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National
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POLICY BRIEF

THE RELATIONSHIP BETWEEN SKILLS
DEVELOPMENT AND CIVIL SOCIETY
ORGANISATIONS' SERVICE DELIVERY

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National Development Agency

26 Wellington Road

Parktown

Johannesburg

2193



Email: info@nda.org.za

Website: www.nda.org.za

Tel: 011 -018 5500

ISBN: 978-0-621-51802-3

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I Summary

The research study examines why South Africa's economic and development policies have failed to combat high unemployment, poverty and inequality since the demise of apartheid in 1994. Despite spending R1.3 trillion, positive outcomes remain elusive.¹ Furthermore, the study analyses national skills development strategies and plans to ascertain whether civil society issues are prioritised insofar as creating sustainable livelihoods for distressed communities. Civil society organisations' capacity to effectively render services to local communities is also interrogated.

Within two years after the first democratic elections in 1994, the new government shifted its policy stance from heterodox economic views to a neo-liberal economic policy approach based on the Washington Consensus. Neo-liberal policies have since shaped the government's role in the economy, its policy choices, and the country's growth and development trajectory. The consequences of this fundamental policy shift are all too evident.

South Africa's official unemployment rate is 32.6%, expanded unemployment is 42.4%, and youth unemployment is 60.7%. The Gini coefficient of 0.63 is the highest in the world. Forty percent of South Africans are food-poor. One in three South Africans directly benefit from a social grant, while nearly two-thirds of the population (64%) are directly or indirectly beneficiaries. Evidence shows that social assistance transfers significantly reduce poverty and inequality but are unsustainable long-term.²

Employer and worker interventions dominate the National Skills Development Plan, 2030. Civil society organisations (CSOs) are limited to a few interventions. Therefore, CSOs are not participating actively in the NSDP.

CSOs play a major role in formal, non-formal and informal skills development by empowering vulnerable communities and socially excluded groups with the requisite skills for employment and entrepreneurship. CSOs reach communities in hardship in the most remote areas and contribute to socio-economic development, emergency relief and upskilling to achieve sustainable livelihoods.

However, limited financial resources, over-reliance, inconsistent donor funding, and intense competition for funding are major challenges facing CSOs. Additionally, there is high staff turnover, a lack of trained employees, and funding constraints for staff training. Skills gaps exist in financial and human resource management, governance, data management, project management, and fundraising, to list a few.

¹ Department of Performance Monitoring and Evaluation (2023) *Acceleration Plan to achieve NDP targets by 2030*. DPME: Pretoria.

² Roodt, D. (2023). *South Africa, 29 million South Africans receive grants with only 7.4 million taxpayers*. Daily Investor. 2023

From 97 CSOs that responded to the stakeholder survey, the following came to light:

- Most CSOs have skills development as their main activity: ECD (20%), youth development (18%), skills development (17%), entrepreneurship (6%), and teacher development.
- Thirty-eight percent are self-funded, 31% receive donor funding, and 32% receive state funding.
- Twenty-three percent are involved with SETAs, showing that most CSOs are excluded from the national skills development system.
- Most CSOs state that the government does not recognise their importance.

The major recommendations emanating from the study include:

- *Reverse the neo-liberal economic policy stance favouring heterodox economic policy approaches to address unemployment, poverty and inequality.*
- *Expand the toolkit of economic policies to advance employment outcomes and targets.*
- *Select civil society organisation (CSO) representatives to serve on skills development forums based on their knowledge, skills, and experience.*
- *Sign off skills development strategies and pro-poor plans, and allocate sufficient funding for civil society activities.*
- *Incorporate CSO capacity-building interventions in skills development strategies and plans.*
- *Simplify application processes for funding and skills programme accreditation and improve response times for applications awaiting approval.*

I Problem Statement

The government is making considerable efforts to address the plight of poverty-stricken people by providing social grants, universal primary healthcare, free schooling for eligible households, a National Financial Student Aid Scheme (NSFAS), and supporting small businesses. Despite these notable efforts and some gains, South Africa faces mounting unemployment, poverty, and inequality.

The country's economic performance has been anaemic for over a decade. The economy is expected to grow by 0.8% in 2023. Crippling power cuts, water-shedding, logistic bottlenecks, state corruption, high-interest rates, and a weak rand is fomenting unemployment, poverty and inequality. Public debt is among the highest in emerging markets, limiting the government's ability to expand monetary policy and create further stimulus packages. Unemployment at 34.7% is close to an all-time high. Expanded unemployment is 41.2%, and youth unemployment is 60.7%.³ South Africa has the highest inequality rate in the world, at 0.63. The richest 10% of South Africans earn 66.5% of the country's total income and own 85.7% of the total wealth. About 40% of South Africans are food-poor, meaning they cannot afford food to make up a healthy diet. Per capita income in 2014 was \$6 252, and in 2023 is \$6 018.⁴

The current state of affairs has led to debates about the effectiveness of the government's economic policies, and the extent to which it is inclusive, developmental, redistributive and resilient. The government changed from concurring with heterodox⁵ economic views up to the early 1990s to fully embracing mainstream economics and policies within two years of the 1994 elections. After 15 years, attempts to stimulate the economy through fiscal policy and to address exclusion through social grants have failed to achieve their goals. Instead, neo-liberal policies have sacrificed the country's investment grade, increasing the cost of capital, with little social progress to show for it. The underlying capabilities to achieve sustained growth by leveraging the full capability of its people, companies, assets, and know-how remain underutilised. Three decades after the end of apartheid, the economy is defined by stagnation and exclusion, and current strategies are not achieving inclusion and empowerment in practice.⁶

Critical to addressing poverty in vulnerable and remote communities, civil society organisations are not mainstreamed in skills development strategies and plans. Most CSOs find it a challenge to participate in government initiatives that are complex, bureaucratic, time-consuming and costly. CSOs face funding constraints, irregular donor funding, intense peer competition, and procurement irregularities that adversely affect their operations. They lack the resources for staff development. Skills gaps exist in leadership, governance, management, finance, IT skills, project management, and fundraising. Belt tightening on the part of the National Treasury means less funding for social spending in education, health, housing, and poverty alleviation.

³ Statistics South Africa (2023) Quarterly Labour Force Survey. StatsSA. Pretoria.

⁴ Valodia, I. (2023). *South Africa can't crack the inequality curse. Why, and what can be done?* The Conversation. September 2023

⁵ Heterodox economics refers to economic theories that diverge from mainstream or neoclassical principles. While most economists accept mainstream economic theories, they tend to rely on neoclassical theories of market equilibriums and rationality.

⁶ Hausmann, R et al (2023) Growth through Inclusion in South Africa. CID Faculty Working Paper No. 434. November 2023.

I Key Findings

- The government's shift from heterodox economic views to neo-liberal economic policies since 1996 is ineffective in combating unemployment, poverty and inequality.
- Poor economic performance limits the state's ability to increase social spending in vulnerable communities.
- South Africa's economy has not diversified from its minerals-energy complex. In recent years, the financial and services sector has dominated the economy.
- South Africa has a strong policy environment. However, the effectiveness of these policies is undermined by poor implementation, budgetary and human resource deficits, cadre deployment, poor monitoring and evaluation, and weak consequence management.
- Most CSOs consulted are not actively involved in the skills government's development strategies and plans. Poor communication, exclusion and bureaucracy negate CSO participation.
- Employer and worker agendas dominate national skills development strategies and plans. Civil society formations are marginalised despite their critical role in local socio-economic development.
- CSOs provide formal, non-formal and informal skills development programmes. They empower, represent, and reach vulnerable and socially excluded groups. They foster economic and human development, social cohesion and innovation.
- The government does not understand CSOs' critical role in alleviating poverty and uplifting communities.
- Persistent financial constraints undermine CSOs' activities and prevent them from achieving desired outcomes.

I Recommendations

- *Reverse the neo-liberal economic policy stance favouring heterodox economic policy approaches to address unemployment, poverty and inequality.*

- *Integrate employment outcomes in national planning targets by mainstreaming employment considerations and goals into national planning, sectoral, and macroeconomic policies.*
- *Incorporate SMMEs and co-operatives into domestic and global value chains to give access to markets.*
- *Increasing public and private infrastructure investments, leveraging public-private partnerships (PPPs) to finance large public infrastructure projects with employment targets.*
- *Strengthen national social dialogue mechanisms by ensuring they are inclusive, involving all key partners, and empowered with mandates to address socio-economic issues.*
- *Partnering with national think tanks, policy institutes, and academics is crucial for policy innovation and knowledge dissemination involving policymakers, communities, firms, and all facets of the economy, including the informal sector, women, youth and workers in general.*
- *Select civil society (CS) representatives based on their knowledge, skills, experience and expertise.*
- *Provide CS representatives training in leadership, governance, management, finance, negotiation and the economy.*
- *Update the NDA database regularly, providing stakeholders with current information, facilitating partnering of CSOs with others, and CSOs with the private sector and other stakeholders.*
- *Sign off pro-poor skills development strategies and plans.*
- *Allocate adequate funding windows and projects to CSOs.*
- *Mainstream CSO priorities in skills development strategies and plans.*
- *Simplify application processes for funding and skills programme accreditation and improve response times for applications awaiting approval.*

- *Improve M&E processes to prevent corruption regarding handling funds intended for CSO use and awarding tenders for services, particularly. Services rendered by CSOs and co-operatives under government contracts require timely payment for the organisations to continue operating.*

I Concluding Remarks

The government relies on CSOs to reach vulnerable communities. Not all support required by CSOs is monetary support. More effort should be channelled into assessing and evaluating the needs of CSOs so that Government initiatives, interventions and resources can be better directed. Networks between the government, the private sector and CSOs should be facilitated and promote the government's socio-economic goals.

Moreover, simplifying application processes for access to funding and accreditation of skills programmes will significantly assist CSOs in achieving their mandates. With relevant support and guidance, the invaluable contribution of CSOs to eradicating poverty, unemployment and inequality, job creation, and general community upliftment can undoubtedly be realised.