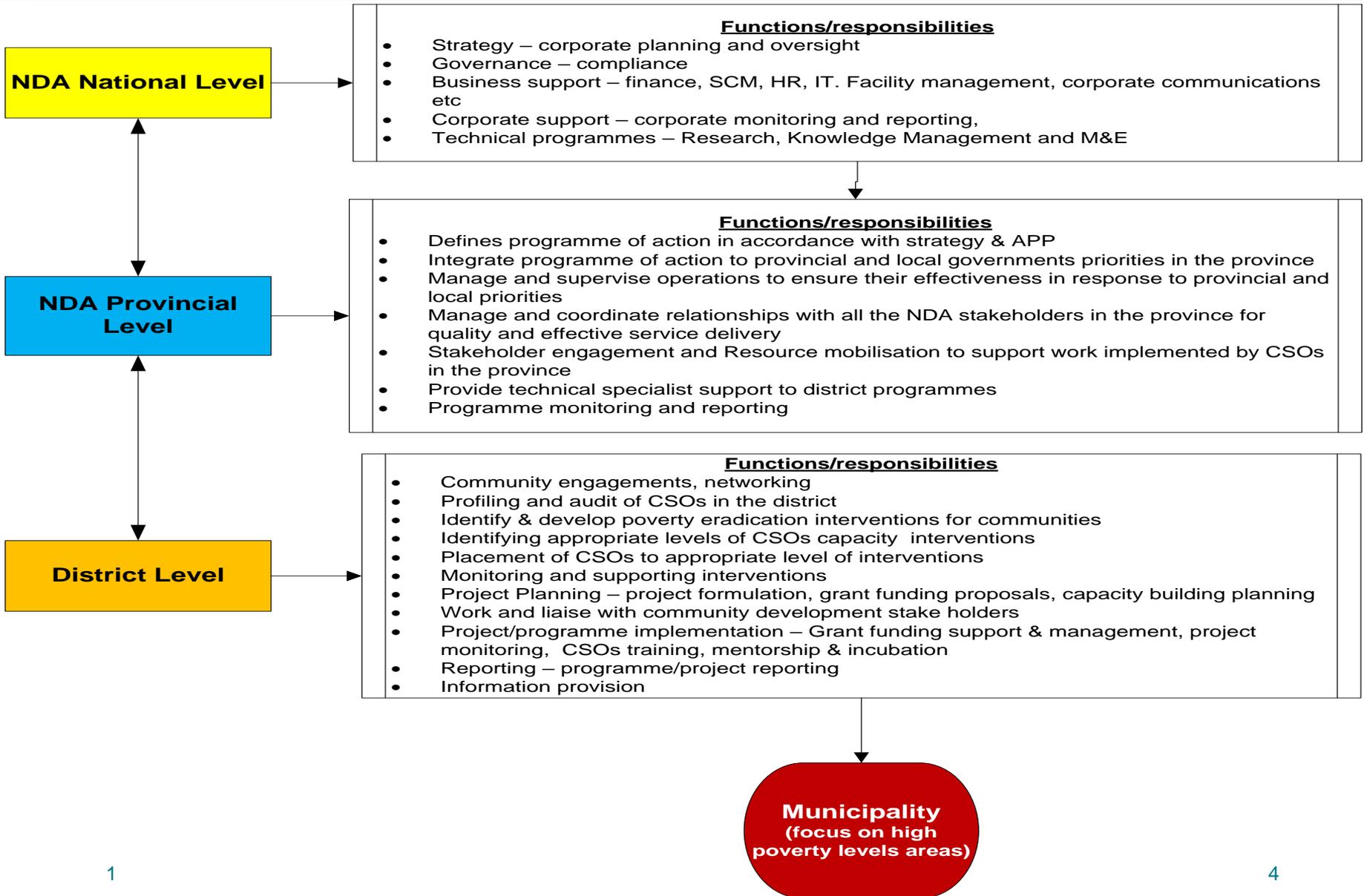
# Introduction

- The National Development Agency (NDA) is a Schedule 3A public entity, reporting to parliament through the Minister of Social Development
- The NDA operates through an Act of Parliament – responsible for contributing towards poverty eradication by granting funds to civil society organisations for the purposes of:
  - Implementing projects and programmes aimed at meeting needs of poor communities and,
  - Strengthening their institutional capacities to provide quality services to poor communities;
  - Provide a conduit for grant funding civil society organisations from government, foreign governments, donors

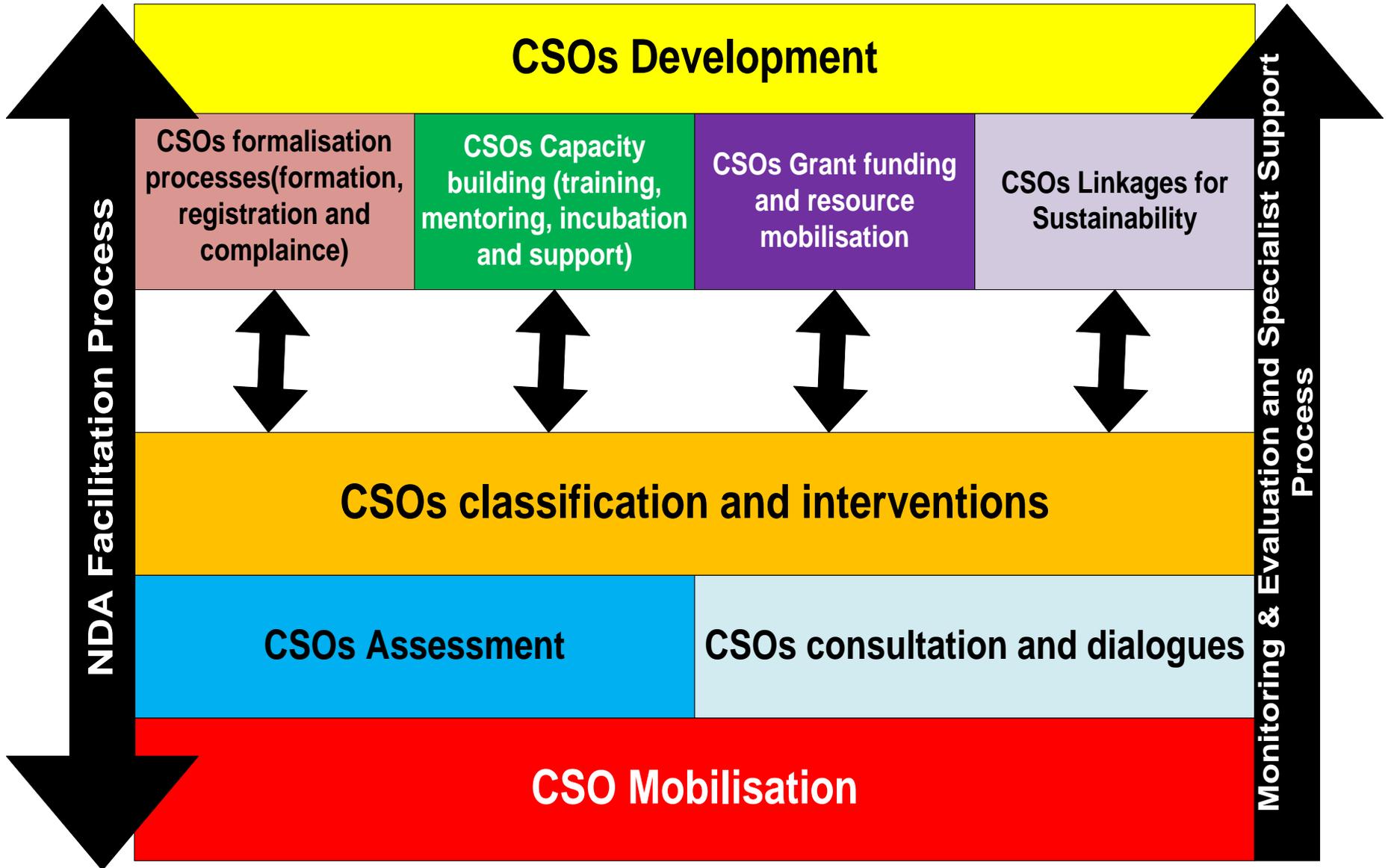
# Introduction

- The NDA is expected to “act as a key conduit of funding from the Government of the Republic, foreign governments, and other national and international donors for development work to be carried out by civil society organisations”.
  - For the NDA to be able to act in this manner, it has to have a mechanism by which it would mobilise funds.
- The NDA must approach government departments national funding agencies (both governmental and private), and partner with departments that are having a role in the national poverty eradication plan (both national and provincial), with a view to identifying areas of their activities that could be delivered through programmes that NDA is best positioned to manage.

# NDA DELIVERY MODEL



# CSO Development Model



# NDA Approach to Grant Funding

- The NDA Act allows the NDA to provide grants to CSOs as a conduit for government, foreign government (bilateral and multilaterals), private sector (corporate), international organisations and philanthropist (local and international). Second, the NDA can grant funds to CSOs from its allocation from National Treasury.
- The NDA grant funding approach to CSOs is aimed at developing the organisations to ensure they have capacities to deliver quality services, attract more funding based on their performance records.
- The NDA grant approach for CSOs development does not focus on quantitative results, such the number of CSOs funded or amount of money granted to CSOs but will focus on measuring developmental change brought about by the granted funding to the CSO.

# Method of Grant making

## 1. Request for Proposals (RFP)

- The RFP is a competitive grant funding approach that targets well established CSOs in organized communities.
- CSOs submit proposals based on pre-set criteria and process.
- This approach is used mainly for 3rd party funding.

## 2. Programme Formulation

- Programme formulation is a grant making approach whereby the NDA engages less organized communities in social facilitation with the view of creating grassroots structures that will ultimately be the mechanism for implementation of projects.
- The approach targets specific areas and sectors based on primary research on priority poverty pockets.
- The process is driven by the NDA staff in provinces based on the assessment of the institutional capability and competencies of CBOs and NGOs in identified localities.
- The NDA Development Managers assume an active role in the conceptualization and planning of projects.
- The approach is used mainly for CSOs funded through NDA's own resources

# Criteria for CSO grant funding

- For a programme to be considered for funding, it should demonstrate the following:
  - i. Clear community benefit**
    - Describe community benefits for the programme
    - Demonstrate strong community interests or community priority.
  - ii. Sustainability**
    - Demonstrate a viable plan for ensuring they are in place to continue the programme
    - Demonstrate potential for long-term community benefit emanating from the programme.
  - iii. Community capacity enhancement**
    - Develop skills and capabilities needed to gain sustainable livelihood or development.
- All NDA funding, including funding from third party funds, has to demonstrate development outcomes that would be achieved by the organisation and community from the funding allocated.

# Eligibility

- Eligibility is restricted to civil society organizations that are registered as “Not for Profits Organisations” such as:
  - NPOs registered with the Ministry of Social Development;
  - A section 21 registration under the South African Companies Act;
  - Registration as a Non for Profit Trust;
  - Registration as a Co-operative.

# NDA GRANT FUNDING PILLARS

**BENEFICIARIES:** Poorest of the poor/ Civil Society Organisations

**APPROACH** : Integrated development through participatory methods

**PRINCIPLES** : Sustainability and Empowerment

**Cross Cutting Issues**

**RURAL AND URBAN DEVELOPMENT**

## **ECONOMIC DEVELOPMENT PILLAR WHAT?**

- Capacity and Skills Development
- Income generating activities
- Entrepreneurship Development

## **EDUCATION PILLAR (WHAT?)**

Early Childhood Development/ Children's Rights

Gender Based Violence

Human Rights/Awareness of Critical Issues

## **FOOD SECURITY PILLAR (WHAT?)**

Promoting Food security/ Land issues for planting

Food gardens, Communal gardens and land Production/Agri-processing/ Market Access

- Financial and Technical training

**WOMEN AND CHILDREN**

**BASIC NEEDS**

**ENVIRONMENT**

**ACCESS TO MARKETS**

**HRD**



THANK YOU



# **PERSPECTIVES ON CURRENT NPO FUNDING MECHANISMS IN SA**

***NDA WEBINAR  
MR.FP NETSHIPALE  
DDG :COMMUNITY DEVELOPMENT***

***26 AUGUST 2021***

BUILDING A CARING SOCIETY TOGETHER

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# PRESENTATION OUTLINE

- Purpose
- Background
- Registered NPO in SA
- NPO funding contextual overview in south Africa
- Economic contributions of NPO in SA
- Funding Mechanisms for NPOs in SA
- Funding of NPO in DSD sector
- Approaches to achieve better NPO funding in SA
- Conclusion

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# PURPOSE

The purpose of the presentation from the NPO regulator point of view is to share perspectives in the NPO funding mechanisms in south Africa and also outline DSD funding mechanisms to support the Non-Profit Organizations rendering social development services.

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# BACKGROUND

- In SA Non Profit Organisations (NPOs) play a vital role in serving social, economic, social and environmental causes in communities.
- NPOs Promote community empowerment and contribute to building healthy communities.
- NPOs contribute to socio-economic stability and do participate in employment creation however; the past two years has been a tumultuous time for NPOs with more demand on their services than ever before as a result of Covid-19.
- Funding is a major obstacle that NPOs in SA face due to the global economic crisis.
- Due to reduced private and corporate donor funding, many NPOs have sought more funding from government to keep afloat, ultimately creating increased competition among NPOs for government funds.

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# BACKGROUND (CONT....)

- The Department of Social Development administer the NPO Act 97 of 1997 which prescribes the functions of the directorate with regards to the Non profit organisations
- The NPO Directorate was established to deal with the regulatory matters of all non-profit organisation as stipulated in section 1 and 5 of the NPO Act.
- The main object of the NPO Act is *"to encourage and support Nonprofit Organisations in their contribution to meeting the diverse needs of the population of the Republic by-*
  - Creating an environment in which NPOs can flourish
  - Establishing an administrative and regulatory framework within which NPOs can conduct their affairs
  - Encouraging NPOs to maintain adequate standards of governance, transparency and accountability, and to improve those standards
  - Creating an environment within which the public may have access to information concerning registered organizations
  - Promoting a spirit of co-operation and shared responsibility within government, donors and other interested persons in their dealings with nonprofit organisations

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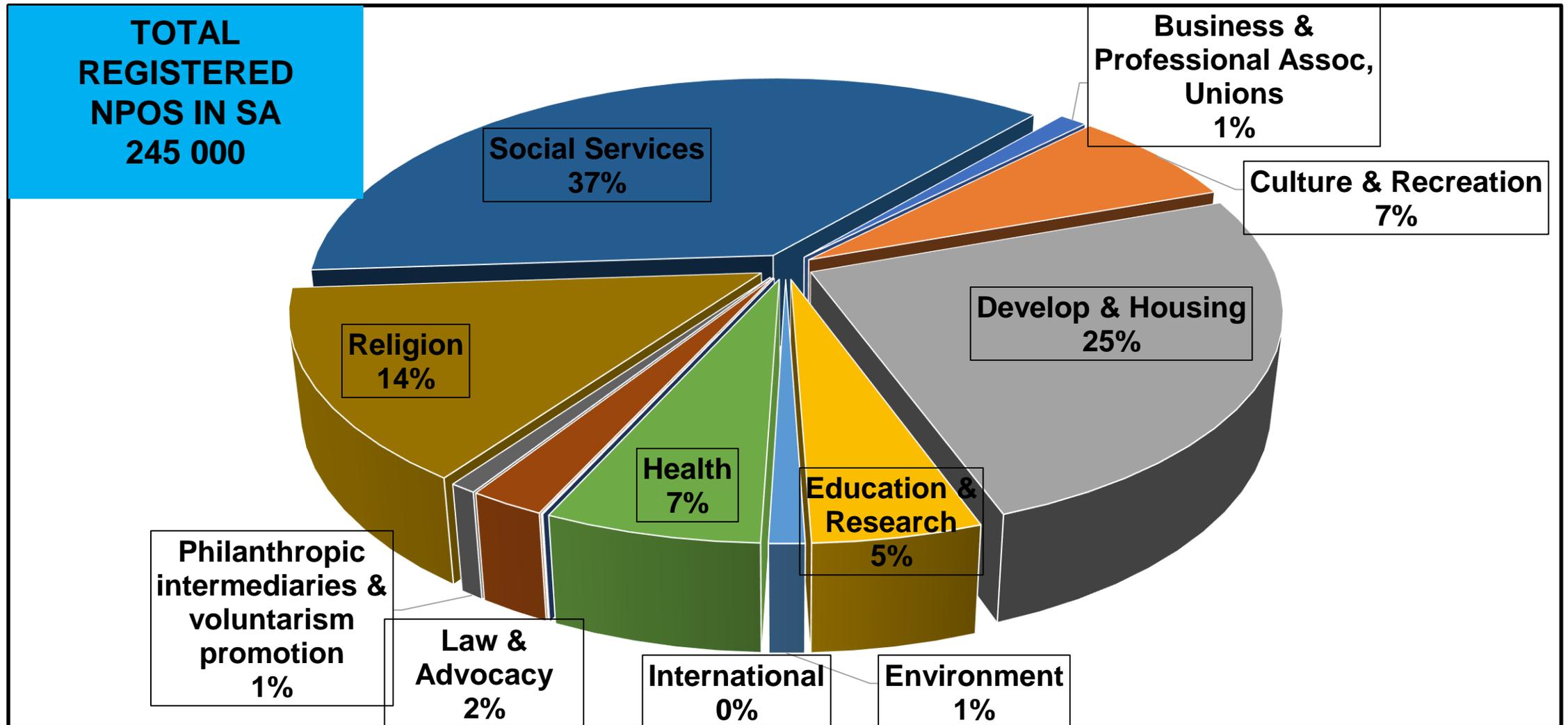


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# Registered NPO by Sector



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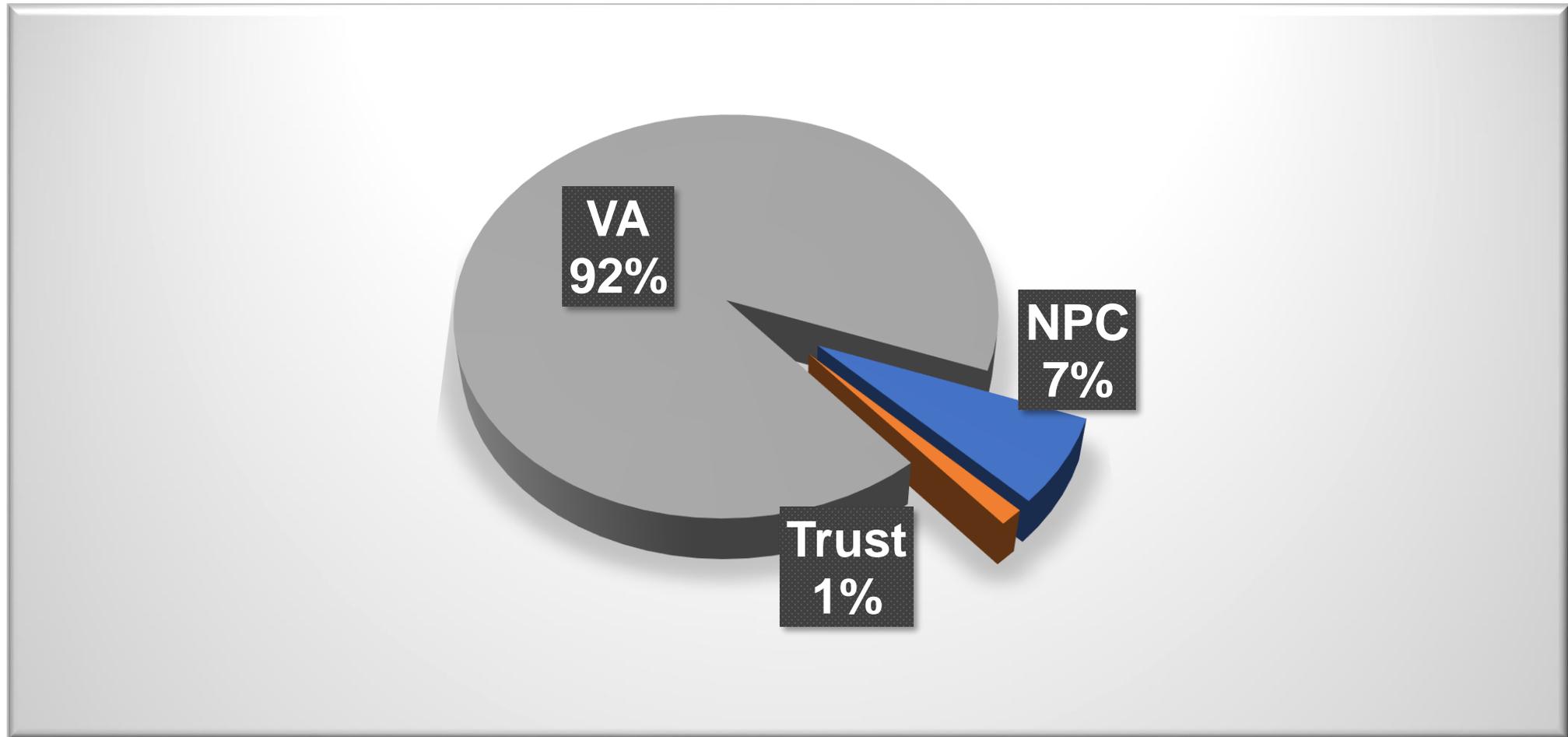


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# Registered NPO by Legal Form



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# NPO FUNDING - CONTEXTUAL OVERVIEW

- **The NPO Act legislation serves mainly-**
  - To provide a Registration Facility for organisations that are nonprofit in orientation and are not organs of the state;
    - Enables an organisation to establish itself as body corporate.
    - Regulates how this entity operates and account broadly to its community and the public. (promote public trust)
- Chapter 2, Section 3 stipulate the state's responsibility to nonprofit organisations with regards to funding: it state that

**“ Within the limits prescribed by law, every organ of state must determine and co-ordinate the implementation of its policies and measures in a manner designed to promote, support and enhance the capacity of nonprofit organisations to perform their functions.”**

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# ECONOMIC CONTRIBUTIONS OF NPOs IN SA

- In the “**Review of Philanthropy Report within SA Phase II**”, in the year 2017 NPO economic contribution to GDP was 3, 2% per annum.
- The total income of the NPOs was estimated to be more than R12, 5 billion to which the South African government contributed a substantial amount in the form of subsidies and other forms of grants, followed by the private sector through its corporate social investment programmes.
- Other forms of funding sources were derived from investments, membership fees and sales
- The sector provides additional services;
  - Value of 1 million Volunteers contribution to the country’s development about R12 billion.
  - Employed people estimated to be 1, 3 million which is extrapolated from the base of 1 million in 2010.

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# FUNDING MACHANISMS FOR NPOS IN SA

- The NPO Act prescribes that all organ of state must promote, support and enhance the capacity of non-profit organisations to perform their functions
  - Government Departments and state entities must provide funding to the non profit sector to implement government policies, strategies and to uplift the communities in the fight against poverty and development.
- Countries Private sector or business provide funding to the non-profit organisations for variety of objectives, and these includes
  - Mines, retail sectors, individual businesses and sureties
- International donors coordinated by National Treasury provide the necessary funding in country to leverage financial burden in a country
- In SA government provide guidance for the government funding through the PFMA
- Other funders doe it as they wish, which indicate a gap that must be played by government and the business partnership in addressing poverty and development

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# Funding of NPO in DSD Sector

- In 1936 a welfare department was established in the then republic of south Africa with its service delivery being the non profit sector
- Historically, social services have been the joint responsibility of DSD and the NPO sector
- The critical role that the NPO sector has played over the years in service provision is acknowledged by DSD.
- The department like other government departments fund NPOs that are registered for social services to deliver social services in all nine provinces
- Each department fund NPOs using it own policy that guide their approach in line with PFMA and SCM principles
- The Department has implemented the policy of financial awards policy that was amended as a guide to fund NPOs in the sector

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# CURRENT ALLOCATION TO NPO (2021/22)

Provinces: Non Profit Institutions	2021/22	
	Main Appropriation	
Eastern Cape	646 866	
Free State	555 413	
Gauteng	2 561 266	
KwaZulu-Natal	1 163 360	
Limpopo	540 802	
Mpumalanga	657 185	
Northern Cape	237 833	
North West	360 135	
Western Cape	1 430 031	
<b>Total</b>	<b>8 152 891</b>	
<b>Programmes: Non Profit Institutions</b>		
Programme 2 : Social Welfare Services	2 110 929	
Programme 3 : Children and Families	4 675 844	
Programme 4 : Restorative Services	848 448	
Programme 5 : Development and Research	517 670	
<b>Total</b>	<b>8 152 891</b>	

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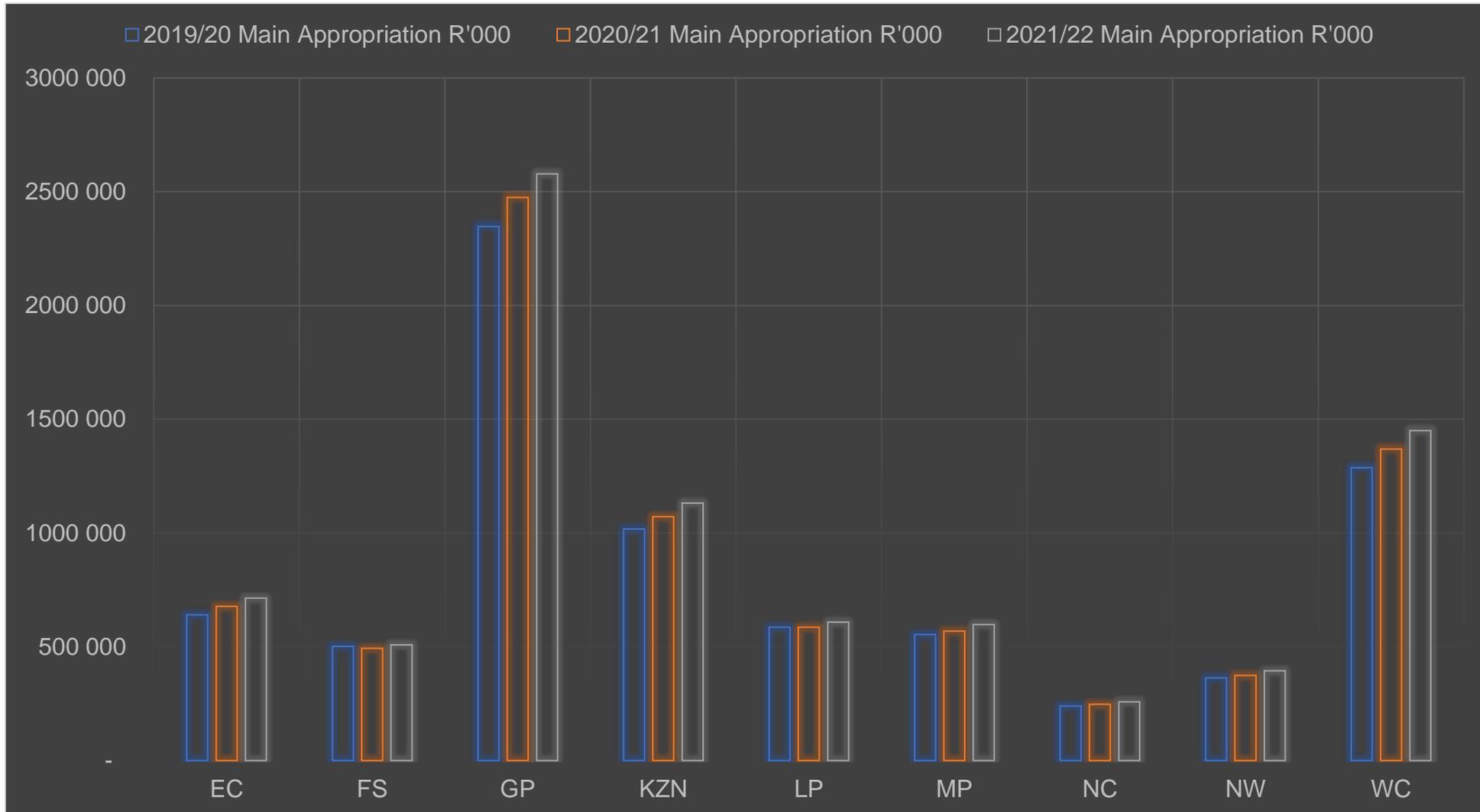


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# ALLOCATIONS- TRANSFERS-NPOS PER PROVINCE



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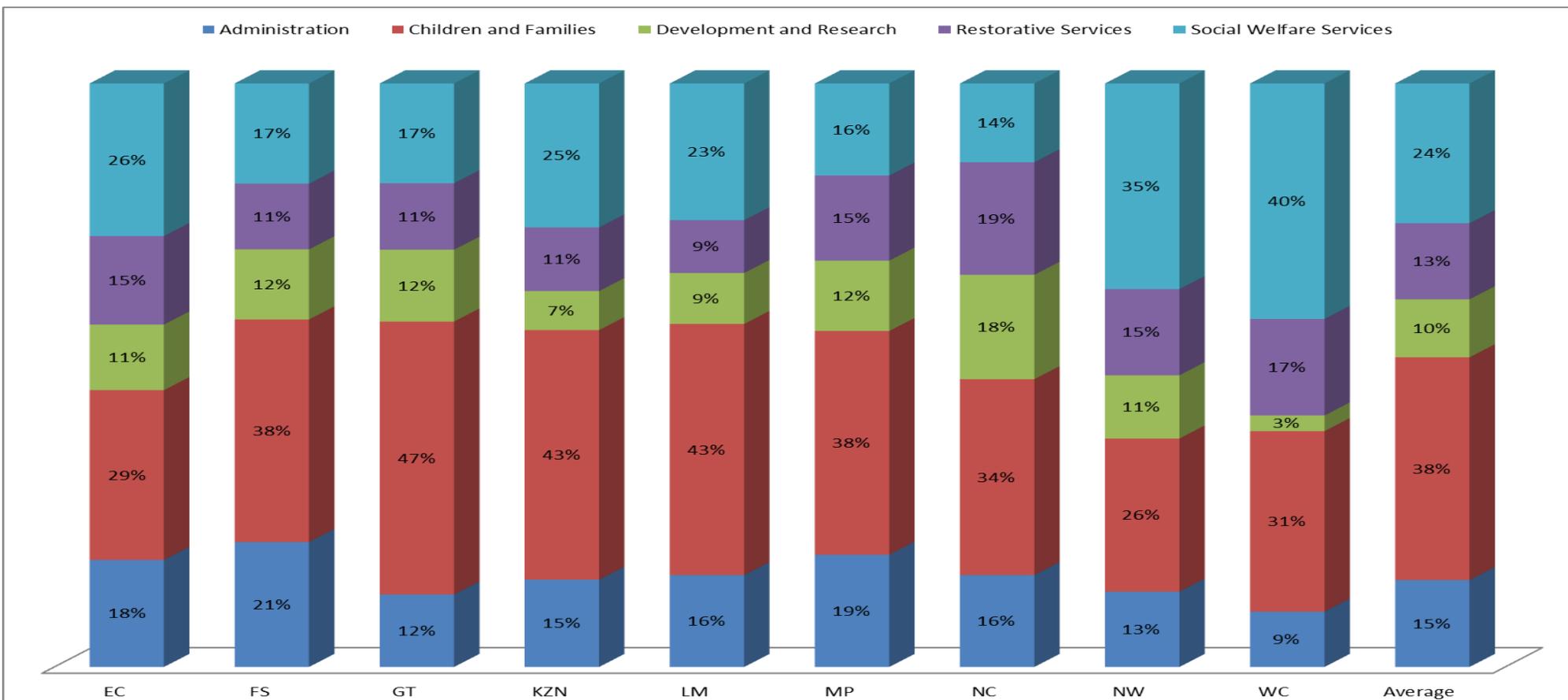


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# DISTRIBUTION OF ALLOCATION ACROSS PROGRAMMES



	EC	FS	GT	KZN	LM	MP	NC	NW	WC
<b>Social welfare, Children and Families and Restorative Services as a % of Total</b>	70%	67%	75%	78%	76%	69%	66%	76%	88%

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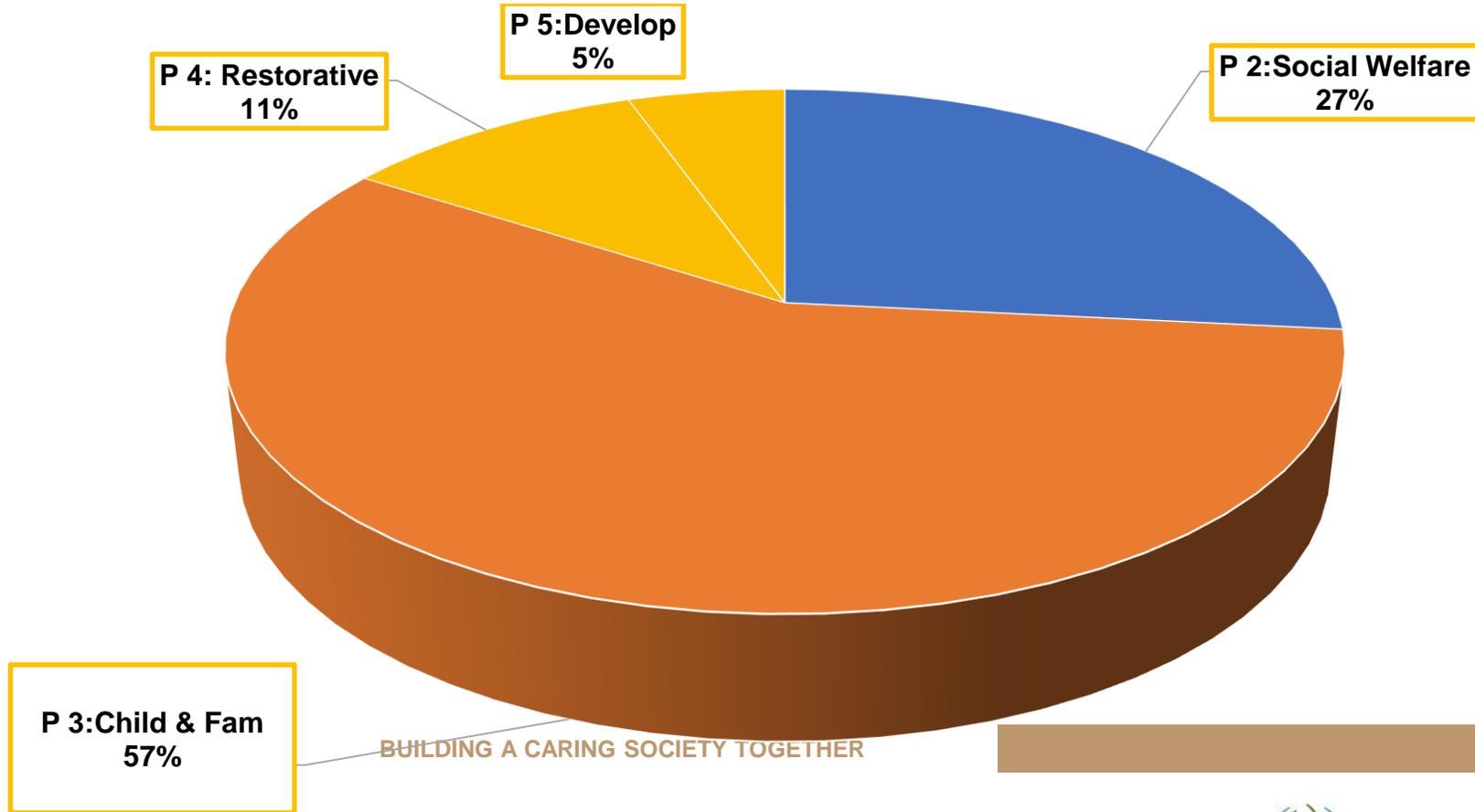


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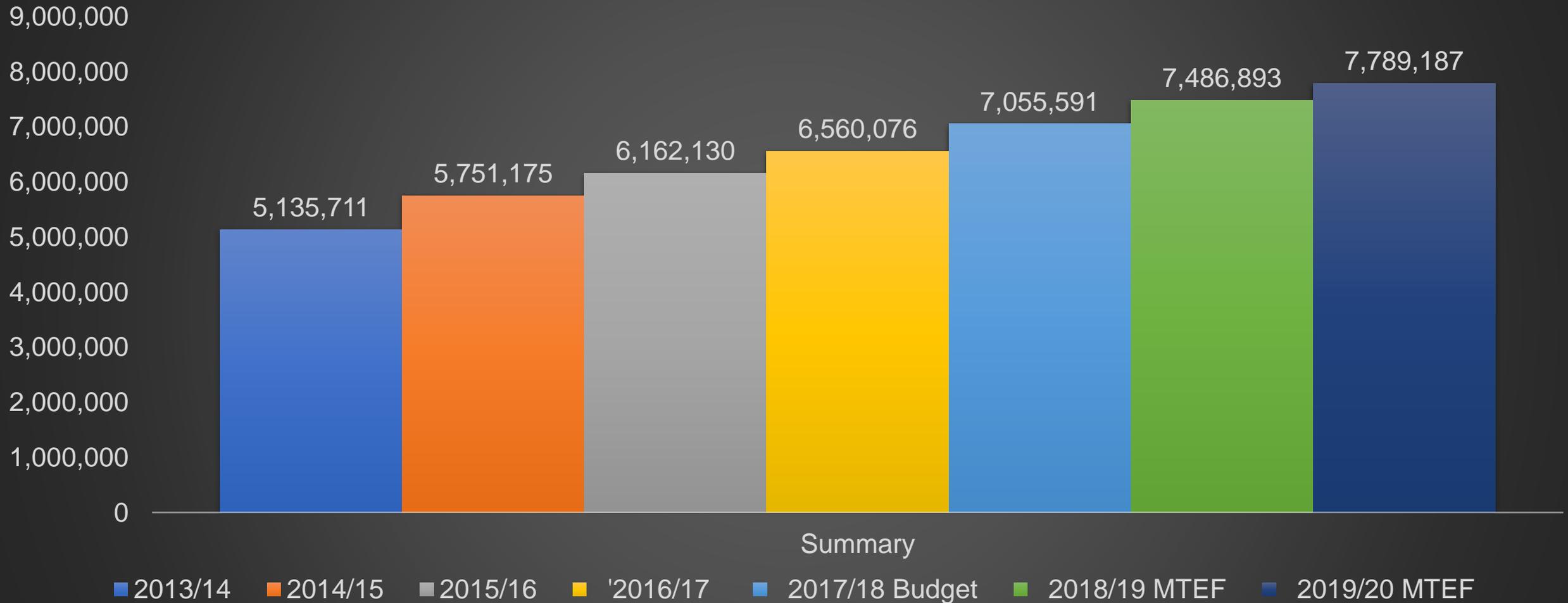
# NPOS TRANSFERS DISTRIBUTION TO PER PROGRAMME



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# GROWTH OF TRANSFERS TO NPO'S PER FINANCIAL YEAR

R'000

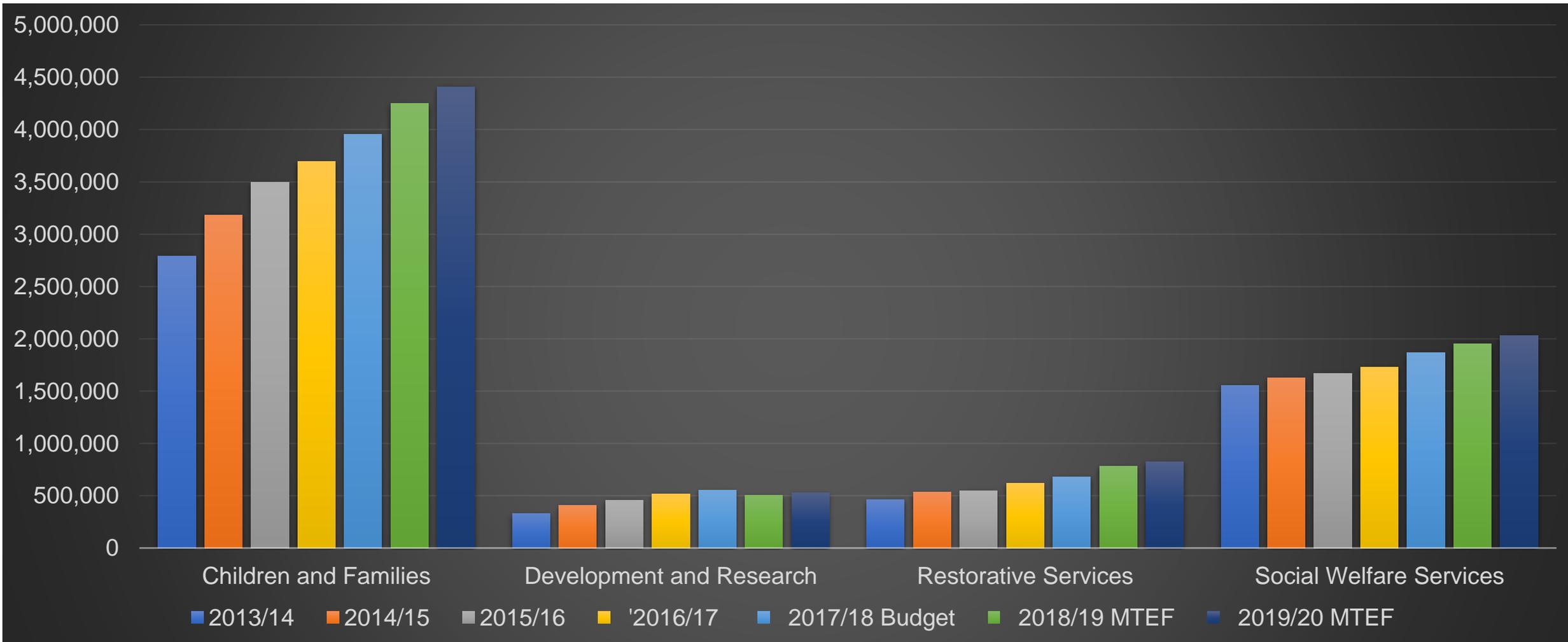


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# GROWTH OF TRANSFERS TO NPO'S PER PROGRAMME OVER FINANCIAL YEARS



# Funding of NPO in DSD Sector (CONT....)

- The importance of the partnership between DSD and the sector is informed by the constitutional, legal and international obligations as well as policies and programmes that are central to the mandate of the department.
- These, collectively contribute immensely towards the creation of an enabling environment for the effective delivery of developmental social services.
- DSD policies and legislative frameworks has created a conducive climate for the Department of Social Development to achieve its mission, particularly regarding the equitable distribution of resources.
- The White Paper for Social Welfare (1997), continues to serve as an overall guide for the delivery of developmental social welfare services that are accessible and equitable for all South Africans and central to this, is the an effective partnership between DSD and the NPO sector.
- This partnership remains critical towards the realization of the key priorities of the Department and Government as a whole

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# Funding of NPO in DSD Sector (CONT....)

- Government is working with relevant stakeholders in ensuring the efficient and effective provision of services to individuals and communities.
- It is on this basis that government very often provides funding annually in the form of transfer payments to entities that are outside of government (NPOs) as provided for in terms of section 38(1)(j) and (k) of the Public Finance Management Act (Act No. 1 of 1999) (PFMA).
- Transfers to non-profit organisations (NPOs) are particularly important towards realising service delivery objectives in the various social sectors.

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# APPROACHES TO ACHIEVE BETTER NPO FUNDING IN SA

## NON-PROFIT ORGANISATIONS

### Maintaining Public Trust

- NPOs must be transparent, responsible and accountable in the public eye

### Ensuring compliance

- NPOs must be Compliant with all legal prescripts

### Self Regulations

- The NPO sector to organise themselves and regulate themselves, holding each other accountable

### 3. Strong Partnerships in Communities

- Another way to revive the partnership is to make friends in the corporate world through CSI.
- Forming long-term, CSI-NPO partnerships which could be a way to establish a funding channel with clear long-term outputs.

### 4. Public organisation status

- NPOs are more likely to become financially sustainable over time if they can also access tax concessions, (such as section 18A certificates)

## GOVERNMENT

- Establishment of NPO registration and Compliance monitoring as a regulator ( Entity)
- Develop better mechanism to ensure adequate funding of the NPO sector by the state
- Dedication of certain government funds for the support of NPOs to deliver services
- Development of an NPO funding policy for the country in collaboration with private sector

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# CONCLUSIONS

- The current situation in the country with regards to funding of the NPO sector point to the fact that the sector is hard done by as they are severely underfunded.
- The current situation in the country as articulated in the White Paper review report, point to the fact that government and Social development services are underfunded by R9,2 billion in 201/19 financial year.
- The dwindling south African financial fiscus ( Budgets) is also major concerns as government department budgets are continuously reduced each year
- Establishment of partnership between government and the NPO sector, businesses and the NPOs sector in addressing social challenges is paramount as it could address the NPO resourcing challenges
- Central to this partnership, is to define the partnership that is based on mutual understanding in the provision of services and the upliftment of our communities
- The current partnership with the NPO sector is based on financial support and not on alleviating communities challenges
- The current sector realities demand that:
  - Government Department and DSD get funded according to its mandate and costed policies and legislations including the norms and standards,
  - Funding model of services be reviewed to ensure that there is equitable provision of services especially to historically disadvantaged communities.
- Private sector and donor to come on board and fund the NPOs in the delivery of services to communities

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# Thank you!

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