

# POLICY BRIEF



## CIVIL SOCIETY FUNDING MECHANISMS IN SOUTH AFRICA

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social development  
Department:  
Social Development  
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## PART A: INTRODUCTORY BACKGROUND

### 1. Introduction

There are many definitions of civil society, however, one underlining element of most definitions is that the term refers to the aggregate associations through which society freely come together and unite itself to represent the diverse interests and linkages that connect society together and operating in a socio-political space between the individual family unit, business and the State (OECD 2012, Habib A., 2004, Llewellyn 2014). In this sense, civil society would include a plethora of actors and groups such as Non-governmental Organisations (NGOs), Community-Based Organisations (CBOs), Faith-Based Organisations (FBOs) and other Non-Profit Organisations (NPOs). During apartheid, civil society played a significant role in the struggle for liberation and the enthronement of a free, open and democratic South Africa where all will be equal before the law. They received funding from local and international donors to support their work. The transition to democracy resulted in fundamental changes in the civil society sector especially in relation to funding of CSOs. South Africa's transition to democracy took place within a global context and a local context that have shaped the post-apartheid civil society funding environment and contributes to the challenges we currently see in the sector.

## PART B: STATEMENT OF THE PROBLEM

### 2.1 The global context:

One of the lessons of the past is that over-centralisation of power in the hands of the State can be inimical to development (e.g. Latin America and Eastern Europe). This criticism resulted in the gradual pull back of the State since the 1990s but the unbridled *laissez faire* that followed spread by agents and forces of globalisation using Structural Adjustment Programmes contributed to the failed economic development policies of most African countries and has led to two major financial crises that spurned near catastrophic economic collapse for which the IMF and World Bank were also severely criticized and as a result of which there has been a shift in emphases (Stiglitz 2002). Consequently, back in the mid- and late 1990s, the World Bank and other institutions such as the European Commission began promoting the idea of “Public-Private Partnership” as funding models for delivering economic development; with civil society deemed a crucial part of this new matrix (World Bank, 1997).

This approach drew on the experiences of the Scandinavian countries who had adopted a social democratic collaboration to deliver on critical developmental objectives in which the “State,” “capital”<sup>1</sup> and civil society all played active roles (Pillay, 2003). As will be seen, this resonates with South Africa’s democratic developmental state aspirations and the role of a vibrant well-funded civil society sector in delivering on developmental priorities to communities in order to alleviate poverty, inequality and unemployment.

## **2.2 The local context:**

South Africa’s transition from apartheid to democracy meant fundamental legal, social and political changes which in turn meant changes in the operations and sources of funding for organisations in South Africa post-1994. As the transition progressed, it became apparent that the political economy of the new South African democratic order would be anchored in free market principles within a neoliberal economic world order. The consequence of this was that the window for alternatives narrowed significantly and this applied to the funding models as many foreign donors during apartheid shifted their focus to other areas such as education, health etc. through the newly elected democratic government (Gumede 2018). Many CSOs pursuing development policy objectives in different sectors had to settle for 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.

## **2.3 Attempt to Establish State-Civil Society Partnerships**

The PPP arrangement described above has its supporters and critics. Supporters highlight the advantages of PPPs because NGOs entering into developmental partnerships are intermediate middle-class professionals with the flexible and skills to forge partnerships with the State, global actors and private corporations, and more importantly, local communities and smaller community-based organisations which places them in a unique position to effectively coordinate, promote and implement multi-sectoral and multi-stakeholder development initiatives (Aldaba, 2002). Regardless of

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<sup>1</sup> The “State” here refers to the executive arm of government and its agencies while “Capital” refers to the profit-making private sector and Civil Society refers to the voluntary not for profit sector.

the weaknesses of PPPs, there is great potential in such approach in realising developmental objectives. The more immediate imperative Aldaba (2002) points out is:

*“For closer collaboration and cooperation among the various sectors of society to solve these problems. Because of resource constraints...there is a need to optimise resource use and to maximize contribution from various sectors. There is also a necessity for more solidarity and understanding among these various stakeholders so that a more peaceful society can be attained. Thus, for the twenty-first century, fostering partnerships and multi-sectoral cooperation are key strategies to push sustainable development forward.*

Some see this as an overly optimistic assessment and argue that it is impossible for government, capital and civil society to come together to deliver development to the public. Whether or not this will turn out to be the case in reality depends to a large degree on the extent to which the particular State had already developed its own independent capacity to make the call whenever necessary before entering into such PPPs (Pillay, 2003). Joseph Stiglitz (2002) put it succinctly when he argued that:

*“...the extent to which such partnerships is viable and not a smokescreen for “market fundamentalism” depends crucially on the extent to which, prior to the involvement of the private sector, a country has developed its own capacity to effectively regulate the conduct of private businesses in the interests of the public. While West European, North American, and some East Asian countries have, in varying degrees, developed this capacity, most developing countries have not, leading to effectively unregulated privatization where profit maximization and commercialization receive precedence over the public interest.*

Nevertheless, the net effect of the above was that we witnessed a downward trend in civil society groups and their activities in the post-1994 era. This decline implicated not only donor funding but also trained personnel, many of whom took up jobs in the new democratic government (Asuelime, 2014). Faced with this decline in financial fortune, over the next two and a half decade, many civil society groups tried to adapt and reposition themselves in the new realities by downscaling in size while others like Development Resources Centre (DRC), Institute for Democratic alternative in South Africa (IDASA) amongst others completely went under thus, shrinking the South African civil society space considerably (Asuelime 2014, Gumede, 2018).

## PART C: CURRENT CIVIL SOCIETY FUNDING ENVIRONMENT IN SOUTH AFRICA

### 3.1 What are the Current Civil Society Funding Policies?

The NDA was established to disburse funds to CSOs for poverty alleviation, and carry out developmental projects to fight unemployment. It was established to be independent of government and civil society in a manner that allows it to facilitate dialogue and cooperation between the State and civil society in order to achieve development priorities. Thus, the NDA was mandated by law to use its conduit funding to channel funds from government and foreign donors to civil society groups for developmental purposes. Had this arrangement been effectively implemented, it would have strategically placed the NDA and Civil Society in positions where they could be crucial implementers of developmental priorities under the Sustainable Development Goals (SDGs). The NDA being a government entity which is focused on maintaining a society free from poverty and granting funds to CSOs for poverty eradication is uniquely placed to create a symbiotic relationship within the global and local development context through strategic partnership and collaboration (National Development Agency, 2016).

### 3.2 Lack of CSO Funding Policy Framework

Besides the prevailing problematic State-CSO relationship, the duties and powers of NDA, to act as 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 CSOs has not been put to effective use to lay down policy and regulatory frameworks for CSO funding in South Africa. Hence, what we currently have is a CSO financing landscape without appropriate policy and regulatory framework for the civil society sector.

### 3.3 Implications of Lack of CSO Funding Policy Framework

***What aspects of the CSO funding mechanism problems are current policies trying to solve?***

As pointed today, South Africa does not have an adequate funding accountability barometer and a coherent civil society sector strategy for addressing poverty, unemployment and inequalities; where the CSO sector can use their extensive reach and network in poor local communities to take charge of the delivery of specific development deliverables as a way of the CSO sector responding to developmental challenges. Civil society sector has therefore declined in its capacity to support

development objectives in poor communities and remote areas in South Africa. In the absence of an effective policy and regulatory framework, a few apex CSOs have emerged as dominant players with resources and capacity strong enough to attract the lion's share of the available funding and the resources and capacity skewed in their favour. This has led to fragmentation and numerous umbrella bodies whose activities have sometimes led to mistrust between civil society and the State. This has been detrimental to State-civil society partnership and counterproductive to the priority developmental objectives of poverty alleviation, eradication of unemployment in poor communities.

For its part, the NDA which is mandated to facilitate dialogue and partnership between the State and CSOs have consigned itself to grant-making (FPA, 2011). This policy vacuum means that CSOs are left to scramble for donor funding. This cut-throat competition for funding by CSOs has led to the fragmentation of civil society and an ethically questionable focus on contractual agreements between them and the donor rather than being demand-driven to respond to the developmental needs and priorities of the community (see main Report).

### **3.4 What are the Limitations of the Current CSO Funding Practices?**

In the current scheme of things, CSOs seek funding on a competitive basis. The impact is that the most well-resourced and well-capacitated organisations are more likely to have the skills to attract such funding leaving smaller organisations who often work in rural communities to fend for themselves. Predominant CSOs are located in the six of the seven main provinces identified in the report annexed. This has the effect of stifling growth in the sector and poor communities intended to be beneficiaries of the development activities of these CSOs would be hard hit. One could then consequently ask whether the current practice has solved, alleviated or worsened the problems or did they not have any effect? If so, why or why not? Evidence suggests that the current practice has exacerbated the problem and calls for adopting a policy and regulatory framework for civil society funding and funding accountability in the country. The policy vacuum is unsustainable if civil society is to play any role in the implementation of the NDP 2030, the SDGs and the AU Agenda 2063.

### **3.5 Supporting Current Practices and Opposing Policy Reforms**

Both the NDA and civil society organisations have long realized the need for policy intervention in the civil society sector. Civil society may not be in full support of a regulatory framework tailored along a “master-servant” relationship and the State has also demonstrated willingness for partnering with CSOs to alleviate poverty and deliver on developmental objectives to poor communities. This shared vision indicates that neither the NDA nor the civil society support the existing policy vacuum in the civil society funding landscape. It is also to be expected that they do not necessarily oppose policy reforms being proposed. However, the NDA will need to take leadership in this exercise with the engagement of civil society and business in developing the form and content of the policy. Dialogue and consensus will be needed in defining the policy imperative that will guide the civil society funding landscape in South Africa.

### **3.6 Impact of the Prevailing Practices and the Proposed Policy Reforms on the Population**

***What is the impact and how do these practices affect the communities served by CSOs and society generally?***

One impact of the policy vacuum in terms of funding is that it has forced CSOs to streamline, some have closed shop, and some have adapted and ventured into income generating ventures in order to stay afloat. While some CSOs have become highly reliant on government, business and other donors, communities feel that CSOs’ accountability have shifted from them to government and such donors. As development actors, the existing policy vacuum means that CSOs have literally floundered in the civil society sector without appropriate guidelines on the range of issues, activities and communities they are expected to address in their development efforts. Furthermore, the policy vacuum has allowed large CSOs to attract large funding and become dominant to the extent where some critics feel they muzzle the voices of their supposed constituencies rather than allowing them speak for themselves (Habib 2002). In addition, the policy vacuum has created a situation where some CSOs now often tailor their development priorities to suit the preferences of donors rather than the needs of communities. If indeed, the CSO space in South Africa is declining as some authors claim, this has huge implications for active and engaged citizenship and democratic participation especially for marginalized communities who in many cases have come to depend on civil society to be their voice.

Furthermore, shrinking the CSO sector will further deepen poverty and inequality. This consequently will lead to a progressive decline of CSO-delivered development initiatives.

***What are some of the ethical considerations or controversies surrounding these issues?***

The extent to which government policy and regulatory intervention is needed in the civil society funding environment requires a careful consideration. As the case of India shows, this can become a double-edged sword that must be wielded carefully. Civil Society will understandably oppose any policy and regulatory framework that seeks to micromanage their activities and ultimately undermine their ability to function as independent development actors. Such policy will not only discourage foreign donors but it will also cripple many CSO who still manage to attract such scarce funding. Such master-servant relationship is to be discouraged. At the same time, it is imperative for the South African government for example to bring some degree of policy certainty and structural organisation to the sector while respecting the independence of CSOs as development actors. Critics of those who oppose proposed policy intervention have been quick to point out the lack of transparency and accountability in the civil society sector. As openness, transparency and accountability are core constitutional imperatives in South Africa's new democratic order, this has to be upheld across all sectors, that is public and private including civil society.

In proposing solutions to the issues raised in the report, many aspects will be considered in developing the civil society policy including communication, monitoring and evaluation, State-CSO engagement, funding strategic alignment, due diligence, social innovation scale-up, use of Community Trusts, capitalising on volunteerism, collaboration, social enterprise approach.

The NDA Act of 1998 and the NPO Act of 1997 respectively established the National Development Agency which “*aimed at promoting an appropriate and sustainable partnership between the Government and civil society organisations to eradicate poverty and its causes....*” To add, the mandate of the National NPO Directorate within the Department of Social Development is “*to provide for an environment in which non-profit organisations can flourish; to establish an administrative and regulatory framework within which non-profit organisations can conduct their affairs.*” However, on the ground, challenges persist.

In its 2018 report for South Africa, the CSO Sustainability Index said “*Some CSOs believe that the regulatory bodies that oversee CSOs, including the NPO Directorate, exercise inadequate oversight by failing to ensure that CSOs remain compliant. In 2013, DSD deregistered 55,000 NPOs because of noncompliance, which led to a public backlash. DSD responded by granting extensions to the targeted CSOs to become compliant and retain their registration. However, the CSOs claimed they had already submitted the documentation that DSD requested and that the DSD had lost it. Five years later, in 2018, CSOs were still feeling the effects of this mass deregistration as they sought to resubmit the documentation required by DSD. The process of finding and resubmitting the documentation has placed a particularly heavy burden on small CSOs. Since this incident, DSD has been hesitant to deregister CSOs*” (USAID, 2018). This contextual reality will have to be considered in formulating policy interventions. It should be noted that the CSO would be wary of further regulatory interventions.

## PART D: ALTERNATIVE SOLUTIONS

### 4.1 Structural Reforms

The civil society sector needs to recognise that fragmentation has been inimical to progress in the sector and there is need to reorganise itself into a coherent social movement with the support of partners. The stiff competition for resources has undermined partnership and collaboration in the sector and ultimately setback development in the country. Proposals for the re-establishment of national, provincial and regional structures will be a useful starting point. This will be a crucial first step in confidence building to regain the trust of constituency and partners in the sector. Of course, this proposal has its strengths and weaknesses and may in fact attract criticisms from some quarters. Since this is a proposal that has been suggested by the NDA in the past, it would be helpful to gauge the views of policymakers, CSOs and other groups in the society on its identified strengths and weaknesses in terms of policy reforms. What the Media Diversity and Development Agency (MDDA) experience has demonstrated is that this funding policy intervention in the CSO sector will require arduous negotiation and dialogue which is highly necessary, achievable and ultimately beneficial to all especially the marginalized communities intended to benefit from the development work of CSOs.

#### **4.2 Mitigating Competitive Individualism in CSO Resource Mobilization**

In minimizing excessive resource competition in the sector, State-Donor-CSO Partnership will be crucial. The NDA could take a cue from the National Research Foundation (NRF) and its approach to resource mobilisation and distribution in the scientific community and Higher Education Sector. Civil society actors such as NGOs, research institutes and other think-tanks contribute to training and skills acquisition as well as capacity building at the grassroots level and ultimately contribute to economic development and poverty alleviation. But at the same time, while CSOs play an active role in holding political leaders to account and facilitate the implementation of development objectives policy, vacuum in funding environment presents many risks and challenges with implications for financial integrity, transparency and accountability and even national sovereignty and security.

One possible weakness of this proposal, however, is that it runs the risk of constraining CSOs flexibility and ability to respond to changing social development dynamics in the communities in which they operate. To mitigate this risk, government should not aim at micromanaging CSOs and policies and regulations should not increase the administrative burden of CSOs through more compliance requirements but should provide the ample space for government-CSO to bring coherence and stability to the sector without excessive regulation. As noted above, this approach will provide the incentive for small CSOs to aggregate and work together as they are assured of a funding base.

#### **4.3 Ensuring Transparency and Accountability in the Sector**

The lack of transparency and accountability in the sector has created room for mistrust. Civil society actors are said to no longer representing marginalized communities but pursuing partnerships with private business that are often in it for profit-maximization objectives and propose market-solutions to all problems to the disadvantage of public development initiatives and objectives. An aligned CSO policy needs to ensure that CSOs do not become mere appendages to “tick the box” in contracts, projects and programmes by government, donor and big businesses because CSOs no longer represent marginalized citizens in issues of macroeconomic risks of unemployment and service delivery etc. Since the inception of democracy, only established CSOs have managed to launch partnerships with the state, industry and donors, and this has corroded their accountability and thus eroded public confidence by the marginalized communities they claim to represent and serve no

matter how these CSOs can claim to be authentic CSOs working for development. CSOs have been sucked into government-business-donor paradigms and are no longer able to project the concerns of their marginalized constituencies and their developmental needs.

## PART E: ACTION PLAN AND PROPOSED POLICY RECOMMENDATIONS

### **5.1 Develop an Overarching Policy Framework for CSO Funding:**

**What to Have:** South Africa needs to develop and have an overarching framework that supports CSO and this policy should be evidence-based, developed from an analysis and understanding of first, the role of CSOs in development, how CSOs contribute to developmental efforts; secondly, such policy should define main terms, the objectives, goals and principles and the mechanisms for State cooperation and support for CSOs. This policy can then be converted into Guidelines.

**Why it is Important to Have this:** Many variables determine whether State-CSO support and partnership, utility, consistent, effective and sustainable or not. A clear and well-defined long-term CSO policy developed with buy-in from CSOs which sets out in clear terms the aim and rationale for State support and partnership with CSOs; and clearly stating operating and results-focused priorities. With the active engagement of CSOs in the policy formulation process, the State enables common understanding and co-ownership of the process and outcomes, define common goals, sets the pace for partnerships and managing and balancing expectations of stakeholders. It is imperative that South Africa needs a CSO funding mechanism policy.

**Proposals:** The State needs to examine, study, and understand the diversity, multifaceted, complicated and constantly changing nature of our civil society and the CSOs on the ground in order to be able to decide on how the State should partner with CSOs, why such partnership needs to be prioritized and also agree on what type of development CSOs can be expected to deliver on the ground and working in partnership with the State.

South Africans need clarity about the roles of CSOs in development. Currently, there is lack of consistency in the understanding and application of the “developmental roles of CSOs” by stakeholders in the sector. How is our understanding and application of the concept currently impacted by recent advances in other areas such as 4IR and how can stakeholders adapt? How is

the development agenda set for CSO, does it depend on the availability of budget or is it determined by the development needs of communities? Ideally, development priorities should be determined by the needs of the communities these CSOs serve. Here, we may need to revisit some of our policy assumptions and pursue evidence-based research to ascertain exactly how CSOs contribute to particular development goals.

It is extremely important that for any CSO policy development, there should be buy-in and ownership at the highest levels of government and CSOs. It should also be evidence-based and clearly state the purposes that will direct and shape the process of design, implementation and evaluation. Such CSO policy should state the norms and standards that will guide State-CSO partnerships and indicate what types of partnerships are feasible and the relevant entry requirements. CSO policy should identify geographic and thematic areas of priorities for development partnership. The underlining hypotheses of State-Civil Society partnership should be reviewed regularly to make sure that policy priorities continue to be relevant and are attuned to what obtains on the ground. The NDA should develop its CSO funding policy in consultations with CSOs. The NDA should measure whether its regulatory framework is stifling or enhancing CSO performance.

The State can and should provide enabling environment that recognises CSOs as agents of development in their own right. Both the State and CSOs and funding partners should agree on measurable targets, while CSOs should commit to transparent, accountable and effective development practices and should be readily accessible. The policy should ensure that the funding mechanism and conditions support CSOs to be active and effective development actors on the ground and funders should discourage pitching CSOs against each other in competitive bids for funding. The policy should be subject to periodic review and updating.

## **5.2 Policy Should Encourage Partnerships for CSO Funding:**

**What to Have:** CSOs are valuable partners in delivering many development needs. Funding partnership between State and CSO must align with the Civil Society Policy but also enable CSOs to meet their own civil society policy objectives.

**Why this is important:** Funders want to choose and fund the best-placed CSOs who have the track-record and capacity to deliver on their priorities and the partnerships. Conscious efforts will have to be made to create a level-playing field for the new CSOs to develop and thrive rather than continuing with the dependency-syndrome highlighted in this discussion document.

**How to achieve the above:** Funders should set clear development objectives and once this is in place, choosing the right CSO to partner with to achieve those objectives become less challenging. It may be useful for the NDA to re-assess the CSOs in SA and their capacity, the sectors in which they operate and their size etc. With such knowledge and evidence-based information, the State can even play a central role in information sharing with local and international funders looking for local partners. This is highlighted in the report by the assertion of the Gift of the Givers. It is important for the State and CSO to draw from a common lexicon when speaking about development and its concepts. Developing a common understanding is important and knowledge sharing between the CSO and State can help in the formulation, definition and clarification of terms. This common understanding could then be employed by the core stakeholders, i.e. the State and CSOs in the sector.

### **5.3 Strategic and Constructive Policy Dialogue Between State and CSOs:**

**What to Have:** Dialogue should aim at getting the benefits of CSOs experiences, knowledge and expertise in development and be directed at achieving the set development objectives determined on the basis of evidence-based, demand-driven; focused and results-oriented. State policies should encourage and enhance timely, open and transparent dialogue with CSOs because of its immense benefits in terms of fostering common understanding, building trust, promoting accountability and a shared vision which then makes partnership and the achievement of the development objectives possible. Ad hoc consultations that do not give CSOs adequate time for internal planning and discussions undermine meaningful inputs into policies and government's credibility.

**How to achieve the above:** Consultations between NDA and CSOs should be strategic and have clarity of purpose: What is the particular consultation for? Why do we want to consult CSOs? When should the consultations happen? What do we expect? How often do we want those consultations to happen? Adequate preparation before consultations and guidelines on what needs to be covered, results-oriented, high quality, knowledge-sharing and focused dialogue must be highlighted.

Dialogues between CSOs and the State should have a follow-up system highlighting the meaningful contributions made by CSO to policies and keeping the channel of communications alive for active engagement to achieve the set developmental policy objectives. There must be an early *Reach Out* to CSOs in determining agendas for dialogues with CSO; adopting and keeping an open and transparent approach to the dialogue and participants' selection process. Lastly, there is need to Assess the Dialogue process for quality and usefulness of outcomes.

#### **5.4 Respect independence while giving direction**

**What to Have:** Funding can be a powerful tool to influence policy directions and shape strategic objectives. Government/funders should strike a balance between setting CSO funding criteria and recognising the status of CSOs as independent agents of development. Since NDA has its statutory mandates and CSOs have their own respective objectives, these shape how partnerships are formed and who is selected for partnership, funding and cooperation. Therefore, developing a policy that can enable all three aspects to forge a synergy to achieve the common development objectives is crucial. The imposition of excessive conditions hinders CSOs' independence, and in some cases deters them from exercising the independence necessary to respond to the many dynamics of developmental needs and objectives.

**Why:** It is imperative to develop and commit to providing an enabling environment where CSOs are able to function to their maximum capacity and act independently as agents of development contributing to the best of their abilities to government's development agenda. This generates the questions: How can CSOs pursue their independent development priorities which may not necessarily be in alignment with the development priorities of government and funders? Can CSOs self-regulate in the monitoring and evaluation of implementation of policies on development priorities?

**How:** Funders should concentrate on building partnerships with CSOs which are based on trust, focus on results and forge linkages that enhance comparative advantages and effective division of labour in the pursuit of the set development goals. International funders want to choose and fund CSOs with capacity to implement and deliver on the funding objectives. In most cases, these are usually the well-resourced and well capacitated CSO. How can this be overcome in order to create for diversity and growth in the bottom rung of the sector so that the small marginalized CSOs can grow

too? This will require funders and CSOs to take their relationship beyond funder-funded relationship and situate it in the broader development matrix of the State where all the different ingredients come into play at the community developmental-needs context. In this way, CSOs, big and small come to recognise their different roles in the spirit of Ubuntu, the shared vision to deliver development priorities while mutually reinforcing each other in the process.

CSO funding policies should expressly acknowledge the fact that CSOs are independent development agents who are able to play different roles in the development process. Based on the understanding that CSOs are independent, funders should set clear development objectives to be funded on the basis of which they select the appropriate funding mechanism and the eligibility criteria. Such objectives need not always emanate from funders, they could also be initiated and derive from CSOs priorities provided that these are demanded by the developmental needs of communities on the ground. An open dialogue between the NDA and CSOs in a transparent and objective manner to reflect on funding conditions and eligibility criteria can enhance effective partnership and a level-playing field for all in the sector.

Funders should be cognisant of the diversity of CSOs and their different roles in the development sector, and should adopt variety of funding options to suit differences in capacities and geography. With this flexibility in approach, funders will be able to fund development projects CSOs consider priorities. Funders should indicate in their policies whether CSOs will be required to align their development priorities with those of their host country's government or whether CSO development objectives should merely complement government efforts in the sector.

***Reward accountability, efficiency, and incentivise transparency and fiscal prudence by CSOs.***

It is possible to device a funding model that evaluates applications on the basis of (i) Institutional Evaluation: looking into management, organisation, governance, strategy, and professional capacity; and (ii) Programme Evaluation looking into the content of the programme, its contextual relevance, networking and knowledge-sharing and overall strategic coherence. This arrangement transcends the usual funding focus of funder-CSO relationships and emphasises the need to forge partnerships and cooperation that outlive the funding period and particular development project.

## **5.5 Alignment of Funding Mechanisms with Development Purposes:**

**What:** funds are often accessed through project and programme, partnership/framework agreements, call for proposals etc. however, funding mechanisms present a number of practical challenges that negatively impact CSO effectiveness and achievement of set development objectives: (i) Funding requirements are often too elaborate, complex and complicated requiring an enormous amount of resources to complete; (ii) Funding guidelines are sometimes unclear; (iii) uncertainty around funding continuity; (iv) project funds do not often cover many critical management and programme control and supervision tasks; (v) the processes in funding are sometimes inconsistent; (vi) many funding are limited to a once-off project funding.

**Why it is important:** it is important that funders have a combination of funding mechanisms designed to fit the CSOs and their development policy objectives as it enhances greater CSO ownership. By using a combination of funding mechanisms, funders will be able to level the playing field for the participation of a wide variety of CSOs at different levels of operations, with different development capabilities, and driving development priorities to come in and access the funding. This will mitigate the negative impact of the dominance of a few large CSOs in the sector and gradually enable the small CSOs to leverage funding and contribute to diversity and inclusivity in the sector. The reason for funding CSOs should underscore the development priorities outlined in the civil society policy (poverty reduction, eradication of inequality and unemployment in South African communities). Hence, both funders and CSOs will be on the same page and the funders are better able to align funding mechanisms and instruments with the desired outcomes. Adopting the right funding mechanisms enables partners to optimise their development impact, create room for flexible management for necessary adjustments in an evolving development context, track demand and needs, and enhance the chances of having a successful development partnership and effective use of resources.

**How to achieve this:** Funders should adopt a combination of funding mechanisms and models that are capable of changing and adapting to changing development contexts. Since different donors have and fund different development objectives, their funding mechanisms would also need to be diverse to reflect this orientation and the multiplicity of CSO development actors they partner with. The NDA funding mechanisms should set out clear rules and regulation and processes; with clear directions to

applicant CSOs and the decision-making process should be transparent. CSOs from donor countries should be encouraged to partner with CSOs in recipient countries. The funding instruments can be used to achieve this by providing incentives to CSOs in donor countries to partner with CSOs in recipient countries while at the same time focusing on the development priorities and needs of the recipient country.

Facilitating training for CSOs on funding mechanisms and how it works will also be crucial. The NDA/funder should critically reflect on the efficacy of its funding mechanism in terms of its suitability for achieving the set development objectives and priorities and the suitability of the CSO. Multi-year funding mechanisms: have several advantages. They create certainty and allow for consistency in planning, implementation and engagement between partners who are then able to collect and share information. With this type of funding mechanism, CSOs have some degree of financial and job security, continuity and this enhances CSO strength and resilience. Having a multi-year funding mechanism agreement in place between donor and CSOs helps the CSO to minimise the administrative burden needed to prepare funding applications every year and for the funders who have to review such applications. How many donor agencies use this type of multi-year funding mechanisms for CSOs in SA? Which CSO are the major recipients of such funding? This will require data collection from the field to answer.

**Core Funding:** this type of funding mechanism presupposes that the applicant CSOs have an existing effective, strategic and organisational capacity to professionally manage resources efficiently. It offers numerous benefits by enhancing CSO ownership of the project. It minimises the administrative workload and enables CSOs to prioritise and manage the funding more effectively. Through core funding, donors can gauge the capacity of a CSO in terms of management and financial resources. It is advisable that the NDA/funders who wish to provide core funding should clearly outline the qualification requirements and evaluate the strategic capacity of the applicant CSO in terms of organisation and programme management. The evaluation should also take cognisance of standards of what the CSO considers to be effectiveness.

**Earmarked Funding:** This type of funding mechanism can be used to provide development objectives funding in particular sector or geography or context or area. It is possible for NDA/donors to

provide funding for specific developmental projects through CSOs who may not have the capacity to apply for core funding but have the comparative advantage in a given area or aspects that places it at an advantage in the target communities. When CSOs receive earmarked funding, they are able to strengthen their capacity to deliver on set development objectives while learning on the job. This is critical for SA since many CSOs are under-resourced and have weak capacity. It is therefore important that when using this type of funding mechanism, the funder should focus more on the overall impact of the project at the strategic level while allowing for flexibility and adaptation. Monitoring and reporting conditions should be such that they take cognisance of the practical realities and challenges faced by CSOs working in such sectors on the ground. This is a prominent funding mechanism used by many funders/donors. This approach allocates funding to projects as part of an existing broader partnership agreements with CSOs. Other models include Co-financing mechanisms, Pooled funding and Calls for proposals all of which have their strengths and weaknesses.

## PART F: SUMMARY AND CONCLUSION

CSOs who played an active role in the fight against apartheid seems to have lost their voices today and can hardly be heard to represent their marginalized constituencies even though the need for their crucial role has never been greater. The development discourse of the 1990s put CSOs in a new space requiring partnerships with government and business within a neoliberal economic order. Thus, CSOs find themselves in a somewhat normative contradictions -unlike during apartheid when their roles were clearly defined as opposition and antagonist to the oppressive regime, the post-apartheid democratic government means they now have to at the same time be both critics and partners with the government for limited resources. Yet, CSOs are critical role players for achieving development objectives in marginalized communities because they have a unique ability to enhance grassroots participation and empowerment. The net effect of the declining resources is immense pressure and changes within the civil society sector resulting in loss of skilled personnel, closure of many CSOs, and in some cases, CSOs literally becoming consultants and subcontractors to government resulting in growing alienation between CSOs and the marginalized poor communities which is the constituency they are supposed to represent.

At the same time, the sector has been plagued by persistent lack of transparency and accountability coupled with an acute competition for resources, CSOs has witness deepening fragmentation and decline. Although there is inconsistency in the data in this respect, what is beyond doubt is that as development actors in their own right who are involved in the planning and implementation, monitoring and evaluation of development projects, there is a need for a comprehensive review of funding parameters, partnerships and core programmes' alignment in order to develop appropriate policy responses by government though a dialogic process with all stakeholders-the civil society, private sector, donors and the State and the broader society so that the sector can be privatized to play its critical role in delivering development to marginalized communities, alleviate poverty, reduce unemployment and inequality.

## PART G: REFERENCES

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**Report compiled by:** NDA Research Unit

**Reviewed by:**

Thami Ngwenya – Senior Manager: Research

A handwritten signature in black ink, appearing to read "Thami Ngwenya".

Signature:

25 January 2021

Date:

**Approved by:** Bongani Magongo – Executive Director: DMR

Signature:

Date: